

**National Taxpayer Advocate**  
**Public Forum on Taxpayer and Stakeholder Needs and Preferences**  
**Internal Revenue Service**

**May 17, 2016**

**Statement**  
**of**  
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On behalf of the National Society of Accountants (“NSA”), I am pleased to participate in today’s Taxpayer Advocate Public Forum on “what taxpayers want and need from the IRS to comply with the tax laws” and, more specifically, the taxpayer and stakeholder needs and preferences that the IRS should consider as it develops and refines a plan to define the IRS’s “Future State” initiative.

NSA is a voluntary association of certified public accountants, enrolled agents, licensed public accountants, tax practitioners who are licensed by state agencies, and accountants and tax practitioners who hold credentials from nationally recognized credentialing bodies. NSA and its affiliated state organizations represent tens of thousands of practitioners who provide accounting, advisory and tax related services to more than 19 million individuals and small businesses. In short, NSA represents accountants and tax professionals who serve *Main Street* rather than *Wall Street*.

I have reviewed the Taxpayer Advocate’s 2015 Annual Report, which summarized the seven themes of the IRS’s Future State initiative as follows:

- Facilitate voluntary compliance by empowering taxpayers with secure innovative tools and support.
- Understand non-compliant taxpayer behavior and develop approaches to deter and change it.
- Leverage and collaborate with external stakeholders.
- Cultivate a well-equipped, diverse, skilled, and flexible workforce.
- Select highest value work using data analytics and robust feedback loops.
- Drive more agility, efficiency, and effectiveness in IRS operations.
- Strengthen cyber defense and prevent identity theft and refund fraud.

I would first note that many of these themes are not necessarily limited to a discussion of the Future State of the IRS; they could be the current – or past - themes of numerous large organizations. Still, we support the direction of the themes when read to support improvement in the areas underlying these concepts. Importantly, these themes should be read in a context where significantly more than half of all returns are prepared by tax professionals. If the IRS Future State is designed to address a taxpayer’s interaction with the IRS, it must also address the paid preparer’s interaction or much of this effort will have missed the mark.

I would also note that moving forward on most, if not all, of the seven themes are dependent on an adequate IRS budget. NSA is disappointed in the decrease in IRS funding levels since 2010. Although the impact of these budget cuts on the IRS is and has been severe, it has been just as painful for individual and small business taxpayers who have to cope with the tax code that Congress created, a tax code that has seen more than 4,500 changes since it was last overhauled in 1986. Nevertheless, according to the House Appropriations Committee report last year, the reduction in budget funds was “sufficient for the IRS to perform its core duties.” NSA wrote to the Committee to respectfully disagree since, in our view, that statement in the report can only be true if the Committee’s definition of IRS “core duties” does not include such tasks as collecting revenue, or responding to taxpayer requests, including answering the telephone when taxpayers call seeking help.

I am mindful that the IRS budget for the current fiscal year did include an increase to provide a \$75 million increase for Taxpayer Services but, in the context of an overall \$838 billion decrease, the increase was accomplished by making even larger cuts to other areas where IRS needs appropriated funds, including funds to combat identity theft and ensure cybersecurity, which is one of the seven themes of the Future State. While we support the increase for Taxpayer Services, we believe the overall IRS budget also needs to be substantially increased.

With respect to the Future State, when this initiative was announced by IRS Commissioner John Koskinen, he stated that “the idea is that taxpayer would have an account at the IRS where they, or their preparers, could log in securely, get all the information about their account, and interact with the IRS as needed.” We agree with this statement insofar as it envisions an improvement in IRS technology and the additional capabilities such technology may bring. Clearly, when the current state of affairs serves as a basis for comparison, a tax return preparer’s ability to receive current information about an account would be a welcome improvement.

However, I want to focus on the last phrase in the Commissioner’s statement, which is that, taxpayers can then “interact with the IRS as needed.” For many taxpayers and their preparers, that interaction is many times just a matter of going online to find information about general issues or about their specific tax return information. It seems clear that the current state of IRS technology is hindering this interaction. For example:

- Some IRS forms cannot currently be submitted online, which requires that the entire return must be submitted via the regular mail system.

- Computer-generated IRS form letters often include a date by which a taxpayer response must be received to forestall the placement of IRS liens. Since the IRS cannot currently receive an email with the information, this means the taxpayer must respond by mail. However, the IRS does not have the capability to quickly open taxpayer mail, with the result that the IRS may place liens on taxpayer assets even if the taxpayer timely replied to the IRS letter.
- IRS personnel often cannot quickly locate taxpayer forms, records, powers of attorney or other documents when taxpayers or preparers manage to reach an employee, meaning that the 45 minute or longer telephone waiting time is wasted.
- According to the Commissioner, the IRS operates more than 35 different computer systems, most of which cannot communicate with each other, creating technology-related barriers to the resolution of taxpayer problems.

NSA agrees with the prepared remarks of the Electronic Tax Administration Advisory Committee at the Taxpayer Advocate Forum on February 23 that the IRS Future State should allow taxpayers to “effectively and securely interact with their tax administrator in the way that they want to be served.”

For most taxpayers, interaction is simply having the ability to look on the IRS website for information about tax matters in general. Other taxpayers would like to go online to review the specifics of their account and, if everything is in order, have no need to speak directly with an IRS representative. Still others, however, have specific issues that require personal interaction, either by the taxpayer or their representative, and such interaction would be much more efficient if the technology at the IRS allowed it.

For all these taxpayers, we look forward to an IRS Future State where technology upgrades will allow any taxpayer or tax professional to:

- Submit a Form 868 Power of Attorney and have immediate access to a client’s information
- Submit an inquiry on any IRS Correspondence similar to what was capable on the EAR system
- Submit form 1040X as an e-filed form
- Have a chat capability like so many customer service companies to answer procedural questions
- Have a secure email system for tax professionals in good standing to communicate with the IRS so that responses to any IRS correspondence can both be submitted and be logged as being timely received.

Technology improvements are only part of our vision of a Future State, however, because individual circumstances often dictate that, for many taxpayers, their “way they want to be served” is by speaking with an IRS employee directly or asking their paid preparer to do so on their behalf. For example, some taxpayers may not have internet access for a variety of reasons, not least because they do not want to subject themselves to computer hacking, identity theft or other frauds. Some may want to communicate with the IRS because they want to comply with the

tax law but have questions for which they have been unable to find an answer on the IRS website. Still others have heard from the IRS that a return was not filed, that a payment not received or a check was returned for insufficient funds, or that a lien had been filed.

In that sense, improved technology is not a replacement for personal contact with IRS personnel. Rather, it is a means to make that contact more efficient and productive; it is a means of having a substantive interaction where both the taxpayer and the IRS representative have access to the same information.

Accordingly, we agree with other commenters that the need for face-to-face, voice-to-voice communications and interactions will continue to be necessary regardless of the depth, breadth, and quality of the digital tools deployed by the IRS. The range of necessary explanations, guidance, and problem resolution on myriad issues will always require knowledgeable IRS assistors who can advise taxpayers on the best solutions to their queries, especially in the post-filing environment.