



May 8, 2017

The Honorable Steven T. Mnuchin  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

The Honorable John A. Koskinen  
Commissioner  
Internal Revenue Service  
1111 Constitution Avenue, NW  
Washington, D.C. 20224

RE: Request that the IRS Expose its Future State Plans for Public Comments

Dear Secretary Mnuchin and Commissioner Koskinen:

The Texas Society of Certified Public Accountants (TSCPA) is a nonprofit, voluntary professional organization representing more than 27,000 members. One of TSCPA's expressed goals is to speak on behalf of its members when such action is in the best interest of its constituency and serves the cause of CPAs in Texas, as well as the public interest. TSCPA has established a Federal Tax Policy Committee (FTP) to represent those interests on tax-related matters. TSCPA has also established the Relations with IRS Committee to create and maintain communications with the Internal Revenue Service (IRS). These committees have been authorized by TSCPA's Board of Directors to submit comments on such matters of interest to committee membership. The views expressed herein have not been approved by the Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policies of the TSCPA.

We write in support of the AICPA's and Practitioners Groups' letter to members of Congress dated April 3, 2017, which offers several constructive recommendations to modernize IRS business practices by effectively implementing technological advances to serve taxpayers and tax practitioners.<sup>1</sup>

We applaud the IRS' objective to modernize the accessibility to tax information for both taxpayers and tax practitioners and want to support those efforts. However, we believe these objectives can be achieved more effectively with ongoing substantive practitioner and public input as the IRS develops its "Future State" plans (i) to provide a more proactive and interactive relationship between taxpayers and the IRS and (ii) to improve taxpayer service, enforcement and operations through implementation of technology and alternatives to face-to-face in-person and telephonic contact. Our concerns arise in part out of our experiences as tax practitioners in representing clients before the IRS by phone with representatives from remote campuses and communicating with the IRS through technology in practitioner forums and other contexts, as well as concerns we hear from clients regarding their interactions with the IRS. The quality of these experiences have been unpredictable at best.

---

<sup>1</sup> Joint AICPA and Practitioners Groups' letter to U.S. Senate Finance Chairman Orrin Hatch, U.S. Senate Finance Ranking Member Ron Wyden, U.S. House Ways & Means Chairman Kevin Brady, U.S. House Ways & Means Ranking Member Richard Neal; "Ensuring a Modern-Functioning IRS for the 21<sup>st</sup> Century" (April 3, 2017).

### **The IRS Would Significantly Benefit from Taxpayer and Practitioner Input**

We anticipate the Future State the IRS is developing will inevitably have a significant impact on the effectiveness and efficiency of tax administration. If the IRS would provide substantive details on its plans to receive and consider comments from tax practitioners and the public, the Future State initiative would be more likely to be successful. The opaque process the IRS has taken thus far creates uncertainty for taxpayers and tax practitioners and may result in ineffective tax administration. We recommend seeking input from the viewpoint of practitioners who routinely engage in communications with the IRS and can provide valuable insight into identifying potential problems with the proposed plans before implementation and assuring the planned technology, once implemented, will be put to effective use. We agree with the National Taxpayer Advocate Nina Olson that it is very important to seek multiple sources of input into this process. One of the strategic efforts identified in the Future State plan is to “[l]everage and collaborate with external stakeholders,”<sup>2</sup> but the IRS seems to be making decisions unilaterally; even though IRS press releases reference some efforts to communicate through surveys and the National Taxpayer Advocate forums, Texas CPAs have not seen sufficient tangible efforts to collaborate. We wrote the IRS on March 4, 2016, asking the IRS to seek broader input (copy enclosed) and have received informal verbal feedback from IRS representatives encouraging us to provide feedback on the system as it is rolled out. Allowing taxpayer and practitioner insights to help shape the Future State seems more efficient and effective than providing feedback on an after-the-fact basis.

Without involving taxpayers and practitioners in developing the Future State, the IRS may not be efficiently prioritizing the use of its resources, which are clearly adversely affected by the history of, and prospect for, budget cuts and inadequate funding. (We have expressed our concerns to Congress regarding this budget issue.) The lack of a collaborative process may lead the IRS to waste resources developing tools that taxpayers and/or tax practitioners do not need and/or will not use.

### **Incorporating Survey Data and Input Helps the IRS to Effectively Serve Individual Taxpayers in the Future State**

One of the strategic themes of the Future State is to “[f]acilitate voluntary compliance by empowering taxpayers with secure innovative services, tools, and support.”<sup>3</sup> Public input can help the IRS develop the right tools that will more likely be used to effectively leverage these resources. The President’s Budget Report for Fiscal Year 2017 issued Feb. 9, 2016, shows the IRS Oversight Board’s 2015 Taxpayer Attitude Survey reflected that 84 percent of taxpayers stated they were likely to use the IRS website and 85 percent (under age 35) said IRS applications on mobile devices such as smartphones are valuable. Additional research in this area might indicate whether tools should be developed for handheld devices or computers, what operating systems taxpayers use, what level of online competence to navigate new IRS tools likely users have, what information taxpayers might seek online

---

<sup>2</sup> IRS Future State, Six Strategic Themes, Theme #3, IRS.gov.

<sup>3</sup> Ibid, Theme #1, IRS.gov.

and what services they might prefer to obtain “in person” or by telephone.<sup>4</sup> We do know from our interactions with clients that relatively few have the desire or skill to work through complex tax issues or calculations.

If the IRS could provide simple, accurate and complete answers to taxpayer questions, this would be ideal; however, our experience is that few questions or issues are so limited in the relevant facts or applicable law to allow for this resulting goal. It is also our collective experiences, at least in Texas, with the IRS’ attempts to use technology, including for example, to allow virtual appearances by its employees at practitioner liaison meetings, that available IRS technology for taxpayer interaction is not ready to substitute for face-to-face interaction because of low resolution, choppy video feed and difficulty in audio communications. We suspect that the complexity of the tax law and the challenges of technology and security may make any system relatively cumbersome and difficult for occasional use by an individual taxpayer. Many individual taxpayers may conclude that learning to navigate a complex system may not be worth the effort. We observe that it is difficult to develop simple, effective and consistently accessible technology services and the IRS efforts to date do not justify a wholesale transition.

Our collective experiences show that when an IRS call center is addressing a question using computer communications, since the phones are now connected through the computer systems, the call may be disconnected if there is a computer interruption, such as a computer problem that requires a rebooting. Our members have been informed by Practitioner Priority Service that the computers often freeze when more than one account needs to be accessed to resolve a particular client’s tax issue.

Despite years of effort by the IRS, its website continues to not be particularly user-friendly, with searches failing to produce desired results. Many members have abandoned trying to directly access the IRS site and find much better results using commercial search engines on the Internet, which could easily lead to taxpayers accessing and relying upon unreliable information.

For simple inquiries, such as which form to use or what publications are available, the system should be easy to navigate. However, even a simple search of the IRS website for basic information often yields an overwhelming number of “hits” that do not seem to be prioritized based on the most common user needs. Taxpayers will likely not take the time to learn to navigate high-security portals for the answers to occasional simple questions. There is great risk that taxpayers will find the system frustrating and unproductive for them and will lose patience in trying to find a correct answer to a tax question. The assertion that taxpayers will be able to default to access human contact may well be an illusion if resources are directed away from non-electronic resources, as has been a years-long tendency.

---

<sup>4</sup> Monica Anderson, in her article, “Digital divide persists even as lower-income Americans make gains in tech adoption,” indicates, “roughly three-in-ten adults with household incomes below \$30,000 a year don’t own a smartphone. Nearly half don’t have home broadband services or a traditional computer. And a majority of lower-income Americans are not tablet owners... And when it comes to their ability to use technology, lower-income Americans are more than twice as likely as those in other groups to be classified as digitally unprepared.” (March 22, 2017) Pew Research Center.

## **The IRS will Need to Balance Security Assurances with Ease of Use**

For applications where security is important, such as obtaining account balances, privacy protection security may inevitably make the system difficult to navigate, particularly for an occasional user. It is difficult enough for highly educated and experienced tax practitioners to track the frequent password changes and complex passwords required to access and utilize their e-Services accounts. In addition, given the many identity theft hazards and existing campaigns by criminals posing as the IRS to steal personal information, taxpayers may be reluctant to provide sensitive information online and may prefer to work through their trusted tax adviser. These nefarious efforts by criminals, combined with congressionally mandated outsourcing of IRS collection actions, are likely to heighten taxpayers' wariness and confusion regarding who represents the IRS and who does not. The National Taxpayer Advocate has written that, "I continue to be concerned that the IRS' design for the Future State ignores or dismisses the significant body of data that shows large portions of the taxpaying public either unable or unwilling to engage with government online services for anything other than the most routine task, if those."<sup>5</sup>

The IRS' challenge to keep up-to-date with existing technology prompts ongoing practitioner concerns regarding the IRS' increasing reliance on technology to communicate with taxpayers. For example, one issue, which also affects security and ease of use for taxpayers, arises because of IRS e-Services and other tools being programmed to only work properly using Internet Explorer or other Microsoft products. This performance limitation was recently confirmed by one member's communications with the e-Services help desk after the e-Services application failed to work on Mozilla Firefox. Other members have had problems with report formatting when accessing e-Services through Google Chrome. Microsoft has been phasing out Internet Explorer, announcing in January 2016 that users of older versions of Internet Explorer would become vulnerable to potential security attacks because it would no longer be supporting those versions.<sup>6</sup> While Microsoft continues to update Internet Explorer 11, it is advising users they should switch to an updated Web browser, such as Microsoft Edge, to help prevent such vulnerabilities. Many firms' IT professionals recommend staying away from Microsoft browser products altogether, recommending alternatives, such as Firefox or Chrome instead. If the IRS wants practitioners and other users to utilize its electronic service delivery tools, the IRS needs to write those tools to work on a variety of platforms, including Firefox and Chrome, which are more widely used, and not just Microsoft products.<sup>7</sup>

We understand the IRS budget has been insufficiently funded to serve the increasing needs for taxpayer information. We are seriously concerned by this trend and, as noted, we have written in support of adequate IRS funding for this important purpose.<sup>8</sup> However, as stated in our March 4, 2016

---

<sup>5</sup> National Taxpayer Advocate's FY 2017 Objectives Report to Congress, Section One – Preface (June 30, 2016) 2.

<sup>6</sup> "Support for older versions of Internet Explorer ended on January 12<sup>th</sup>, 2016," Microsoft.

<sup>7</sup> Jack Schofield, "Which is the Best Browser for Windows 10: Firefox or Chrome?" (Feb. 9, 2017) *The Guardian*; Michael Muchmore "The Best Web Browsers of 2017" (Jan. 12, 2017) *PC Magazine*.

<sup>8</sup> TSCPA Federal Tax Policy and Relations with IRS Committees' joint letter dated Nov. 5, 2014, to leadership of the U.S. Senate Appropriations Committee and U.S. House Appropriations Committee to support adequate IRS funding to serve taxpayers and increase

letter, we are concerned that substituting online tax information services for live interaction with IRS personnel may be inefficient for both the IRS and taxpayers and could diminish the quality of tax returns.

If the tools provided to taxpayers are not simple and intuitive, taxpayers may resort to calling the IRS for assistance on how the tools work, as well as to get the substantive answers to their questions. This would reduce the savings the IRS hopes to achieve by substituting technology for live interactions between taxpayers and the IRS. As indicated in the table below, between 2011 and 2016, IRS offices have diminished from 541 to 470, Taxpayer Assistance Centers have fallen from 401 to 376 and stakeholder liaisons have dropped from 137 to 98.<sup>9</sup> This is a concerning trend that will inevitably damage voluntary compliance. It is important that personnel who deal directly with taxpayers continue to serve at least until the Future State can be shown to be a truly effective alternative.

<b>Number of Locations, Employees or Visitors</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
IRS Offices (Cities)	541	523	510	499	479	470
Appeals Officers (AOs)	1,129	1,058	958	881	795	739
Revenue Officers (ROs)	4,402	4,035	3,703	3,441	3,191	3,072
Revenue Agents (RAs)	11,959	11,258	10,502	9,776	9,090	8,871
Stakeholder Liaison Outreach Employees	137	123	119	110	105	98
Stakeholder Partnerships, Education and Communication Outreach Employees	522	475	444	405	386	365
Taxpayer Assistance Centers (TACs)	401	401	398	382	378	376
TAC Service Reps	1,639	1,515	1,484	1,520	1,423	1,267

*National Taxpayer Advocate 2016 Annual Report to Congress - Volume One, p. 7<sup>10</sup>*

## Serving Tax Professionals in the Future State

The IRS may be able to spend resources more wisely by improving electronic services for those who prepare the majority of individual income tax returns reflecting the greatest amount of taxes assessed, rather than focusing primarily on directly serving individual taxpayers. Tax professionals are in a unique position to assist taxpayers with understanding and voluntarily complying with the tax law, providing an essential link for taxpayer compliance.

voluntary compliance.

<sup>9</sup> Ibid, NTA's 2016 Annual Report to Congress, Volume One, Special Focus, IRS Future State: The National Taxpayer Advocate's Vision for a Taxpayer-Centric 21<sup>st</sup> Century Tax Administration, 7. TAC's customer service representative figures are from the IRS Human Resources Reporting Center, Position Report by Employee Listing for the ending pay period for FY 2011 to 2016 (Jan. 10, 2017).

<sup>10</sup> Ibid, NTA footnote: Figures for Appeals Officers, Revenue Officers, Revenue Agents, Stakeholder Liaison Outreach, SPEC Outreach and Taxpayer Assistance Center (TAC) Service Representatives are from the IRS response to TAS Fact Check (Dec. 16, 2016). TAC customer service representative figures are from the IRS Human Resources Reporting Center, *Position Report by Employee Listing for the ending pay period for FY 2011 to 2016*, Nov. 2, 2016.... See remaining footnote in NTA's 2016 Annual Report to Congress, Volume One, Special Focus, 7.

The majority of taxpayers hire someone to prepare their tax returns, with 56 percent using a paid professional.<sup>11</sup> While specific numbers are not available, intuitively we believe that most of the higher-income individual returns reporting the greatest amount of tax are prepared by CPAs, attorneys and enrolled agents. These returns are the most challenging for taxpayers and the IRS and represent the greatest amount of economic activity. Empowering tax professionals with additional quality online resources, such as those mentioned in the AICPA and Practitioner Group letter,<sup>12</sup> would thus seem to serve the Future State plan strategic effort to “[d]rive more agility, efficiency and effectiveness in IRS operations” by having higher-quality returns and more knowledgeable taxpayer representation.<sup>13</sup>

Taxpayers often prefer to work with tax professionals when they have questions rather than interacting with the IRS.<sup>14</sup> Paid preparers work comfortably with the IRS and, because of more regular and frequent use, will invest the time necessary to help ensure that Future State tools work properly and effectively. Therefore, it makes sense to obtain practitioners’ input up front before investing resources in developing and implementing Future State tools.

### **Some Helpful Tools That the IRS Should Develop**

We believe the IRS would generate many valuable ideas if the IRS solicited taxpayers and tax professionals for comments as it develops the Future State. We commend the National Taxpayer Advocate for holding forums on the Future State and have enclosed our statements made at the forum in Texas, but believe the IRS would benefit further from more direct meetings with stakeholders. Unfortunately, our meetings in recent years with local IRS personnel have largely been limited to middle-level management or staff, with no decision-making authority, very different than was the case not that many years ago.

We provide the following specific examples of where technology applications could easily be improved to enhance taxpayer services by tax professionals and we commend these to your attention.

- *Online Services for Circular 230 Professionals*

We urge you to reinstate the online ability to submit Form 2848, *Power of Attorney and Declaration of Representative*, to allow professionals to immediately represent taxpayer clients. Professional representatives should also be able to file Form 8821, *Taxpayer Information Authorization*, online to allow them to expeditiously provide and receive information related to client tax issues. One immediate result of such access would be more complete and accurate tax returns. Tax professionals should also have online account resolution to make it easier for them to help taxpayers and the IRS. Circular 230 governs

---

<sup>11</sup> IRS Statistics of Income, Selected Information from Individual Income Tax Returns Filed for TY 2013. Written testimony of Commissioner John Koskinen before the Senate Finance Committee on Regulation of Tax Return Preparers (April 8, 2014).

<sup>12</sup> Ibid, AICPA’s and Practitioners Groups’ letter to members of Congress.

<sup>13</sup> Ibid, IRS Future State, Theme #6, IRS.gov.

<sup>14</sup> Jeff Stimpson, “Fear and Loathing: What clients say about the IRS” (Feb. 21, 2017) *Accounting Today*.

professional responsibilities of those who practice before the IRS and with those responsibilities should come appropriate tools for effective representation.

Taxpayers might have difficulty navigating a system to obtain their own transcripts and, in our experiences, taxpayers frequently prefer to use tax professionals to help resolve account issues. Online services in this area might be a higher priority to provide appropriate access to tax practitioners.


- *Improved Telephone Technology*

Practitioners and taxpayers are intensely frustrated by poor IRS telephone technology and service. Long holds that are sometimes cut off (“courtesy disconnects”), recorded messages and long periods of hold music, calls being handled by personnel who do not have the answer and either cannot transfer the call or do not make the transfer to a correct person, adding to wasted time, and so forth, all of which have been documented repeatedly by the National Taxpayer Advocate.<sup>15</sup>

To avoid or minimize hold times, the IRS should consider the *California Franchise Tax Board’s* system, which informs the caller that all representatives are busy and allows them to provide a callback number, so they can be called in order—not an indeterminate time in the next 24 to 48 hours, without having to remain on hold.<sup>16</sup> This technology is becoming widespread in the commercial sector of our economy and would avoid the long hold times, allowing the taxpayer or practitioner to work more productively while waiting to be connected.

The future of federal tax administration or the Future State is important to taxpayers and tax practitioners, as well as the IRS, and we encourage you to seek public input from them. We thank you for considering these comments and would be pleased to discuss them further with you. Please contact Kenneth Horwitz at 972-419-8383 or [kmh@gpm-law.com](mailto:kmh@gpm-law.com).

Sincerely,



Kenneth M. Horwitz, JD, LL.M., CPA  
Chair, Federal Tax Policy Committee  
Texas Society of Certified Public Accountants



Michael D. Williams, CPA  
Chair, Relations with the IRS Committee  
Texas Society of Certified Public Accountants

---

<sup>15</sup> National Taxpayer Advocate’s FY 2016 Objectives Report to Congress, Section Two – Filing Season Review, Telephone Service (July 15, 2015) 9-18.

<sup>16</sup> “California’s Franchise Tax Board: Understanding Taxpayer Satisfaction with the Customer Service Call Center” (September 2015) Institute for Social Research, California State University, Sacramento.

Secretary Mnuchin and Commissioner Koskinen  
Request that the IRS Expose its Future State Plans for Public Comment  
May 8, 2017  
Page 8

Principal responsibility for drafting these comments was exercised by Kenneth M. Horwitz, JD, LL.M., CPA; Christina A. Mondrik, JD, CPA; Michael D. Williams, CPA; and R. Byron Ratliff, CPA.

Enc.: TSCPA Federal Tax Policy and Relations with IRS Committees' joint letter dated March 4, 2016  
TSCPA statements provided at the Taxpayer Advocate Forum; San Antonio, Texas; August 30, 2016

cc: The Honorable Orrin G. Hatch, Chairman, U.S. Senate Finance Committee  
The Honorable Ronald L. Wyden, Ranking Member, U.S. Senate Finance Committee  
The Honorable Kevin Brady, Chairman, U.S. House Ways and Means Committee  
The Honorable Richard Neal, Ranking Member, U.S. House Ways and Means Committee  
Members of Congressional Caucus on CPAs and Accountants  
Texas Members of U.S. Congress  
Nina E. Olson, National Taxpayer Advocate





**Texas Society of  
CPA Certified Public Accountants**

---

March 4, 2016

The Honorable Jacob J. Lew  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

The Honorable John A. Koskinen  
Commissioner  
Internal Revenue Service  
1111 Constitution Avenue NW  
Washington, D.C. 20224

RE: Request that the IRS Expose its "Future State" Vision and Concept of Operations for Public Comments

Dear Secretary Lew and Commissioner Koskinen:

The Texas Society of Certified Public Accountants (TSCPA) is a nonprofit, voluntary professional organization representing more than 27,000 members. One of the expressed goals of the TSCPA is to speak on behalf of its members when such action is in the best interest of its constituency and serves the cause of CPAs in Texas, as well as the public interest. TSCPA has established a Federal Tax Policy Committee (FTP) to represent those interests on tax-related matters. TSCPA has also established the Relations with IRS Committee to create and maintain communications with the Internal Revenue Service (IRS). These committees have been authorized by TSCPA's Board of Directors to submit comments on such matters of interest to committee membership. The views expressed herein have not been approved by the Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policies of the TSCPA.

We are pleased to learn that the IRS is creating a "future state" plan within its Concept of Operations (CONOPS) to improve service to taxpayers and practitioners. However, we are concerned the plan may substitute electronic interaction for in-person communications in many situations where this may not be efficient or efficacious either for the IRS or for the public. We appreciate the recent inclusion of material on the IRS website relating to this plan, acknowledging the receipt of input from specified, but limited groups and persons. However, we urge you to expose the CONOPS plan for general public review and comment, as parts are in development, from time to time during the planning process. This process should occur well before any adoption or implementation of any part so that the IRS may benefit from the practical perspective of practitioners and the public.

In many instances, electronic interactions will be less adequate than in-person communications. Tax issues are often complex, and we expect taxpayers and their professional advisors, however sophisticated, will frequently not ask the right questions online or, the online answers will be incomplete or will lead to additional questions. Many of us see this problem now in our communications by email with clients that impel actual interactive direct telephone or in-person communication. In contrast, a brief discussion with an IRS staff person could help clarify the issues and provide an opportunity for any necessary follow-up questions, thereby enhancing efficacy for both the IRS and the taxpayer.

Additionally, many individuals, including lower-income and elderly taxpayers, may not have access to appropriate technology or may be less than adequately technologically oriented. Taxpayers who do not fluently speak or read Standard American English, who are not cognoscenti in respect of the special language used in connection with federal tax issues, or who have difficulty with written communication, such as relatively lower educated persons or dyslexic persons, may be severely hindered by the move toward more electronic and fewer spoken taxpayer communications.

As noted in the National Taxpayer Advocate's 2016 Report to Congress, the CONOPS plan may drive the most vulnerable classes of taxpayers to rely on third parties, not all of whom may be scrupulous (or trained) tax professionals, to assist them in communicating with the IRS.<sup>1</sup> Especially if these communications are not limited to Circular 230 regulated practitioners, taxpayers run the risk of increased cost, not to mention increased risk, in communicating with the IRS.

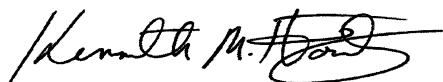
Many taxpayers are very reasonably suspicious of communicating with the IRS using technology. Frequent reports identify IRS data breaches of sensitive taxpayer information.<sup>2</sup> As recently as Feb. 9, 2016, the IRS reported additional data breaches in its Electronic Filing PIN system, which was designed to protect taxpayers from harm.<sup>3</sup>

As the IRS moves toward increased use of technology to serve taxpayers, we want to help identify situations where technology will be most useful and efficacious, as well as those circumstances where it may not be an efficient substitute for personal taxpayer service.

The process of "modernizing" communications, as well as other initiatives that might be proposed in the CONOPS, is important to taxpayers and tax practitioners. Accordingly, for the reasons stated above, we believe that the CONOPS and its parts should be presented for collaborative review and comment by the public well before any anticipated adoption or implementation date.

We appreciate this opportunity to present our comments and would be happy to discuss this further with you. Please contact me at 972-419-8383 or kmh@gpm-law.com if you would like to discuss our comments.

Sincerely,



Kenneth M. Horwitz, JD, LL.M., CPA  
Chair, Federal Tax Policy Committee  
Texas Society of Certified Public Accountants



Michael D. Williams, CPA  
Chair, Relations with IRS Committee  
Texas Society of Certified Public Accountants

---

<sup>1</sup> Taxpayer Advocate Service- Fiscal Year 2016 Objectives Report to Congress – Volume One, page 64.

<sup>2</sup> See *Id.* at p. 61.

<sup>3</sup> See IRS Statement, available online at: <https://www.irs.gov/uac/Newsroom/IRS-Statement-on-Efiling-PIN>, as reported by The Journal of Accountancy at [http://www.journalofaccountancy.com/news/2016/feb/irs-data-breach-exposes-social-security-numbers-201613868.html?utm\\_source=mn:cpainsider&utm\\_medium=email&utm\\_campaign=16Feb2016](http://www.journalofaccountancy.com/news/2016/feb/irs-data-breach-exposes-social-security-numbers-201613868.html?utm_source=mn:cpainsider&utm_medium=email&utm_campaign=16Feb2016).

Messrs. Lew and Koskinen  
March 4, 2016  
Page 3

cc: The Honorable Mark J. Mazur, Assistant Treasury Secretary for Tax Policy  
The Honorable Orrin G. Hatch, Chairman, U.S. Senate Finance Committee  
The Honorable Ronald L. Wyden, Ranking Member, U.S. Senate Finance Committee  
The Honorable Kevin Brady, Chairman, U.S. House Ways & Means Committee  
The Honorable Sander M. Levin, Ranking Member, U.S. House Ways & Means Committee  
Members of Congressional Caucus on CPAs and Accountants  
Texas Members of U.S. Congress  
Nina E. Olson, National Taxpayer Advocate

**Statement of James A. Smith  
On Behalf of The  
Texas Society of Certified Public Accountants  
Before The  
National Taxpayer Advocate  
Public Hearing on IRS Future State  
August 30, 2016**

Good morning, my name is Jim Smith. I have been a licensed CPA in Texas for over 43 years, serving individuals and entrepreneurial businesses. I am a past chairman of the Texas Society of CPAs and the Dallas CPA Society, a founding member of the TSCPA Federal Tax Policy Committee and a member of the American Institute of CPAs Tax Practice Responsibilities Committee. I am speaking on behalf of the Texas Society of CPAs whose more than 28,000 members represent all types and sizes of taxpayers and who interact regularly with the Internal Revenue Service (IRS) in serving their clients. I believe my comments reflect our members' concerns, but I should add they have not received official approval by our Executive Board.

I want to thank the Office of the Taxpayer Advocate and Congressman Doggett for giving this panel the opportunity to speak on matters that are so important to all taxpayers and tax practitioners. I also want to thank you for the great work you, as National Taxpayer Advocate, do in serving taxpayers and helping make the tax system work better for everyone.

As the IRS fulfills its responsibility for administering the tax system, it must cope with limited funding and the resulting personnel shortages, expanded responsibilities imposed by new laws, the impact of information technology, accelerating complexities in the tax law and the negative reaction many, including members of Congress, have to it. How it manages these challenges is critical to the viability of our voluntary compliance tax system. To effectively and efficiently administer our federal tax law, the IRS should focus transparently and with public input on four important areas:

- inadequate staffing,
- identity theft,
- technology, and
- Future State Plan.

I will address each of these areas separately and hope my comments will be viewed as constructive and supportive of the IRS' essential role in our government.

Inadequate Staffing

The staff shortage manifests itself in the following:

- inordinately long "hold" times for telephone calls that are often terminated without explanation,
- reduced or eliminated IRS personnel presence in many locales,
- long waits for unscheduled face-to-face meetings,
- difficulties and delays in trying to schedule face-to-face meetings in other locales, a major problem in a state the size of Texas,
- extraordinarily long timeframes to resolve problems through IRS correspondence.

It is critical that the IRS utilize the limited funds it has efficiently in the administration of tax law while serving the taxpayer base. Online services are an essential, but not exclusive, way of serving taxpayers. Many tax issues cannot be addressed solely through technology. It is common that the answer to one question leads to another question or requires a further clarification that can be most easily resolved with direct communication either by telephone or in a face-to-face meeting. Many individual taxpayers, arguably those most in need of assistance, do not have computer skills or access to the Internet and must address an issue through personal contact either by telephone or a face-to-face meeting. Our knowledgeable members frequently complain of the great difficulty in working with the IRS website; we can only imagine the difficulties faced by taxpayers or less well trained preparers who prepare the preponderance of returns. The long waits on the telephone or long lines at IRS Taxpayer Assistance Centers contribute to reduced taxpayer compliance, which must be factored into IRS planning.

We believe having adequate numbers of well-trained personnel who can serve taxpayers and tax practitioners over the phone and in face-to-face meetings will improve the efficiency of tax administration. In the difficult task of allocating scarce resources, providing competent, timely service to the taxpaying public and the professionals who assist them in complying with the law needs to be a priority of the IRS equal to processing returns and collecting taxes due. The lack of adequate taxpayer support leads to increased involuntary non-compliance with the tax law and, in many cases, to unfair treatment of taxpayers who lack the resources to find the correct answers.

### Identity Theft

Most federal tax returns are filed electronically, and it is critical to both the IRS and taxpayers that more stringent safeguards be put in place to detect and deter unauthorized access to confidential taxpayer and return information.

Identity theft is a serious issue for tax practitioners, taxpayers and the IRS. Protecting the privacy of our clients' records is a great concern for CPAs. We strive to maintain client confidentiality while processing, storing, and communicating tax and financial information. The IRS must maximize its efforts to protect taxpayer records. A security breach damages the reputation of the IRS, undermines public confidence, and costs the government and taxpayers.

In addition to more electronic safeguards, we believe identity theft could be reduced significantly if taxpayers and their representatives were able to verify their authenticity using their adjusted gross income as reported on the last return filed rather than, or in addition to, their Social Security number. This would at least limit a thief to access for only one year and would not infringe on the taxpayer's other personal information.

We believe that the IRS should further build on a partnership with the regulated financial institutions to exercise greater controls over the processing of refund checks. Positive steps have already been taken with the limits on the number of refunds that can be direct deposited to the same account or included on the same prepaid debit card, but we believe that further steps can be made. We realize that the debit card refund is important to many taxpayers who do not have a bank account, but the use of such cards has proven to be a serious weakness in controlling identity theft fraud. The continued use of these cards should be carefully reconsidered on a cost/benefit basis. Tightening the limits on direct deposits to only one per account would also be a positive step that we believe would impact very few taxpayers.

We have also encountered increasing problems with obtaining Employer ID numbers and Individual Taxpayer Identification Numbers. Some of these problems result from staffing issues, but many are the result of overly burdensome IRS procedures, on which the Taxpayer Advocate's office has previously commented. Despite concerns about identity theft and related security concerns, the process for obtaining both of these numbers should be streamlined to facilitate rapid response and efficiency for both the IRS and taxpayers. Our recommendations for improvement have been submitted in writing (which letters of comment are attached hereto) and we would reiterate those comments and recommendations.

### Technology

All tax practitioners support technological improvements. However, it is important to keep in mind that many taxpayers do not have access to or are not comfortable with computers. Accordingly, technological improvements should not be undertaken assuming that doing so will enable a significant reduction in staffing.

That said, the IRS' current technology needs improvement. System outages and instances of programming deficiencies are too frequent. While many tax questions cannot be adequately addressed on a website, better programming of the IRS public website would be a step in the right direction. Many of our members have found that it is often easier to get an answer to a tax question by using a Google search rather than using an IRS website search. The IRS needs to make its website more user friendly.

### Future State Plan

I also want to comment specifically on the "Future State Plan" initiative of the IRS. Attached is a comment letter dated March 4, 2016. It is important that the development process of such plans be transparent with real input from taxpayers and tax practitioners prior to adoption and certainly prior to implementation. Doing so will both improve the efficiency of the process and the "buy-in" to the plan by stakeholders. The Texas Society of CPAs is ready to support the IRS in the development process.

We call your attention to comments we have submitted recently that are directly relevant to improving IRS taxpayer services in the future. Attached letters are included as part of our testimony.

We very much appreciate the opportunity you have given us to express our concerns on these most important issues.

I will be glad to answer any questions you might have.

Attachments:

Request that the IRS Expose its "Future State" Vision and Concept of Operations for Public Comments (March 4, 2016)

Concerns with Deficiencies in the Individual Taxpayer Identification Number (ITIN) Program (April 5, 2016)

Concerns with Deficiencies in the Employer Identification Number (EIN) Program (May 2, 2016)

Preserving and Improving Access to Face-to-Face Appeals Conferences (May 13, 2016)

Request for Proposed Regulations for Public Comment before Implementing Section 7345, Revocation or Denial of Passport in Case of Certain Tax Delinquencies (July 12, 2016)

**Statement of Jim Oliver  
On Behalf of The  
San Antonio Chapter of The  
Texas Society of Certified Public Accountants  
Before The  
National Taxpayer Advocate  
Public Hearing on IRS Future State  
August 30, 2016**

Good morning, my name is Jim Oliver. I'm a CPA and have been providing tax services here in San Antonio for 35 years, serving individuals, fiduciaries and businesses, from low-income widows to some of San Antonio's most successful families. I am a past president of the San Antonio Society of CPAs and current chairman-elect of the Texas Society of CPAs, and a former chairman of our Taxpayer Education and Relations with IRS committees. I believe my comments today will reflect the concerns of our tax practitioner members, but I should clarify they have not received the official approval of our Executive Board.

Thank you very much for the opportunity to comment on what I believe should be the most important goals of the Future State Plan.

Inadequate Staffing

Let me begin by talking about the lack of IRS staffing in San Antonio, a problem that I understand from other members of the Texas Society is prevalent throughout the state. San Antonio is the seventh largest U.S. city. The lack of staffing here impacts many taxpayers, particularly older or lower-income individuals, who want to comply with our tax laws, but may not have Internet access or online skills and therefore must rely on telephone or face-to-face meetings. The lack of staff often means waiting on the phone or in line when they visit an IRS Taxpayer Assistance Center for long periods. Frequently, these are working individuals who simply do not have the time for these long waits. Unfortunately, many important taxpayer service functions previously performed by local offices have already been pared back.

In San Antonio, there is no "walk in" availability to meet with an IRS representative. Taxpayers must make an appointment. While that presents a mere scheduling problem for practitioners, it can be a major problem for individuals with full-time jobs who prepare their own returns. I recently called to book an appointment in the San Antonio Taxpayer Assistance Center. The representative took five minutes to respond that no time slot was available for the next two weeks. She then asked if I wanted her to look beyond that timeframe or at other locations' availability. She could not quickly give me a clear answer as to when the next availability would be, which was not only inefficient, but frustrating. I can imagine for a taxpayer facing a potential collection action on a delinquent account that it would be frightening that no one is available to assist them.

As difficult as it is to gain access, at least we have an IRS office in San Antonio. IRS offices in many Texas communities (like Beaumont, Wichita Falls and Longview) no longer exist. Texas is a large state with long distances between the few cities where the IRS has maintained a presence. For individuals in the many

communities that do not have IRS offices, getting an appointment is the least of their problems. A face-to-face meeting is prohibitively expensive and time consuming because of required travel.

In effect, these restrictions attributable to lack of staff have made face-to-face meetings an unfortunate rarity whether it is for purposes of, for example, obtaining an ITIN, resolving an exam or participating in the appeals process. Why is this important? It is a matter of efficiency for the taxpayer, the practitioner and the IRS. Tax issues that arise in an exam or are going through the appellate process are typically complex matters that are not resolved with a simple exchange of letters. In our experience, issues that could have been settled in a single meeting of an hour or less have expanded into an exchange of multiple letters over a period of months, with the IRS frequently sending letters requesting more time to respond while simultaneously issuing threatening letters to the taxpayer demanding immediate payment. With each exchange of letters, the practitioner and IRS staff must take time to re-familiarize themselves with the facts of the case, which wastes time and effort when a simple conversation might have effectively resolved the issue.

While this is a major problem for our practice, it is an even greater difficulty for individuals who prepare their own returns. Often the language in the letters requesting information is so technical that the average person cannot understand how they need to respond. In a face-to-face meeting, such a problem is easily resolved by the taxpayer merely saying, "I don't understand. What is it that you need?"

Another problem resulting from inadequate staffing occurs in correspondence audits, which are particularly frustrating for taxpayers dealing with IRS personnel who often take a long time to respond. In our experience, the IRS correspondence personnel are not as focused on the issues as they would be if the communications were live.

What is the solution to this problem? Obviously, the IRS needs more staff in Texas and, I suspect, the rest of the country. Increasing the staff may require some additional funding, but I strongly believe an increase in efficiency will offset some, if not all, the additional staffing cost. Processing multiple letters to resolve a single issue is not only time consuming for practitioners and taxpayers, but also consumes significant IRS staff resources and availability, further bogging down the system.

I do understand states like Texas where communities are spread far apart pose a problem for the IRS because they might not be able to efficiently staff all of those communities. To resolve this problem, the IRS should consider providing reasonably located local centers with high-quality teleconferencing capabilities. Alternatively, the IRS may want to consider commercially available web-based services that already provide this technology. Teleconference capability would make face-to-face meetings available for geographically isolated taxpayers without the inconvenience of long-distance travel for the taxpayer or practitioner, saving substantial time and costs. However, we continue to believe that face-to-face meetings are superior and the ongoing IRS staffing reductions even in major cities harms effective tax administration. Another alternative previously available would be for the IRS to consider having personnel "ride the circuit" to serve taxpayers in areas distant from the major cities.

#### Improvement of the Website

Another idea that would help with the IRS staffing issue is to make the IRS website user-friendly. Most taxpayers want to do the right thing, but the tax law is very complicated. Taxpayers often need help preparing their returns and cannot afford professional assistance. They can call the IRS with their questions, but the phone lines usually have long delays and even when the call is answered, the response is only as good as the IRS staff on the other end of the line. This is particularly stressful for a taxpayer trying to resolve a delinquent account.

We are aware the IRS is developing a Future State Plan. We are concerned that an over-emphasis on technology with dramatic staffing reductions to deal with taxpayers directly will exacerbate currently existing problems. Current IRS technology is inadequate and more of the same is not a good plan. The planning has, to date, been secretive without adequate public exposure and comment. One goal of the plan should be to make the website much more user-friendly. Currently, it is difficult to research an answer to any question on the website because search bar responses are frequently non-targeted or non-responsive to the inputted query. This issue has been successfully addressed by many commercial websites that provide a question space on the home page where the customer can either type in the name of any product and receive an immediate targeted response or access an online assister through a chat window. The IRS has much to learn from the private sector.

We suggest the Future State Plan include a process to gather feedback from those staffing the phone calls about what questions they receive most often and then post those questions and answers on the website after a technical review as some of the existing FAQs now do. That will give the IRS a way to provide technically accurate, but simplified answers to the questions most often asked and, at the same time, save significant staff time answering calls.

#### Electronic Communication

Some of the paperwork and processing delays could be reduced by use of currently available technology. For online accounts, the IRS should provide Circular 230 practitioners a way to send and receive information electronically on behalf of their clients. Powers of attorney should be fileable electronically. Electronic communications with authorized practitioners would significantly reduce the time and effort required to resolve questions raised by the IRS. The IRS should permit electronic signatures. Currently, electronic signatures are widely accepted in other financial matters and are arguably more secure than a handwritten signature given that electronic signatures are generally password protected. U.S. taxpayers are spread throughout the globe and many may not have immediate access to scanners and fax machines, making the electronic signature their only efficient form of providing authorization to someone in the United States or signing their e-file authorizations for their domestic CPAs.

\*\*\*\*\*

To summarize, the failure to provide timely, efficient and reliable support to taxpayers and tax professionals can inadvertently result in non-compliance with our self-assessing tax system. The vast majority of taxpayers want to be compliant. The primary focus of the IRS Future State Plan should be to assure taxpayers prompt and accurate answers to their questions and resolution of their issues, but not by eliminating human contact. Service is an important word and the IRS, in many instances, has lost sight of that concept.

We commend the National Taxpayer Advocate and Congressman Doggett for holding these hearings that allow us to be more involved in shaping the IRS of the future.

Thank you again for the opportunity to speak on these issues. I would be delighted to answer any questions you might have.