

TAXPAYER ADVOCATE PUBLIC FORUM

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Held at:

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1820 Northeast 40th Avenue  
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Reported and transcribed by: Melanie P. Boelow

A P P E A R A N C E S

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HOST

Nina E. Olson, National Taxpayer Advocate

PANEL

Sarah Adams

Susan Gallagher-Smith

Michael L. Such

Ilene Waterman

## P R O C E E D I N G S

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2  
3 MS. OLSON: My name is Nina Olson and I'm the  
4 National Taxpayer Advocate of the United States, and I'm  
5 really delighted to be here in Portland, Oregon and hold our  
6 10th, I think it is, public forum on taxpayer needs and  
7 preferences.

8 This public forum is one, as I say, in a series of  
9 forums that we've been holding. We've been going around the  
10 country hearing from representatives of the tax community,  
11 including taxpayers, including you all, about issues that  
12 you're facing both today in your dealings with the IRS, but  
13 also how the IRS should design itself for the future.

14 Now, you may or may not know, but I'm required by  
15 Congress to submit two reports to Congress directly each year.  
16 And in my December report in two thousand -- at the end of  
17 2015, I identified as the number one most serious problem for  
18 taxpayers, the IRS's plans for its future state.

19 For the last two years the IRS leadership has been  
20 thinking about how it should design itself for the future, and  
21 I was concerned that it had not been making those plans public  
22 and seeking the comments, not only from members of Congress  
23 who were going to fund those plans, but also from  
24 practitioners who represent taxpayers, and preparers who  
25 prepare income tax returns for taxpayers, and the taxpayers

1 themselves to find out whether any of these plans made  
2 sense or met the needs of the people.

3           And so I announced in my report at the time  
4 that I was going to go around the country to hear from  
5 people about what they thought about of the IRS's plans,  
6 and also what they thought about what they were  
7 experiencing today, and to hear suggestions, like what is  
8 it that you all need, whether you are a practitioner, a  
9 preparer, or a taxpayer yourself. What have been your  
10 experiences and what do you need?

11           So the way that this is going to work, is we  
12 have four wonderful panelists and I will introduce them  
13 each as we work through the panel and they will speak for  
14 about five minutes. And I will not push them off their  
15 chair if they speak longer than five minutes, but I have  
16 these little cards, and I sort of not so discretely shove  
17 it in front of them. They will all see that they're  
18 coming up on their time. I told them all that if there's  
19 anything that they're not able to get to in their formal  
20 statements, that I will be asking questions, or we'll  
21 have a dialogue afterwards and they can come back to  
22 things that they want to cover.

23           And then after we've gone through the four  
24 formal statements, I'll have some general questions for  
25 the panel. At that point, if you all have some comments,

1 please chime in, raise your hand so I can call on you and  
2 then we'll open it up to everybody to be able to make  
3 comments. In the past forums, we had good dialogue about  
4 things, and so I'm very looking forward to this.

5 We do have a court reporter here, so the  
6 entire forum will be transcribed and you have in your  
7 materials our website where we put up the transcriptions  
8 for the last eight public forums.

9 We had one on Tuesday night in Ohio, and we  
10 haven't yet gotten that transcript even back, much less  
11 posted. And you can also -- on that website, you can  
12 also submit your own comments, and we'll contact you to  
13 see whether you would like them posted publicly or not.  
14 My idea is that the more that we hear from people the  
15 better.

16 And just so you know, one of the results of  
17 the public forum is going to be that in my upcoming  
18 December report to Congress, I will be using everything  
19 that we've heard from going around the country and  
20 talking to people to make our own recommendations for  
21 what the IRS's future state should be, as opposed to what  
22 has been worked on by the IRS. We will be citing what we  
23 have heard at the forums in the transcripts -- what we've  
24 heard from everybody as a basis for that.

25 So that's sort of the way we're going. The

1 other thing that I want to let you know, is right over  
2 there is David Voser, and one of the case advocates --  
3 hello -- from the local Taxpayer Advocate's Office in  
4 Portland. So if anybody has any problems that they  
5 haven't been able to get resolved through normal  
6 channels, or you have clients that might need the  
7 assistance in the Taxpayer Advocate Act, you can go over  
8 and talk with them. They will take the case in and they  
9 will take the basic information. And then in the next  
10 day or two, you know, they will be getting in touch with  
11 you for more information and being able to really get to  
12 work on your issue or your clients' issue. So we're a  
13 full service taxpayer advocate, so there you go.

14 All right. So our first person to go -- and  
15 it's not in the order that they're sitting up here, but  
16 it's just how I'm going to doing it, is Sarah Adams. And  
17 Sarah is an Oregon licensed attorney and currently serves  
18 as deputy director at CASH Oregon, which is an  
19 organization dedicated to improving low income  
20 Oregonians' financial securities by promoting the Earned  
21 Income Tax credit and also free tax preparation.  
22 Previously, Ms. Adams provided advocacy and direct  
23 representation to primarily Spanish-speaking immigrant  
24 taxpayers through a low income taxpayer clinic at El  
25 Programa Hispano Catolico in Gresham, Oregon. So, Sarah.

1 MS. ADAMS: Thank you, Nina. And you  
2 also just saved me a minute, so I think I'll make it  
3 through.

4 Today I wanted to address my concerns with  
5 the IRS's proposed plan to move forward with the online  
6 taxpayer account access system. And most importantly,  
7 also to stress, that due to what I see as limited  
8 accessibility, but also to stress the importance that the  
9 IRS absolutely must maintain a higher than current level  
10 of service via telephone and in-person service to resolve  
11 taxpayer issues.

12 My first concern has to do with the  
13 limited ability of online verification systems. As Nina  
14 mentioned, most of the clients I deal with are very low  
15 income. The average income is 20,000 for a family of  
16 four. A lot of these clients and a lot  
17 of our low income Oregonians, do not have a large  
18 credit history, do not have mortgages and car loans, and this won't  
19 allow them to navigate an online identification  
20 verification system as easily.

21 My second concern is security. As we all  
22 know, the IRS was already subject to a major taxpayer data  
23 breach. And there are concerns that that will happen  
24 again, and that that will always be a threat - people  
25 trying to hack into that system.

1                   And secondly, I am concerned about granting access to  
2 these taxpayer accounts to both regulated and unregulated  
3 preparers, that the potential for abuse is high with  
4 our already vulnerable taxpayers.

5                   My third concern just has to do with the  
6 limited access to internet. Not everyone has internet  
7 access in their home. A lot of our low income  
8 Oregonians, if they do have internet access, it's usually  
9 through a mobile phone. So it's that much more important  
10 that any online system is also mobile optimized to overcome of  
11 that barrier.

12                   And my fourth one was language barriers. At El Programa  
13 Hispano, about 90  
14 percent of our clients had very limited English  
15 capabilities. Where I am currently, only about 55 percent  
16 of our clients identify as native English speakers. So  
17 there's a huge section of our population that doesn't  
18 have a high command of the English language. And that is  
19 obviously a huge barrier that I see to our taxpayers  
20 getting service through the IRS through the online  
21 forums.

22                   Thank you.

23                   MS. OLSON: Well, that was quick, but we  
24 will have lots of questions for her later.

25                   Susan Gallagher-Smith is our next panelist

1 and Susan is the Chair of the Oregon Board of Tax  
2 Practitioners. She's both an enrolled agent and a  
3 licensed tax consultant, and she's been working in the  
4 field of taxation for longer than she'd like to admit.  
5 She owns two tax practices in Eugene, Oregon. She brings  
6 a passion for competence, clear, honest, and ethical  
7 information with taxpayers to her work within the board,  
8 and she's a strong advocate for continuing education  
9 realistic and efficient best practices and consumer  
10 protection in the field of personal income tax  
11 preparation, both state-wide and nationally. So Susan.

12 MS. GALLAGHER-SMITH: Thank you. It's  
13 an honor to be here. It's an opportunity for the  
14 Oregon's Board of Tax Practitioners to discuss some of  
15 the challenges taxpayers and tax practitioners and our  
16 national tax system currently face.

17 I offer a unique prospective in that my  
18 relationships with many of my clients have spanned the  
19 greater part of my life.

20 One thing I've noticed is that as taxpayers  
21 enter later stages of life, they tend to have less  
22 confidence in navigating complex financial situations and  
23 with using the newest technology. While some of this  
24 might be due to age-related changes, another component is  
25 a lack of access to live customer service

1 representatives. Frankly, the option to sit down and  
2 talk to a person who is both accountable and empowered to  
3 act is what most taxpayers want. It is ultimately more  
4 efficient for an elderly client and I to meet  
5 face-to-face rather than struggle through lengthy and  
6 sometimes difficult to understand correspondence in  
7 electronic or otherwise. Cutting the in-person contact  
8 with the IRS will not only harm this segment of the  
9 population, it will reduce voluntary compliance and faith  
10 in the nation's revenue system.

11 With phishing scams and other things being  
12 delivered to our home, via the internet and the  
13 telephone, it is reasonable to suspect elderly adults  
14 will be targeted not only for their nest eggs, but also  
15 for their tax identities, should that information become  
16 available. It would give criminals and unscrupulous  
17 individuals another foothold into the elderly's lives.

18 By transitioning from live customer service  
19 to internet-based contact is a disservice to the elderly,  
20 a disservice to the IRS, and a disservice to all of us  
21 taxpayers.

22 My grandmother was a victim of multiple acts  
23 of fraud. They gradually increased in frequency and  
24 severity over the years until she lost the bulk of her  
25 nest egg over the course of six to nine months. She

1 moved from being financially independent to having a  
2 federally appointed fiduciary and a representative.

3 A woman who survived the Great Depression and  
4 World War II, had her right to decide where and how she  
5 lived forcibly removed and given to a third party, me.

6 On one occasion my grandmother was contacted  
7 by a man who reported to be an enrolled agent. Charming  
8 and well-spoken, he promised the IRS would issue her  
9 refund and help recover every bit of her stolen nest egg.  
10 He could begin to work on her deliverance for a retainer  
11 of \$3,000. For those unfamiliar with the tax code, what  
12 he promised is not possible.

13 He called her repeatedly despite her many  
14 refusals until she finally had to change her telephone  
15 number and put it in my name to keep the con-artists at  
16 bay.

17 During my grandmother's decline, con-artists  
18 often provided step-by-step instructions to complete a  
19 wide variety of complex financial transactions. She  
20 applied for business loans and never received the  
21 proceeds, collections were aggressive, and often by the  
22 same company that received the proceeds. She opened an  
23 online bank account and investment accounts that she had  
24 no control over. Lines of credit were open, wire  
25 transfers happened. The list of transaction types she

1 completed goes on and on.

2 I have no doubt Grandmother would have been  
3 directed to access her federal tax information online if  
4 that service were available. I am certain her tax  
5 information would have been used to identify her income  
6 sources, and her nest egg would have been raided years  
7 earlier.

8 Implementing an internet based access point  
9 and services for taxpayers at this time may create  
10 greater problems for taxpayers and the IRS than it  
11 solves. I strongly encourage the IRS to shift its focus  
12 away from developing an internet based taxpayer account  
13 system that anyone can access, to a nationwide system of  
14 regulated and licensing tax practitioners. It is both a  
15 short term and a long term strategy for improving  
16 taxpayer safety and satisfaction and increasing tax  
17 administration efficiency and practice tax preparation  
18 under unparalleled ethical, educational, and professional  
19 standards. Every practitioner preparing personal income  
20 tax returns for consideration within Oregon is required  
21 to be licensed or registered with their governing state  
22 authority. Regulating and licensing tax practitioners  
23 has been proven in Oregon for more than 40 years. It's a  
24 cost effective solution to many of the issues we are here  
25 to discuss today.

1 Thank you very much.

2 MS. OLSON: Thank you. So our next  
3 panelist is Michael Such. And Michael is a law clerk at  
4 the Lewis & Clark Low Income Taxpayer Clinic in Portland,  
5 Oregon. The clinic represents low income individuals who  
6 are in controversy with the IRS. His responsibilities at  
7 the clinic include speaking with clients one-on-one to  
8 obtain and provide information relevant to their cases  
9 before the IRS and assisting the clinic director in  
10 unraveling information relevant to their cases. So,  
11 Michael.

12 MR. SUCH: So I was going to focus what I  
13 say today on just the real need for public input in the  
14 IRS's future state planning. I think the IRS's decision  
15 to leverage technology in the future is actually really  
16 commendable. I have the same point of view as Susan. I  
17 agree, however, with Nina that there's a significant  
18 problem with the IRS refusing to open this up to the  
19 public at large.

20 And I also have concerns for the IRS's views  
21 for the future state with its heavy use of the internet.  
22 I have an issue that they're doing it more as a  
23 substitute for what is the current person-to-person  
24 communication system is sort of like, either calling the  
25 IRS, or going in person to an IRS tax assistance center.

1           Based on Nina's 2015 year end report,  
2           something has to be done here. In calling the IRS for  
3           accounts management, 62 percent of calls are  
4           disconnected. It's called the courtesy disconnect,  
5           apparently. And these are people that are just trying to  
6           call the IRS to understand what is going on in their  
7           case. They don't necessarily understand where their case  
8           is or what needs to be done.

9           The statistics are very similar for the  
10          installment agreements and balance due lines. And these  
11          are people who are actively trying to call the IRS to  
12          either set up a payment structure or to just pay the IRS  
13          in some way, and even they can't get through. So these  
14          are people trying to pay them, and they can't take their  
15          call 63 percent of the time.

16          Nina touched on the need to keep voluntary  
17          compliance up in the year end report, to keep voluntary  
18          compliance up and the need to focus on keeping those that  
19          voluntarily pay their taxes doing the same thing. And to  
20          the extent possible, encourage more to voluntarily comply  
21          as well.

22          While IRS enforcement activities are  
23          important, it makes more sense to snuff it out before it  
24          gets to that point. And the focus should be on stopping  
25          the need for enforcement activities rather than

1           addressing the problem after it has gotten to the need to  
2           do it.

3                         At a 38 percent level of service, that's what  
4           they call it, if they just pick up the phone, seems like  
5           the worst way to ensure this high level of compliance.

6                         And this is where I see the future state of  
7           stepping up and really increasing access to quality  
8           service, which is one of the rights enumerated in the  
9           Taxpayer Bill of Rights.

10                        While not all problems can be addressed  
11           online, some I think can be. And the offloading of some  
12           of the burden from the person-to-person communication  
13           services to online service, I see as a way of making that  
14           person-to-person communication services more available to  
15           the people that need it, low income taxpayers, for  
16           example, because of the issues that Sarah brought up.

17                        And it's really requisite that the IRS does  
18           not consider these services to be substitutes so that  
19           they can't just throw in an online system and say that  
20           will fix the problem. It really has to be that these are  
21           compliments to one another. And there really has to be a  
22           balance of use of the various services, where some  
23           taxpayers can obtain the service they need online for  
24           those that are willing and able, and that will really  
25           help improve the level of service of the person-to-person

1           communications.

2                       Critically the IRS must provide a robust  
3           service online. Taxpayers should get a tailored  
4           experience because the IRS already knows what they think  
5           the problem is. Don't make people go out and search  
6           through the whole site to figure out what the solution to  
7           their problem is. It must be clear and it must be  
8           obvious.

9                       Also crucially, the IRS needs to seriously  
10          alter the way it communicates with taxpayers. I put in  
11          my written statement that the IRS has its own language  
12          and it's really insistent upon using it. Andrew  
13          VanSingel in a public forum much like this one, he put it  
14          really well, he said, The IRS can take a message as  
15          simple as, you did not add your employment income on your  
16          tax returns so we added to it your return, and as a  
17          result, you owe us \$900, and turn that into a seven-page  
18          notice. He's right. That's unacceptable. It needs to  
19          be addressed going forward in this future state. And I  
20          think there's an opportunity to improve that.

21                      And if the IRS wants us to succeed, it must  
22          begin speaking to the taxpayer on their level and in  
23          their language and not in the IRS's.

24                      To close up, something needs to be done  
25          considering the abysmal condition of the current

1 person-to-person communications with the IRS. In the  
2 future state that leverages the use of technology, I  
3 think that must be a part of that, but not to the  
4 detriment of the existing person-to-person communication  
5 framework already in place.

6 Relatedly, the IRS must open up its future  
7 state planning process to the public so that the IRS  
8 understands in no uncertain terms what the public needs  
9 and wants in order for this system to be implemented well  
10 and that they will actually use it.

11 There's no functional future state that does  
12 not include resources continuing to be devoted to the  
13 person-to-person communications already in place. But in  
14 addition to that, there does need to be resources  
15 directed towards developing a fully working complementary  
16 piece. Ideally, that is envisioned and designed in part  
17 by the taxpayer.

18 MS. OLSON: Thank you. So our last  
19 formal speaker is Ilene Waterman. Ilene is part Cherokee  
20 Native American, and enjoys volunteering to assist her  
21 community. Ilene has been in the customer service field  
22 for most of her 20-year career. She volunteers at the  
23 Native American Youth and Family Center, NAYA, during the  
24 filing season to assist her Native American community  
25 with their taxes. So, Ilene.

1 MS. WATERMAN: Thank you, Nina.

2 Basically, all of our panel members here, Nina, Susan,  
3 Sarah, and Michael, all have very good points. The  
4 future state of the IRS is very disappointing to most of  
5 us in the Native American community for many facts. One,  
6 the identity theft is more larger abroad than we  
7 imagined: Filing tax returns and getting rejected  
8 because someone has already filed one for you. And was  
9 that the outcome of the OPM breach, that's something I  
10 wonder.

11 And then there's also something they didn't  
12 go over, which is tax law specialists. People used to be  
13 able to call the IRS and talk to someone with a knowledge  
14 base at their control to be able to tell you and advise  
15 you what you could claim or what you could not claim.  
16 They would go through the specifics with asking you lots  
17 of questions, and I see that fading out.

18 I see that it's being more forced to the  
19 online attribute. And most of our low income individuals  
20 throughout the Native American community don't have these  
21 broadband accesses, so it does make it more difficult.  
22 They search it out, they come to the NAYA Center, and we  
23 have our limitations.

24 I have been certified by the IRS to prepare  
25 tax returns, so that's what I do on my own time. I

1 prefer to help people that can't afford to go in to some  
2 of practitioners' offices and pay that hefty fee that  
3 they're being charged, and some of those are not  
4 licensed. It is very sad to see that some people cannot  
5 get what they need out there.

6 One thing I noticed this year is with the low  
7 income individuals, we have something called Obamacare,  
8 which is a lovely health care. It is great for some of  
9 the people who need it, don't get me wrong. But when it  
10 comes to the forms on reporting it on one of your tax  
11 returns, come on, give us a break. We need more  
12 direction. When we're calling the lines, we're asking  
13 for the certain specifics that we need to file the form  
14 8962 reconciliations or the allocations on the forms, it  
15 gets very difficult because the taxpayers do not  
16 understand what the health care insurance is all about.  
17 Marketplace insurance. That's what they call it,  
18 marketplace insurance. But yet the taxpayers know it by  
19 Obamacare. And they don't know that they're supposed to  
20 file the 1095A, reconcile their insurances, now our  
21 taxpayers just came back and they had to owe some money  
22 because it wasn't done correctly.

23 These are the things we need to stop. We  
24 need to lower -- we need more tax law specialists. We  
25 need more human bodies in that office. We need more

1 funding, more budgets to provide this for those employees  
2 so they can do the superior job that they want to do for  
3 us.

4 Because when I have contact with the IRS, not  
5 all of them are rude, cruel, or hang up, or do courtesy  
6 disconnects, as Michael says to me. The thing of it is,  
7 they need more resources. The more we cut them back and  
8 provide to online -- let's refer them to the online  
9 because it's more convenient for the taxpayer. Well,  
10 it's not convenient for the taxpayer if you can't utilize  
11 it to the best of your knowledge and needs.

12 If you don't understand the sections, the IRC  
13 codes, and everything that comes along with filing your  
14 taxes, where does that leave you? These are the concerns  
15 that we have from the NAYA Center. We need  
16 clarifications of the laws, rules, and regulations and  
17 not left blindly for our taxpayers to not understand what  
18 is going on because that's where they're left, they don't  
19 understand, even though we try our diligent best to help  
20 them understand.

21 There's also a concern with walk-in centers.  
22 We used to be able to call up and just either ask for  
23 appointments or to just walk into a center, now it's  
24 mandatory at most centers that you make an appointment.  
25 So when you call in to make this appointment, I have

1 another person on the line saying, well, what is the  
2 issue that you need to deal with, maybe we can solve that  
3 issue with you on the phone today? Well, we thought that  
4 was kind of funny, you know, providing the previous  
5 contact we made with the other customer representative.  
6 They advised that we needed to make an appointment to  
7 settle the issue at hand. So now we're being told, Let  
8 me help you. Or if the availability is not there for us  
9 to walk in to get the assessments, they're wanting to  
10 make appointments for us in another town, maybe 50 miles,  
11 100 miles away. Now, did I mention that we have low  
12 income taxpayers? How are they going to make those  
13 travels?

14                   These are really high concerns for us. We  
15 are seeing more less and less human contact being able to  
16 make those calls, being referred out to the website. We  
17 need to slow this down. There's too many OPM breaches  
18 that I've read about, too, in the past. And frankly,  
19 I've been a victim of identity theft twice myself, and I  
20 don't like it. It needs to stop. We need to protect our  
21 taxpayers. Making available online accounts tells me  
22 that it's going to cause a lot more identity theft, and  
23 that's the way I feel. It may be my opinion, but a lot  
24 of people feel this way. I see people out here shaking  
25 their heads yes.

1                   So with all of that being said, I don't  
2 believe that they should be able to tell us what our  
3 urgencies are with our taxes because some believe that we  
4 do have urgent matters, others don't, and they all have  
5 their own opinions on the phones. So they need to be  
6 consistent, more training, more availabilities, and we  
7 need your help. We need your voices to be heard and  
8 that's why we're here today.

9                   And thank you for the time to speak.

10                   MS. OLSON: Thank you very much. So  
11 we've heard from everybody formally, and I have a few  
12 questions that I'm just going to throw out to you for  
13 discussion. And as I say, certainly we've got a good  
14 group of folks here, and I look forward to hearing from  
15 you all.

16                   And the first thing is, is I want to do a  
17 little bit of level setting, just so everyone knows what  
18 the IRS is proposing for this future state. Folks have  
19 talked about the online account, and there is an IRS  
20 website dedicated with information about what they are  
21 thinking about doing. They want to create an online  
22 account so both taxpayers and practitioners can see  
23 what's going on with the taxpayers' tax history. And the  
24 idea is, is that you would be able to create this online  
25 account as a taxpayer, and then be able to go in and see

1 a transcript of your account, what your last return  
2 looked like, what payments have been made, and whether  
3 they were posted, and maybe what the calculations are of  
4 penalty and interest on different things.

5 And then you could also let your return --  
6 maybe your return preparer, or definitely your  
7 representative, your attorney, or your certified  
8 accountant, or enrolled agent, there's a question of  
9 whether unregulated return preparers would be able to  
10 have access to the account. That's not so much an issue  
11 in Oregon because you have, as Susan is representing  
12 here, the regulations of return prepares, the requirement  
13 of licensures and things like that, if you're not an  
14 attorney or a CPA, going through testing and education.

15 But throughout the United States, there may  
16 be over four or five other states that don't have any  
17 kind of requirement like that. And there's nothing at  
18 the federal level. So in many states and districts, like  
19 where I come from, and where I live right now is in  
20 Washington D.C., anyone can be a return preparer, and we  
21 see an awful lot in pawnshops and used car dealers. One  
22 day I was in Texas and saw a massage parlor that was  
23 offering return preparation, which I thought was very,  
24 very enterprising. So that gives you the lay of the land  
25 other than in Oregon.

1                   And so the question is whether those folks  
2 would be able to gain access to the accounts. And once  
3 you get into a taxpayers' account, you have access not  
4 only to their financial information, but the financial  
5 information of their spouse, of their children, the --  
6 all their employee information, their banking  
7 information, and everything.

8                   The other thing that is part of the future  
9 state, is that the IRS is not only looking for taxpayers  
10 to be able to just get information from their account,  
11 and this is where -- these little vignettes that we  
12 handed out, these sheets -- this is the most information  
13 that we really have from the IRS about how it views the  
14 future state in terms of the taxpayers who may have  
15 problems with the IRS. So beyond just checking  
16 information, how it may play out in an audit situation,  
17 and that's dealing with Bennett, the small business  
18 owner. Or in a question about a return for a low income  
19 taxpayer who's receiving the Earned Income Credit, and  
20 that is Jane who is -- whose return is being questioned  
21 as she's filing it.

22                   And that's the first -- and so this paints a  
23 picture of how the IRS would interact with you beyond you  
24 just going in and checking it. And so I want to just  
25 throw that out first to the panel who has had a chance to

1 look at these vignettes in advance. We could maybe start  
2 talking with Jane and then move to Bennett.

3 So my first question is since we've been  
4 talking about low income taxpayers, which Jane being one,  
5 is she able to have a laptop -- a computer in her home  
6 and broadband access? Let me just point out that at an  
7 earlier public forum we had a representative from Pew  
8 Research Center who informed us that based on their  
9 nationwide survey it said 34 percent of the US households  
10 do not have broadband access. So let me repeat that  
11 number: 34 percent of US household don't have broadband  
12 access. So they are accessing the internet via WiFi, in  
13 libraries, in coffee shops, a lot of them here in  
14 Portland, and looking at them on iPhones -- you know, on  
15 smart phones of some sort, or on tablets, and doing  
16 transactions like this in that environment.

17 So let me -- does anyone want to talk about  
18 the little vignette for Jane?

19 MS. WATERMAN: The connections that  
20 you're talking about for the WiFi are unsecured, for one.  
21 They could be hacked very easily. There could be anyone  
22 sitting next to you in the coffee shop, let's say  
23 Starbucks. I've actually seen this happen. One person  
24 is over here doing something, and you have someone over  
25 here looking over their shoulder. You never know. If

1       you're entering a Social Security Number, it's gone. If  
2       you do a date of birth, name, they just got everything  
3       they needed. So next week they are going to open  
4       accounts. That's really dangerous.

5               In our Native American community, it's very  
6       rare that anyone has broadband or a computer, and that's  
7       why they come to our center. It's not a good thing.

8               MS. GALLAGHER-SMITH: So I want to  
9       clarify something. I do think that access to taxpayers'  
10      accounts some day should happen, but just not right now,  
11      and really not right now. There are other things that  
12      are more important.

13              What disturbs me about this vignette, is if  
14      this is implemented, taxpayers who pay for my services,  
15      whether that's receipt, garden produce, or cash, get one  
16      experience, and taxpayers who do it on their own, get an  
17      entirely different experience.

18              So as a professional, if you come to me and I  
19      enter in all your data, and we do an interview, we get  
20      all the information right, we're sure about the return,  
21      we send it, and it's done. Her return isn't sent. She  
22      gets, what I'm going to call, an informal audit. It's  
23      not processed, and that's challenging to me. We  
24      shouldn't have two different experiences. In my opinion,  
25      before the IRS, we're all the same gender, all the same

1 moneymakers or not, all the same height. We're  
2 identical. And so she has a very different experience.

3           And in this vignette, to me, it seems like  
4 the IRS is attempting to meet some very good goals, which  
5 is to avoid Jane from accidentally getting a refund that  
6 is -- that she would have to pay back. Except,  
7 informational returns, and I'm assuming that there's a  
8 1098-T, and that this 19-year-old might be in college,  
9 and that's why they say, Oh, your kid might not be a  
10 student.

11           Well, the kid actually could be a student.  
12 So what happens? How does she prove that? Is she  
13 expected to prove it? Because if you come to me, and you  
14 told me to e-file your return, you don't have to prove it  
15 to file your tax return. So that's a challenge that I  
16 have with this particular system.

17           MS. OLSON: I think just to add to that  
18 because you touched on that in your statement, is that  
19 what's troubling to me about this vignette, is that Jane  
20 is on her own, and it may be that she is entitled to this  
21 because the law is very complex around the Earned Income  
22 Tax Credit and the educational credits and things like  
23 that.

24           And if she came to you with this notice, you  
25 would ask her a series of questions, and then you would



1 about at the last public forum -- in the Washington D.C.  
2 public forum, a study they did -- I think it was Pew. I  
3 can't remember which witness it was -- about people who  
4 had tried to apply for jobs online but with smart phones.  
5 And they found that they could maybe search job openings,  
6 but the actual activity of uploading documents, filing  
7 online documents, you know, building a resumé online was  
8 very, very difficult for them, and they felt very  
9 disadvantaged compared to others.

10 We were trying to tease out what could you do  
11 online versus what didn't work online. And so maybe  
12 checking your account worked, would be the equivalent  
13 of -- looking for job openings worked, but when you got  
14 to the transactional part of it and having to get into  
15 factual discussions, that's where it started  
16 deteriorating.

17 Anybody else have anything to say about that?

18 MS. ADAMS: Michael eluded to this  
19 earlier of just how complicated a lot of the IRS notices  
20 are, and how difficult they can be to understand. And  
21 sometimes they can be a little convoluted, especially  
22 when an actual agent has been able to go in and put in  
23 some of their own language. Sometimes there can be  
24 additional confusions just from that, when we're not even  
25 relying on just the stock IRS language that they can

1 click a few boxes and generate a notice.

2 When I was personally representing clients  
3 that walked in with -- they'll walk in with these notices  
4 and not know how to respond to them. I don't see how the  
5 online system is actually going to unload that need of  
6 the IRS to provide some sort of person or telephonic  
7 service to actually explain these notices using different  
8 language than what's just written on the paper. A lot of  
9 people need to hear things different ways.

10 TAXPAYER: There's also a big possibility  
11 that the IRS is sending a notice to the taxpayer, and the  
12 taxpayer doesn't really understand what the notice says.  
13 And in this particular instance, it was a young lady that  
14 worked, went to school, and therefore had school credits,  
15 and -- but not enough income to take it as a credit. And  
16 Oregon said, sorry. It came sort of like three days  
17 after she filed, a notice saying, sorry, you don't get  
18 the education credit. We now expect you to give us \$400  
19 because you don't get it.

20 And she came with this and she said, Why  
21 don't I get it? I have my tuition statement. I have all  
22 of this.

23 And so I explained to her what we did, and,  
24 yes, she gets it, and so on. But it took me taking the  
25 form and saying, if you look at it correctly again, it is

1 in fact true because on federal she did get it, she  
2 didn't have any -- she couldn't deduct it because she  
3 didn't have enough income on federal, but she can deduct  
4 it on Oregon because she has enough income in Oregon.

5 What bothers me on this, is there isn't a  
6 person between that -- and this is for Oregon as well as  
7 for federal -- a person between what Oregon said and what  
8 federal said, and she doesn't want to do taxes in the  
9 first place, so she's really out of things at this  
10 particular point.

11 They are two different instances of tax  
12 things that they have to deal with, the federal one and  
13 the other one, and they have no recourse. Once they got  
14 that notice, by God, where do they go? And making the  
15 appointment with the IRS at that point in April is  
16 hopeless. That's not existing. So what do they do? And  
17 if you're scraping along at low income, you don't have  
18 \$400 extra that you can give somebody for that.

19 I think there needs to be more humans, and  
20 they need to be humans that taxpayers will see as not a  
21 foe, but as a friend.

22 When I go there I will get a truthful answer  
23 and not one that will stick me for another \$400, but  
24 somebody who is actually in my corner and I can only  
25 explain in lay terms because I don't understand the

1 various forms.

2 Well, something needs to be done and it's not  
3 a website.

4 MS. OLSON: You know, I think that that  
5 actually raises a really important point. Here's a  
6 person that is just beginning to do their filing, and  
7 their first experience with filing is something very  
8 negative, and that's going to carry with that person for  
9 quite some time. It could have been an opportunity where  
10 you could have explained it to the person, or also  
11 listened to the person when you found out what the issue  
12 was, and was like, okay, let me -- let's walk through  
13 this, and that is the human contact.

14 TAXPAYER: But I have to say in --  
15 contrary to this, I've been working as a tax preparer for  
16 18 years now, and I've had clients who came to me by word  
17 of mouth referrals, and said, You did my brother's taxes  
18 and he was really thrilled. I'm coming to you because he  
19 was really thrilled. Lady, I don't want to know about  
20 taxes, so don't explain it to me. Just do it. I will do  
21 anything you say, just don't explain it to me. We  
22 have -- not everybody is financially steady. And some  
23 people that are older, don't even want to.

24 So we're still -- but a human being -- and  
25 how can you say to a website, I really don't want to do

1 know about all this, but I don't want to pay you extra  
2 money.

3 MS. OLSON: So to move to -- thank you.  
4 So let's move to the next vignette, which is the small  
5 business vignette, and I'm trying to tease out what this  
6 future state is supposed to be. So -- and I know --  
7 Michael, you covered a lot of that in your statement  
8 about this. This is actually an instance where an audit  
9 is going to be conducted.

10 Let me just make a quick point here. I think  
11 it was you, Susan, who called this thing that was  
12 happening with Jane, an informal audit. I have called  
13 them an unreal audit. The idea is is that they're done  
14 before the acceptance of the return, or the final  
15 processing of the return. Although, you're having to  
16 produce documents, or things like that, they don't count  
17 as an actual audit. So after your return is accepted,  
18 you can actually be audited again on another issue, or  
19 even a different aspect of the same audit.

20 As you get into more of the digital universe  
21 where you are filing things and the IRS is stopping  
22 something before they have actually been processed, a lot  
23 of these disputes are moving into what we call the  
24 prerefund arena, and will not count as audits. And that  
25 is an aspect of the future state that has not gotten a

1 lot of attention.

2 So I think you really hit on something there.

3 So, Michael, do you want to talk a little bit  
4 about Bennett's situation?

5 MR. SUCH: Well, in my statement -- I  
6 mean, I didn't talk too much about it, but to me it was  
7 just laughable the way that it pans out. Small business  
8 Bennett here, he went to a tax professional of some sort,  
9 and they filed their taxes together, and then the IRS  
10 comes along and says, Oh, you didn't do this right,  
11 basically, and these expenses shouldn't have been  
12 allowed.

13 What was funny to me is that Bennett and his  
14 preparer said, Oh, you're right. And I'm sure that  
15 happens sometimes, but I think it also doesn't happen a  
16 lot. And there's -- the same goes for Jane, she just  
17 says, Oh, okay. And I think this is kind of what we've  
18 been talking about this whole time, is that, yeah, this  
19 system will work if people agree with what the IRS says,  
20 but we know that doesn't happen all the time, so there's  
21 really nothing about tax controversy. I think it kind of  
22 spoke to me because that's what we do at the low income  
23 tax clinic.

24 TAXPAYER: But when you look at this, the  
25 one thing that he has -- he talks about Bennett needs a

1 tax representative and so on, that he has missed an  
2 employment tax payment. And the employment tax payment,  
3 that's a different thing all together. That's a trust  
4 fund. That basically has nothing to do with his tax  
5 return. It has to do with what government says you owe  
6 your employees to pay into that trust fund.

7 So actually it's not the tax preparer, it's  
8 his bookkeeper that needs -- I mean, let's be reasonable.  
9 He should have made those -- if he has an online service  
10 for that particular thing, they send him a message  
11 saying, Your third quarter is due, or something like  
12 this. It's not if he says to the tax preparer, I paid my  
13 trust fund amount regularly and so on. The tax preparer  
14 is going to believe him. It's the trust fund that he has  
15 set up for his employees, and that's either his  
16 bookkeeper or the online service he uses for that.

17 MS. OLSON: I think the point is, having  
18 that conversation online is going to be difficult. I  
19 think we've already heard that we need more tax law  
20 specialists, and we're concerned about the language that  
21 you're getting in the letters today, that they're  
22 incomprehensible.

23 And as I said in the digital future, all you  
24 get is more incomprehensible letters, only faster. I  
25 don't know about you, but I have not seen e-mail

1 improving the literacy and legibility of communication  
2 over the last 20 years. So that's an aspect of it. It  
3 doesn't solve the things that are wrong today. It does  
4 give you access to information.

5 I personally think for professionals, that  
6 it's very, very helpful. But what we're trying to tease  
7 out, is how does this help taxpayers? How does it help  
8 you all as professionals when you are in a controversy  
9 situation?

10 MR. SUCH: I mean, personally, working at  
11 the low income tax clinic, I see a lot of advantages on  
12 my side to having some sort of system like this, just for  
13 ease of use, and it's because I'm very used to using the  
14 internet, computers. That's my realm and I understand  
15 it.

16 As a professional, I see this at least  
17 helping in some ways for us. But as I mentioned in my  
18 statement, it's going to be useless to a lot of  
19 individuals who either don't have training, or, as I say  
20 in my statement, the IRS doesn't change their tune and  
21 doesn't actually address the taxpayers in a way that they  
22 can understand.

23 MS. OLSON: You will go next. But, Ilene  
24 you wanted to say something?

25 MS. WATERMAN: Do all of you have

1 encryption capabilities that protects your software? I  
2 assume the federal government does, too, right? How many  
3 people out there have encryption capabilities on their  
4 home computer and understand that?

5 MS. OLSON: How the online account works,  
6 is that you first have to create an online account. So  
7 the taxpayer is going to have to create that. And that  
8 means having, you know, a credit history in order for the  
9 IRS to check that you are who you are.

10 MS. WATERMAN: That really doesn't work  
11 either. The only reason I say that is because I had a  
12 client that tried to do this online access account, and  
13 they had two car loans, Mr. and Mrs. both had a car, very  
14 low payments, you know, and I thought, you guys are doing  
15 great. You don't look that low income, but they were.  
16 They tried to go through the verification process, both  
17 loans cross referenced to each other. So when it was  
18 asking the questions to verify who they were, it wasn't  
19 specific enough for which loan they were talking about,  
20 so they failed every time.

21 MS. OLSON: And the current, you know,  
22 account -- the online account to get your transcripts,  
23 has a 30 percent pass rate. So 70 percent of the people  
24 who are applying, do not pass for that very reason.

25 But once you get into that account -- you

1 know, the other thing is -- part of the thing is, you  
2 have to have a cell phone that's text enabled so that you  
3 can get a text to validate and enter it into the account.  
4 That creates the account.

5 And just this week, as many of you may know  
6 because we're in a senior center here today, you may know  
7 that Social Security attempted to add an extra layer of  
8 security to their, My Social Security account, and --  
9 which was to send a text to your cell phone so that you  
10 could put that in as part of the password verification  
11 process.

12 And the Social Security recipients of the  
13 world -- of the United States rose up in complaint. And  
14 just this week in response to Congressional pressure,  
15 they pulled back from that requirement because they were  
16 not paying attention to the needs that their community  
17 does not have text enabled -- a lot of text-enabled cell  
18 phones. So -- but you have to go through that, and only  
19 then do you create an account.

20 And then, the idea in the future, is that you  
21 would be able to then say, I want my preparer to have  
22 access to this account. And you would be able to  
23 identify what things you wanted your preparer to do.

24 But if you don't have an online account to do  
25 that online, then you're going to have to send your

1 regular old 2848 in by fax and hope that it doesn't get  
2 thrown in the trash, or not get through, or get knocked  
3 off the feeder of the fax, or whatever, or send it in by  
4 snail mail and then wait five to ten days for that to be  
5 inputted in the system, and then -- and maybe then would  
6 you be allowed to get access to clients' information.

7 So even as you think about what the online  
8 account is going to look like -- and it would be helpful  
9 for tax professionals, if it's -- you're still back in  
10 the analogue universe trying to get these things  
11 processed.

12 So we've got a lot of comments. So we'll go  
13 to this gentleman here, and then we'll go to this  
14 gentleman here, and then this gentleman here.

15 TAXPAYER: As another controversy  
16 practitioner, I agree entirely. I find it horrifying  
17 that you could be dealing with ethics exams by some IRS  
18 act that only you submit limited items. It's hard enough  
19 with mail and fax, if you're stuck in their ap. I can't  
20 imagine it going any other way. As you noticed -- yeah,  
21 I find it funny that in both scenarios, there's more  
22 taxes. I think that reflects the idea that this model is  
23 about the IRS finding new ways to use technology for  
24 their benefit, and not for taxpayer purposes.

25 When I attended the International Taxpayer

1 Rights Conference, there was a representative from  
2 Australia, and the panelist from Australia was saying  
3 that they have an app there that you can capture your  
4 substantiation ahead of time, and that it would never be  
5 audited, right? And I'm not seeing anything like that  
6 here.

7 MS. OLSON: Yeah, that's a very good  
8 point.

9 Now, you.

10 TAXPAYER: You mentioned a number, and I  
11 think you said that 34 percent of people don't have  
12 access to the internet. Do you know -- because there's  
13 something to be said of not having internet access, or  
14 not being computer literate at all. The language for --  
15 I work with the Hispanic community, and I'm Hispanic  
16 myself. I would say that probably 30 percent of the  
17 people that I work with are low income, and they don't  
18 even know how to turn on a computer, and they don't know  
19 about smart phones and stuff like that. And there's a  
20 lot of people I believe that have to do taxes that  
21 have to -- will have that problem.

22 He was mentioning something about the ACA.  
23 There's something so -- and maybe I'm wrong, maybe my  
24 software is, but it's so -- stupid is the word. We have  
25 the capture, you know, when you get insurance through a

1 marketplace, and he comes after -- low income families  
2 don't have -- and then boom, they have a payment that  
3 they have to pay, I mean, out of pocket. I think that is  
4 stupid or what. I have seen families, low income  
5 families, crying at my desk that they have to recapture  
6 this, when they didn't have -- they have zero tax  
7 liability. Is that stupid or what?

8 MS. OLSON: And you know, some of the  
9 software we found last year, not this filing season,  
10 there were exemptions that would show that people didn't  
11 have to pay the penalty for the individual shared  
12 responsibility payment because they were exempted from  
13 it, but the software did not -- was not programmed to it  
14 for those exemptions, and to ask those questions. And we  
15 worked last year, my office did, to get -- we identified  
16 the software packages that were not identifying where an  
17 exemption might apply.

18 At this point, it sort of goes to how you ask  
19 questions, what information are you getting from people,  
20 so that you would ask them, are you in this situation and  
21 then you can say yes.

22 TAXPAYER: And these are people who  
23 didn't have health insurance and they have to pay the  
24 penalty. And they're like, No, I'm not going to pay  
25 12,000 a year when I make 45,000. I'm not going to have

1 gas or car payments, so -- and they -- there really needs  
2 to be something done about this.

3 MS. OLSON: I don't think there's any  
4 activity going on right now.

5 MS. WATERMAN: When it comes to the  
6 Affordable Care Act and the premium tax credits with the  
7 shared responsibilities, you have to have the knowledge  
8 to understand this. Because -- and I totally agree with  
9 what you're saying. I made it my work this year to study  
10 this part of the return specifically because a lot of our  
11 individuals that were coming to our site, we would be  
12 asking, Did you have marketplace insurance? And  
13 everyone, no, no, no. And I figured it out, because you  
14 have to listen to your public, listen to what's going on,  
15 go further with the questioning: Did you have any  
16 insurance at all?

17 But let's go back a second. Individuals  
18 don't understand the whole Affordable Care Act at all  
19 because it comes based on a modified adjusted gross  
20 income, and that means every penny that you and your  
21 family earned in that household. It's not your adjusted  
22 gross income on Line 22 of your tax return, wherever that  
23 is, your adjusted gross income, that's not what it's  
24 based on.

25 So individuals under -- learning the adjusted

1 gross income on their tax return do not understand what  
2 they mean by the modified adjusted gross income. So when  
3 they're estimating their income to these insurance  
4 marketplaces, they're being done wrong. They're telling  
5 them what they're making, but they don't understand that  
6 just because it's not going towards your tax return, you  
7 still have to report it to them. It makes a big  
8 difference.

9 MS. GALLAGHER-SMITH: That's a valid  
10 point. It may be beyond the scope of Nina's range of --  
11 I have observed myself that lovely well-intentioned  
12 individuals in customer service with the marketplace,  
13 have inadvertently signed customers up both for community  
14 provided health care, and health care that they paid a  
15 premium for, and now because they paid a premium, they  
16 owe even more dollars. And so when your AGI is less than  
17 10,000, and you owe another 400, that's quite an  
18 installment agreement.

19 MS. OLSON: We both have seen -- and this  
20 is some of the beginning of -- this is, what, obviously a  
21 new program. But we have seen where people have  
22 called -- you know, where their income has changed and  
23 they called to let them know that their income has  
24 changed, or they submitted a change of circumstances, and  
25 it's been submitted, and it doesn't get changed, so they

1 continue to get payments that they have tried to tell the  
2 exchange they're no longer entitled to, and then they get  
3 the penalty. At the end, you know, they get penalized  
4 and have a clawed back, and they're like, I can't pay  
5 this back, and we were trying to keep it from being paid  
6 out in the first place.

7 TAXPAYER: I understand everything you  
8 are saying. And my transgression is, this is not about  
9 whether the marketplace is wrong, or if this person  
10 didn't receive the 1040A, or -- this is -- the IRS needs  
11 to do something.

12 MS. OLSON: Well, is it a problem with  
13 the law? Or is it a problem with the IRS? That's what  
14 I'm trying to figure out. And I think it's the way the  
15 law is designed.

16 TAXPAYER: The law is designed to collect  
17 money, and the IRS is not helping.

18 MS. OLSON: I mean, the law is  
19 designed --

20 TAXPAYER: To rip people off.

21 MS. WATERMAN: And that's how a lot of  
22 our clients have expressed themselves about that as well.

23 MS. OLSON: Let's go to this gentleman  
24 here.

25 TAXPAYER: I have the concern that we



1           it's about the amount of tax liability that you have, and  
2           you haven't made an installment agreement, or an offer of  
3           compromise or some other arrangement.

4                         Yeah, that's a very -- I have real concerns  
5           about people overseas that -- who are overseas, but are  
6           US citizens, or are considered residents, and have tax  
7           filing responsibilities in the United States. It's a  
8           very complex area, and we really haven't worked it out.

9                         I'm going to give other people a chance to  
10          speak,

11                        TAXPAYER: My name is Kathy and I'm the  
12          district coordinator for the Tax Aid Program for the  
13          north side here in Portland. I want to change the  
14          conversation a little bit because I see things a little  
15          bit differently.

16                        First of all, a lot of the problem comes from  
17          the complexity of the laws. The laws are ridiculous and  
18          too complex. My vision is that taxpayers shouldn't need  
19          to go to professionals to get their taxes done. They  
20          should be able to do it without that help. I see a  
21          system where people would be able to see a statement,  
22          either online or physically on paper, and then would be  
23          able to either over the phone, or online, be able to  
24          verify that information and get it through the process.

25                        The IRS has much of the information, not all,

1           whether it's dependency things, there are education  
2           things obviously that are very complex, but there are a  
3           lot of things that they have.

4                         Instead, as a volunteer preparer, you don't  
5           need me or a professional to reenter that information  
6           over and over again. It begs for errors. It begs for  
7           differences.

8                         So if I were in your position, I would be  
9           looking at things that are oriented to the bottom 50  
10          percent. For the people who make more money than that,  
11          fine, go to the professionals. But for the bottom 50  
12          percent, they should be able to get a statement with some  
13          additions and be able to sign it, and off it goes. And  
14          God bless Congress, but they have got to simplify this.

15                        MS. OLSON: I have recommended -- well,  
16          first of all, I'll say many countries do exactly that,  
17          where they will provide their taxpayers with what they  
18          call a pre-populated return, with the information that  
19          they have, and then you would be able to go in and say,  
20          yes, this is correct, or you could say, well, here's some  
21          additional stuff, and they also would say, well, we  
22          notice that you are a sole proprietor, so here's a sole  
23          proprietor schedule. We can't fill that out, but we know  
24          that you've been doing this work. And so that means that  
25          the taxpayer has to fill it out.

1           We have recommended for years that the IRS  
2           make available to taxpayers the information that it has,  
3           so that they can either download it into free fillable  
4           forms, or into a software program, or bring it to their  
5           return preparer for those people who can't do it  
6           themselves.

7           But every time the IRS has ever made any move  
8           toward that, members of Congress have put in -- have  
9           introduced different pieces legislation banning the IRS  
10          from creating pre-populated returns, or anything along  
11          that line. So the IRS is not able to move in that  
12          direction. I'm just saying that.

13           TAXPAYER: And they're not funded to be  
14          able to do it right. They were not given sufficient  
15          funding to do the right thing on the securities. I work  
16          with a lot of people in the IRS, and there's  
17          well-intended people there. They're not out to get us.  
18          They are trying to help us, and they can't because they  
19          don't have enough resources.

20           And so Congress needs to fix that. They need  
21          to fix their complexities, and they need to fix the  
22          funding for the IRS.

23           And then thirdly, I do not believe that the  
24          average taxpayer needs to go to a professional. I'm  
25          sorry. I just don't think that the lower income half of

1 the world should need to go to a tax professional.

2 And for all of us that spend hours and hours  
3 and hours volunteering, it's enough to do our IRS  
4 certification, let alone have to go and get a state  
5 certification on top of it. We don't need a state  
6 certification to do a good job and be honest and help  
7 taxpayers for nothing. So those are my comments.

8 MS. WATERMAN: I agree with that.  
9 Because who's ultimately responsible for that tax return?  
10 The self-taxpayer. Not us and not them filing these  
11 returns. The taxpayer is responsible. Those are the  
12 ones that are ultimately, either eat it, or, you know,  
13 get better.

14 MS. GALLAGHER-SMITH: So just to clarify  
15 a little bit. I think that there -- yes, it would be  
16 lovely if the Internal Revenue Code would be simplified.  
17 I can cut my hair, and you know what, I'm not going to.  
18 I'm going to see a professional. And some people love  
19 going through and organizing their data, and getting that  
20 tax return prepared. They should absolutely do it, and  
21 it should absolutely be easier. But when someone  
22 prepares a tax return, a personal income tax return in  
23 Oregon for consideration, they are responsible for that  
24 return.

25 So I am responsible. I -- when I put my info

1 on there, or my license, I sign it as the preparer. I'm  
2 signing that I've done my due diligence, and I've applied  
3 the law effectively, and that I in fact am the preparer,  
4 not my software. I am not a data entry person. I am the  
5 person who calculates, and figures it out. And, yes, I  
6 do use my software because I make addition errors. But I  
7 can project selling your rental with a piece of paper and  
8 a calculator. I am the preparer. And in the event that  
9 I make a mistake, and it's part of my engagement letter,  
10 that I take care of the penalties.

11 MS. WATERMAN: Is that for Oregon state  
12 or federal?

13 MS. GALLAGHER-SMITH: It's part of best  
14 practices. It's common with many individuals who -- many  
15 tax practices. It is not a requirement per Circular 230,  
16 which is the federal rules. And it is not a requirement,  
17 pardon me, the standing behind it and paying the penalty.  
18 It is not a requirement by Oregon Administrative Rules.  
19 It is not a requirement by Circular 230, but there is a  
20 way to have penalties abated if the taxpayer relied on  
21 professional -- legit professional advise.

22 MS. WATERMAN: If they believe all your  
23 numbers and have enough dates.

24 MS. GALLAGHER-SMITH: I agree with -- I'm  
25 quite helpful with that.

1 MS. OLSON: I also want to say that  
2 people who prepare returns for free, are not considered  
3 preparers under the rules about penalties, and they're  
4 not subject to penalties, unlike people who prepare  
5 returns for compensation. So we're talking here about  
6 people who prepare returns for compensation.

7 Now, this gentleman, and then I think it was  
8 this gentleman.

9 TAXPAYER: Some years ago, at the turn of  
10 the century, the IRS introduced eServices. And as part  
11 of eServices in that sweet of offerings that we were  
12 allowed access, was the 2848 equivalent, and was the  
13 ability to have communication with an examiner, or an  
14 officer, which lasted for about seven years and it was  
15 withdrawn allegedly because nobody used it.

16 The service has now chosen to put that back  
17 in with the group of highly skilled people who are  
18 authorized to use eServices, and yet they're going to go  
19 out to the taxpayer and provide all of that kind of  
20 stuff. It doesn't compute.

21 MS. OLSON: Well, I'll tell you about  
22 taking the eServices offline. Just that piece, the 2848  
23 piece, was because it was -- the technological platform  
24 that it was on was no longer supported by the developer,  
25 and it was going to cost \$2.0 million to replace it. The

1           IRS decided that because they said that there was  
2           fewer -- too little used, that they wouldn't spend that  
3           money.

4                         But they have spent multiples of that money  
5           now since they took it off and are manually processing  
6           2848s. They have to answer the phone calls from people  
7           saying, Have you gotten my 2848 yet? They have to deal  
8           with all of that stuff.

9                         This is just an example to me of the  
10          short-sidedness that you could have kept that device up  
11          and promoted it so that more people signed on so that you  
12          would not only have savings from the manual processing of  
13          2848s, but you would have a case for using more of it.

14                        And some of what we've heard from some of the  
15          other public forums, is the practitioner saying -- pretty  
16          much what you were saying -- is that this is very --  
17          having access to this information can be very helpful for  
18          being a practitioner, and you should be starting with us  
19          first because then you don't get into the identity issues  
20          or things like that, and you are going to get savings  
21          from us not having to call you just to find out what's  
22          going on in the taxpayer account. I'm just calling you  
23          now, and I got this letter and I have no idea why you're  
24          sending me this letter, walk me through it. You could go  
25          into the account and you can be like, Oh, this is the

1 issue, and then address that issue.

2 But they're starting with the taxpayer first.

3 And I think that's based on the assumption that by  
4 getting to the taxpayer first, you will eliminate all  
5 these calls. But I think what we've heard from everybody  
6 is you won't eliminate the calls if you're starting with  
7 the taxpayers first. They're still going to call you.

8 This gentleman and then you.

9 TAXPAYER: We didn't receive any form of  
10 letter regarding that year because we did two things.  
11 One, we decided that we were going to really be trained  
12 in the software because if you needed something -- if you  
13 didn't check something, it will copy differently, so you  
14 have to understand the software. Secondly, you need to  
15 know the law. So because of this practice, we didn't  
16 receive a single letter for the year.

17 MS. OLSON: There you go.

18 Go ahead.

19 TAXPAYER: So back to eServices. The  
20 reason nobody uses it, it's because it's a pain to use.  
21 I have a much better chance to get somebody on the phone  
22 with the priority service phone number within ten minutes  
23 or less.

24 MS. GALLAGHER-SMITH: And I get the  
25 courtesy disconnect.

1                   TAXPAYER: Right. My record is two  
2 minutes, and I had not formulated my question yet.

3                   But the problem with eServices is, I can  
4 never get in. And then once you are in, it's very  
5 cumbersome to use. It's so cumbersome, it takes me  
6 longer than it takes me to call and ask for the facts,  
7 and have them just fax it to me, and that's why -- I do  
8 not use eServices.

9                   MS. OLSON: Well, and I also have to say,  
10 the future state, you know, every time you go in, you're  
11 going to have to log in. So you're going to have to --  
12 so it will be done in an encrypted environment, that's  
13 the point. And if you get a -- the future state is, this  
14 is online accounting, it's not like you are going to be  
15 able to sit at your computer and e-mail the IRS. You're  
16 going to have to go into an encrypted environment, sign  
17 on to your account, and e-mail the -- send something  
18 within that environment.

19                   And when they respond, you'll get an e-mail  
20 saying, log in to the your account so you can get this  
21 e-mail. So you're going to have to remember all of your  
22 stuff to get into the account to see what the IRS sends  
23 you. And how many times have any of us had to change our  
24 password on Amazon or Netflix, or whatever. I just  
25 want -- I'm trying to do a reality check here as we're

1 thinking about this bright future.

2 And I think your point about that it's just  
3 easier to pick up the phone, is important because people  
4 are going to go to what's easy.

5 TAXPAYER: Right. If it takes me 30  
6 minutes to get an eServices account, or the reality here,  
7 two hours with a phone call because I had to reset my  
8 password five times, no.

9 And the other issue I have with eServices is  
10 that you cannot change your username. I'm sorry, I've  
11 been divorced from the man for so long now, for 16 years,  
12 it's still my username.

13 MS. GALLAGHER-SMITH: And just to add to  
14 that, I think -- I'm in my 40s, and I have a lot of stuff  
15 in my head. I can't imagine what I'm going to have in my  
16 head when, and if I'm lucky enough, to be in my 80s and  
17 my 90s. Are you going to remember what house you lived  
18 in? When I go through the online checklist to check my  
19 credit report, et cetera, I don't remember ten years ago  
20 of where I did this or when I did that. So when you have  
21 individuals who might have shifted memories, or a  
22 shifting sense of time, that alienates another group of  
23 people.

24 TAXPAYER: I'm a CPA, and I've been  
25 practicing for 35 years, but my primary reason for coming

1 here, at least -- I read your year-end report, and even  
2 just seeing these future state diagrams here, and what  
3 struck me is there's an arrogance unfortunately of the  
4 IRS that they can do this themselves, and they don't need  
5 any input from taxpayers. And the examples here -- both  
6 end up resolving in more tax being owed, is like, We were  
7 right, you were wrong, pay us the money.

8 My client base actually is that base that can  
9 afford for us to fight. Most of the notices that we get,  
10 are mostly wrong. And so the point would be, it's really  
11 unfortunate and there is -- there is no easy solution. I  
12 understand that the tax code is not likely to get  
13 simplified any time soon.

14 When I started this business, there was a  
15 discussion about a flat tax. We've been having that  
16 discussion for 36 years now. And so the idea that  
17 somehow we're going to get a simplified tax is not really  
18 likely to happen. But that's not to say that we can't  
19 fix some of these things that we know are broken, like  
20 the Earned Income Tax Credit, like the Affordable Care  
21 Act, like the incentives, the tax credits for education.  
22 Those three areas have high error rates, high fraud  
23 rates, and just an incredible disproportionate use of  
24 resources. We have to figure -- Congress should want to  
25 figure those things out.

1 MS. OLSON: One of our past witnesses  
2 talked about for -- I think it was one of the education  
3 credit, why the IRS couldn't create a look-up page, like  
4 they have for other things, so that you could go in and  
5 see what was -- how many years the taxpayer had claimed  
6 for a specific credit, since they can't remember. And  
7 that to me is an example of, okay, think about  
8 technology, think about something that would really help  
9 and bring compliance along and stuff like that. But  
10 that's not part of it.

11 Okay. This person and then this person.

12 TAXPAYER: Three quick things. The I-10,  
13 when people go through an automated system, or you go  
14 through an electronic system, it is very arrogant of any  
15 creator of that software to think that people are only  
16 going to think the way that they thought in order to  
17 create that design and what is the next direction, and  
18 you go yes or no.

19 Invariably, when I call the IRS for any  
20 purpose, whether I'm needing a transcript, or whatever,  
21 my choices are, one, two, three, four, five, six, seven,  
22 and then the one I need isn't there. It's like -- but  
23 there's another option, but you have to think outside the  
24 box. And that's where a real life human being will  
25 always beat a computer, or will always beat it. Because

1 real life situations of real people are so unique that  
2 you couldn't make them up, you know, they just -- the way  
3 that people come to us and with their circumstances, you  
4 go, Oh, my God how did this happen, but this is the way  
5 it is and you have to deal with it. And you're helping  
6 them. We couldn't even imagine it.

7 And again, it's just very arrogant of any  
8 computer person who decided to design and think that  
9 that's all the options that there are. There's always --  
10 you have to be able to think outside the box. That's  
11 where a live human being will always be better.

12 With I-10s, for example, we see in our  
13 practices, where I live, very, very high numbers of mixed  
14 families. A parent may have an I-10, but the kids may be  
15 a mixture of citizens and noncitizens, some born in this  
16 country. And that screws up the whole ACA thing, and  
17 then you -- invariably you're going to have to sit there  
18 with your software and luckily with our software, we  
19 could type it in, but you still end up having to write in  
20 an explanation of the circumstance in the situation and  
21 the life story as concisely as possible so that they  
22 understand this many people are citizens, and this many  
23 people are not, and these people have the Social Security  
24 numbers. And you have to be able to put all those pieces  
25 together. And -- because that's what's really happening

1 right now in people's realities in the country. You  
2 can't just say, well, this is this way, and this is this  
3 way, no, it's not, here's another way we have to deal  
4 with it.

5           Also, on the ACA, invariably there are some  
6 real problems with the system and the law itself. The  
7 amount of money that people are actually paying is not --  
8 but it's often coming and being printed on the 1095.  
9 They have this gap between the proof that they paid with  
10 all their checks, month after month, this amount, and  
11 then the amount they say in the printouts are what they  
12 have. And that difference makes a big difference to some  
13 of those families. It's a significant amount when you  
14 add it all up after the 12 months. And when you try to  
15 send stuff back and they don't know how to deal with it  
16 and they mess it up entirely.

17           In our state luckily, if there's a senior  
18 citizen involved, they can still do something with their  
19 Oregon health stuff, and get some money back through  
20 that. But otherwise, if it's federal, they're just  
21 screwed.

22           And so what I've come to in my personal --  
23 and I actually started doing -- and I crossed out their  
24 wrong stuff, and I put in the right stuff. I send  
25 messages, and the State hates it because the State of

1 Oregon says, If you write on anything, it will take  
2 forever and we don't want you to write on anything  
3 anymore. Well, tough beans. We've got to tell people  
4 what's going on because otherwise they'll audit. They'll  
5 say you did it wrong. And so you have to give them a  
6 life story, and you have to write it out, and you have to  
7 do it with enough detail so that they won't have an audit  
8 problem, and all because people assumed that it was only  
9 going to go a certain direction, and that happens over  
10 and over.

11 MS. OLSON: I want to thank you. I want  
12 to give it now to this person and then there's someone in  
13 the back.

14 TAXPAYER: I am a big fan of eServices.  
15 I have no -- very little problems with getting in. I use  
16 it probably at least weekly, and often several times a  
17 day. But it does not provide me all the information I  
18 need. Often my clients come in and say, Oh, yeah, this  
19 is like the fourth letter I got from the IRS, and I end  
20 up calling anyway. I mean, if they're going to provide  
21 eServices, provide a robust service to us.

22 MS. OLSON: So letters would be very  
23 helpful?

24 TAXPAYER: Yes. If we could get the  
25 letters or copies of the letters.

1                   TAXPAYER: And a two-way communication.

2                   TAXPAYER: We used to have the two-way  
3 communication, and that seemed to be very effective.  
4 There was things that they said that they couldn't deal  
5 with. But I understand, they can't do everything.  
6 Often, the basic stuff you could dealt with in the  
7 chat -- I mean, it wasn't a chat, your e-mail, but it  
8 still worked very effectively. They took that all away  
9 from us, so now we end up picking up the phone anyway.

10                  MS. OLSON: Right. The thing about  
11 letters is very interesting. Many of the letters that  
12 the IRS sends out, they actually do not have an image of  
13 it. It's just a computer program coding, it's Paragraph  
14 A and Paragraph C-2, whatever, and that's pulled together  
15 in a letter, and that goes out but there's no preserved  
16 letter. And that's one of the reasons why they have just  
17 a line in a transcript that says, We sent this letter.

18                  TAXPAYER: Yeah, but it doesn't tell you  
19 what pieces of that letter are --

20                  MS. OLSON: I know. And the reason why  
21 I'm saying this, it's because it doesn't exist. That's  
22 what I'm trying to say. And so when you go to that --

23                  TAXPAYER: Well, that's terrible.

24                  MS. OLSON: What I'm saying is, is this  
25 is the sort of stuff we need to be thinking about if

1       you're thinking about a future state. What do people  
2       really need to see? Well, they want to see the letters  
3       that were sent out, and actually see them because also  
4       that comes down to a dispute. I mean, the IRS may be  
5       saying we said this in the letter, but if you can't  
6       produce the letter, how do I know you said that?

7                   TAXPAYER: I mean, they may also send it  
8       to the wrong Juan when it was supposed to go to this Juan  
9       over here.

10                   MS. OLSON: And that's a violation of  
11       6102.

12                   Now, this person back there, and then you,  
13       sir.

14                   TAXPAYER: I should start with a  
15       disclaimer. I am both a multiyear participate in the tax  
16       assistance program group and I actually work here at  
17       Hollywood, but I am also -- and this is probably really  
18       where my comment is coming from, I'm a retired federal  
19       employee. I spent the bulk of my professional career  
20       working for the federal government in Washington D.C.,  
21       not with IRS, but with a regulatory agency that's  
22       probably hated almost as much as the IRS, the  
23       Environmental Protection Agency.

24                   What I -- one of the fundamental lessons I  
25       learned being a federal employee for long as I was, was

1 the only way I actually could do a good job and help  
2 develop a regulatory program that I thought was  
3 effective, fair, and also compassionate, was by talking  
4 to all the many people that I regulated.

5 So, for example, I don't know if any of you  
6 are old enough, or paid enough attention to remember when  
7 there was an apple scare about Alar. I was one of the  
8 federal officials involved in that. I had to come out to  
9 Wenatchee and talk to a bunch of extremely angry apple  
10 growers, and extremely angry Oregon hops growers. I was  
11 scared the first time I had to do something like that. I  
12 have actually been in places where I thought people might  
13 do something -- do physical harm to me. But I always  
14 went. I always listened and I always learned. And I  
15 think I was a better regulator.

16 And I left my federal service feeling very  
17 proud of the program that I was part of. And I think  
18 that that's actually one of the most important things the  
19 federal government could have going for it. I am very  
20 worried at this point that people generally do not see  
21 their federal government as a source of help and support.  
22 And in spite of everything, they actually are providing a  
23 lot of support and a lot of help, but the less they  
24 actually talk with the people they regulate, the less  
25 people trust them.



1 our last comment.

2 TAXPAYER: Well, I work for the Oregon  
3 Employment Department. I actually just wanted to take  
4 this opportunity to thank everyone that's provided  
5 feedback in this forum because I've been taking really  
6 good notes of what makes this room unhappy, and I promise  
7 that I'm going to make sure that my superiors know about  
8 this so that we can keep our customers happy, or at least  
9 make better efforts to.

10 And the well-spoken lady behind me brought up  
11 an excellent point, and that's sometimes it's hard to get  
12 ahold of the government, and I just wanted to make it  
13 clear that we do view ourselves as a resource. We do  
14 want to help. And if anyone doesn't believe that, I'm  
15 happy to give anyone here my personal desk phone number  
16 so that I we could have a positive ongoing relationship  
17 with my agency.

18 MS. OLSON: Great. Thank you.

19 MS. WATERMAN: May I ask you a quick  
20 question? Because of all of this going on and the future  
21 state going to an online basis, do you see the  
22 unemployment rate going up because we're losing federal  
23 employees? I just have to ask.

24 TAXPAYER: I couldn't even speculate  
25 about that. I can tell you that we are putting together

1 a very diverse task force to anticipate when the next  
2 recession is going to happen and how bad it's going to  
3 be. I am not a part of that task force. Virtually every  
4 section within our agency is contributing to that task  
5 force so that we can make predictions and react faster  
6 than we did to the most recent recession.

7 MS. WATERMAN: Thank you for your  
8 honesty.

9 MS. OLSON: In closing, I just wanted to  
10 share one thing. We did a public forum in the Bronx in  
11 New York, and we had the legal ombudsman for the New York  
12 City Department of Consumer Affairs come, and he is in  
13 charge of all the small -- the regulations for small  
14 businesses, and Mayor de Blasio has decided that the most  
15 important thing to do is for them to meet face-to-face  
16 with a small businesses that they are regulating, and are  
17 asking for them to explain to them the regulations,  
18 whatever the regulations are that they are subject to.  
19 And I was just absolutely flabbergasted by that. As you  
20 all know, New York City is a pretty big place. It has  
21 five bureaus, it's not just Manhattan, it's all five  
22 bureaus, but they are doing it because they think that  
23 that conversation, and that personal interaction, is what  
24 really will bring about compliance. And I was very  
25 pleased to have that panelist there for that day.

1                   So I want to thank you all. I want to thank  
2                   our panelists. I want to thank you all for a very  
3                   vigorous discussion.

4                   You will be able to see maybe in a month or  
5                   so, the transcript will be up on our website, so you can  
6                   say, I was there, and I said that.

7                   Thank you so much.

8                   (Whereupon, at 7:15 p.m., the meeting was adjourned.)

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I, Melanie Paige Boelow, do hereby certify that at the time and place heretofore mentioned in the caption of the foregoing matter, I was a Notary Public for the state of Oregon; and that at said time and place I reported in stenotype all testimony adduced and proceedings had in the foregoing matter; that thereafter my notes were reduced to typewriting and that the foregoing transcript consisting of 67 typewritten pages is a true and correct transcript of all such testimony adduced and proceedings had and of the whole thereof.

Witness my hand at Vancouver, Washington, on this 30th day of August, 2016.

<%Signature%>  
Melanie Paige Boelow  
Notary Public for Oregon  
Commission No. 939058  
My commission expires: 05-14-19