

National Taxpayer Advocate

Public Forum

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Statement of

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Chair, CERCA

Thank you for the opportunity to present our views at this important forum. CERCA, the Council for Electronic Revenue Communication Advancement, was created in 1994 at the explicit request of the IRS (in a Federal Register Notice) to provide input to IRS inquiries on key issues relating to electronic filing and electronic tax administration, and we are happy to respond to your invitation to participate in this meeting.

Of course, the major message we would have is that the goals being discussed at this series of open forums make good sense for all Americans. The IRS must move forward with technology to serve taxpayers, but at the same time it is imperative that the public not lose the services now available from the agency. Call-in service must be maintained, and, indeed, enhanced. Appropriate walk-in options must also continue, and taxpayers who choose to send in their returns in hardcopy form should not be prohibited from doing so, although every effort should be made to explain the advantages of e-filing.

The IRS Future State vision represents very sound policy in moving the IRS toward better service to the taxpayer in the years ahead, so long as the needs of all taxpayers are considered, and we know the IRS has these concerns very much in mind.

We believe there are at least four reasons to move forward with advanced technology development:

First, for sophisticated tech-savvy taxpayers, online solutions often will be their preferred choice in interfacing with the IRS. This does not mean that this major segment of the public will always want to communicate with IRS electronically, but often they will, notably for simple questions.

This vision discerns that many (numerous surveys say most) Americans expect online options for their retail purchases, and for online banking or ATM services for many of their banking transactions, and other similar interfaces with private companies for a wide variety of services. And, now many also expect their connections with government to be electronic as well, from renewing automobile tags to checking their Social Security accounts.

Given that more than half of taxpayers use tax practitioners, and more than 90% of tax returns are being filed electronically, either by DIY software or by a practitioner, the IRS should provide taxpayers with easier access to their information through the tax software they use every year, and should build tax professional online accounts and allow taxpayers to authorize their tax professionals to get access to their information, as ETAAC has urged earlier in this set of meetings.

Second, by giving these tech-savvy taxpayers the applications they want, it is only reasonable to assume that this will free up very substantial amounts of phone and other resources, thus allowing those who do not select online applications to get through to IRS experts, particularly in complex situations. To use the online government service previously alluded to, certainly, no one who has ever in recent years renewed their auto registration online will ever join the line at a DMV again, thus perhaps allowing others the opportunity to accomplish their vehicle responsibilities without taking inordinate hours off from work.

Third, as Aaron Smith, Associate Director (Research) for the Pew Center, suggested at the first of these forums, mobile apps are being adopted by disadvantaged Americans at a rapid rate, thus changing, or at least complicating, the discussion of serving all Americans. The IRS vision prominently notes the growing importance of mobile apps, and in order to particularly serve this expanding community of disadvantaged Americans, smartphone solutions should be provided. Mr. Smith pointed out during the first of these sessions on February 23, that today 13% of Americans “indicate that they do not have a broadband service at home, but do have a smartphone – a five-point increase from what we found just two years ago.” The Pew Center representative went on to note that using smartphones for some tasks can be “challenging,” an important caveat. Thus IRS needs to focus attention on smartphone services, as their plan envisions. Mobile apps need to be well-designed to serve all segments of our society, because all segments of our society are using mobile apps.

Fourth, given what we have seen in terms of funding from Congress in recent years, realistically it is prudent to look to cost saving technology options for the Internal Revenue Service, just as, in retrospect, it was extremely wise for the IRS to begin its push for electronic filing over 20 years ago. Everyone recognizes that the IRS could not function today if the agency still needed to process those mountains of paper.

To be sure, security and authentication for online services are critical. IRS is devoting a great deal of attention to security, as has been widely publicized, and industry has been proud to join the IRS and States in the landmark Security Summit initiative of Commissioner Koskinen. Great progress is being made, and we know that IRS will have important online service announcements in the weeks ahead.

There are many aspects to security that could be discussed in great detail, but for the purposes of this statement, two major points should be made: open communication about security threats and fraudulent activity within the tax eco-system between and among industry and federal and state governments make on-line activity more standardized and secure, providing the ability to respond to

and hopefully reduce those threats, and assisting taxpayers from their point of entry into the tax filing process through the receipt of their refund, i.e., by leveraging private sector technology and support services, the IRS and the states are able to utilize their resources on post filing issues.

Regarding industry's role in serving the taxpayer in the future, of course, the constant improvement and innovation that has been brought about by the competitive marketplace has been the hallmark of industry's service to the taxpayer. It represents a rather remarkable record of achievement.

Innovation in software technology, innovation in usability and user interfaces, innovation in customer services including assistance to the taxpayer, they all promise to continue in the future.

CERCA

The Council for Electronic Revenue Communication Advancement (CERCA) was founded in 1994 at the direct request of the Internal Revenue Service in order to provide a forum and a liaison point between the agency and industry (and others) to assist in building electronic filing and advanced electronic tax administration. CERCA members served as a partner with IRS during the phenomenal growth of E-File, and that and related work continues today. CERCA members include a wide diversity of industry participants. In recent years, CERCA has worked with IRS and the Department of Health and Human Services in facilitating the implementation of the Affordable Care Act's taxpayer related issues. CERCA has worked with IRS on the development of various key online service initiatives for many years, and has been proud to play a leading role in Commissioner Koskinen's landmark Security Summit.

JOHN SAPP

John Sapp has served in key positions at Drake Software since 1996, ranging from Chief Financial Officer to Vice President of Drake's Sales, Marketing and Education Divisions. Today he is Vice President of Strategic Development, where his role is to help shape the future and growth of the company. As a CPA, he has considerable experience in public accounting, as well as technological and private industries. He holds a bachelor's degree in Accounting from Oral Roberts University, and has been a Certified Public Accountant since 1987. John also currently serves on the CERCA Board, completing his two year term as Chairman. Drake Software, of Franklin, NC, is one of the largest professional tax preparation and electronic filing companies in the country. Drake has participated in the IRS e-file program every year since its inception in 1986, and last year facilitated the acceptance of millions of federal and state electronic returns. The Drake Software tax package has been commercially available since 1978 and is currently used in more than 50,000 independent tax offices.