

National Taxpayer Advocate Public Forums
Harrisburg, Pennsylvania
April 8, 2016
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A Practitioners Perspective on When Personal Service is Necessary

A wise woman once said "Alone we can do so little; together we can do so much." -Helen Keller

I would like to begin by thanking the National Taxpayer Advocate, Nina Olson and her office, and Senator Bob Casey for hosting and inviting me to speak today and to discuss the needs and wants of the taxpayer and the IRS Future State.

I have been working in the retirement plan industry since the signing of ERISA in 1974 (and yes I was 14 years old!). As the years went on and I served as a volunteer on various IRS and Department of Labor committees, I was intrigued to learn about the "nicer, kinder, gentler IRS" People would say to me, "Really? How does that work?" But it was true! IRS was engaged and listened to the concerns of practitioners in the retirement area. Problems that needed to be addressed were addressed, guidance that needed to be issued was issued, and yes mistakes that needed to be fixed in tax reporting and other guidance were fixed! Life was good.

And then things even got even better. Education and Outreach was added as a division of Employee Plans; the IRS website became a valuable resource for practitioners; the EPCU (Employee Plan Compliance Unit) was developed provided more guidance and information to the public, and liaison groups were formed to meet periodically with the Employee Plans group within the IRS. Problems and questions were brought to the forefront and resolutions were adopted. We all worked together and shared the common goal of wanting retirement plans to be administered correctly to protect the employees' benefits.

There were actual people to reach out to! If, for example, issued guidance was unclear or presented an operational quagmire for financial institutions, we would not only be given a solution, but could also advocate for the IRS and spread the word to practitioners. IRS would publish something in their NL or on their website to support their position. Yes life was good, the retirement industry had support, and taxpayers and employers could put faith in the IRS.

And then...almost overnight...it all changed!

The IRS turned back the clock 30 years. No longer was it an option to email an inquiry; there were no more conversations; no more meetings; no guidance and no answers. A few examples –

- The Path Act was passed by Congress on 12/18/2015, but to date we still have no clarity on some of the issues that affect retirement plans.
- A major change to rollovers from IRAs was made effective in 2015. Financial institutions need to understand their responsibility so they can appropriately comply, but again no answers have been provided.
- Practitioners have recently learned that the IRS has internally been taking the position for some years that certain church-affiliated employers cannot participate in a type of retirement plan specifically designed for churches and church-affiliated employers and that, because of this issue, certain other church-affiliated employers cannot participate in a pre-approved plan program the IRS established for 403(b) plan sponsors.

Taxpayers and Employers generally want to comply with the tax laws, but without resources, unnecessary penalties will ensue.

And alas the nicer, kinder, gentler IRS was gone.

I will be the first to point out and agree that the budget cuts of 18% to the IRS since 2010 have played a big role in this and perhaps have lead us quicker down the path of no service. Perhaps we should alert Congress of the detriment this is having on the individual taxpayer.

What I have observed is that the new individual and business taxpayer experience of the future models seem to provide little room for personal contact. Granted this will fit well into the constraints of the budget, but I fear that many will suffer, and suffer greatly. Let's consider retirees who have extremely involved questions - who will help them? Will this model result in more unanswered phone calls with no resolution? Or a resolution that comes too late leaving the taxpayer in a penalty situation?

30 years ago 19% of retirement assets were in IRAs and defined contribution plans. Today that percentage is over 59%. That statistic alone tells us that there are many more individual taxpayers who will require assistance with their retirement plans. Since the services have diminished some of these very taxpayers were required to take minimum distributions from their IRAs whether they were over the age of 70 ½ or a beneficiary where the participant passed away. If they are not aware of the distribution requirement, a 50% tax is applied to the amount they should have taken. Should we really be taking 50% of their retirement money when they were not given a fair chance to comply?

We need to work together to put models in place that will assist all taxpayers that may include the current IRS Future State. Take down the wall between the IRS and practitioners; and build a bridge that will engage again a successful partnership.

In order to get from the current state to the Future State of the IRS, we recommend consideration of the following steps:

1. Sufficient funding must be pursued to enable the IRS to provide reliable customer service to all taxpayers.
2. A focus on the low income taxpayers where personal contact is essential, including funding for the IRS service centers.
3. Utilize more efficiently the internal Advisory Committees that already exist – IRSAC; IRPAC; the ACT.
4. Re-engage the external partnerships with practitioner groups. Groups that have provided valuable insight to the problems in the industry is critical as part of the Future State.
5. Encourage dialog with practitioners and outside trade associations, such as the AICPA; ARA (the American Retirement Association and all of its' sister organizations); ABA (American Bar Association and the American Bankers Association); ICI (Investment Company Institute); just to name a few.
6. Consider all avenues in order to provide quality service to all segments of taxpayers and employers. Technology that is a part of the Future State, but enhancing the personal contact via phone or in-person should all be a part of the final Future State.
7. To assist a majority of individual taxpayers with IRAs, consider a correction program similar to the ones in place for employer plans. This will enable answers and corrections for errors where there is no answer today.

As Henry Ford once said "Coming together is a beginning, keeping together is progress. Working together is success." We somehow got lost in the keeping it together.

I thank you for your time and your consideration.