

Statement of Elizabeth Atkinson, attorney, LeClair Ryan

Advisory Board Member, The Community Tax Law Project

Former IRS Revenue officer, Former IRS counsel attorney

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Years ago, there was a story in Smithsonian about the bus system in an English city. The bus system was very efficient and ran perfectly on time. There was only one problem—the buses did not stop to pick up passengers. Picking up passengers caused the buses to run late and that would mean the system was inefficient.

Future State is a great concept. It sounds very efficient and technologically advanced. But will it pick up passengers? That remains to be seen.

The idea of accessible online accounts is very appealing but trust in the IRS is very low right now, due to the numerous identity theft return cases and IRS impersonations. Many people who are very knowledgeable and proficient with technology limit personal on-line transactions due to fear of hacking and identity theft.

There is also a well-documented “digital divide” based on income level and geography. Low income and rural taxpayers often do not have access to high speed internet. Often these taxpayers must access the internet in places such as public libraries where they may be using public Wi-Fi that lacks sufficient security.

Does future state contemplate mobile access through a phone? Taxpayers may prefer mobile access because increasingly taxpayers are using text messaging instead of email and accessing websites through the mobile phone rather than through a computer. Even though more low income and rural taxpayers have mobile phones than home internet, there is still a “digital divide.” Many low income taxpayers have pay as you go phone plans and are limited in the amount of data that can be accessed without incurring significant costs. In addition, many have family plans or share phones, making security very difficult. Their devices often are not password protected and even if password protected are easy to hack.

The hacking of the Get Transcript application, coupled with telephone IRS impersonations mean that many people very wary of the IRS. Once online accounts are available, those same fraudsters will email “phishing” emails to try to get taxpayers to give their personal information for an online account so the identity theft problems may become worse before they get better. ESL and low income taxpayers are particularly susceptible to such “phishing” schemes.

While online shopping has certain protections because of banking Regulation D that provides for reimbursement of fraudulent charges, the same sort of protection is not there for online tax accounts. While online and mobile banking has gained in popularity, there are still many who will not use online banking due to security concerns. Many of

these applications are also very cumbersome given some of the built in security protections. But even with a significant demand for online tax accounts, taxpayers want and need the ability to communicate with IRS in person or via telephone. Banks that offer online and mobile banking still have many branches to visit and call centers staffed 24/7. In fact, many banks now are trying to encourage customers to visit branches in person because that is the best way to assess customer needs and provide other services the bank offers.¹

Another question is whether future state will use artificial intelligence to give a Siri-like experience to taxpayers. From the examples so far, it appears that the future state flow is rigid and programmatic rather than interactive. It is also very telling that in both vignettes the taxpayer has a negative experience—Jane finds out she is not eligible for EITC—apparently step 3 on the vignette did not sufficiently walk her through the requirements. The focus is then on whether her son has enough credits to be full time; however, nuances are lost and we do not know if there might be another way he is a qualifying child; for instance if he is disabled.

In this example involving the EITC, it appears that the taxpayer is given an authoritarian “no.” Even when “no” is the right answer, it is very important how the message is delivered. A rigid authoritarian no can spark non-compliance, as every parent of a teenager knows. In the EITC example, it might be best to structure the interaction in a different way and provide a more interactive explanation about a part time student and why the part time student would be ineligible for EITC. In our clinic experiences we also find that sometimes systems data is incorrect—in this example the data apparently was correct and Jane verified the data with her son. However, many low income taxpayers do not question authority and will accept that something is not allowable based on flawed data.

The second example with Bennett, the small business owner, is even more disturbing. The system questions Bennett about his business deductions because they appear to be excessive. However, Bennett still claims those expenses, even after reviewing them, perhaps because they are legitimate expenses. He then is audited so it appears that the system has not helped the process because it has not modified Bennett’s behavior (if his business expenses were not proper) and it has now caused an audit and perhaps negatively impacted his compliance given he followed the procedures but still was audited. Bennett deals with “an agent across the country” who may not understand Bennett’s business or situation. In the system there does not seem to be any attempt to be interactive with the taxpayer, offer the taxpayer some additional counseling if the system does not provide a sufficient explanation or offer the taxpayer an opportunity to explain his situation in the earlier step. Then there is a bevy of “electronic communication” and Bennett agrees to the changes—but does he agree because they were incorrect deductions and he now understands that or is he just giving up or determining that the cost/benefit means that it is not worth fighting the audit?

¹ For example, Bank of America has recently encouraged customers to set up an appointment at a branch so that the customer’s needs can be assessed for things such as IRA accounts, loans, etc. The branches have employees with capabilities in other languages to serve the local population. The IRS could learn a great deal from the design of these programs, especially with small business taxpayers.

Unfortunately, these vignettes seem to perpetuate the current culture of the IRS which is rigid, authoritarian and wasteful of resources. The future state may be more technologically dazzling but if the culture does not change, the same problems will persist.

For example, taxpayers enter into installment agreements to pay their taxes. Once taxpayers are on a payment plan, it would seem to be in everyone's best interest to continue that plan so long as the taxpayer is remaining compliant. Yet much of my time as a practitioner is spent responding to default notices and rarely are those responses successful in keeping the payment plan in place. Often this is because the reason for the default is incorrect on the notice but there is no easy way to fix this. Is the future state going to provide mechanisms to avoid default that are interactive?

The IRS is a machine that spits out notices very efficiently but does not process responses to those notices. The bus is moving but the passengers who are flagging down the bus are getting ignored. Trying to reach an IRS representative on the phone has become more and more difficult and often if you succeed in getting an IRS representative on the phone, that person cannot help because the case is outside the representative's authority.

There is a huge gap between what Automated Collection Site (ACS) can work and what the field can work. A taxpayer who tries to resolve a case with ACS but is outside the criteria must wait for the case to be assigned to the field. In the meantime, the case is in the queue, often for years. This causes the taxpayer to simply ignore the problem or to progressively fall further behind.

The recent Collection "early intervention program" (what used to be called Federal Tax Deposit alerts) is very good because it gets to a case early and uses data to help determine priorities. However, cases where returns are not filed and there is no data (which is often the case when a taxpayer is newly in business and does not know what to do) do not get "early intervention" and the pyramiding then becomes worse. Is this fair to taxpayers? Shouldn't new business taxpayers be eligible for an early intervention?

The IRS wastes a great deal of time on low income taxpayer cases where the clinics must call and provide financial information when the system shows that person is receiving Social Security Disability Income (SSDI) and the case should be shelved automatically. We also see many cases where there are erroneous Substitute for Return (SFR) cases, particularly on elderly clients where resources are spent setting up and then abating taxes when a personal contact would have saved everyone time. A 91 year old taxpayer who does not file a tax return is probably sick and needs some outreach—yet many times, the IRS machine sets up an SFR, gets no response, assesses the tax and then automatically levies—at that point when the nursing home check bounces then the person can sometimes get some assistance. It would have taken far fewer resources to contact the taxpayer than to set up an SFR that just gets abated down the line.

With future state looming, many of the walk in offices have begun to try to steer taxpayers away from the walk in offices and onto web resources. What person in her

right mind takes the time and trouble to come to an IRS office, go through security, take a number and wait in line just for a lark? People come to the walk in offices seeking help-- the IRS should create more authority for walk in offices to handle accounts. This is a prime opportunity to listen to the taxpayer's story and resolve the problem—yet the walk in office folks have very limited authority. In the old days, when taxpayers came in to “office branch” and the case was too complicated or high dollar for the office branch staff, someone fetched a revenue officer or an Revenue Officer (RO) manager to help the person. Cases got resolved. The current system does not reward taxpayers who are proactively trying to solve problems; in fact, it creates obstacles to resolving problems. Those who benefit are the passive, the non-compliant and the active evaders.

We all know that the IRS is starved for resources—yet it uses the resources that it has very poorly. Front line IRS folks agree with this and are just as frustrated as the taxpayers and practitioners. I recently had a case where the taxpayer had a monthly payment plan, got a default notice, his accountant called the IRS and thought she had the agreement back on track. However, the agreement was not reinstated, the defaulted account went to the field, bypassing many other cases even though the taxpayer was in compliance and continuing to make a monthly payment. The revenue officer then had to start all over again and collect financial information all over again. This causes the government to use resources, the taxpayer to use resources and the net result is probably the same or a similar payment plan to the one the taxpayer had been on all along and was continuing to pay even after the “default.”

Taxpayers who are in compliance should be allowed to write their own payment plans. They know what their bills are and they know interest and penalties accruing are hefty. If a taxpayer calls ACS and requests a payment plan that is out of scope for ACS, the case should not stay in limbo but should at least be granted a temporary payment plan.

Instead of spending millions of dollars on the technology for future state, why not start with figuring out how to efficiently process incoming correspondence? Why not offer dedicated fax lines for certain types of requests so that a taxpayer could fax something in rather than staying on a phone line for half an hour only to have a “courtesy disconnect.”

Future state needs to be designed from the passenger side. The IRS needs to listen to the experiences of taxpayers, not just with return filing but with all the downstream consequences. The IRS could also benefit from learning from best practices internationally where the paradigms are very different and often innovative.

The term “future state” immediately conjured up the image of Alvin Toffler's 1970 book, Future Shock. Future Shock describes the disorientation of citizens in post-industrial society because of rapid change. One of the anecdotes in the book describes Alvin Toffler's daughter who goes shopping in New York only to find the store she is seeking is no longer there. The IRS has so withdrawn from interaction with the citizens that we are in a state of Future Shock –we no longer believe a call from the IRS is really a call from the IRS, because it probably isn't—there are no resources for outbound calls. We

as citizens must reclaim our government and hold it accountable for its end of the social contract. A social contract requires two way communication.