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NATIONAL TAXPAYER ADVOCATE
PUBLIC FORUM

Tuesday, May 17, 2016

IRS Building
1111 Constitution Avenue, NW
Boutwell Auditorium
Washington, DC 20224

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

2 WELCOME REMARKS

3 Nina E. Olson, National Taxpayer Advocate Taxpayer
4 Advocate Service

5 MS. OLSON:

6 Okay. Good morning everybody. Welcome
7 to -- I don't know is this the sixth? Public
8 Forum convened by the National Taxpayer Advocate
9 to discuss the IRS "Future State", and the needs
10 of taxpayers and their representatives, both
11 today, and in the future. I'm thrilled that we're
12 all here in Washington, DC, on this, again, a
13 rainy morning, and cold in May. I don't know what
14 that's all about, but we have a full program
15 today, and so I want to just set up how we're
16 going to proceed.

17 We're going to have three panels: Two
18 panels will be in the morning, and then we'll take
19 a break for lunch, and then we'll go into the
20 third panel. We'll go from the first panel,
21 directly into the second panel, and then after the
22 second panel, we'll open the floor up for comments

1 and discussion from the floor or the audience,
2 anybody wanting to make any comments. We do ask
3 that you go to the microphones because we do have
4 -- so people can hear, but also because we have a
5 court reporter here and that person needs to be
6 able to hear clearly what's being said and
7 recorded.

8 A few housekeeping items: If we break
9 for lunch, if you want to have lunch in our
10 stellar IRS cafeteria, rather than going outside
11 and going through security again, you can gather
12 outside in the lobby and my folks will take you in
13 because we can't allow non-IRS employees to wander
14 around the building unescorted. So just keep that
15 in mind at the end, and I'll remind you all.

16 The first panel, how we're going to do
17 this, is that I will just introduce briefly each
18 of the panel members, and each one will go for
19 about five minutes. I won't pull the hook out
20 after five minutes, but I will start sending
21 little notes down the table saying, "You've got
22 one minute" you know "to go." And that's just so

1 we can have enough time for discussion.

2 I'll ask a series of questions of the
3 panelists after they've each made their
4 presentation. So that is basically designed to
5 get some issues discussed, and also because we're
6 doing forums around the country and I'm very
7 interested to hear the perspectives of folks
8 representing different populations and different
9 parts of the country on the same issue. So it's
10 been neat to hear what people say in different
11 parts of the country.

12 All of the transcripts, including this
13 one, will ultimately be posted on our website
14 dealing with the public forums, and you all have
15 the web links to those materials, or to that
16 website. I'm slowly wading through all the
17 transcripts now and they're fascinating.

18 INTRODUCTIONS Nina E. Olson, National Taxpayer
19 Advocate Taxpayer Advocate Service

20 MS. OLSON:

21 So our first panel is really quite
22 stellar. We first have Larry Gibbs, Lawrence

1 Gibbs, and he really needs no introduction. He's
2 a former Commissioner of the Internal Revenue
3 Service and he is just a wonderful person.

4 He's on the Board of Tax Notes, and
5 since 1994, he's been a member of the law firm,
6 Miller & Chevalier. So you know Larry, just I'm
7 so grateful that he has agreed to appear and talk
8 about his concerns and thoughts on the "Future
9 State" of the IRS, and some of the issues that are
10 really predominant as we think about the "Future
11 State".

12 Our next panelist is Carolyn Bruckner.
13 And Professor Bruckner is on the faculty of
14 American University's Kogod School of Business,
15 and she's also the managing director of the Kogod
16 Tax Policy Center. And previously, she worked on
17 the U.S. Senate Committee on Small Business and
18 Entrepreneurship, and she ultimately served as
19 Chief Counsel there.

20 And she actually came up -- she actually
21 attended our first forum on February 23 here, and
22 came up to me, to talk about the issue that she's

1 talking about today, on the sharing economy. And
2 since no good deed goes unpunished I said, "Well,
3 you can be a panelist on our next public forum in
4 Washington, DC." And that's how I recruit people
5 for this stuff, so watch what you say to me.

6 Marylouise Serrato is our next panelist.
7 And she is the executive director of American
8 Citizens Abroad, which is headquartered in
9 Washington, DC. It's a 501(c)(4) whose mission is
10 to educate, advocate, and inform the U.S.
11 government and U.S.

12 citizen's living and working overseas,
13 on a number of issues. And they have been very
14 active in dealing with the tax issues,
15 particularly FBAR, the offshore initiatives,
16 settlement initiatives and FATCA, and really
17 trying to highlight with several other
18 organizations that she works with, the problems
19 that Americans overseas are experiencing, trying
20 to navigate the United States tax system.

21 And our last witness [sic] on this first
22 panel is Johnette Hartnett. And she is the senior

1 | director of Strategy & Research for the National
2 | Disability Institute, where she co- founded the
3 | Real Economic Impact Tour, which is a
4 | revolutionary free tax preparation and asset
5 | building initiative that has served over three
6 | million taxpayers with disabilities. And she
7 | works very closely with IRS SPEC.

8 | Now, as you can see, for all, but Larry,
9 | we have three different and diverse populations
10 | being represented here, and that is by design. We
11 | are trying to learn the needs, as we go around the
12 | country of specific populations. So two weeks
13 | ago, when I was in Red Oak, Iowa, with Senator
14 | Grassley, we heard from the -- I call them the
15 | "Farmers of America," but the agricultural sector.

16 | And so today, we're going to hear about
17 | the sharing economy, the U.S. citizens overseas,
18 | and taxpayers who have disabilities. So without
19 | further ado, I'll turn this over to Larry. And
20 | you can either stand up or you can sit down. It's
21 | really up to you.

22 | MR. GIBBS: You know, I think I'll stay

1 seated. Is the mic okay? Can you hear? Do you
2 Do you want to hear?

3 MR. GIBBS:

4 You know, I like to begin by thanking you
5 for giving me this opportunity to return
6 to Boutwell Auditorium and the Internal
7 Service. But much more important
8 than that thanks for doing what you're doing
10 in terms of going around the country
11 and giving everyone a chance to talk to you
12 and to the Internal Revenue Service about
13 the "Future State" of our revenue system.
14 It's easy to demigod the Internal Revenue Service
15 as an agency. It's much more difficult when you
16 think about our revenue system, and that fits
17 right in with what I'd like to chat with you about
18 today, and I'm going to stay pretty close to my
19 script.

20 The concern I wish to address today, is
21 the theft of taxpayer's social security numbers
22 that are then used by crooks to file fraudulent

1 tax returns to obtain refunds to which they are
2 not entitled. This is a serious and a growing
3 problem. To a very large extent, the reason for
4 the theft and the fraud is that the crooks are
5 claiming bogus refundable credits like the Earned
6 Income Tax Credit on fraudulent tax returns that
7 they are filing.

8 The Earned Income Tax Credit program is
9 really a spending program that once was a welfare
10 program, which another federal agency, Health and
11 Human Services, was responsible for administering.
12 In the 1970s, HHS' welfare program was turned into
13 a tax program that the IRS has been administering
14 since that time. A change that the then serving
15 IRS Commissioner strongly opposed. I know because
16 I was here in this building at that time, as an
17 assistant commissioner to the Commissioner.

18 When HHS ran the welfare program, those
19 wanting to qualify for welfare benefits had to
20 contact HHS to prove they were qualified before
21 they could receive welfare benefits. Now, anyone
22 who wants to receive benefit payments simply files

1 a tax return and claims that they qualify for the
2 EITC. The money is paid before the Internal
3 Revenue Service can determine if the person to
4 whom the refund will be sent is entitled to the
5 refund.

6 There is no effective advance
7 qualification at the present time and the crooks
8 know that money is paid out without any effective
9 advance qualification and that's why the EITC has
10 become a target for the crooks. Once the refund
11 is paid by the IRS, it is very difficult to get
12 the money back, especially from the fraudsters
13 that are large, sophisticated, organized criminal
14 syndicates, inside and outside the United States,
15 that are stealing from the U.S. The IRS has been
16 trying a variety of things to stop the fraud, but
17 so far the crooks appear to be winning.

18 Based on my prior experience, and not
19 with the Internal Revenue Service, I'll add, I am
20 concerned that the IRS may not be able to stop the
21 fraud. My suggestion therefore, is that HHS,
22 again be asked to initially qualify applicants in

1 advance for welfare benefits and notify the IRS of
2 the names of the individuals who have so
3 qualified.

4 The IRS can then match the names of
5 those entitled to receive welfare benefits, in the
6 form of the Earned Income Tax Credit, against
7 taxpayer returns, claiming refunds based on the
8 Earned Income Tax Credit, and reject claims from
9 anyone whose name is not on the list, unless those
10 rejected can prove that they actually are entitled
11 to benefits.

12 Taxpayers are willing to pay their taxes
13 if they believe that everyone else is paying his
14 or her fair share. The amount of fraud
15 attributable to identity theft today, sends the
16 wrong message because the public believes that
17 others are defrauding the IRS and getting away
18 with it. The General Accountability Office, on
19 the other hand, last year placed identify theft
20 and refund fraud on its short list of high risk
21 governmental problems that need to be addressed.
22 So the GAO is saying this is a real problem for

1 | our country.

2 | Welfare programs like the Earned Income
3 | Tax Credit are very important programs that I
4 | personally support, and I'd like to make that
5 | clear, but one can support welfare programs and at
6 | the same time expect that they will be run without
7 | the added cost of the present level of fraud. I
8 | therefore urge the IRS to work with Treasury, HHS,
9 | and the White House, to deal effectively to
10 | eradicate the present level of fraud in our tax
11 | system.

12 | MS. BRUCKNER: Thank you, Larry.
13 | That's a hard act to follow. I'm going to do my
14 | best.

15 | MS. BRUCKNER:
16 | Thank you so much for the opportunity to
17 | join you today, to discuss taxpayer service issues
18 | and whether the IRS "Future State" plan as
19 | currently envisioned will adequately meet taxpayer
20 | needs. My name is Caroline Bruckner. I'm on the
21 |
22 |

1 faculty at American University's Kogod School of
2 Business. I'm also the managing director of the
3 Kogod Tax Policy Center, which conducts
4 nonpartisan research on tax and compliance issues
5 specific to small businesses and entrepreneurs.

6 At Kogod, we are currently focused on
7 the tax and compliance challenges of America's
8 latest iteration of small businesses driving the
9 on demand economy. These taxpayers are renting
10 rooms, providing ride sharing services, running
11 errands, and selling goods to consumers online and
12 through apt-based platforms developed by companies
13 such as Airbnb, Etsy, Uber, Lyft, Taskrabbit,
14 Instacart, and others. Surprisingly little has
15 been done to understand the tax compliance
16 challenges this new frontier presents or how the
17 on demand platform economy impacts Treasury and
18 IRS' ability to fairly administer the U.S. Tax
19 Code.

20 Our research, which we are publishing
21 next week in a report titled, "ShortChanged: The
22 Tax Compliance Challenges of Small Business

1 Operators, Driving the On-Demand Platform Economy"
2 reviews these tax compliance challenges and
3 endeavors to shed light on these issues. Having
4 spent more than a year investigating this growing
5 problem, we report what the existing literature
6 has yet to acknowledge, that for tax purposes on-
7 demand platform economy service providers and
8 sellers are, in fact, small business owners and
9 there are millions of them, working and earning
10 income in ways that are not readily identifiable
11 by existing government research or publicly
12 available taxpayer filings' filing data.

13 A number of findings included in our
14 research are particularly relevant for today's
15 discussion. First, more than 2.5 million
16 Americans are earning income in the on-demand
17 platform economy as small business owners. Every
18 month, even at the low end both in terms of
19 participation and dollars earned, on-demand
20 platforms grew by about 50 percent per-year,
21 making it by far the fastest growing segment of
22 the labor market.

1 Second, the explosive growth of the on-
2 demand platform economy is the latest example of a
3 66.5 percent increase in alternative work
4 arrangements for U.S. workers, which rose from
5 14.2 million in 2005, to 23.6 million in 2015. In
6 other words, the percentage of workers engaged in
7 alternative work arrangements, defined as
8 "temporary help agency workers," "on- call
9 workers," "contract workers," and "independent
10 contractors" or "freelancers," rose from 10
11 percent in 2005, to 15.8 percent in 2015.

12 As part of our research, we spoke with
13 dozens of individuals currently participating in
14 the on-demand economy, and initiated our own
15 survey of more than 40,000 members of the National
16 Association of the Self-Employed. Our survey was
17 designed to gauge participation of existing self-
18 identified self-employed workers in the on-demand
19 economy, as well as their understanding of their
20 tax filing obligations. Our survey revealed that
21 among respondents who earned income working with
22 an on-demand platform company in 2015, which was

1 approximately 22 percent of all of our 518
2 respondents, approximately one-third did not know
3 whether they were required to file quarterly
4 estimated payments with the IRS on their on-demand
5 platform income:

6 (1) Thirty-six percent didn't
7 understand what kind of record were needed for
8 tax purposes for the income that they earned with
9 their on-demand platform; (2) Forty-three percent
10 were unaware as to how much they would owe in
11 taxes and did not set aside any money for taxes on
12 that income; (3) Forty-seven percent didn't know
13 about any tax deductions, expenses, or credits
14 that could be claimed related to their on-demand
15 platform income and; (4) 69 percent did not receive
16 any tax guidance from the shared economy platform
17 they worked with.

18 Our survey, taken together with our
19 additional research indicates that at best, a
20 number of these small business operators are short
21 changed from filing their taxes. At worst, they
22 fail to file altogether. Moreover, a significant

1 percentage of these taxpayers face potential audit
2 and penalty exposure for failing to comply with
3 filing rules that are triggered by relatively low
4 amounts of earned income.

5 The population we surveyed can generally
6 be considered experienced, self-employed taxpayers
7 when viewed in terms of their NASE membership, yet
8 their responses indicate a need for better
9 outreach and education of taxpayer filing
10 requirements. Consequently, we think that the IRS
11 should focus, not only on the convenience of
12 online accounts in its "Future State" plan, but
13 also on the education and outreach needed to
14 educate taxpayers about their filing
15 responsibilities prior to tax day.

16 In addition, we think that any IRS
17 strategic plan should focus in part on the tax
18 compliance challenges of the self-employed small
19 business owner, not only because of their
20 projected growth, but also because of the
21 potential tax gap implications. Again, I thank
22 you for the opportunity to join today's discussion

1 and for the work that you do on behalf of
2 America's taxpayers.

3

4 MS. SERRATO:

5 As you know, I'm here representing ACA,
6 but I'm also here speaking on behalf of the
7 Federation of American Women's Clubs Overseas,
8 "FAWCO" and the Association of American Residents
9 Overseas, "AARO." Our organizations have worked
10 together for many years, representing the
11 interests of Americans overseas. We are pleased
12 to have this opportunity to testify on the IRS
13 "Future State", and we thank the National Taxpayer
14 Advocate for inviting us to this important public
15 forum.

16 I'm accompanied today by Charles Bruce,
17 the legal counsel of ACA. To begin with, it is
18 critical to understand the overseas American
19 community and the current environment. There is
20 no reliable figure for the number of Americans
21 overseas, or the number that should be filing tax
22 returns.

1 Non-filers exist for a variety of
2 reasons: Ignorance of their filing obligation,
3 belief that their income is too low, or simply
4 that they're overwhelmed by the complexity and
5 cost of filing. Some bad actors deliberately
6 don't file, but this is not the majority. This
7 lack of information helps no one, neither the
8 government nor the community.

9 Americans overseas are diverse. They're
10 business persons, contractors, aid workers,
11 housewives, retirees, and that's just a short
12 list. Without diving into statistics, the figures
13 for demographics, such as average age and salary,
14 are just that average. These individuals are not
15 inordinately high wealth.

16 The reasons for living overseas relate
17 to marriage and education, job opportunity, or
18 simply birth abroad. Most write to us saying that
19 they want to comply with their tax filing
20 obligations, but are confused by the process, or
21 feel making errors of oversight that will result
22 in penalties geared toward criminal tax avoidance

1 behavior. This community also has special needs;
2 there are the mentally and physically disabled and
3 those on low and fixed incomes.

4 It is not our job here today, to discuss
5 the U.S. Tax Code; however, an already complex
6 code becomes exponential for overseas filers.
7 There are numerous forms and overlapping reporting
8 information, such as FBAR and FATCA, frequent
9 changes in regulations, differences in foreign
10 tax systems and the U.S. system, which must be
11 reconciled; high risk of making errors
12 due to the complex rules. A move toward
13 a more simplified code geared toward
14 Americans overseas should be considered.

15 IRS outreach to this community,
16 unfortunately has not been great. There were a
17 handful of IRS offices located overseas, but now
18 there are none. The IRS website improvements have
19 been made, but more needs to be done to
20 consolidate and simplify.

21 The human element is critical for this
22 community. The ability to speak with the person

1 for an individual guidance cannot be
2 underestimated, especially with a complex tax
3 code. For many coming into compliance, English is
4 not their native language, resources for this need
5 to be expanded. Reliance on mail delivery is a
6 problem due to the lag times and errors in
7 addressing; notifications often arrive after the
8 due date for action.

9 We support the creation of online tax
10 accounts, where taxpayers can check the status of
11 their tax affairs and self- correct. Done
12 correctly and with the caveats I will outline,
13 these can be a big help for our community.
14 Consider high-speed Internet is not available in
15 many geographic regions. Think of aid workers in
16 Africa.

17 Using Internet cafes, public libraries
18 for filing sensitive tax information is not
19 acceptable for obvious security risks. The use of
20 cutting edge technology may offer solutions, but
21 many do not have access to these costly up-to-date
22 software and computer systems. Security is a big

1 issue. Identity theft monitoring systems are not
2 widely available overseas.

3 In addition, exposure and loss of
4 personal data can lead to Americans overseas being
5 identified and targeted for terrorist actions.
6 Holiday schedules differ from the U.S. People work
7 on their tax returns in their free time. A need
8 for 24/7 support service in different time zones
9 and an 800 number with minimal wait times. A team
10 within the IRS dedicated to overseas Americans,
11 staff with individuals who have lived overseas and
12 are knowledgeable in international tax filing.

13 The IRS needs to locate the taxpayer and
14 place him on a map with appropriate
15 identification. For most, this is a social
16 security number; however, many overseas filers do
17 not have a social security number. The process
18 for procuring one from overseas can be lengthy, as
19 much as 18 months.

20 Adoption of same country exemption for
21 FATCA can help with this, as it requires a one-
22 page form identifying the taxpayer and where they

1 reside. Upgraded tax preparation services; the
2 IRS needs to couple online support with more
3 professional cost competitive service options.
4 ACA has assisted in this by developing a tax
5 preparer directory found on our website.

6 A U.S. bank account is needed to pay
7 U.S. tax bills, and many banks no longer service
8 Americans who do not have a U.S. residential
9 address. ACA is pleased to have addressed this
10 issue with a product developed in cooperation with
11 the State Department Federal Credit Union. Now,
12 overseas Americans can have a U.S. bank account
13 without a U.S. residential address. This has been
14 a big welcomed solution for many of our
15 constituents.

16 In closing, we would like to again thank
17 the National Tax Payer Advocate for this
18 conference and for inviting our groups to testify.
19 We believe that while automation and
20 simplification can help, it is the complexity of
21 the Tax Code itself and the filing process, the
22 number of forms, and the access to easily

1 understandable and centrally located data that is
2 a problem.

3 We continue to advocate for a dedicated
4 resource within the IRS for Americans overseas, a
5 24/7 800 phone line, a dedicated team of
6 professionals, a user friendly interactive website
7 with expanded language options. Our organizations
8 are ready to help, and we look forward to further
9 dialog with the IRS and the National Taxpayer
10 Advocate, and hope that they will look to us as a
11 resource. Thank you.

12 MS. OLSON: Thank you.

13 Johnette?

14 MS. HARTNETT:

15 Good morning

16 MS. HARTNETT:

17 On behalf of the National Disability
18 Institute, I offer the following remarks
19 concerning the IRS "Future State" Plan, and our
20 concerns for taxpayers with disabilities that are
21 eligible for the VITA Earned Income Tax Credit.
22 Given the five- minute allotment for this

1 | testimony, I offer the disclaimer that brevity is
2 | not one of my virtues, so my written testimony is
3 | by far more inclusive, and I also apologize to the
4 | interpreter sitting here working because I'm going
5 | to be speaking fairly quickly because I have many
6 | points.

7 | In preparation for this testimony, I
8 | reviewed available documents that discuss the IRS
9 | "Future State," reviewed research that is
10 | available on the characteristics and profile of
11 | taxpayers with disabilities. The only two reports
12 | ever done were done by IRS Stakeholder Partnership
13 | Education Communication in 2007 and 2010, and also
14 | working in my own twelve-year journey working
15 | across the country with community- based VITA
16 | organizations, a low income tax clinic serving
17 | taxpayers with disabilities.

18 | I was given pause as I did discovery of
19 | the backstory for this testimony. I was reminded
20 | of the late 1990s in Congress' investigation of
21 | the abuses of taxpayers. As a result, IRS was
22 | asked to reorganize, and it did, and many of us

1 are here today because of that.

2 Prior to the reorganization, IRS was
3 focused primarily on processing, collecting,
4 and examining taxes. After the authorization, the
5 IRS' charge was going beyond revenue collection,
6 and assumed the role of education and national
7 partnerships, building with community partners,
8 which is national today, the IRS has over 60
9 national partners working in the low income tax
10 arena, and over 4,000 community-based partners to
11 ensure that taxpayers were educated, advocated
12 for, and represented in their tax disputes.

13 With millions of taxpayers, this was no
14 small charge.

15 Several more operating divisions were --
16 and chains of command were created: The Wage and
17 Investment, and the SPEC Organization, and the
18 LITC. And they're charged with the oversight and
19 education of the individual taxpayer, particularly
20 low income. And my remarks today are specific
21 around taxpayers with disabilities that qualify
22 for the Earned Income Tax Credit and English as a

1 second language, including deaf taxpayers,
2 seniors, diverse ethnic groups, and taxpayers with
3 disabilities.

4 How does the IRS "Future State" plan to
5 modernize tax preparation requirements work for
6 populations still part of the digital divide? Is
7 there a blueprint for phasing this market segment
8 in, providing free broadband and education, if in
9 fact, that's the route we're going? We support
10 IRS retooling business as usual, and understand
11 that technology is disrupting many of the old ways
12 of tax service delivery.

13 We request that the IRS not lose their
14 individual education focus for change from
15 Congress [sic] -- from the charge from Congress
16 because for many millions of taxpayers, access to
17 broadband and online services is still not fully
18 available, a full list of those statistics are in
19 my written testimony. Over the past few years,
20 the IRS has reported an increased hold time for
21 taxpayers accessing free call centers. And we just
22 heard that in the testimony with taxpayers

1 overseas.

2 A reduction in the number of IRS
3 taxpayer assistance walk-in centers serving
4 taxpayers, and for many of you that don't know
5 this that was a hot place for people with
6 disabilities to go because they had, like screen
7 readers and they helped people do their taxes.
8 They actually would hire an interpreter. Now,
9 appointments have to be made.

10 We had concern about what would happen
11 to those taxpayers. Where did they go? The
12 community-based partners were thinking, "How can
13 we handle more taxpayers?" As the IRS designs the
14 "Future State," my IRS account, similar to my
15 social security account, it is imperative that a
16 tool is developed that is customized and
17 personalized based on the taxpayer's socioeconomic
18 profile and experience of the VITA/EITC eligible
19 user.

20 Taxpayers with disabilities with
21 sensory, deaf, and/or blind, physical, mental
22 health, developmental cognitive challenges often

1 experience barriers to access, whether through
2 inaccessible technology websites, complicated
3 content, lacking interpreters, English as a second
4 language, or tax volunteers and personnel
5 unfamiliar with accommodation strategies for
6 taxpayers with disabilities. Many of the
7 challenges raised by Congress in the late 1990s
8 continue to plague American taxpayers and are
9 heightened because of the growth of technology.

10 Issues such as revenue protection and
11 identity theft that our Commissioner just spoke
12 about are listed as most serious problems that
13 directly impact taxpayers with disabilities and
14 low income taxpayers. Today, our low income
15 taxpayer groups don't know who to trust. They
16 don't know where to go, or who to share their
17 personal identification information with.

18 For taxpayers with sensory, cognitive,
19 or mobility challenges, access is even tougher.
20 It is the Wild, Wild West for the low income
21 taxpayer caught in the modernization of tax
22 preparation, using broad band. When, in fact,

1 they do not have access.

2 We question the wisdom of Congress, in
3 withdrawing support to the one federal agency that
4 is charged with and responsible for collecting
5 almost \$3 trillion in revenue for our country.
6 The fact that 98 percent of all of our tax revenue
7 collected by the IRS is paid voluntarily unless
8 the 2 percent is collected through direct
9 enforcement actions for individual taxpayers. It
10 is an amazing and critical outcome.

11 Forty-eight percent of the \$2.8 trillion
12 revenue comes from individual taxpayers, 45
13 percent of whom are within the 250 percent of the
14 federal poverty level. That is our market
15 regardless of ability, age, and ethnicity.

16 Fifty-three percent of taxpayers have an
17 AGI of \$25,000 or less. And with a disability, do
18 not have access to high-speed Internet, compared
19 to 5 percent of households with AGI's of \$150,000
20 or more. "Future State" blueprint for the low
21 income tax population, with or without
22 disabilities, is unclear.

1 Most of the disability and LMI
2 demographic do not use the online channels
3 referenced in the "Future State" documents I was
4 given to review. Examples include online accounts
5 with traditional financial institutions, brokers,
6 or retailers. Additionally, most low income
7 taxpayers, often do not own homes, have retirement
8 accounts, or savings.

9 Rather, this demographic is much more
10 likely to use the alternative finance industry now
11 estimated to be well over \$70 billion a year. IRS
12 expects 4,000 community-based partners and the low
13 income tax clinics have built a strong network
14 beyond tax work. Their partners in the
15 communities understand that the problem of hunger,
16 housing, or tax compliance is not solved by
17 individual programs, but collectively.

18 The local community, which is the VITA,
19 the EITC, the tax counseling for the elderly, the
20 low income tax clinic programs, and their partners
21 are the economic backbone for low income
22 Americans. They offer credit checks, budget, debt

1 counseling, and financial education, when there
2 was none. Free tax preparation is now viewed as
3 the gateway to a better economic life for millions
4 of Americans.

5 This issue is so much more than just a
6 tax return and how it gets filed. It means paying
7 bills, getting a prescription filled, or keeping
8 the lights on for one more month, for millions of
9 Americans. These are extreme issues many
10 Americans face today. This is not a statement I
11 am proud to make, but it is reality.

12 I'd like to end with the voices of
13 taxpayers with disabilities, who wrote a statement
14 to our Commissioner in 2006, for the IRS. When we
15 first began this work, we went around the country
16 and had focus groups asking taxpayers with
17 disabilities, "What would you like to tell the
18 Commissioner of the IRS?" "I would like to know
19 how to do my own taxes someday, you know. The
20 services we are talking about may not be available
21 for me anymore." "We never have the opportunity to
22 know stuff like this. Thank you, Commissioner."

1 "Please simplify tax filing. We do not understand
2 the forms, the questions, or the procedures.
3 There are a lot of bright people here, and none of
4 us can figure this out." "I didn't file my taxes
5 for 10 years because it would cost me my
6 healthcare. I believed that for years." "Most
7 false information out there about taxes and
8 benefits, we don't know is false. People need to
9 know what is true and what is not true. Sometimes
10 word of mouth is not always true." "We need
11 advocacy from the IRS and others. If we go into a
12 bank or a credit union by ourselves, they don't
13 talk to us. Minorities are treated differently
14 and people on SSI are treated differently." "I
15 would like to thank him, the Commissioner, for the
16 VITA Program." Thank you.

17 QUESTIONS & ANSWERS

18 MS. OLSON:

19 Thank you. All right. I have a few
20 questions, some specific to each of your
21 testimony, and some that I've been asking
22 everybody. And I'm going to focus for a bit on

1 | this issue of online accounts, which seems to be a
2 | core element of the "Future State."

3 | And I was really struck, Marylouise, in
4 | your testimony about the statistic that basically
5 | high-speed you know digital access is only
6 | available in 32 percent of the world. We had
7 | testimony at our first public forum from Pew
8 | Research, that said that 32 percent of U.S.
9 | households do not have broadband access, and that
10 | population is actually growing from year-to-year.

11 | So I'm really wondering, for you, and
12 | you know also Johnette, for your population, what
13 | that access issue is. And I note that Marylouise,
14 | in your testimony you talked about going to cafes
15 | and things like that, and that ties into Larry's
16 | point about identify theft. Sitting in a
17 | Starbucks and having somebody peer over your
18 | shoulder as you're logging into the IRS account or
19 | being in a public library and forgetting to log
20 | out of your IRS account, so either one of you, if
21 | you want to elaborate on any concerns about that.

22 | MS. SERRATO:

1 Well, I'll just quickly say, I mean it
2 was pretty much in my testimony, but you know
3 identity theft, data theft, just the same things
4 that people are faced with here domestically,
5 having you know your social security picked up,
6 your bank account numbers, but sort of the added
7 component that we feel for Americans overseas is
8 being identified as an American. Somebody has your
9 address.

10 They know where you are. They know your
11 bank account. And in the heightened world of
12 terrorist threats this is a big concern.

13 MS. HARTNETT:

14 I think for the disability population
15 there has been fairly low access right now, so we
16 don't have the research exactly, but we do know
17 from examples a few years ago, in Tampa, Florida,
18 where we were doing tax preparation with people in
19 group homes, and we actually caught some fraud.
20 There was -- one of the social security numbers
21 was being used by one of the people that were
22 preparing. So yes there's -- but we just haven't

1 even gotten to that point of what the research is
2 showing on this.

3 MS. BRUCKNER:

4 I think that with the population sharing
5 economy, it would be a mistake to think that these
6 people, while they are tech savvy, that they have
7 Internet access in their homes. They primarily
8 have Internet access through their phones. And
9 trying to figure out, whether or not you can
10 expense a certain expense that you incurred in
11 generating your business income, trying to do that
12 research on your phone is incredibly frustrating,
13 and I think we can all relate to that.

14 And I would hesitate to say that the
15 population of people that are earning income in
16 the sharing economy, most of which earn on
17 average, significantly less than \$10,000 a year,
18 necessarily fall into the population of people
19 that the majority of which have Internet access
20 from their homes, and on their home computers.

21 MS. OLSON:

22 So I note that the IRS.gov is not mobile

1 friendly at this point, so as you're trying to
2 determine the mileage rate and the depreciation of
3 your automobile on a two-inch screen, and moving
4 your finger up and down.

5 We also had testimony again from PEW, in
6 our first forum, where they interviewed people who
7 only had cell phone access, and were trying to do
8 job applications and write resumes, you know
9 online, apply for jobs online, and they felt
10 significantly disadvantaged. They really saw that
11 as a disadvantage.

12 I want to follow up on the question
13 about the sharing economies. Do you know what
14 percentage of these folks also might have a W-2
15 job in addition to the sharing?

16 MS. BRUCKNER:

17 I don't have an exact number, but we do
18 generally -- JP Morgan Chase Institute did a
19 three-year study, which is the most comprehensive
20 study to date on the financial transaction data of
21 a subset of a population of their customers that
22 earned income from one of thirty platforms over a

1 three-year period. And the vast majority of
2 people in that study had predominantly used
3 sharing economy income as a secondary source of
4 income. It was not the primary source of their
5 income.

6 MS. OLSON:

7 So let me ask you this question. How --
8 what is the best way to reach out to these
9 taxpayers? In the "Future State" and this would
10 also be a question to Marylouise and to Johnette
11 as well, but I'll start with you, Caroline.

12 In the "Future State" the picture is
13 that a taxpayer would create an online account,
14 and then the IRS would send targeted emails and
15 information to them, based on whatever their
16 profile is. So if they said that they were -- you
17 know rented their home out periodically, they
18 would get information. So I'm wondering what you
19 think. Would that work? Or are there other ways
20 to reach out to these folks?

21 MS. BRUCKNER:

22 I think that there are a lot of other

1 ways to reach out to these folks. I think that
2 it's been noted pretty publicly, the tension
3 between getting an IRS Notice via email, and
4 whether or not that's connected to fraud or a
5 phishing scam is a problem. Also, I think that right
6 now, there's a huge tension in the sharing economy
7 over misclassification issues.

8 And that has taken up a lot of the
9 debate about the sharing economy work. The
10 challenge there is that the sharing economy
11 platforms, most of whom I talk to were more than
12 willing to do more, to educate the folks that they
13 were working with about their tax compliance
14 obligations, but were hesitant to do so, over
15 misclassification issues and potential litigation.
16 And I think resolving that tension or at least
17 allowing third party preparers and the platform
18 companies themselves to send information, would be
19 key to addressing that issue.

20 I think in many instances folks, once
21 they trip over the quarterly estimated filing
22 thresholds and realize that the first year that

1 they go to file that they didn't comply with those
2 rules, they get acclimated pretty quickly to
3 paying taxes for the next year and subsequent
4 years, but it's that first year population that
5 you really see a lot of penalty and audit exposure
6 at.

7 MS. SERRATO:

8 Well, as I pointed out in our testimony,
9 one of the big problems that our community has, is
10 nobody really has a number on how many Americans
11 are living overseas, and there is no sort of
12 central casting. We don't know. The State
13 Department makes a general estimate on numbers,
14 based on some statistics that they need for their
15 own staffing.

16 So it's hard to know where these
17 individuals are. The same problem with
18 communications via email, with all the fishing and
19 problems with identity theft, it would seem like a
20 natural way to find these people, once you know
21 where they are, and have identified them to
22 communicate with them. But of course, there's

1 | that component.

2 | And for our community, with the hard
3 | copy mailing and getting a communication, it's
4 | equally as difficult because a lot of times people
5 | are not using maybe their foreign address. They're
6 | using another address as a mailing address. They
7 | may be using a different address on their tax
8 | return, or the IRS system simply, from putting
9 | that address into their system, and mailing out
10 | from it, has an erroneous address. So it does
11 | pose a problem for the community to identify them,
12 | find them, and communicate with them.

13 | MS. OLSON: What kind of outreach did
14 | the tax attaches do when they were in existence?

15 | MS. SERRATO:

16 | As far as I know, and I might refer that
17 | to Charles Bruce, the ACA legal counsel.
18 | The Paris office occasionally did some forums,
19 | some informational forums. We invited them up
20 | because we have a chapter in Switzerland.

21 | I don't know if they were doing that in
22 | Paris or London. Do you know, Charles?

1 (Mr. Bruce is speaking off-mic)

2 MR. BRUCE: I know London had a terrific
3 IRS office in the basement of the embassy --

4 (Crosstalk)

5 MS. OLSON: Right. I visited.

6 MR. BRUCE: The best IRS office on the
7 planet as far as service for the (inaudible) so
8 that's

9 (Crosstalk)

10 MS. OLSON: Right.

11 MR. BRUCE: -- (inaudible) --

12 MS. OLSON: Right.

13 MR. BRUCE: -- so when they were there,
14 and they were working, they could be really quite
15 helpful, not only for giving information, but
16 also for calming people down.

17 (Laughter)

18 (Crosstalk)

19 MR. BRUCE: (Inaudible)

20 MS. SERRATO: But it was definitely a
21 walk-in service.

22 MS. OLSON: Right.

1 MS. SERRATO: I mean there was no real
2 outreach.

3 MS. OLSON: But at least it was
4 available --

5 MS. SERRATO: Yes.

6 MS. OLSON: -- is what -- yes. And the
7 calming, I'll come back to emotions and taxes.
8 Johnette?

9 MS. HARNETT:

10 Sure. I think we already have in this
11 country. And I think you know the IRS has
12 certainly spent the last you know almost 45 years,
13 I think, since we've had the Earned Income Tax
14 Credit, but the last 16 years, really looking at
15 the needs of the individual taxpayer. And this is
16 not something that we can do alone, as a federal
17 agency, or as a nonprofit.

18 But you know the work that we've been
19 doing with the VITA and the community-based
20 partners is truly a social impact model. It has
21 involved a federal agency, thousands of local
22 community-based organizations, and then a private

1 sector that's been doing the funding. And I think
2 that the infographics that you know you have
3 shared here, that have been put forth by the
4 "Future State" really need to provide additional
5 infographics that look at you know Larry, the
6 hourly service worker and what some of the issues
7 that he might have, which are very different than
8 what was portrayed here.

9 Or Mary, the -- I can't remember who I
10 have here -- Mary the waitress taxpayer, whose of
11 that -- and has two children, one with a
12 disability, and has recently lost her apartment,
13 and access to even our available services that are
14 on the ground right now through VITA. I think the
15 existing tax services for the low income really
16 need -- and I didn't address this in my testimony
17 because it's its own testimony, is communications.

18 We have done a very poor job of
19 communicating what is available to our low income
20 taxpayers with and without disabilities. And we
21 have been testing you know the use of online, do-
22 it-yourself software through the "My Free Taxes"

1 | campaign. For the past seven years that was
2 | funded by Walmart to the tune of almost \$40
3 | million to understand how are we going to make
4 | that transition?

5 | We have a lot of information and
6 | research on that. We found that broadband, the
7 | use of the My Free Taxes in the surveys that we've
8 | done, collaboratively with the IRS and the United
9 | Way Worldwide, Goodwill Industries, and National
10 | Disability Institute, we found that 18 percent
11 | this year of taxpayers with disabilities -- and
12 | these are with AGI's of \$22,000 -- were actually
13 | using the software. And about 20 percent were
14 | veterans with disabilities.

15 | So it's a very small sample, but it's
16 | saying that you know this is a possibility. This
17 | can be done. And we need a lot more research on
18 | that. But we need to be very thoughtful of these
19 | programs.

20 | And I think, as we're seeing the
21 | defunding, it crossed the field for the low
22 | income. All the funders in the for-profit world

1 are saying "Johnette, what's the next new big
2 thing?" And I say, "Poverty." And you know they
3 go, "No, no, no."

4 And it's like no, it's -- the nonprofit
5 world right now, we're sustaining an economic
6 status quo for our low income Americans that's all
7 we're doing. We are not -- we're not social
8 impact investors and we don't have that
9 opportunity right now, even though I think there's
10 a lot of you know future around that.

11 MS. OLSON:

12 So hearing this, this raises -- and
13 we're going a little bit out on the limb here, but
14 the IRS right now, is notifying members of
15 Congress about turning on its online account for
16 getting transcripts. And I thought I would just
17 lay out to you some of the requirements to
18 establish the online account because it's not
19 going to be that the IRS sort of emails you. It's
20 going to send you an email saying, you need --
21 "There's a message for you in your online account,
22 and so sign onto your online account and see our

1 message."

2 And in order to have an online account,
3 you have to establish one. And basically a
4 taxpayer is going to need either a credit card
5 that's in the taxpayer's name -- not a debit card
6 -- or an automobile loan, or a home mortgage, or a
7 line-of- credit, an equity line on a house, in
8 order to get through the first level.

9 And then in order to really create the
10 account -- and this is what you need to do before
11 you can even communicate with the IRS
12 electronically -- is that you will have to have a
13 text- enabled cell phone that is a U.S. based
14 phone number, and the contract is in your name.
15 Not pay-as-you-go, or if in somebody else's name,
16 you have to live at that person's address.

17 So as I listen to that, first of all
18 leaving aside that it pretty much blocks out the
19 entire borough of the Bronx because not many
20 in New York have a car. Not many in New York City
21 own a home, and they might have a credit
22 card, but most likely a debit card. The U.S.

1 based cell phone, not pay as you go, would probably
2 be a problem.

3 So that means problems for international
4 taxpayers to be able to get onto this account and get
5 a transcript. I'm worried about the low income
6 taxpayers, but I'm also worried about the affluent,
7 who have family plans for their adult children
8 or their parents who don't live with them.

9 And so I'm just wondering how that
10 changes your picture of the future of the online
11 account and the ability to communicate with that,
12 and if we could have those brief answers because I
13 want to ask Larry some questions in the last five
14 minutes.

15 MS. SERRATO:

16 Well, as you mentioned, that poses a
17 huge obstacle for our community. It virtually
18 blocks them completely out of being able to use
19 online. And you know obviously, online -- I'm
20 hoping you can hear me -- obviously, online and
21 more automated would certainly help our community
22 --

1 MS. OLSON: Right.

2 MS. SERRATO: -- because it's so
3 dispersed and it's so complex, as it exists right
4 now, but this certainly you know throws a huge
5 wrench into the --

6 MS. OLSON: Right.

7 MS. SERRATO: -- whole project --

8 MS. OLSON: Right.

9 MS. SERRATO: -- because basically, you
10 know, I can't give a percentage, but just knowing
11 what I know from our membership base, and what I
12 hear from members, you know most of this, they
13 won't have.

14 MS. OLSON: Right.

15 MS. SERRATO: Especially the telephone.

16 MS. OLSON: Right, the telephone.

17 Right. Caroline?

18 MS. BRUCKNER:

19 I think that folks in the sharing
20 economy, at least those that are working for ride
21 sharing, that are doing ride sharing may have a
22 shot at meeting some of these requirements,

1 particularly they're likely to have a cell phone.
2 They're likely to have an auto loan. I think
3 similarly, folks in the accommodation sharing
4 space, folks working with VRBO, or Airbnb, might
5 similarly meet some of these requirements.

6 But the sharing economy isn't just that.
7 You also have to keep in mind that there are folks
8 that are working for Etsy, and other online
9 sellers, that might not necessarily meet these
10 requirements.

11 MS. OLSON: Okay and Johnette, if we
12 can, just briefly?

13 MS. HARNETT:

14 I think it probably would eliminate a
15 lot of the existing compliant taxpayers that are
16 low income and with disabilities because again I
17 think that access continues to be an issue. We
18 know that about 13 percent of low income taxpayers
19 are solely dependent on their mobile phones, and
20 many of them are working off of minutes.

21 So a lot of those -- some of the work
22 that's gone on in the Connect Chicago, some of the

1 work that's gone on around the country, looking at
2 how do we increase broadband in our libraries and
3 in our -- public centers have had incredible
4 responses, but their average users are with AGI's
5 of \$10,000, and they need transportation to get to
6 these places. They're working two jobs.

7 MS. OLSON:

8 Right. Okay. So Larry, I'm saving the
9 best for last with you, in a way, just to ask you
10 a bunch of questions about the Earned Income
11 Credit because this is something that I've been
12 working on myself.

13 We've had multiple conversations about
14 this, and your recommendation about using, in some
15 way, HHS to determine eligibility. Something that
16 you know I've been talking with Australia and the
17 UK because they are moving in that direction of
18 using their health and welfare departments to
19 determine eligibility and then use the IRS in this
20 way.

21 I'm just really wondering, as you've
22 heard everybody talk about these online accounts,

1 where you see online accounts fitting into tax
2 administration, the concern about identity theft
3 there, and maybe access. If people can't sign on
4 to an online account, are they going to go to
5 these unregulated preparers who might be able to
6 create an account and get access to taxpayer
7 information?

8 MR. GIBBS:

9 You know, Nina, just listening this
10 morning, it strikes me that one of the things that
11 really is badly needed, is a better understanding
12 of the nitty gritty. We have too many people, me
13 included, oftentimes because of a lack of
14 knowledge of the people that we're serving in this
15 country. When we come forward and say, "Let's do
16 this. Let's stop doing this," or whatever, if we
17 can have forums where we had people like you all,
18 that could give hard questions to the
19 policymakers.

20 I don't begin to pretend that these are
21 easy issues. Part of the reason, Nina, for
22 suggesting that HHS become involved in the dialog

1 again, I don't know whether that's a good or a bad
2 idea, but my reaction is where we're headed is to
3 jeopardize and we're seeing it happen. We're
4 talking about jeopardizing our revenue system.

5 My gracious, in light of our domestic
6 challenges and foreign challenges, the one thing I
7 would think everyone could agree upon, is that our
8 revenue system has to work and work well. We're
9 pushing everything through our revenue system
10 increasingly. And my reaction, is, folks that's a
11 zero sum gain unless we start recognizing that
12 there are competing considerations here. And so I
13 would say at a minimum, put HHS, IRS, and others
14 together and start talking about the thing that
15 we're not talking about in this country, in terms
16 of our big problems.

17 MS. OLSON: So as a little --

18 MR. GIBBS: Sorry. I don't know that I
19 answered your question, but --

20 MS. OLSON:

21 It is a great response. I think you
22 know where -- I've been thinking about the EITC.

1 | And I'm working on a legislative recommendation
2 | for this year.

3 | One aspect I thought of is we have a lot
4 | of people who are receiving Title IV or Title VIII
5 | benefits for children in this country, where the
6 | local departments have determined their
7 | eligibility, often through a face-to-face
8 | interview, or a more complex application process
9 | upfront.

10 | I've been considering making a legislative
11 | recommendation to change the definition for
12 | these benefits, whether it's "dependency exemption,"
13 | or "earned income credit," for the qualifying
14 | child to just say, if a state agency has granted
15 | you food stamps, welfare, housing assistance,
16 | for a child, we should just accept that
17 | determination. You know because somebody else has
18 | done much more in depth interview beforehand.

19 | And that sort of defines things that we
20 | were calling "noncompliance" into being
21 | compliance and it gets a little bit more
22 | simplification into the law, and a little bit more

1 certainty. If there's been a face-to-face
2 interview, then you have a better chance of
3 knowing, that child really is in that household
4 which is what this whole thing is about. Do you
5 have any thoughts about that?

6 MR. GIBBS:

7 I think -- again, I think it's certainly
8 part of the problem here. When you start taking
9 welfare programs and converting them into tax-
10 ology, into tax terms, my gracious, in terms of
11 the American public, I wouldn't be at all
12 surprised if their reaction is, "I used to have
13 certainty about my status, but when you start
14 putting it into tax language, I have no idea where
15 I am, as complex as you make things." When you
16 put it into tax language, make it part of the
17 Internal Revenue Code.

18 I would simply say that from the
19 standpoint of the idea this is one that I think,
20 again a good example: Why don't we find some way
21 to explore it, in terms of what the ramifications
22 are? Instead of well, let's try it and see how it

1 works out because what you're doing with your
2 public forums, is you are basically providing
3 information to those that will listen, about a
4 wide variety of topics that I know I didn't know
5 anything at all about the low income tax
6 community, and I got educated, folks, through H&R
7 Block and banks that were making refund
8 anticipation loans.

9 And let me tell you, I know how much
10 they are reviled, but I personally learned more in
11 the six years that I represented a bank that was
12 totally counterintuitive to me. I learned about
13 the unbanked community. And all I'm saying is for
14 regulators, you've got to understand the details
15 and the problems of who you're trying to deal with
16 before you figure out how to try to start
17 regulating them.

18 MS. OLSON:

19 Well, I think we'll close this panel on
20 that note, but I think it actually makes the point
21 that as Johnette was saying, you know, Larry, the
22 service worker, you know and Mary, the waitress,

1 or you know we have our shared economy folks and
2 our international taxpayers, they each present
3 very specific you know issues and challenges. And
4 to think that Jane, the middle school teacher is
5 representative of that population and is going to
6 be the user of the future is really not
7 representative of who is going to need assistance
8 in the IRS.

9 So I thank you all. We'll take a ten-
10 minute break. We'll come back at twelve after
11 eleven, and start our second panel. Thank you all
12 for being here. I really appreciate it.

13 (Applause)

14 BREAK:

15 PANEL 2

16 MS. OLSON:

17 All right, okay. We're going
18 to start our next panel, as soon as I can
19 find my notes for the next panel. There we go,
20 all right. This panel is composed of
21 representatives from four of the major,
22 I would say, professional organizations

1 in the United States that deal with tax.

2 INTRODUCTION

3 So our first speaker is going to be Eric L. Green,
4 and he is speaking on behalf of the American Bar
5 Association, Section of Taxation. He's a partner
6 in Green & Sklarz, which is a boutique tax firm
7 with offices in Connecticut and New York, and the
8 focus of his practice is civil and criminal
9 taxpayer representation before the Department of
10 Justice Tax Division and the Internal Revenue
11 Service.

12 My next speaker is Troy Lewis, and he's
13 Chair of the Tax Executive Committee for the Tax
14 Section of the American Institute of Certified
15 Public Accountants, the AICPA. And he's testified
16 in this role before the Senate Finance Committee
17 and the House Committee on Small Business. He's
18 been active in the AICPA for over sixteen years,
19 and he currently teaches at Brigham Young
20 University.

21 Next, we have Bob Kerr, and Bob is the
22 Senior Director of Government Relations of the

1 National Association of Enrolled Agents, and he
2 represents the interests of enrolled agents before
3 the United States Congress, and serves as their
4 liaison to the Internal Revenue Service. And I
5 first met Bob when he was working for the IRS, so
6 there you go.

7 And last, but certainly not least, is
8 John Ams, and John is the Executive Vice President
9 and Chief Operating Officer of the National
10 Society of Accountants in Alexandria, Virginia. He
11 has over forty years of experience in the federal
12 tax arena, with expertise providing legislative
13 and regulatory representation in accounting and
14 federal tax matters, to a variety of
15 constituencies.

16 So without further ado, we'll hear from
17 Eric. We'll just have each one of them give their
18 statements and then I have some questions and
19 we'll open it up to the floor.

20 MR. GREEN:

21 Thank you.

22 Thank you everyone.

1 MR. GREEN:

2 What I'm going to talk about mostly is
3 what I see as a major concern, which is the impact
4 on taxpayers, particularly in the arena of IRS
5 collection. As many of you know, in 2012, the IRS
6 rolled out its Fresh Start Initiative. If you're
7 not aware of this, it's no longer fresh -- I hate
8 those stupid late night commercials -- and it made
9 some significant progress in the area of
10 collection, but arguably it didn't go anywhere
11 near far enough.

12 It expanded the use of streamlined
13 installment agreements for taxpayers so they
14 didn't have to hire professionals and go through
15 the financial analysis. They could simply set up
16 agreements. It expanded the online availability
17 of agreements. It made getting an offer in
18 compromise easier by adjusting the standards that
19 the IRS used -- and we don't have to go into the
20 technical details at this point -- yet, if you
21 look at the statistics, the ones that were just
22 put out about a month and a half ago, in the data

1 | book, the zccounts in IRS Collection Division
2 | Inventory have now climbed over 13 million, for
3 | the first time.

4 | Some of that is collection-driven and
5 | some of it, to be honest with you, is technology-
6 | driven. The IRS is simply better at finding non-
7 | filers these days. And when folks have not filed
8 | for several years and they file their returns with
9 | all the penalties that go along with it,
10 | for failure to file, failure to pay, and interest,
11 | they often will end up in the Collection Division
12 | Inventory.

13 | We've seen the budget slashed by, I
14 | think, \$900 million, the last I checked. And if
15 | you listen, as I do, one of the big charges
16 | against the IRS, by Republicans mostly, is that
17 | it's not a budgetary issue. The IRS could
18 | actually fix most of these problems if it just
19 | simply had the will to do so; that it's not money,
20 | it's the IRS' outlook on this.

21 | And though I don't really agree with it,
22 | there are some shades of truth to it. One of

1 them, for instance, and which really bothers me,
2 is in the arena of Offers in Compromise. If you
3 can qualify for an offer, however, if you show the
4 ability to full pay over the life of the
5 collection statute, you can't do an offer. This,
6 in many cases, means having agreements that go
7 seven, eight, sometimes nine years.

8 And I believe the Advocate, a number of
9 years ago, did a study and found that the average
10 installment agreement defaults at about 48 months.
11 So what we're effectively doing, is not taking
12 offers, forcing people back into the Collection
13 Division Inventory for long term installment
14 agreements that we know statistically will
15 default, and therefore leaving them to, Collection
16 to, have to pick them up, again, and chase them,
17 again, which is simply a waste of resources, time,
18 and effort.

19 The other thing, and I mean I apologize
20 I should have pulled these studies in advance.
21 There was another study that the average offer
22 made was sixteen cents on the dollar. Of those

1 that were rejected, ultimately the IRS collected
2 about seven cents, which means on average, even
3 the bad offers were better than not accepting
4 them. Okay.

5 So when I say "shades of truth," I do
6 believe the IRS could take another fresh look at
7 this. I hate, maybe, "fresh" look. It's not a
8 good word to use. But I take a new look at this
9 and reconsider and make more adjustments to their
10 programs.

11 But what bothers me most today, is, on
12 December 4, many of you may have heard, President
13 Obama signed the Fixing America's Surface
14 Transportation Act, the "FAST" Act and its 1,300
15 pages. And I don't recommend any of you go home
16 and read it, but in there are 32 pages that deal
17 with IRS collection because when we think
18 America's Surface Transportation, we think IRS
19 collection. And what it does is it does a number
20 of things.

21 The IRS, since I think 2003, has had the
22 ability to use private debt collectors. Again,

1 Nina having looked at this and done a study, the
2 private debt collectors, basically robocalled
3 millions of people, collected everyone who could
4 full-pay, and then dumped everything else back in
5 the lap of the IRS because they don't have the
6 authority to enforce. They don't have the
7 authority to enter into installment agreements.
8 They can't consider offers in compromise, and
9 they can't levy or take enforcement action.

10 The FAST Act requires the IRS to use
11 private debt collectors. So starting this fall,
12 we are going to see millions of taxpayer accounts
13 handed over to private debt collectors. And I
14 don't know if former Commissioner Gibbs is still
15 in the room, but what bothers me and what concerns
16 me most about this, is we're going to turn over
17 taxpayer information to private debt collectors,
18 while we know identify theft is up 700 percent,
19 and I'm going to say this delicately, I question
20 the quality of the individuals working at the
21 private debt collection agencies.

22 All right, I said it. You can blame me.

1 But the other thing, if you're not
2 familiar with this, is there are some exceptions
3 to this. The other piece of this - - by the way,
4 it's not just private debt collection -- but the
5 government is going to begin suspending or
6 revoking passports of those individuals that owe
7 seriously delinquent taxes, which is defined as
8 \$50,000 or more. And by the way, there are states
9 that do this.

10 Massachusetts and New York, where I
11 practice, do suspend driver's licenses and it is
12 very effective at getting people to come in and
13 deal with their tax problems. But we'll get to
14 that. But, one of my concerns is that there are
15 some exceptions to this.

16 If you're in an installment agreement,
17 and you have an offer pending, you will have a
18 collection due process hearing, or you have an
19 innocent spouse claim. The one thing not on that
20 list, are people who have been deemed
21 uncollectable. And we had a meeting with the
22 Commissioner for Small Business Self Employed, and

1 she has confirmed that they are going to be
2 turning those people over to private debt
3 collection and their passports will be suspended
4 or revoked. What concerns me is, one, that there
5 should be some sort of communication out to these
6 people, all right? Communication.

7 They had told me that it would be
8 included in the normal collection message, which
9 means that paragraph that's on the notice would
10 say, we can do things like take your state refund
11 and we can take your federal refund. And buried
12 in there would be, suspend your passport. I think
13 it needs to be its own letter because I think that
14 it's a big enough issue, especially for people who
15 live and work abroad, who will find out the hard
16 way that their passport has been suspended.

17 The other concern I have with this, is
18 the only way that the Act allows people to
19 administratively challenge this, is to go to
20 court. There is no administrative means of going
21 to the IRS or the State Department, to have this
22 fixed. You need to go to federal district court

1 or the United States Tax Court, which now creates
2 a very expensive burden on those who are usually
3 financially challenged.

4 So what I would like to do, is, I'm here
5 urging the IRS to take another look at its
6 program, and build on what it did in 2012, and
7 continue to find ways of working with taxpayers to
8 get this stuff resolved. I also would urge
9 Congress -- I'm sure a lot of people are -- but
10 they need to tweak this "FAST Act," to allow
11 administrative means for taxpayers to get these
12 things fixed, and to allow the IRS, truthfully, to
13 adjust these things for the realities of dealing
14 with taxpayers. And with that, I think I'm at my
15 limit.

16 MS. OLSON: Thank you.

17 MR. GREEN: Thank you.

18 MS. OLSON: Thank you very much. .

19 Okay

20 Do you want to go on?

21 MR. LEWIS: Sure.

22

1 MR. LEWIS:

2 Hello. My name is Troy Lewis. On
3 behalf of the American Institute of CPA's, I'd
4 like to thank the National Taxpayer Advocate, Nina
5 Olson, and her office, for the opportunity to
6 speak today.

7 The AICPA appreciates the discussion on
8 what taxpayers want, or need from the IRS in the
9 future. This is an important issue for our
10 profession. In fact, last May, our governing
11 council passed a resolution focusing on the IRS'
12 need to transform into a modern-functioning,
13 evolutionary, and respected federal agency for the
14 21st Century.

15 The question posed here today, is what
16 do taxpayers want or need from the IRS. Most
17 importantly, taxpayers and practitioners must have
18 access, both timely and meaningful access to the
19 IRS. In order to make this happen, we recommend
20 that the agency focus on three critical things:

21 (1) Utilize modern and secure
22 technology; (2) Developing and continuing to hire

1 and train knowledgeable employees; (3) Regularly
2 seeking and utilizing stakeholder engagement.

3 We believe the IRS' commitment in these
4 three key areas will have the most impact in
5 providing everyone meaningful access to the IRS.
6 This filing season, I had a personal experience
7 that exemplifies what taxpayers need. A client
8 brought me a standard; computer-generated notice
9 the IRS had sent requesting information about
10 capital gain income.

11 The income, which was reported to the
12 IRS on a Form 1099-B, was properly reported on my
13 client's tax return, and the appropriate amount of
14 income tax had actually been paid. There was no
15 error on the return. However, due to requirements
16 in its matching system, the IRS needed additional
17 information to verify the income was indeed
18 properly reported.

19 The notice was a mere case of matching
20 the third party information reported to the IRS
21 with information reported on the return. However,
22 it took me two letters and four months to resolve

1 this notice. It was a highly inefficient
2 experience and an example of where change is
3 clearly needed.

4 You may ask why I just didn't pick up
5 the phone and call the IRS. It's been my
6 experience that the IRS representative, who
7 probably would have answered my call, would not
8 have had the necessary tools or training to
9 resolve the issue. Eventually, after some
10 discussion, the representative will revert to the
11 default position of asking me to provide my entire
12 explanation and any related documentation in a
13 letter. It is not efficient for either party, if
14 the IRS representative is not able to deal with
15 specific issues over the phone.

16 In today's environment after mailing the
17 requested information, I still do not have the
18 ability to speak with the representative who is
19 specifically assigned this case, or someone who
20 even has access to the documentation I submitted.
21 The IRS' current technology does not allow for the
22 sharing of information from one department to

1 another; at best, they can only confirm receipt of
2 the documents. The IRS must have modern and
3 secure technology.

4 In the future, I hope to have multiple
5 options for contacting the IRS, such as calling,
6 sending an email, or having access through a
7 secure online portal. Taxpayers, particularly
8 ones in outlying areas, should have the option of
9 communicating through other methods, such as video
10 chat. When you must rely on old-fashioned letters
11 interacting with the IRS is a slow process.

12 The IRS should also provide a fully-
13 integrated electronic system, such as online
14 accounts, similar to what some states use. In
15 the interest of efficiency, the agency should
16 focus on developing and improving practitioner
17 tools such as online account resolutions and
18 options to submit a power of attorney. With such
19 modern-day options in place, the scenario I
20 described earlier is resolvable within a few days,
21 as opposed to four months.

22 Let me close by summarizing a few

1 points. To ensure that we have meaningful access
2 to the IRS, the agency needs to regularly provide
3 a systematic, reliable and economical source of
4 training to their employees. In order to answer
5 basic questions and to keep up with changing tax
6 laws, IRS representatives need consistent quality
7 training, comparable to that offered to a tax
8 practitioner. This lack of training often results
9 in poor customer service.

10 Finally, it is critical that the IRS
11 actively pursue stakeholder engagement,
12 particularly on major organizational changes such
13 as the IRS "Future State." Stakeholders, such as
14 CPA's who are on the front line can provide sound
15 recommendations to ensure the needs of taxpayers,
16 tax practitioners, and the government, are met.
17 The AICPA received an initial briefing of the IRS
18 "Future State" initiative.

19 While we were encouraged with the
20 overview that was shared with us, we strongly
21 believe continued stakeholder involvement during
22 the decision-making process is essential. We all

1 have a vested interest in the success of the IRS.
2 Furthermore, by empowering the agency with the
3 latest technology and educated workforce, we will
4 have timely and meaningful access to the IRS,
5 which we believe is the first step in meeting the
6 needs of all taxpayers and practitioners both
7 today, as well as, in the future.

8 Thank you for the opportunity to
9 testify, and I'd be happy to answer your
10 questions.

11 MR. KERR: Good morning, Nina.

12 MR. KERR:

13 My name is Bob Kerr
14 And I have the privilege of
15 speaking on behalf of the National
16 Association of Enrolled Agents.
17 The enrolled agents thank you for the
18 invitation to take part in a public
19 discussion focused on the IRS "Future
20 State."

21 As the IRS moves forward with online
22 accounts, which are an integral part of its

1 "Future State," it must include access by those
2 with unrestricted rights, to represent taxpayers
3 in order for the strategy to be successful. The
4 agency must find practical methods to authenticate
5 practitioners and to authorize them to solve their
6 clients' problems. A solution that omits
7 practitioners fails to recognize that many
8 taxpayers benefit from representation because
9 they:

10 (a) Do not want to represent their
11 selves; (b) Recognize that they are not
12 proficient enough to represent themselves; or (c)
13 Are afraid to engage with IRS enforcement staff.

14 A portal that faces taxpayers-only will
15 place represented taxpayers at a disadvantage,
16 force practitioners to continue to be parked on
17 phone lines, and significantly impede taxpayers'
18 rights to be represented before the agency. We
19 urge the Internal Revenue Service to consider
20 three important policies then:

21 (1) One is to develop robust individual
22 and practitioner online accounts at the same time;

1 (2) The second is to allow Circular 230
2 practitioners to execute authorizations
3 electronically and to immediately represent those
4 clients; and (3) The third is to allow the use of
5 electronic signatures for all power of attorney
6 and disclosure authorization forms.

7 In order to protect taxpayers'
8 fundamental rights to representation, and improve
9 adoption for all groups, the IRS should commit to
10 developing a practitioner online account in
11 conjunction with individual taxpayer accounts.
12 The agency should, to the extent possible, phase
13 in similar capabilities across both accounts
14 simultaneously. The States of California and New
15 York are potential models for this approach.

16 Nina, you know the need for this access
17 is not new. For instance, ETAAC, in its 2014
18 report, outlined capabilities for online accounts
19 for individuals and practitioners. Recognizing
20 resource constraints put on the agency, we urge
21 the service to phase capabilities across
22 practitioner and taxpayer accounts, rather than

1 standing up each of those separately. We are
2 deeply concerned the IRS will launch an account
3 for individual taxpayers and then fail to follow
4 through with the practitioner account, making it
5 easy for taxpayers to pay balances the agency
6 suggests are due, while making it difficult and
7 expensive for representatives who are mired in a
8 paper-and- phone process that takes weeks, if not
9 months, to pursue statutorily-provided due process
10 rights.

11 And as part of its development efforts
12 for online IRS accounts, the IRS should include
13 the ability for taxpayers and Circular 230 tax
14 practitioners to execute and file authorizations
15 electronically, so that tax practitioners can
16 immediately represent their clients and/or receive
17 information on behalf of those clients. Access to
18 the practitioner online accounts should be limited
19 for the foreseeable future to trusted individuals
20 known to the agency and fully regulated under
21 Circular 230. The agency may later consider the
22 appropriateness of allowing individuals with

1 limited practice rights, to have equally limited
2 access to practitioner accounts.

3 And finally, the IRS should move
4 expeditiously to allow electronic signatures for
5 the full family of power of attorney and
6 disclosure authorization forms, that is, Forms
7 2848 and 8821. Doing so would speed up
8 considerably the process of resolving taxpayer
9 account problems, saving time and money for both
10 the taxpayer and the service. The IRS has laid
11 the groundwork for establishing a universal policy
12 on its electronic signatures with the Form 4506-T,
13 and its "IVES," or Income Verification Express
14 Service.

15 The requirements for this widely-used
16 form should be adopted across the board for all
17 forms. Electronic signatures provide a convenient
18 option for individual taxpayers and small
19 businesses to comply with our tax system's often
20 complex requirements. Further, electronic
21 signatures identity verification requirements
22 provide a level of security unavailable in ink

1 | signatures.

2 | The IRS' "Future State" is not a state
3 | in which one size fits all, and I think we've seen
4 | this throughout our remarks we've heard thus far
5 | today. Very few of the real challenges in tax
6 | administration are answered in such a fashion. Tax
7 | administration and taxpayers would benefit
8 | tremendously from a real conversation between the
9 | agency, which commendably is attempting to look
10 | over the horizon and provide reasonable and
11 | efficient taxpayer interaction, and the
12 | practitioners whose privilege and responsibility
13 | it is to represent many of these same taxpayers.

14 | We believe the agency must work with the
15 | Circular 230 practitioner community to break down
16 | barriers, slowing the agency's move toward online
17 | account resolution. Attorneys, EA's and CPA's are
18 | known and trusted professionals on whom the IRS
19 | may reasonably rely to move forward its vision to
20 | improve tax administration and taxpayer service
21 | online. This concludes my prepared remarks.

22 | MS. OLSON: Thank you. John?

1 MR. AMS: Thank you, Nina. Thank you
2 for holding this forum. I've certainly learned
3 something this morning, and I'm sure everyone else
4 in the audience has, as well. PANEL 2 John Ams,
5 Executive Vice President National Society of
6 Accountants

7 MR. AMS:

8 I'm here representing the National
9 Society of Accountants, and I have had a chance to
10 review the Taxpayer Advocate's 2015 Annual Report,
11 and you have helpfully, in that report, included
12 and summarized the seven themes of the IRS "Future
13 State." I recall that when this initiative was
14 announced by Commissioner Koskinen, he stated that
15 the idea is that taxpayers would have an account
16 at the IRS, where they would -- they or their
17 preparers would be able to log in securely, get
18 all of the information about their account, and
19 interact with the IRS, as needed.

20 For many taxpayers and their preparers
21 that interaction is many times just a matter of
22 going online to file a return, or find information

1 about general issues, or see about their specific
2 tax return information. It seems clear, however
3 that the current state of IRS technology is
4 hindering this interaction.

5 For example, some IRS forms still cannot
6 be submitted online and must meet -- require the
7 entire return has to be submitted via regular
8 mail. And as we know, if you're looking for a
9 refund, the IRS tells you, if you submit a return
10 via mail, your refund can be six or seven or eight
11 weeks delayed.

12 Computer-generated IRS form letters
13 often include a date by which a taxpayer response
14 must be received to forestall the placement of IRS
15 liens; since the IRS cannot currently receive
16 responses via email, this means the taxpayer must,
17 again, resort to the regular mail. However, the
18 IRS does not have the capability to quickly open
19 taxpayer mail, with the result that the IRS may
20 place a lien on taxpayer assets, even if the
21 taxpayers' timely-filed response is sitting
22 unopened somewhere in an IRS mail facility.

1 IRS personnel often cannot quickly
2 located taxpayer forms, records, powers of
3 attorney, or other documents when taxpayers or
4 preparers do manage to reach an employee, meaning
5 that the forty-five-minute or more often two-hour
6 telephone waiting time is wasted. On the other
7 hand, we have the benefit of a courtesy disconnect
8 and finding out what that's all about. According
9 to the Commissioner, the IRS operates more than
10 thirty-five different computer systems, most of
11 which cannot communicate with one another, meaning
12 that technology-related barriers to the resolution
13 of taxpayer problems still exist and seem to be
14 multiplying.

15 NSA agrees with remarks of
16 others who have stated that the IRS "Future State"
17 should allow taxpayers to "effectively and
18 securely interact with their tax administrator in
19 the way that they want to be served." What that
20 means, as we've heard this morning, is that it
21 means different things to different people. Low
22 income folks do not have broadband. Some people

1 who do have broadband are perfectly willing to
2 email with their grandchildren or others, but
3 they'll be darned if they're going to do any
4 commerce online, because by golly that's where the
5 scammers are -- still others, you know still
6 believe apparently, that the Internet is a fad and
7 will go away in time.

8 For all of the taxpayers though, whether
9 it's low income tax preparers and others, those
10 who do have technology access, what we look
11 forward to, is an IRS "Future State" where, for
12 example, you can submit a Form 2868 Power of
13 Attorney, and have immediate access to a client's
14 information. This is something that has already
15 been mentioned this morning.

16 A taxpayer should be able to submit an
17 inquiry on an IRS correspondence similar to what
18 was capable in the EAR system, or how about a
19 simple one? Submit a Form 1040X as an e- filed
20 return, rather than having to mail it in, or have
21 a chat capability. If you're online on your
22 account -- we've all been online with a bank and a

1 | chat capability comes up. "Do you want to chat
2 | with someone?"

3 | And as I've discussed with others
4 | previously, here today, one chat responder can
5 | handle up to nine individuals at one time, so
6 | there's a multiplier effect. So technology
7 | improvements, we think, are only part of our
8 | vision of a future state. We agree with other
9 | commenters that the need for face- to-face voice-
10 | to-voice communication and interaction will
11 | continue to be necessary, regardless of the wide-
12 | range quality of the digital tools developed and
13 | offered by the IRS. The range of necessary
14 | explanations and problem resolution will always
15 | require someone knowledgeable at the IRS.

16 | I wanted to conclude my remarks by
17 | focusing on the IRS budget and the fact that all
18 | of these technology changes that we have proposed
19 | and discussed all require an adequate IRS budget.
20 | That seems very clear, and seems clearer,
21 | apparently by the day. But what I want to do
22 | instead is focus on, or respond, to a question

1 that you asked, Nina, about this Get Transcript
2 application that is being rolled out, apparently,
3 as we speak.

4 Bob and I both attended a meeting where
5 the IRS folks in charge of it told us that they
6 expected 30 percent of the people to actually get
7 through. These are not people who do not have
8 broadband or do not have the capability of even
9 trying. These are people, who actually have the
10 technological capability, but the IRS, you know,
11 we expect 30 percent to get through, meaning a
12 what, 70 percent failure rate?

13 I remember talking with Bob and we said,
14 well, you know does that mean 65 percent will be a
15 resounding success? What is a standard by which we
16 measure success in that arena? It seems,
17 obviously, different things to different people.
18 I would think that success would have a somewhat
19 higher percentage than 30 percent.

20 Well, let me stop there. I again think
21 we're having the hearing, and we'll go to
22 questions I guess.

1 QUESTIONS & COMMENTS

2 MS. OLSON:

3 Well, that's a great lead into some of
4 my questions and comments because I'm going to
5 exercise my authority as the host, to make some
6 comments too, you know. But, to go to the online
7 account so all of you know, what will be in the
8 online account that they're creating, is not just
9 the Get Transcript, but also the IP PIN
10 replacement application that they had to take out.
11 And even more interestingly, the online
12 installment agreement will be put in through the
13 online account.

14 And that has implications then, for
15 international taxpayers, who today could just go
16 onto the IRS.gov and enter into an installment
17 agreement online. But now, you will have to do it
18 through the online account. I, myself do not know
19 of too many identity thieves that have been trying
20 to pose as someone else and make payments to the
21 IRS -- (Laughter) -- so I'm not sure what the
22 rationale is for putting the installment behind,

1 other than to protect access -- you know, any way
2 of getting into our system, period.

3 So there may be real reasons for that.
4 And to the point about the 30 percent success
5 rate, that is what I've heard from the
6 Commissioner. And in my own head, I think that's
7 even optimistic, based on some of the populations
8 I've been thinking about. But I think it points
9 to the tension between the need to really protect
10 the IRS database and the data that we have, which
11 is an incredibly valuable asset, which mandates
12 high security and difficult authentication,
13 if you will, versus getting people to be able
14 to do things online.

15 And I'm not suggesting that the IRS
16 relax its security requirements, but I am saying
17 you need to have truth in advertising. You then
18 need to tell people that only 30 percent
19 optimistically, will be able to open an online
20 account, and not design your "Future State" around
21 everybody in the world, like Jane, the middle
22 school teacher, being able to open an online

1 account.

2 Not to mention Larry, the service
3 worker, or you know whomever, or your mother-in-
4 law, who happens to be on your cell phone account
5 but does not live with you so she won't be able to
6 open an IRS online account, nor will your adult
7 children, who are on your phone account. So I want to
8 start with pursuing some questions and I'm so glad to
9 have you all up here because I really want to get
10 into the nuts and bolts of what an account would be,
11 what you think would be important to have in this
12 online account, and what you would want taxpayers,
13 your potential clients, to be able to do, and some
14 of the taxpayer rights implications of this. And
15 before I go further on that, I do want to address
16 Eric's -- and this is just some background
17 information.

18 He raised the issue about the passports
19 and not exempting persons who the IRS has
20 determined to be currently not collectible because
21 of hardship because if we collected any money from
22 them, we would by law have to give that money back

1 because they are experiencing economic hardship
2 and they cannot meet their basic living expenses.
3 That is also true for the private debt collectors.
4 That where they - IRS - has already determined that
5 these taxpayers cannot pay their basic living
6 expenses, and are experiencing economic hardship,
7 there is no exception for keeping them from going
8 out to the private debt collectors under the law.

9 These accounts will have to go out if
10 they've been inactive for over a year or something
11 like that. By definition they would be. And that
12 has particular consequences in the Federal Payment
13 Levy Program, which is an automated levy of social
14 security benefits.

15 We worked for years to get the IRS to
16 exclude persons who were at 250 percent federal
17 poverty level, which is basically the statutory
18 definition, under low income taxpayer clinics, for
19 low income. And we showed, that poverty level
20 meant -- by and large, we showed in a study we did
21 -- TAS did -- that poverty level, basically meant
22 that you were experiencing economic hardship. And

1 the IRS agreed. And they excluded taxpayers with
2 those income levels, from the Federal Payment Levy
3 Program for levying social security and all sorts
4 of other federally-issued payments.

5 Two years ago, or a year and-a-half ago,
6 we were able to get the IRS to exclude persons who
7 receive social security disability from the
8 Federal Payment Levy database so we weren't
9 levying on disability payments against
10 persons who were determined by social
11 security to be disabled. Both of those categories
12 of taxpayers will go out to the private debt
13 collectors under the law, unless we can figure out
14 some way within the legal framework, to exclude
15 them. And so I just want to you know let
16 everybody know that's happening, so you can work
17 those issues.

18 MR. GREEN: Part of the problem, in the
19 IRS' defense, the IRS did not ask --

20 MS. OLSON: Right, right.

21 MR. GREEN: -- for this. Congress just
22 did it, and clearly didn't discuss it with

1 anybody, and so you know I just want to make it
2 clear that it's not that the IRS dreamt this up.

3 MS. OLSON: It's a revenue raiser. It
4 allowed a lot of other things to be passed.

5 MS. OLSON:

6 Okay. So I want to sort of talk about
7 this online account. So what sorts of things do
8 you all, as representatives, need -- what do you
9 think an online account would do? How would it
10 help you in your representation of your clients,
11 and when would you need to pick up the phone and
12 talk to the IRS, or communicate with the IRS in
13 some other means?

14 I mean we can just start, and go down
15 the line.

16 MR. GREEN:

17 Well, given what I do, I tend to see
18 people who are not filers or have come in -- and,
19 as I mentioned -- with offers you know, if they
20 can full pay under the statute. So for me, I need
21 to pull transcripts, and very often I need wage
22 and earning reports. Sometimes you can get

1 through on hold and have them faxed. That can
2 take, depending on what time of year can take 15
3 minutes to several hours.

4 I have software that actually does this,
5 but the POA must be on file for -- you know and
6 it's taking now, five to ten days. And by the
7 way, as I don't think anyone else has experienced
8 this, every POA I send in, regardless, comes back
9 because they claim it's not signed or not dated,
10 and it is. So I don't know what's going on at the
11 CAF Unit, but if I can find someone who works
12 there, I have a lot to say to them.

13 (Laughter)

14 There's no phone number, lucky for them. Anyway,
15 it's very frustrating. And by the way, the client
16 gets the same letter and the client starts calling
17 and saying, "Don't you know what you're doing? I
18 hired you."

19 And it's very hard to explain, "No. The
20 government is screwed up." Because everyone
21 believes the IRS is all-knowing and all-seeing and
22 we know they're not. But, for me, today I'm going

1 to leave here. I'm going to go to the airport.

2 Because I am TSA pre-checked, I am going
3 to walk through security; they're not going to
4 make me take anything out of my bag, and I'm going
5 to get on a plane. I don't see why I couldn't as
6 a practitioner -- and I'll pay a fee -- you know I
7 paid \$85 bucks or whatever for TSA -- that I can
8 be pre-approved so that I can go on and say, "Yes,
9 I have a 2848. Scan up a copy," and get instant
10 access to taxpayers, to move their case along,
11 because it's either spending hours on the phone or
12 waiting days on end for it to go on file.

13 MS. OLSON: Okay.

14 MR. LEWIS:

15 It's a great question: "What do those
16 accounts look like? I think, first of all, you
17 have to take one step back though and say, "Does
18 one size really fit all?" And the answer is no.

19 So I envision an account that provides a
20 lot of robust information for those that choose
21 and have access, but it's not exclusive. It's
22 only one element, just like today's financial

1 institutions, you can bank several ways. And we
2 need to recognize that we're going to have
3 taxpayers that are going to choose for various
4 reasons; some which we've heard and some that you
5 can speculate. It's going to be different.

6 So in my mind, the kinds of things that
7 I envision that an account would provide would be
8 the types of information that we're now spending
9 endless hours waiting on the phone trying to talk
10 to somebody about. Things such as payment
11 history, their filing history; what have you
12 shown?

13 The IP Pin is interesting because we
14 have so many troubled going through the front door
15 now, maybe a different portal would be better, and
16 getting transcripts, and then the audit history.
17 We spent a lot of time going back and forth with
18 that: "What have you received?" "What do we
19 show?" "Is it still open?" "Have you received
20 this?"

21 I think a lot of those types of answers
22 could be done in a secure way, but I would also

1 | caution, obviously you know anyone that's been
2 | around here, or has worked for the government, is
3 | fully aware of the OPM issues last summer. As you
4 | said, Nina, the government's database is of the
5 | highest importance and it needs to be protected.
6 | So I think we need to measure twice, cut once; we
7 | need to be very careful as we open up that portal.

8 | It ought not to be rushed to market, but
9 | done in a specific, deliberate way; well-studied.
10 | I think we can provide better value than what
11 | we're doing now.

12 | MS. OLSON:

13 | If I can just respond to that for a
14 | second, you know one of the things that I'm hoping
15 | people don't assume is that just creating an
16 | online portal will solve all the IT problems that
17 | the IRS has. As of this morning, most IRS systems
18 | were down, and have been down since overnight. So
19 | if you were not here on this platform, but you
20 | were calling to get information from a customer
21 | service representative or your case advocate in
22 | Taxpayer Advocate Service, we would not be able to

1 give you any information because we can't get into
2 our own databases.

3 As well, it's not clear to me if the IRS
4 has between sixty to two hundred case management
5 systems, depending on who you speak to, on
6 whatever given day, whether the online account is
7 going to link to all of those. So when you say it
8 would be nice to see audit information, audit
9 history, the systems don't retain a lot of
10 notices. We will have to reprogram the systems to
11 retain the actual notice that the taxpayer was
12 sent so you, as a practitioner, would be able to
13 see that notice and get a robust informational
14 history.

15 So there's so much work that needs to be
16 done, to make just what you're describing as an
17 online account work. So Bob, you know if you want
18 to pick up from there.

19 MR. KERR:

20 Thanks, Nina. I think I'd start by
21 suggesting, let's make sure that the IRS isn't
22 building us a procrustean bed here because one

1 size doesn't fit all. And the fundamental piece
2 is to start with the access and the IRS needs to
3 build access that works for taxpayers and the IRS
4 needs to build access that works for
5 practitioners. And I used the term
6 "practitioners" intentionally because to me,
7 there's a distinction between practitioners and
8 preparers. I don't want anyone here to think that
9 those are, to me, fungible words because they
10 aren't.

11 I think also this approach raises some
12 significant and fundamental taxpayer rights
13 issues. Let's start with Pub. 1. How are
14 taxpayers going to even know of their right to
15 representation, and you'll have to excuse me for
16 being, I suppose, a little "Johnny One Note" on
17 this. Or, I suppose there are nine or ten
18 Taxpayer Bill of Rights pieces, but I just keep
19 going back to the right to representation.

20 But you know I'm sitting here on behalf
21 of the Enrolled Agents and that's what we do, so
22 I'll take my moment here, to strongly encourage

1 that, and to recognize that there are taxpayers
2 searching who are going to want to help
3 themselves. And that's fine; we don't begrudge
4 that in any way. But as I indicated in our
5 prepared remarks, there are taxpayers, for a
6 number of reasons, don't want to do that or can't
7 do that or don't believe that they're up to the
8 task.

9 And at the end of the day, I think the
10 IRS needs to remember that the tax administration
11 system, in fact, works better when educated and
12 informed IRS enforcement staff, are working with
13 educated and informed representatives.

14 MS. OLSON:

15 So John, before you talk. I'll throw
16 this out and you can maybe also weave that into
17 your answer because this goes to what Bob just
18 said.

19 So much of what's going on in the online
20 account is viewed in the pre-refund environment.
21 So if you file a return and there's an issue with
22 it: you left off a 1099, or maybe,

1 as in the vignette, with Jane, we think
2 we've run you through the dependent database and
3 we think you're not eligible for it this is all
4 happening in pre-refund. The taxpayer is probably
5 not going to be with a representative at that
6 point, a practitioner, as you say, Bob.

7 So you're going to have these taxpayers,
8 if they sign onto an online account, agreeing to
9 things that will have lots of consequences going
10 forward, that will become a self-assessed
11 liability. And then when you, as the practitioner go
12 in to say, "Well that was wrong," the IRS will say,
13 "Well, the taxpayer agreed to that," and then if you
14 disagree, you will not get the right to an appeal
15 because it's pre-refund. The next thing you'll
16 get is a Notice of Deficiency. So I mean you can
17 all comment, but I'm throwing it out to John, and
18 then anybody who wants to.

19 MR. AMS:

20 Well, we've all gone online, you know
21 every time there's a new app, or something that
22 you download, and you have to agree to the you

1 know, seventy-eight pages of legalese.

2 MR. KERR: And say that you read them,
3 too.

4 MR. AMS: Oh, absolutely. And you know
5 forget understanding them.

6 MR. AMS:

7 But that is going to be a problem,
8 especially if you're talking about not
9 uneducated, but undereducated for that purpose,
10 kind of a taxpayer. They're signing away rights
11 that are on page 45 that you know they
12 have no idea what it is. And this assumes
13 that they know what their rights are before they
14 even start down that path, which you know is not
15 an assumption I'm willing to make.

16 I had mentioned in the written remarks
17 that the IRS has so many different
18 computer systems, and none of them talk with one
19 another, and yet as Eric mentioned, if
20 you're representing a taxpayer, you want the
21 complete picture. You want the audit. You want
22 the transcript. You want everything you

1 | can get ahold of.

2 | It's a part of due diligence knowing
3 | what it is you're talking about. If you're a
4 | Circular 230 preparer, you're required to get that
5 | kind of background and yet there doesn't seem to
6 | be a capability really of doing that. And my fear
7 | is that a lot of this information is on those
8 | separate systems that don't talk to one another.

9 | So you know ideally, the account that
10 | was created under the system would be able to draw
11 | in all of those disparate systems and
12 | communicate with them, and get the information
13 | that you really need, in order to do a good job
14 | for the taxpayer.

15 | MS. OLSON: Does anybody else want to
16 | weigh in on this?

17 | (No response)

18 | MS. OLSON:

19 | Okay, fine. So another technical issue
20 | I wanted to throw out, which I think is very
21 | important and I haven't been successful in getting
22 | the IRS position changed, is the application of

1 the "timely-mailed/timely-filed" rule in a digital
2 environment. If we're pushing people to online
3 accounts, and so they send an email, and let's say
4 the IRS, like today, the IRS server is down, and
5 it's an election on a given day. The IRS position
6 right now is it's not the date of the email that
7 you can show on your email that you sent it, but
8 the date that it receives it, which is its
9 position about faxes.

10 When I talked to Chief Counsel about
11 applying the timely-faxed/timely-filed rule, they
12 say, no because you can alter fax machines just
13 like you can alter postage meters, you know like
14 the cover sheet, and that's why we require
15 certified mail etc., or a mailing
16 service, you know the Fed Ex, etc., to get
17 availability of the timely-mailed/timely-filed
18 rule.

19 And to me, if your future state is built
20 on digital -- well, I don't know. I should ask
21 each one of you. Would any of you, where
22 something really matters then, if the only way to

1 | prove timely mailing is to send certified mail you
2 | know return receipt, how would you proceed?

3 | MR. GREEN: Well, generally I like the
4 | fax because I get the fax confirmation back.

5 | MS. OLSON: But it won't confirm it.

6 | MR. GREEN:
7 | That's not going to confirm it. And by
8 | the way, I've had issues where I have -- you know
9 | because a lot of the time, e-faxes now I'm not
10 | getting the confirmation. See we have e- fax, and
11 | now I can send it from email, which (inaudible)
12 | well, they could alter that too. I mean anything
13 | in the computer can be altered.

14 | MS. OLSON:

15 | But obviously chief counsel position is
16 | the only way to have the date of your mailing or
17 | sending count as the date of IRS receipt, is to
18 | send it certified mail/return receipt, or using
19 | one of the overnight delivery services that they
20 | have outlined. That's the only way.

21 | MR. LEWIS:

22 | It seems Nina, that what they're looking

1 for is third- party validation of a particular
2 date, so that you know as the taxpayer, you do not
3 have the opportunity to change the date, to
4 backdate it, that kind of thing. So it seems that
5 what you're really looking for, is can you do it
6 through you know, software. Can you do it by
7 sending such a form to a secure email address, or
8 somehow that you know the basic function of it is
9 just to verify the receipt.

10 MS. OLSON: And if you can't get that in
11 any way other than certified mail, or these
12 overnight services, are you going to go to
13 hardcopies and send it?

14 MR. AMS: I have.

15 MR. LEWIS: That's what I do.

16 MS. OLSON: Right. That's what I'm
17 trying --

18 MR. AMS: If I fax it --

19 MS. OLSON: -- to get at.

20 MR. GREEN: You have no other option
21 (inaudible) back, or if it were online, if you see
22 it post, I would probably rely on that. But in

1 the instances where I've had it not, someone in my
2 office is running to the post office, hopefully
3 not me.

4 MS. OLSON: Right. It matters.

5 MR. LEWIS:

6 Yeah, if it matters. If there's a lot
7 of zeroes involved and the first number is not a
8 one, you know if it really matters. You're going
9 to do whatever you want -- the proverbial belts
10 and suspenders, whatever, absolutely. That's what
11 you do as practical.

12 I mean the issue you've outlined is, is
13 you're giving us an archaic rule, sort of based in
14 the 1980s and 1990s, but not recognizing that
15 we're a little bit beyond that. So to your point.
16 In a future state, you'd have to recognize, not
17 only embracing the technology, but embracing all
18 that the technology can produce.

19 There can be better ways to do it, but
20 yeah, if we truly want to get out of the paper
21 business, as it is, we'd have to embrace something
22 like that because if again, if it comes to proof

1 of mailing on an S Election, I mean something that
2 just in time, it matters, there's no alternative.
3 You would definitely paper file.

4 MR. KERR:

5 Well, and the service for years and
6 years, has been pushing electronic commerce. You
7 know, take two e-files and call me in the morning
8 kind of thing. What ends up happening is that the
9 agency does so because it's convenient for the
10 agency.

11 It's expeditious for the agency; not
12 because it's convenient or expeditious for anyone
13 else. And at the end of the day, we can build
14 systems that are 99.9999 percent up, so it's not
15 that we can't do that. And so if the service is
16 going to require us, is going to build this brave
17 new world where we communicate electronically,
18 then I would suggest that it's incumbent on the
19 service to build something that doesn't go down.

20 Again, it's not undoable. It's more
21 expensive, and there is a difference between 99.99
22 versus 99 -- you know, and the tech people know

1 all this because it devolves into number of
2 minutes per year that you're down. And so if you
3 can build a system that's down for an acceptable
4 number of minutes a year, then you've solved the
5 problem.

6 And then we're not running to Fed Ex or
7 wherever to do this. And again, as my colleagues
8 have suggested, buy why are we, using 1956
9 technology to work in this environment. Well, old
10 fax machines for that matter, in the CAF, but
11 that's a separate issue.

12 MS. OLSON: Right.

13 MR. AMS:

14 And it seems that, years ago, I'm sure
15 the IRS looked at fax machines and said, well who
16 would accept that stuff? Who knows where that's
17 coming from? So we've been apparently able to
18 overcome that particular hurdle. You know let's
19 get that done, as well.

20 MR. GREEN:

21 By the way this works both ways. I
22 would like to have an online account, so I don't

1 get fifty pieces -- you know fifty letters every
2 day. And we have letter opening parties over
3 coffee every morning with -- you know for each,
4 you know period of payroll tax period let's
5 say, for three years on the same taxpayer.

6 If I could go onto an online account, as
7 the POA, and have that stuff electronically, how
8 much would the IRS save in postage?

9 MS. OLSON: So you would want to be able
10 -- you know, to go into an online account and then
11 be able to say, "Don't send me letters."

12 MR. GREEN: Oh, yeah.

13 MS. OLSON: "Just send me an email
14 notifying." You could turn it off --

15 MR. GREEN: Absolutely.

16 MS. OLSON: -- and that would be
17 important. You would have that option. It
18 wouldn't be mandated because some may want it.

19 MR. GREEN: Yeah.

20 MS. OLSON: But you'd -- yeah, okay.

21 MR. AMS:

22 More to the point, I'd like you know my

1 members to be able to tell their clients, you turn
2 that off because as we both know you get a months'
3 worth of IRS letters and you give them to me in a
4 box at the end of the month, unopened.

5 MS. OLSON:

6 So well, that actually raises another
7 issue. So I think I've heard from most of you
8 that the online account should be available to
9 practitioners. But if you look at what the IRS is
10 thinking about doing with the online account,
11 particularly in the pre-refund environment, you
12 know that you're going to do math error through
13 the -- you can agree, as Jane does, you know agree
14 on a math error case, you know in the pre-filing
15 environment, to having her return adjusted.

16 The vast majority of taxpayers,
17 individual taxpayers in the United States, go to
18 unregulated return preparers, just the numbers are
19 there. So for the online, it seems to me that for
20 the online account to make economic sense, there's
21 going to be a lot of pressure on the IRS to open
22 it up to unregulated return preparers. And so if

1 an unregulated return preparer, you know some of
2 the ones that are doing some of the scams with
3 people, you know can say to the client, "You can
4 turn this off, and I'll just get the notices."

5 We've all seen how that works with the
6 payroll services providers that have embezzled
7 money or gone under. So I'd like to hear from you
8 all about the risks you know of expanding the
9 online account to the unregulated return preparer
10 population. And if you have to do it, what sort
11 of precautions would you put in place?

12 MR. GREEN:

13 I'm wondering if there isn't going to be
14 a way to dovetail this with the fallout from
15 Loving because you keep hearing Congress is going
16 to do something. Where I'm going with this, is
17 will the IRS actually be able to regulate those
18 people and bring them in? And as part of it, I
19 would be very leery of taking it outside of
20 Circular 230 professionals.

21 That said, Nina, you hit it. I mean a
22 lot of people do go to you know for the lack of a

1 term, unlicensed practitioners. Theoretically, I
2 would allow taxpayers to do this for themselves.
3 I mean they have every right to do that, whether
4 it's advisable or not is immaterial.

5 They have the right to handle their own
6 audit if they want; their own collection case. I
7 don't know that I would allow non Circular 230
8 professionals. And if the taxpayer wants to share
9 their information with their unauthorized
10 professional, I guess again that's their choice.

11 MS. OLSON: Right. Right.

12 MR. KERR:

13 Nina, we've been -- the enrolled agents
14 in NAEA, for years and years, as you're aware, have
15 been on this issue of minimum standards for return
16 preparers, but I think it's important that we stop
17 pretending that there's no difference between
18 Circular 230 practitioners and the rest of the
19 world. We can look at the world as we'd like it to
20 be, or we can look at the world as it is today.
21 And let's look at it as it is today, just for the
22 moment.

1 We've also been on record for years and
2 years as during every overhaul of Circular 230,
3 asking the IRS to remove limited practice. So
4 let's build the system then that says, as a
5 taxpayer you can go to whoever you want, but if
6 you need your preparer to be a practitioner --
7 again that's making the difference between those
8 terms -- then you need to get a practitioner. And
9 the agency has a great ability. It has a great
10 bullhorn in order to suggest to the world that
11 there is a difference. And I think that's grossly
12 underutilized and certainly grossly underutilized
13 when it comes to enrolled agents.

14 MR. LEWIS:

15 I think one of the key points here, is
16 that with the Circular 230 preparers, there's
17 already a regulatory regime that exists. I'd
18 simply suggest you utilize what's there. There is
19 a higher standard; there is a difference.

20 There are professional standards that
21 they subscribe to. There's a PTIN regime. There
22 are other regimes that already exist, so rather

1 than layering on something there is a distinct
2 difference, regulatorily.

3 I do have concerns. If you're to open
4 it up, for the various things you've said, Nina,
5 there are risks. The unscrupulous preparers are
6 out there. As most of us know, those folks that
7 are out doing these kinds of things come in all
8 shapes and sizes, but if you want to
9 demographically look at them, they don't look like
10 a Circular 230 preparer.

11 So I think there's some error with that.
12 One of the elements you said -- what are some of
13 the elements -- I think the taxpayer has to have
14 control of that account. I think that's crucial.

15 I don't think it's in the taxpayer's
16 best interest to be able to easily turn on and off
17 things, unless they choose to do so, but the same
18 things we've learned with the paper world in which
19 we've lived, we need to learn from that
20 historically, and recognize that all that happens
21 with electronic, is they just speed it up.

22 MS. OLSON:

1 I think that's actually -- I've been
2 trying to study people. You know you have to have
3 people behind this online account answering your
4 emails or writing your emails, you know and unless
5 -- one of our witnesses in Red Oak actually said,
6 "Before you start building this online system, you
7 might want to get your customer service in shape,
8 and your people trained, and your correspondence
9 clear because otherwise, all you'll do is just
10 send us incomprehensible letters faster."

11 MR. LEWIS: Um-hm.

12 MR. KERR: Which is not, progress.

13 MS. OLSON: Which is not, progress
14 exactly. I don't know whether anybody else wants
15 to respond to that.

16 MR. AMS:

17 Yeah. Let me add on. And you know
18 everyone was talking about the Circular 230
19 preparers, and yet every time OPR sends out its
20 list of disciplinary actions the only people on
21 there are the Circular 230 preparers. So it's not
22 like you know they're pure as the driven snow,

1 either.

2 But we have their names. We know who
3 they are. And that's really the important point,
4 so whether you're talking about you know Circular
5 230 preparers, as we have referred to them, or
6 unlicensed preparers or people who may have you
7 know maybe Oregon preparers and they pass an exam,
8 but aren't EA's or whatever.

9 We know who they are. And for that
10 reason, one of the reasons I like the FSP program,
11 because it allows those whose practice does not
12 require them to be a CPA or an attorney, or an EA.
13 It allows them to subscribe to the same standards,
14 and hopefully be subject to the same discipline.

15 And as long as we know who they are you
16 know, not with respect to representation, you know
17 limited representation only, I think well, as long
18 as we know who they are, and they agree to be
19 subject to Circular 230, agree to receive
20 education on an annual basis, I think that would
21 give us at least some measure of security.

22 MS. OLSON:

1 So before I open this up to the floor, I
2 thought I would close with something that Eric had
3 raised, which was the discussion about offers in
4 compromise. On April 14, Small Business Self-
5 Employed issued a Memorandum, some interim
6 guidance that said that they were changing their
7 normal processes for offers, that they heretofore,
8 when someone submitted an offer in compromise with
9 a user fee and the 20 percent down, the IRS would
10 accept the return, and the offer, and go through
11 and see whether there were any tax returns due
12 that were outstanding.

13 And if there were, they would send a
14 letter to the taxpayer saying, "We're holding your
15 offer. We're holding the money. And you have 45
16 days to file your returns." On April 14, citing
17 resources, among other reasons, and I haven't
18 figured why that, the new guidance for offers
19 being submitted with a 20 percent down payment and
20 a user fee, but the IRS finds there are some
21 outstanding returns, is to return the offer,
22 return the user fee, and return the 20 percent

1 down.

2 So we do know that about 70 percent of
3 the offers before this guidance, who needed to
4 have returns filed, actually did, the taxpayers
5 did file their returns and the offers went
6 processed. So it seems to me that under the guise
7 of resources, the IRS is returning money that we
8 have in our little hands, and I'm just wondering
9 how you think your clients would respond to that.

10 MR. GREEN:

11 Well, hopefully, if the representative -
12 - again, are they with their representative -- if
13 they're represented, Their representative should
14 have polled and seen if they have outstanding
15 returns. It used to be six years, but I think I
16 just read now it's for all years. They've now
17 changed their mind, which by the way, makes it
18 even more fun because the clients that come in
19 that haven't filed in ten years, generally didn't
20 file and they have no records.

21 So it just makes it loads of fun. I
22 don't follow the logic either. We have it in

1 hand. I would just give the 45 days, or we're
2 keeping the money, and you can try again.

3 MS. OLSON: It's an incentive.

4 MR. GREEN: Yes.

5 MS. OLSON: Yeah.

6 MR. LEWIS:

7 You know it's one of these things. As a
8 CPA, I always put myself in a business perspective
9 and I recognize full out that it's an agency and
10 it's different, but nevertheless, you know when
11 you read about only one third of the calls getting
12 an answer for installment agreements, these
13 are people trying to give you money.

14 Right. If this were a business, you
15 would stop whatever you were doing and take their
16 money gladly, and then sort out the details,
17 right. So I think there's an element of that as I
18 look to "Future State." We have to prioritize a
19 little bit about on the customer service side, but
20 also have a fiscal mind.

21 You would think that naturally just
22 debits equaling credits, as it were, that money

1 | came in you would immediately cash it, and then
2 | start the process of evaluating, rather than
3 | saying we're just going to hold it. Or worse yet,
4 | we're going to send it back and we'll think about
5 | it.

6 | MS. OLSON: Does anybody else want to
7 | weigh in on that?

8 | MR. KERR:

9 | I'd echo the comments from earlier. One
10 | of which is that you know there is a difference
11 | between being represented and not being
12 | represented. And so I could see a world, in which
13 | those who are not represented would not understand
14 | the rules very well, but those who are
15 | represented, it sort of borders on malpractice to
16 | send an offer, in which the taxpayer has open
17 | years.

18 | And opening remarks -- is why would the
19 | IRS send back money in-hand, when part of its job
20 | is to collect -- you know, to increase voluntary
21 | compliance. I wonder what kind of research the
22 | agency did on this because it would be in this odd

1 position then, of holding onto the 20 percent and
2 not receiving those returns, the outstanding
3 returns, which you're well aware, is quite
4 possible. And then, I guess, beaten over the head
5 for taking 20 percent out of people who don't have
6 any money, and who didn't follow the rules.

7 And so maybe that's the thing, I don't
8 know. But again, those are unrepresented, so I
9 have a hard time getting there.

10 MR. AMS:

11 Yeah. I think that's a valid dichotomy.
12 Those whose representative submitted and those who
13 do it, you know for themselves, a representative
14 who did those without knowing the open returns, I
15 agree with Bob, that there's an element of
16 malpractice there. You really should know then.

17 MS. OLSON:

18 You know for the unrepresented, it would
19 seem to me in particular, if you've got somebody
20 coming and giving you money, you would want to
21 work with that person, not send something back,
22 but work with them. They probably don't know.

1 They don't how to get the information to prepare
2 the returns.

3 You know they may need to go to a VITA
4 site that's open all year around to do those
5 returns since the IRS is no longer doing
6 return preparation in the walk-in sites. You know
7 that sort of thing. And that if you've got that
8 engagement from a taxpayer, you should milk that.
9 Particularly an unrepresented taxpayer, you should
10 milk that for all its worth.

11 MR. KERR:

12 And let's not forget that just because
13 you've paid someone to do your offer doesn't mean
14 that if you're using a practitioner, who again,
15 going back to the real distinction between a
16 preparer and a practitioner, Nina.

17 MS. OLSON:

18 Right. Good point. So let's open this
19 up for anyone who wants to make a comment. We're
20 here for the public forum, so we'd love to hear
21 from you. And if you'd just go to a microphone,
22 I'd appreciate that, or the microphone will come

1 | to you maybe.

2 | MALE VOICE:

3 | Hello.

4 | Oh, this thing is on I see. I

5 | am an attorney. I am capable and able to hire

6 | CPA's which I have, but I'm here because I'm

7 | familiar with some of the numbers about people --

8 | low income people and others -- who cannot afford

9 | help from various tax practitioners, and one of

10 | their major problems is that there is a lack of

11 | paper return information, including the return

12 | documents themselves, from the IRS.

13 | The figures I've seen indicate 46

14 | million taxpayers filed paper returns last year,

15 | and the IRS does not provide paper returns, even

16 | to those people, for this year, for example.

17 | MS. OLSON: We have forms.

18 | MALE VOICE: Forms.

19 | MS. OLSON: The tax ones.

20 | MALE VOICE: Yes.

21 | MS. OLSON: Yeah.

22 | MALE VOICE:

1 Forms. And I think it's a major
2 unexplored -- it was referred to in the first
3 panel several times, but the lack of ability of
4 low income and disabled people and others, to use
5 and work computers and that kind of thing, is a
6 major problem which needs to be addressed by the
7 IRS.

8 MS. OLSON:

9 Well, you know I, every year, in
10 preparing my own return, like to get a paper copy
11 of the 1040 Instructions. And before this filing
12 season, I was able to walk into my place of
13 business, namely here, the main IRS headquarter,
14 and pick up a copy of the 1040. And I thought
15 that was much wiser because it was printed with
16 soy ink and it was on thinner recycled paper than
17 anything I could print out on my laser printer at
18 home with thicker paper and more trees killed.

19 And lo and behold, the IRS was not
20 stocking paper forms in the headquarters of the
21 IRS so I couldn't get my copy of the 1040 from
22 them. We have heard a lot of complaints from

1 taxpayers in walk-in sites all over the United
2 States that forms have run out, on the shelves and
3 the stacks at the walk-in sites, the paper forms.
4 And the IRS' position has been, well what's
5 causing the problem is that those stacks are
6 empty, so we're going to remove the stacks and
7 that will solve the problem.

8 You know I'm very concerned about this
9 because I do believe we should go with what the
10 taxpayers are saying they need. And there is a
11 group of taxpayers who are saying that they need
12 paper forms, that they want paper forms. And I
13 don't know why we would get into an argument with
14 taxpayers about that.

15 MALE VOICE: Um-hm. Thank you.

16 MS. OLSON: Anybody else?

17 (No response.)

18 MS. OLSON: Okay. Does anybody on the
19 panel want to make a closing comment?

20 MR. AMS: I just wanted to thank you for
21 holding this; again, I learned a lot and I thank
22 you.

1 MS. OLSON: All right.

2 MR. LEWIS:

3 The only thing I would like to say, is
4 what you're doing right now, is exactly what I
5 would hope for, for the "Future State." That you
6 know these people that you're hearing from up here
7 you know the Circular 230 folks, they're on the
8 frontlines, and they see what's happening. They
9 have a direct connection to the taxpayer,
10 themselves.

11 And with that relationship, I think we
12 can bring information back in a way that can be
13 helpful. But I think the key is to not develop
14 an attitude of "What do you think of this?" Rather,
15 "Why don't we talk about what your needs are now
16 so that as we develop it, we can do it the right
17 way?"

18 MR. GREEN: Well, thank you for having -
19 -

20 MR. LEWIS: Nina -- I'm sorry, Eric.

21 MR. LEWIS:

22 The service -- and you've been here for

1 a while, as well -- we still remember the days of
2 Commissioner Rossotti, who famously said, "Let's
3 be an agency that consults and then decides,
4 rather than decides and then explains." And you
5 suggested in your recent report to Congress that
6 the IRS has built its "Future State," and done so
7 without a whole lot -- or in fact, without any
8 input from its partners, although the agency, at
9 the same time professes to value its partners.

10 And so let's value partners in a way
11 that partners would like to be valued, which is
12 being part of the process, as opposed to just
13 getting the end result, and saying, "Here, I hope
14 you like it," or "Love it or leave it."

15 MS. OLSON:

16 Okay. Well, I want to thank this
17 excellent panel and our panel this morning
18 (inaudible) outside. Otherwise, we'll be back at
19 2:00 p.m., where we have our fascinating final
20 panel, which is really looking at basically a lot
21 of issues about being online from some non-tax
22 folks.

1 Okay. Thank you very much, all.

2 (Applause)

3 LUNCH BREAK: PANEL 3 Nina Olson,
4 National Taxpayer Advocate Taxpayer Advocate
5 Service

6 MS. OLSON:

7 I think we'll start this last panel of
8 the day, for our public form, and I'm really
9 excited about this panel because I am a
10 research nerd and love learning about all
11 of these issues. So this has been very
12 exciting for me to work with the folks on this
13 panel.

14 INTRODUCTIONS

15 MS. OLSON:

16 Our first witness is Rick Parrish, who
17 is based in Washington, D.C., and he serves
18 government customer experience professionals. His
19 research helps government overcome the unique
20 challenges they face, in developing successful and
21 innovative customer experiences, for the people
22 they serve. And he works with Forrester Research,

1 so we have cited his reports throughout my annual
2 report. I've found them to be very, very
3 interesting, and I'm really looking forward to his
4 testimony.

5 Then our next witness will be Tina Orem.
6 Tina is the tax writer at NerdWallet, which is
7 a personal finance website that helps consumers
8 make the best financial decisions. Prior to
9 NerdWallet, she was a business writer and editor
10 for more than ten years. And NerdWallet has been
11 in the news; some of their research studies have
12 gotten some coverage during the filing season.
13 And I'm looking forward to her testimony as well.

14 And our last witness is John Sapp.
15 John Sapp has served in key positions at Drake
16 Software since 1996. Drake Software is in
17 Franklin, North Carolina and it's one of the
18 largest professional tax preparation and
19 electronic filing companies in the country.
20 They have participated in the IRS e-filing program
21 every year since it started up, in 1986, since
22 Drake started up.

1 Today, he is Vice President of
2 Strategic Development where his role is to help
3 shape the future and growth of the company. He is
4 also a CPA. He's here today, because of his
5 position on the CERCA Board, which is the
6 electronic filing alliance, basically, and he's
7 completing his two-year term there as Chairman.

8 So again, the way we're going to do this
9 is that each witness, each panelist, will just
10 make their opening statement, and I won't kick
11 them off the podium if they go beyond five
12 minutes, but I'll nudge them a little bit. And
13 then I'll have some questions, we'll have some
14 discussion back and forth, and then we'll open it
15 up to the floor for anyone who wants to ask
16 questions.

17 Okay. So Rick, do you want to go?

18 MR. PARRISH: Sure. Thanks very much.
19 I'm really happy to be here with everybody.

1 MR. PARRISH:

2 So the big message that I have, is that
3 I have a lot of data that Forrester Research has
4 collected; it's called our "Consumer
5 Technographics" dataset and it really shows that
6 the public is still skeptical of federal digital
7 services. And so what I'd like to do, is I'd like
8 to talk to you about some of the results of that
9 information, which I think really flies in the
10 face of a lot of the conventional wisdom we often
11 hear in D.C., about the public's attitude toward
12 digital government, and I use it to kind of sound
13 a cautionary note.

14 I'll then offer a few pieces of advice
15 on what I think that the IRS should really do, to
16 move forward cautiously, and do digital right
17 instead of just more. So first of all, let me
18 talk about the big over-arching numbers here.

19 When you look at customer satisfaction
20 by channel, and this is for people who've actually
21 interacted with federal agencies as their
22 customers, it's not just as sort of general

1 public attitude, but really thinking about when
2 you have interacted with a federal agency, how
3 satisfied were you with that interaction. In-
4 person customer satisfaction is 72 percent, which
5 is not great, but it's still better than either
6 mobile apps or websites. Mobile apps and websites
7 come in at about 69 percent, which is outside the
8 margin of error for the study.

9 So interestingly, people are still more
10 satisfied with dealing with federal agencies in
11 person than they are either with mobile apps or
12 websites. And then we ask more specific questions
13 such as:

14 "Should the government offer more digital services?"
15 And this is one of those things where, if you
16 grab somebody off the street around
17 here and ask them, they're going to say, "Oh,
18 yeah. The public thinks the government should
19 definitely offer more digital. People love
20 digital."

21 Not true. Our dataset shows that when
22 you ask people, "Should the government offer more

1 digital services?" only 39 percent say yes. And
2 that's actually down from 41 percent last year.
3 Again this is a real trend downward.

6 Fewer people think government should
7 offer more digital services this year than they
8 thought it last year. And by the way, this isn't
9 just people age 45 or age 60 and up. It's
10 millennials, too. You ask millennials: "Should
11 the federal government offer more digital services?"
12 only 39 percent say yes, down from 41. Allright
13 so again a real downward trend there.

14 There is also a downward trend with people
15 over the age of 45. If you think about income,
16 people at the bottom third of the income
17 ladder, who are in many ways the most
18 vulnerable people, only 31 percent
19 say the government should offer more digital
20 services. Then, if you look at people
21 at the very top third of the income ladder,
22 these are the people with the latest technology.

1 They have multiple tablets in
2 their houses. They have the best web connections,
3 right, all the bells and whistles and gadgets.
4 Still, only 47 percent, less than half, say federal
5 agencies should offer more digital services;
6 totally against the inside-of-the-beltway
7 conventional wisdom.

8 Then you ask people, if you had
9 the choice between trying to find the answer to a
10 government question online, yourself, or just
11 picking up the phone and calling somebody, which
12 would you prefer? Sixty percent of people say
13 they prefer to pick up the phone, including half
14 of millennials. Not the story we usually hear
15 about millennials, right?

16 The story we usually hear is they don't
17 want to talk to anybody, they don't want to do
18 anything. They want to stare at their phones,
19 that's the end of it. That's the story they tell
20 about themselves. But time and again, we see that
21 the data shows something very different. 60 percent
22 of the total population, about half

1 of millennials would rather pick up the
2 phone.

3 Then we get even more specific. Sometimes
4 federal agencies say, well you know what we really
5 have to do, is we have to do really fancy things,
6 like a single sign-on ecosystem. We'll give people
7 one log-in for all of their different government
8 accounts -- for the IRS, for social security,
9 for VA, for whatever. They're going to love that.

10 Nope. Only 41 percent say they want
11 single sign-on. And this is a question that
12 actually explains it to them. We don't just say,
13 "Hey, do you want single sign-on?" We explain to
14 them what single sign-on is. Still only 41
15 percent want it.

16 Then you might say, well really the
17 issue here is trust. After all, only 23 percent
18 of the people trust the government to keep their
19 information safe. What we really need here is
20 better security.

21 Biometric ID, right, that's the latest
22 thing, biometric ID. Only forty-two percent of

1 the people want biometric ID. Well-over half
2 say they're not interested in biometric ID, and
3 again, this is after we explain to them what it
5 means. So not a lot of excitement there, either.

6 And the biggie, single government
7 portal, it's the Holy Grail. Government leaders say
8 "we're going to put it all in one place. They sign
9 in one place, an omni-channel, it will be wonderful."

10 Nope. Only 50 percent of the people
11 want a single government portal, down from 53
12 percent last year. The opposite direction from
13 where we often think it's going. So as you
14 can see, the data really shows here that the
15 inside-the-beltway conventional wisdom does not
16 reflect you know the country at-large.

17 This is good hard data. This is
18 something like 2,000 respondents across the
19 country. I mean this is a good dataset. This
20 isn't I call a group of my buddies on a
21 Friday night and ask them.

22 So what does this really mean?

1 It doesn't mean don't
2 do digital. What it means is you actually
3 have to do digital right. Like I said at the
4 beginning: good digital, not more digital, because
5 after all -- and it's a shame that I've been
6 having to say this an awful lot lately, but I have
7 -- customers don't want digital.

8 What they want is the things that
9 digital can provide if done right, right? They
10 want ease, they want convenience, they want
11 effectiveness. They want to feel safe, they want
12 to feel good, they want to feel confident,
13 right?

14 They don't want digital. They want the
15 things digital can provide if it's done right, and
16 too often it's not done right. So I'll offer a few
17 pieces of advice here on how to do digital right
18 and provide those things that people want:

19 (1) First of all, find the right
20 channel for each service. As you well know,
21 many times in D.C. the answer to every questions is
22 "Build a mobile app." Unfortunately, I kind of

1 wish that was the case, but it is not that
2 simple. Sometimes a mobile app. is the right
3 answer; more and more these days it is
4 actually not. Sometimes a web site is the
5 right answer; sometimes social media is the
6 right answer.

7 Sometimes it's phone, sometimes it's in-
8 person. You've got to find the right channel for
9 the right interaction. So that's the first thing.
10 It's the little kids playing soccer thing
11 -- everybody is crowded around the ball where it
12 is. So that's one, the right channel.

13 (2) Second, design mobile services more
14 strategically. And this is just another way of
15 addressing the point I mentioned a minute ago,
16 which is that the answer to every question
17 isn't "mobile app." So often federal agencies
18 measure their success in mobile by the number of
19 apps they produce, and they pay no attention to
20 how many people download the app, and then how
21 many people actually use it once they've
22 downloaded it, and then how many people continue

1 to use it once they've downloaded it.

2 There are over 300 federal mobile apps
3 right now, and the vast majority of them
4 have very few downloads. Now, the IRS does
5 have one successful one, the "Where's My
6 Refund?" app, right? That is a successful one.

7 My point here, as I've said,
8 is not "don't do digital." It's "do digital right."
9 Think strategically about building mobile. More
10 isn't better.

11 (3) Third, you've got to market this
12 stuff, explain the benefits of digital
13 channels. So often we just roll out a new digital
14 channel: "Hey, there's a new website;" "Hey,
15 there's a new mobile app;" "Hey, there's this,
16 there's that, there's whatever." We have
17 location-based services now, but then, you never
18 actually tell anybody about it, you never
19 explain the benefits to them.

20 This stuff is not self-evident. So not
21 only do you have to tell people that it's out
22 there, you have to tell people why it's a good

1 idea, using all the classic standard good
2 practices. Speak in a language people can
3 understand. Tell them in places where they can
4 find it easily. That is to say, don't do the whole
5 government- speak thing. So you've got
6 to explain why this is important to people,
7 what the benefits are to them.

8 (4) And fourth, you've got to make
9 sure that group of people that is not going
10 to engage with you digitally is still able
11 to interact with you as easily and conveniently,
12 as effectively as possible because there is
13 some group of people, whether it's because
14 of Internet connectivity, or whether it's because
15 of language skills or reading issues, or whatever,
16 might be unwilling to engage with you
17 digitally. Don't forget about those people.

18 The leader here is really the UK. The
19 UK's government digital service has a group called
20 the "Assisted Digital User Group." They did a
21 study and they figured about 18 percent of the UK
22

1 public is what they call "assisted digital users."
2 They can't engage with the government digitally on
3 their own. They need help.

4 And so they have a whole unit designed
5 to figure out ways to help those people engage
6 with government as effectively as possible.
7 And that's something that is sorely lacking in
8 D.C. And it's a problem, not just for issues of
9 social justice and issues of democracy, etc. It's
10 an issue for things like basic compliance.

11 Time and time again, we find that people
12 don't provide government the information or the
13 payments, or whatever that they're supposed to,
14 not because they want to defraud the government,
15 but because the government makes it too difficult.
16 And oftentimes it becomes more difficult, rather
17 than easier, when you start rolling out digital
18 services that are more, but not better. That
19 feels like maybe five minutes, which means it's
20 probably about ten, so I'll stop there.

21 MS. OLSON: Okay.

22 All right, Tina.

1 MS. OREM: Excellent. Okay.

2 MS. OREM:

3 I went the prepared speech route.

4 Again, my name is Tina Orem. I'm a staff writer
5 at NerdWallet. NerdWallet, which is headquartered
6 in San Francisco, is a personal finance website
7 dedicated to providing clarity for all of life's
8 financial decisions.

9 And part of that mission involves
10 providing content on a variety of financial
11 matters, including information and resources about
12 taxes. So from time to time, NerdWallet
13 commissions various surveys about how everyday
14 Americans handle and think about money. I've been
15 invited here today to discuss two of those
16 surveys.

17 You can follow along in the slides that
18 are in the handouts if you like. The first is a
19 recent survey NerdWallet did this past January in
20 conjunction with Harris about millennials and
21 taxes. I wrote about the findings of this survey
22 for a story that appeared in USA Today.

1 The survey asked more than 1,600 U.S.
2 adults a variety of questions about how they file,
3 who helped them, and what they did with their
4 refunds last year, as well as what they plan to do
5 with their refunds this year. We also asked the
6 respondents how they felt about taxes; namely,
7 what they were afraid of and how confident they
8 were that they would get the maximum refund, if
9 they were in fact, entitled to a refund.

10 The results were segmented by gender and
11 region, income, education, employment status, and
12 other factors, and that revealed a variety of
13 interesting findings. And one of them is that
14 millennials are afraid of taxes, like really
15 afraid. A whopping 80 percent said they're
16 fearful about some aspect of preparing their
17 taxes.

18 So granted, preparing a tax return
19 induces at least some anxiety in most of us. And
20 interestingly, some of that appears to be an age-
21 related condition, just 55 percent of people 65
22 and older said they're afraid of preparing their

1 | taxes, compared to the 80 percent of millennials.
2 | Fifty-five percent is still a majority, but our
3 | data seems to show that the anxiety worsens with
4 | youth.

5 | The average for all age groups was 69
6 | percent, so we have a lot of nervous taxpayers out
7 | there. So what are the millennials afraid of? We
8 | found that about a quarter, so 22 percent said
9 | they're afraid of making a mistake on their tax
10 | returns. About one-in-six said they're afraid
11 | they're leaving money on the table, and that they
12 | won't get the biggest possible refund.

13 | And perhaps surprisingly, only 11
14 | percent were worried about being audited. So
15 | who's quelling those fears? It's often, it may be
16 | mom or dad because more than a third of
17 | millennials in our survey, said they turned to
18 | family or friends with tax-related questions.
19 | That's the most of any age group in our survey,
20 | and it's a rate that's nearly twice as high as the
21 | national average of 19 percent.

22 | What's also interesting is that the

1 survey found that when they have tax questions,
2 more millennials turned to tax professionals than
3 go online for answers. And so this suggests that
4 when things get complex, millennials still prefer
5 humans to screens. However, millennials are
6 leaving one authoritative source out in the cold,
7 and that is the IRS.

8 Just nine percent said they'd turn to it
9 with questions, which incidentally, is right in
10 line with what other age groups reported in our
11 survey. Perhaps most interesting, however, is our
12 finding that millennials, who are digital natives,
13 like filing paper returns more than most taxpayers
14 do. An incredible 17 percent said they did a
15 paper return last year and mailed it in, which is
16 more than double the rate of those 35-and-older.

17 The second survey I'm here to highlight
18 was published in February of 2015, so about 15
19 months ago. It was a ten- question quiz about tax
20 basics related to retirement and college and
21 refunds. This was open to all age groups and we
22 had a pretty even weighting age-wise.

1 First, we found the tax
2 consequences of some of the most retirement
3 vehicles are still a mystery to many people. So
4 for example, we asked the question: "Is the money
5 you put in a ROTH IRA pre-tax or post-tax?"

6 We got over a thousand responses:

7 46 percent answered pre-tax, and

8 12 percent answered "none of the above."

9 Here's another example: We asked the question,
10 "What is a flexible spending account?"

11 11 percent said it was for home
12 improvements.

13 Some good news is that most
14 respondents seem to understand that their
15 exemptions in withholdings affect their refunds.
16 So when we asked, "If your exemptions and
17 withholdings are correct, your tax refund should
18 be . . .?" 56 percent answered that tax
19 refunds should be "as close to zero as possible,"
20 but of course the rest, almost half, said,
21 "Refunds should be \$500 or more if their
22 exemptions are correct."

1 So people generally seem to know that a
2 zero-dollar refund is ideal, but about three
3 quarters of us get them anyway, according to
4 recent stats from the IRS. So it appears that tax
5 refunds are sort of the whiskey of the personal
6 finance world. We know it's not very good for us,
7 but boy do we enjoy it.

| 8 So what does just nine percent suggest?
9 This all suggests there's definitely an opportunity
10 to create a system that's less scary and more
11 understandable for the largest generation in the
12 history of the U.S., one that is still learning
13 the ropes of adulthood. It also suggests that for
14 many millennials, not everything revolves around a
15 screen. Paper is still relevant, personal
16 interaction is still valuable, and for some
17 younger people, some things are best done the old-
18 fashioned way.

19 Last, but not least this does suggest
20 that America's financial literacy problem, most
21 certainly extends to taxes. I look forward to our
22 discussion.

1 MS. OLSON: Thank you.

2 Okay, John?

3 MR. SAPP: Thank you, Nina

4 MR. SAPP:

5 Thank you for inviting us today
6 to talk about an extremely important
7 issue of course, the IRS "Future State."
8 I don't believe that anyone is going to say
9 that the IRS should dump technology and go
10 back to filing on paper. I don't believe
11 that's practical in anyone's mind.

12 Although, as we think about some of the
13 security issues that we face, I think some of the
14 suggestions that I've heard include turning off
15 electronic filing. That would do away with all
16 the security issues. Or going back to mailing out
17 postcards, with mailing labels on those post
18 cards, to process returns faster.

19 We see a variety of things. And I think
20 it's a little daunting, to sit in between the two
21 folks that show up in your Google search when
22 you're trying to find stats for your presentation.

1 And I find it very interesting that even
2 anecdotally, you know, the one thing that I
3 believe, the message that we've heard at all of
4 these forums, that Nina is doing such a great job
5 at doing, and that is you have to provide, as the
6 IRS Commissioner said, you have to provide
7 taxpayers what they need, when they need it, and
8 in the formats that they can use it in, or deliver
9 it to them in the method in which they're the most
10 comfortable.

11 And I was shocked by your research on
12 millennials. Although I'm not shocked by the fact
13 that millennials ask their parents for tax advice
14 because my millennials, I have three daughters,
15 they ask for tax advice often. They don't like
16 the tax advice they get a lot of times, but they
17 do ask it.

18 I was helping my daughter, who happens
19 to be in her mid-20s, do her tax return. And one
20 of the knocks on security is that it's too
21 complicated. And we heard that, in the earlier
22 panel, that it was just too complicated for folks.

1 And I watched her as she tried to
2 explain to me her tax issue, doing her own taxes,
3 and every time she changed because she realized --
4 she tried on her phone. Well, I couldn't see her
5 phone.

6 Then she tried on her laptop and I
7 couldn't really see her -- I'm sorry -- her tablet
8 that well, so she had to go to a laptop that had a
9 big screen so her father, her aging father could
10 see her tax problem. And each time she changed
11 devices, she received a text on her phone, and had
12 to key that text in, as a way to authenticate.

13 And by the third time I was frustrated.
14 I was thinking, "This is overkill; why are you,
15 having to do this?"

16 She's like "Dad, it's just the way it's
17 done. Watch this." And so she was trying to
18 explain her tax problem. But the technology
19 itself, gave her no problem whatsoever.

20 Her taxes on the other hand, scared her
21 to death. So she wasn't scared of the technology,
22 but she was scared of the tax process itself. And

1 that is what I believe the partnership between the
2 IRS and the tax industry has been able to
3 accomplish, more than anything.

4 And that is, to give taxpayers a place
5 to go; their software company, their tax
6 professional. You know, to give them a wide
7 variety of ways, even today, even without
8 governmental portals, to interact with the tax
9 system. And they can have more confidence in the
10 fact that I'm going to talk to my accountant
11 first, and that's my way to interact with the tax
12 system, or I'm going to go online and interact
13 with my tax software.

14 And I have twenty different tax software
15 programs that I could choose from and pick the one
16 that interacts with me the best. You wouldn't
17 want a governmental entity trying to come up with
18 a way to interact on that front end with the tax
19 system, to try to apply across all genres and all
20 people in the United States because our population
21 is so diverse. So with that in mind, I also found
22 it interesting that the IRS, obviously if they can

1 find a way just to open up the highway, to allow
2 people to deal with them, effectively, digitally,
3 it will free up those resources to be able to deal
4 with people that would rather talk to someone on
5 the phone.

6 Nine percent, I think would actually --
7 I think that was the number that would consider
8 contacting the IRS. I would bet that they would
9 consider going to the website, right, and dealing
10 with them digitally, which would mean 9 percent of
11 those folks that are dealing digitally, are no
12 longer tying up the phone lines because it's their
13 only option to talk to someone. So we're talking
14 about presenting multiple options to taxpayers,
15 which makes all taxpayers' experience more
16 beneficial to them.

17 Also, when we talk about promoting the
18 different portals and those types of things, I
19 found it interesting, that back-to-back weeks on
20 60 Minutes -- one week they talked about how the
21 banking industry is going to cellular telephones;
22 everybody has one, everybody can bank. You can

1 send money phone-to-phone. The next week, they're
2 talking about how every phone in the United States
3 can be hacked, just like that.

4 So everyone that changed to digital
5 currency, and changed to digital banking, the next
6 week, was scared to death and had to turn it all
7 off. We give mixed messages. We have to have a
8 secure system that's in place, and provide
9 taxpayers with methods, and partnerships with
10 private industry, where appropriate, to help them
11 comply with their tax obligation and do it in a
12 way that they feel secure.

13 I like the word "safe." That they feel
14 safe and it allows them to comply because I do
15 believe the vast majority of Americans want to
16 comply with their tax obligations, but one of
17 their biggest fears, I think, was that they were
18 overpaying their taxes. And one of their second
19 biggest fears -- I did read your research. I'm
20 stealing it now.

21 MS. OREM: Thank you.

22 MR. SAPP:

1 Their second biggest fear is that they
2 weren't getting as big a refund as they should.
3 So I believe all of that as we partner together,
4 we can help impact that.

5 MS. OLSON:

6 That's great.

7 So maybe first thing I'll say is you
8 all have heard one another talk. So is
9 there anything that you all want to say
10 about something that the other person
11 has raised that might have been
12 brought up, you know, that you
13 wanted to --

14 MS. OREM: Yeah. I'll start.

15 MS. OLSON: Yes.

16 MS. OREM:

17 The good digital versus not-more
18 digital, I think is spot-on. So often
19 we characterize millennials as addicted
20 to the screen. And it is really about
21 quality, and not so much quantity, as we
22 can see that sometimes they do opt for the

1 paper returns.

2 That may be because their tax returns
3 are simpler. A 1040-EZ has got the "EZ" on it for
4 a reason in the name. Fees and the hassle of
5 using the software could be another factor, but
6 nonetheless, good digital is better than more
7 digital.

8 MS. OLSON:

9 If I can just insert here a minute? I
10 think it was back in 2002, in my annual report, I
11 recommended to the IRS that it work out barcoding
12 for those returns, that were coming in on paper,
13 but were printed out. They were done on a
14 software program. And I think you can go back to
15 that report, and find the IRS' response is, "This
16 is an incredibly-shrinking group and will continue
17 to be a shrinking group."

18 Well, it ain't shrinking that much. And
19 for every paper return we get in, in this very
20 resource-burdened environment, where we don't have
21 enough budget as it is, there is someone key-
22 stroking in those numbers, with human error, and

1 | everything like that instead of, in 2003, putting
2 | in barcoding so we get these returns printed out
3 | from a software program, and we can scan in that
4 | data.

5 | And it's that kind of thing, when
6 | you're not thinking strategically, and you're
7 | basing your assumptions on behaviors that don't
8 | pan out that we find ourselves in this
9 | environment today, I think.

10 | And your data makes me think we need to
11 | go back and recommend yet again, that they do the
12 | barcoding on those paper returns, since it looks
13 | like the millennials at least for a few more
14 | years, are going to continue to do it.

15 | MR. PARRISH:

16 | On that sort of theme, I had two
17 | thoughts as well that I think link up really
18 | nicely with that. One is this idea of paper
19 | rather than digital, you know there's some really
20 | interesting academic research. It's maybe two or
21 | three years old now, that showed that people's
22 | reading comprehension was a lot higher if they

1 read in hard copy rather than on a screen, and
2 that also cognition is better when you're
3 handwriting rather than typing.

4 MS. OLSON: They handwrite it?

5 MR. PARRISH: Yes, indeed.

6 MR. PARRISH:

7 And so I wonder if that might
8 really have something to do with it. They're
9 nervous about it. They don't want to mess it up.
10 So they say, "Let me print it out."

11 They may not be thinking about it
12 consciously, but maybe there's something
13 they just sort of realize, somehow innately or
14 whatever, that it's just easier to do it
15 on paper, if they're nervous about it. And I'm just
16 sort of thinking out-loud here. The other thing
17 I was thinking of is this 9 percent figure, which
18 is just a wonderful number.

19 And you know Forrester has some really
21 great data that shows that if you provide people
22 with a good experience when they have to deal with

1 you, they are far more likely to come back to deal
2 with you even when they don't have to.

3 And that's one of those situations in which,
4 if the IRS wants more people to come to them for
5 authoritative tax advice, rather than getting
6 maybe the wrong advice from a family
7 member who isn't a tax professional, or
8 just Googling it or whatever.

9 One of the best things the IRS
10 can do is provide a much better experience when
11 people do have to deal with it, and they will be
12 much more likely to come back when they don't have
13 to.

14 MS. OLSON:

15 Well, and I think that sort of -- if I
16 can just weave in some of the "Future State" stuff
17 -- just the other aspects of "Future State."
18 You know, we always were told -- we talk as if
19 taxpayer service is bifurcated between taxpayer
20 service and compliance. But let's say you go
21 to a family member, and they give you incorrect
22 advice, and you do your return, and then

1 suddenly you're getting a notice that's
2 incomprehensible, from the IRS.

3 And you pick up the phone, and you have
4 to wait 45 minutes, and then you get a courtesy
5 disconnect, and then you call back, you know this
6 is your experience in a very scary environment.
7 And then does that teach you, that you can
8 actually turn to the IRS for help when you need
9 it, when it's in this environment? At the same
10 time, what we're doing in these other channels,
11 like walk-in sites, is that we're turning people
12 away who have come into these sites because they
13 don't have an appointment.

14 Three weeks ago, right before the end of
15 the filing system -- so maybe it was a little
16 longer -- maybe a month ago, I got an email from a
17 CPA who said, "I just brought a check for \$15,000
18 to the local field's walk-in site because my
19 client needed a levy released. And the IRS turned
20 me away because I didn't have an appointment."

21 And you're just thinking, how do you
22 explain that to anybody? That's just irrational.

1 And what's the message? And then, how are you
2 going to get them to come and trust you enough,
3 whether it's to call you, or to trust the website,
4 or anything like that?

5 MR. SAPP:

6 And I would just point out, back to your
7 idea about the barcode, and I'm not pro or con
8 against the barcode, but as we think of things in
9 the government that have worked, in the Internal
10 Revenue Service specifically, electronic filing of
11 tax returns has worked. It is something that has
12 been widely adopted. Well over 80 percent of all
13 individual returns filed, which was the goal set
14 by Congress, and basically the Internal Revenue
15 Service is very creative in how they accomplished
16 that.

17 But they relied on the private sector to
18 some degree, to get their message out, to promote
19 it. You know there were other products that it
20 developed around that, so electronic filing,
21 itself, I believe could actually be the gateway to
22 help build -- I don't want to say, a "trusting

1 relationship" I might be pushing it a little bit
2 if I said that, but at least build some comfort
3 level with the Internal Revenue Service.

4 In other words, I have successfully
5 electronically filed a tax return. Now, therefore
6 when I do get a notice, they're at least a known
7 element. As long as it was successful, right, and
8 dealing with rejects can be another issue.

9 MS. OLSON: Yeah.

10 MS. OLSON:

11 So if the IRS "Future State" is looking
12 at creating this online account for taxpayers to
13 get information from, and they could do a whole
14 wide swath of things on it, theoretically, are
15 there any particular things, based on what you're
16 seeing and hearing in your studies, that would
17 lend itself better to the online account than
18 other types of transactions? And that could be
19 either, capability or predilection. You know, you
20 could build it, but people won't come for that.

21 But others, if you build it doing this
22 thing, they will use it for that thing. Is there

1 anything in particular?

2 MR. PARRISH:

3 You know one thing that I think works
4 very well, and could build, dare we say, trust?
5 And definitely works well in a digital format, is
6 wizards. They guide people through tasks.

7 And there one federal agency called
8 "Business USA" that I think is one of the most
9 customer-centric federal agencies, that does
10 wizards quite well. So there's a place to look
11 for wizards implemented in government. Of course,
12 they serve people who are starting businesses and
13 things like that, but a really great thing that
14 speaks to people in a language they can
15 understand, which our data shows is a key driver
16 of a good customer experience in any channel,
17 and guides people through and helps them
18 see that they can find things, that self-service
19 is not scary.

20 The IRS website is not a paragon
21 of user-centric design at the moment.
22 So these sorts of wizards can be really

1 valuable in helping people get comfortable
2 with self-service in something that is scary, make
3 it not scary, and help them see you guys as a
4 trusted advisor.

5 MS. OLSON:

6 I could see wizards for someone who's
7 renting out their home. What we heard this
8 morning about the sharing economy or you know
9 setting up a site on Etsy or wherever, walking
10 with --

11 MR. PARRISH: I would use the wizard
12 every single quarter if it reminded me how to do
13 my nanny taxes.

14 MS. OLSON: That's great.

15 MR. PARRISH: Yeah.

16 MS. OLSON: A nanny tax wizard.

17 MS. OREM:

18 I agree with that. I think that it's
19 important to acknowledge that there are sort of
20 two levels of tax preparation. First, you've got
21 the mechanical level, which is calculations and
22 you know completing the form, but there's also a

1 strategic level that is important to consider.
2 And with something like a wizard -- or you know
3 this is why human interaction is so important, is
4 many people are -- it's okay to file jointly, or
5 separately, but should I?

6 I can physically do both, but which one
7 should I choose: Should I itemize? Should I take
8 the standard deduction? Those are things people
9 are searching, for information for, all the time
10 online. Basic strategic decisions like that. So
11 it's important for any kind of online assistance
12 or wizard to kind of acknowledge, you know to go
13 beyond just helping with the mechanics, but
14 walking people through, how to think about their
15 tax situation in general.

16 MS. OLSON:

17 You know it's really interesting that
18 you raise that issue of married, filing jointly
19 because this is one of my bugaboo's that the IRS
20 has questions on their tax law line, that they
21 refuse to answer because they are out of scope,
22 meaning they're too complex according to the IRS,

1 | for its assistors to answer. And one of those
2 | questions is, should I filed married, filing
3 | jointly, or married, filing separately?

4 | And I've always said you know, you don't
5 | have to give the person the exact answer, but you
6 | can walk them through. You could create a little
7 | guide for your assistors to say if you'd file
8 | married, filing jointly that's joint liability.
9 | You may not know what all the income is of your
10 | other spouse, etc., but if you file married,
11 | filing separately you give up certain things, and
12 | you can look for more information on this here,
13 | but that at least gives the person a starting
14 | point to weigh. And instead we've just said, "We
15 | don't talk to you."

16 | Well, if you call up today, we don't
17 | answer any tax law questions post-April 15, but if
18 | you called up during the filing season you
19 | wouldn't be allowed, you wouldn't be given an
20 | answer. And that, to me, is just extraordinary
21 | that your government won't at least do that.

22 | MR. SAPP:

1 That's interesting. I've had that
2 experience a little bit when it came to dealing
3 with some folks with the ID theft. However, by-
4 and-large, I think you know the IRS customer
5 service folks, they want to help and they want to
6 answer questions.

7 Sometimes they don't have the database
8 availability to give them the information that
9 they need to solve the problem. And I think that's
10 key, as you think about what type of digital
11 service, or how you would present that digital
12 service to a taxpayer, or a tax professional. And
13 I think your previous panel pointed this out very
14 well, the needs of the tax professional are
15 different from the digital standpoint than the
16 needs of the taxpayer, so we couldn't have one-
17 size-fits-all, for example.

18 In our development of software, we have
19 learned that a taxpayer doing their own taxes,
20 they have a lot of questions and they want a lot
21 of wizards, and they want a lot of pop-ups, and
22 they want a lot of suggestions. They want, you're

1 about to pick your filing status, here's some --
2 whereas, the tax preparer, if we did that to them,
3 they would be outside our doors with pitchforks
4 because all they want is efficiency.

5 They know where they're going. They
6 know what they want to do. They want to see how
7 they got it done. So I think the approach
8 digitally from the IRS side, would need to be the
9 same.

10 Tax preparers, after all the hoops were
11 jumped through, would want multiple access to
12 multiple taxpayers, multiple clients dealing with
13 multiple issues. Whereas a taxpayer usually would
14 have a single issue, that they need to understand
15 the issue, and they need someone to walk them
16 through that. I think the wizard is a tremendous
17 idea for the individual taxpayers, a way to walk
18 them through those issues and get them the
19 information they need.

20 MS. OLSON: Yeah.

21 MR. PARRISH:

22 You know, it's interesting, you

1 mentioned the different needs of the different
2 customers, and you know one thing that
3 is absolutely true and so often people get wrong.
4 You mentioned that you know the individual
5 preparer is the one who wants very detailed
6 information, and the professional preparer just
7 wants to move through quickly.

9 And this is a sort of progressive
10 disclosure. You start with a little thing
11 and then people can click to find out more.
12 Rather than just overwhelming them with a
13 huge block of data right away, which is often
14 what happens, and so often organizations get
15 it wrong.

16 There's a great case study from a few
17 years back about a health insurance company that had
18 just this issue. The company had two customer sets:
19 One is the family members of people who are ill,
20 and the other is doctors. The company thought
21 that the family members are going to want just
22 this sort of quick one-liner, and

1 the doctors are going to want a lot of detailed
2 information. Totally backward.

3 It's the family members that wanted to
4 obsess. The non-experts wanted to obses For
5 hours, into the wee hours of the morning.

6 The doctors just wanted to be like, "Was I right
7 about that?" "Yeah." "Good let's go."

8 And so often, when agencies think about
9 progressive disclosure they get it backwards.
10 That's why these things - I see we've
11 got two personas here on the table - are so
12 vital for design. Otherwise, you end up
13 getting things wrong.

16 The other thing I wanted to mention is
17 this idea about not even answering the question.
18 Not even helping people think through the
19 question, just to, sort of, you know, "No, we
20 don't." You know, "We're the IRS. We don't
21 answer tax questions here."

22 One of the other key drivers I

1 already mentioned, one of the key drivers of good
2 customer experience, for government by the way,
3 across any channel, is speaking to people in a
4 language that they can understand. One of the
5 other ones is taking the time to understand their
6 particular issue as a person, rather than quickly
7 pigeon-holing it.

8 You know the attitude: "Stop talking.
9 That's this, in my grid. All right. Here's the
10 answer. Done."

11 You might actually get it right and get
12 them the answer that they want. The chances are
13 you won't but even if you do, they're going to
14 walk away quite unhappy with the encounter.
15 And so there are some other things.

16 People have to walk away not only with
17 ease, not only with effectiveness, but also with
18 the right emotions. You have to hit the right
19 emotional quotient. We call these the "Three E's of
20 customer experience: (1) Ease;
21 (2) Effectiveness, and; (3) Emotion."
22

1 And our data shows that emotion is, in
2 government, the most important one. You can make
3 the experience as easy and effective as you want;
4 unless it hits the right emotional triggers with
5 people, they aren't going to walk away saying that
6 was a good experience. And that doesn't mean it
7 has to be melodramatic.

8 MS. OLSON: Right.

9 MR. PARRISH: It just means people have
10 emotional needs, and those needs need to be met.

11 MS. OMER:

12 I think that's 100 percent true. I was
13 just going to say, I looked at -- I was pulling
14 more numbers out of the research the other night -
15 - that emotional connection and that need for
16 acknowledgement that your situation may be unique
17 to you, is important to people. And I was looking
18 through where we asked people, "Who did you turn
19 to for tax advice or when you had a tax question?"

20 And I pulled out the percentages that
21 said, "I turned to my tax professional, he was a
22 human," or "friends and family, also humans," and

1 added them together. And there were just some
2 interesting tidbits here. People in the Midwest
3 and Northeast, well over 60 percent prefer to take
4 their tax questions to a human.

5 Gen xers, 65 percent; millennials, 61
6 percent prefer to go to a human of some kind with
7 tax questions; women millennials, 74 percent.
8 Interestingly, education level, everybody was in
9 the 55 to 59 percent range. It's not a real
10 separator; nor is marital status.

11 So this very strong preference for some
12 kind of human interaction with tax concerns and
13 questions suggests that you really can't automate
14 this away. People don't want that.

15 MS. OLSON:

16 Yeah. I think what has always
17 astonished me is that we keep forgetting that we
18 are dealing with people and their money. And
19 we're dealing with it, with the most powerful and
20 creditor in the United States, if not in the
21 world. And so that goes to the fear if I do
22 something wrong.

1 The second half of it is, "What might
2 happen to me?" And you know that's one of the
3 reasons why in the Taxpayer Bill of Rights, one of
4 the rights that I personally wrote out, and made
5 sure it stayed intact for the entire process, was
6 the right to challenge the IRS and be heard. And
7 so often, you know people forget about the second
8 half of that sentence that if you raise a
9 concern to the IRS, the IRS has an obligation to
10 listen to you, which means a dialog so that you
11 can learn from one another.

12 I can learn how the IRS is looking at
13 this situation, but the IRS also has an
14 obligation to listen to me because I may tell it
15 something that it hadn't heard before. It didn't
16 know about my situation.

17 And I guess you could try to do that
18 through emails, but so often, just in my own
19 employees I get copied on email chains, and I've
20 seen these email chains go on, and on, and on. And
21 I'm finally saying to them, "Just pick up the darn
22 phone, would ya? Have a conversation together."

1 You know because this is just like the Three
2 Stooges on top of one another you know?

3 And it's that I'm afraid that this
4 "Future State" is sort of built on that's going to
5 be our mode of communication, and it's going to
6 make it more efficient and easier. But I'm not
7 sure it will. And it's certainly not addressing
8 that emotional element that "I want to be heard."
9 "I'm giving up my money to the United States, and
10 I want someone to listen to me and talk to me."

11 MS. OREM:

12 And I think, fundamentally, a lot of
13 this is about complexity. The Tax Code is
14 complex. Preparing your taxes is complex I think,
15 for many people; especially if you go out and use
16 your Turbo Tax, or your H&R Block software, or
17 whatever, you know it's a magic formula.

18 And you put your data in, and there's a
19 magic formula, and it tells you what the number
20 is. And you either pay it, or you get some back.
21 And isn't that amazing?

22 And it's because it's so complex. As

1 everybody, hopefully has taken PSYCH 101 at some
2 point in your life. You know that people fear
3 that which they don't understand. So introducing
4 fear into the formula, you know there's a
5 perceived lack of transparency that drives this
6 need, I think, for a human interaction that is so
7 important.

8 MR. PARRISH:

9 And a human interaction that actually
10 appears human, right? So often
11 it's really easy to get stuck in that script --
12 you know that script that was written by a
13 committee of fifty lawyers forty years
14 ago, right? Sure that's technically, I suppose, a
15 human interaction, but it doesn't actually have
16 the hallmarks of a human interaction. And
17 so it actually has to be a human interaction that
18 feels human.

19 MR. SAPP: And that could include
20 technology, such as a chat, right?

21 MR. PARRISH: Yes.

22 MR. SAPP: I mean a chat is done poorly

1 | then it's obvious that it's not a real human or at
2 | least a human doing fifty chats and not really
3 | paying attention --

4 | MR. PARRISH: Right. Stop using macros
5 | and actually pay attention to me.

6 | MR. SAPP: Right, right, right.

7 | MR. PARRISH: Yeah.

8 | MR. SAPP:
9 | Yeah. But so the thing that we've
10 | learned in our industry, over the years, is that
11 | you have to be able to provide -- and I think
12 | we've said this over and over, but just to point
13 | out, that you have to be able to provide the
14 | information to people, in the method in which they
15 | like it, or the method in which they are
16 | comfortable receiving it. And sometimes that
17 | doesn't even involve the government.

18 | Sometimes that could involve their third
19 | party provider, such as you know their software
20 | provider or their tax preparer. They would much
21 | rather have that buffer, and that's the way that
22 | they eliminate their fear. And that's one thing

1 that the IRS has done very well with our industry,
2 is we partner together to kind of provide that to
3 the taxpayer public. But we've also found, as we
4 support those tax preparers and those taxpayers,
5 that we can't get away with not answering their
6 questions.

7 MS. OLSON: Right. I was going to ask
8 you that.

9 MR. SAPP:

10 And we can't get away with not answering
11 our telephone. We can't get away with not you
12 know answering our chat. We have to provide those
13 types of things, or they just go somewhere else to
14 do it.

15 And that's one of the big benefits, I
16 believe, of our unique partnership, is it does
17 provide that competitive angle to at least some of
18 the pre-filing issues. A lot of issues that
19 provide challenges are the post-filing issues,
20 where then that can't be leveraged that type of
21 competitive advantage.

22 MS. OLSON:

1 It seems to me, that distinction between
2 the tax professionals and the taxpayers and what
3 information they need, going back to that
4 complexity issue; you know I think that what both
5 the IRS and the software companies need to really
6 think about, since you're here I'm going to say
7 it, is -- because this just popped into my head as
8 we were talking about this distinction. You know,
9 as you see, for example, people showing up with
10 the alternative minimum tax. At the end of the
11 day, you think you've done everything, and then
12 suddenly there's this add-on.

13 And they don't really even notice it
14 until they're signing the return. And they look
15 and, "Wait, I thought I was getting this refund,
16 and then here's this line where AMT is added back
17 on." And I think we can do a better job of
18 explaining just how that happened, whether
19 it's the IRS or it's the software.

20 That some of these things -- that
21 software actually enables complexity, because
22 you can crunch the numbers. But what it

1 doesn't do is -- that complexity undermines trust
2 in the system and if you don't explain that
3 complexity, it feels arbitrary and capricious.
4 And people don't understand what's happening, and
5 it increases their distrust in the government, and
6 that impacts compliance.

7 We've done a number of studies that have
8 shown that the corollaries between noncompliance
9 are lack of trust in the government, lack of trust
10 in the fairness of the tax system, and lack of
11 trust in the IRS.

12 And everything else is just not really a
13 mover of that. And you really see that tie
14 between emotions, complexity, arbitrariness,
15 distrust, and then what peoples' actions are in
16 response to that.

17 MR. PARRISH:

18 And you know there's one thing
19 I always like to make sure to mention when
20 we start talking about doing more and redesign
21 things. People start to think, oh,
22 this is going to be really expensive.

1 And of course, budget is a concern for
2 the IRS.

3 But usually, in fact, virtually always,
4 providing a good experience for customers is
5 cheaper than providing a bad one because when you
6 provide a bad one, you have to keep fixing it.
7 And so it might seem to you like it was
8 cheap, but it turns out to be really expensive.
9 Of course the classic example here is call
10 centers.

11 The classic call center uses the average
12 handling time metric -- you know, when we've got to
13 get you off the phone within a certain amount of time,
14 such as 60 seconds. And so you get interactions
16 like, "What's your question?" "No we can't help you."
17 "Well, I got him off the phone in ten seconds. Boy
18 that was fast; that was super-efficient." Yeah.
19 Well, guess what? He's going to call back.

20 And then he's going to call back again.
21 And then he's going to show up in your brick and
22 mortar location. Then he's going to take to

1 social media. It's really expensive to provide
2 a bad customer experience.

3 And to say nothing of the
4 fact that a good IRS customer experience will
5 increase compliance, which means more money for
6 the Treasury.

7 MS. OLSON:

8 Right. So you were talking about the UK
9 before, but when I was visiting with the UK
10 several years ago, they told me the story of a
11 mobile phone company Orange Phones and their customer
12 service because they had talk time limits. And so
13 people would call -- this is in the beginning of the
14 cell phone days, right -- people would call up and
15 say,
16 "My cell phone doesn't work."

17 And they'd try to sort of walk them
18 through what they needed to do to activate their
19 cell phone, but then they came up on the talk time
20 limit, and they'd say "Well, just ship it in. Ship
21 it back because it was within warranty, so the phone
22 -- you know the customers would go and ship it,
and the company would have to pay the shipping.

1 And then it would arrive in this thing,
2 and you'd have the technicians go through it. And
3 they'd test the phone and they say, "Everything's
4 fine. It works." And then they'd send it back.

5 Well, of course what they found was that
6 the customers just didn't know how to work the
7 phone. And when they eliminated the talk
8 time limit, and let people spend the time
9 to walk them through, how to work the phone,
10 their costs on customer service reduced because
11 they didn't keep getting all these perfectly
12 good phones sent to them, tested by the engineers
13 and then sent back. I mean it was just like
14 okay. There you go.

15 MR. PARRISH: Amazing, yep.

16 MS. OLSON: Yep. Any other comments?

17 (No response.)

18 MS. OLSON: We'll throw this open to the
19 floor; if anybody has questions or comments, or
20 observations that they'd like to make?

21 (No response.)

22 MS. OLSON:

1 I found this panel to be fascinating and
2 really helpful and interesting. Maybe I'll ask
3 you all, the last question, which is if there's
4 one thing you'd want the IRS to know, in designing
5 its "Future State," what would it be? What would
6 you want the IRS to really keep in mind as its
7 designing the "Future State?"

8 Ms. Orem: I think for me, it's one
9 word:

10 simplify.

11 MS. OLSON: Okay. The interaction or
12 what?

13 Ms. Orem:

14 Everything. The Tax Code, the
15 interaction, the steps needed to do anything, need
16 to be simplified. It's too complex. It's only
17 getting more complex and it's begetting all of
18 these problems. So I think simplification would
19 be a good first step.

20 MS. OLSON: Okay.

21 MR. PARRISH:

22 Mine is also one word, but it's

1 hyphenated: Outside-in. The IRS should
2 design all of its services from the
3 outside-in, from the customer's perspective,
4 inward. So often things are designed, even if
5 people mention the word "customer"
6 from time-to-time during the meeting -- they're
7 designing things from the inside-out based on
8 internal mandates and internal structures and
9 internal metrics. No. Work from the outside-in.

10 MS. OLSON: Okay. John, you get the
11 final word.

12 MR. SAPP:

13 I'm glad because it took me a minute to
14 come up with just one word. I didn't know that
15 was going to be one of the requirements. So my
16 one word would be "partnerships." I believe that
17 the IRS partnering with folks like the previous
18 panel, tax preparers and the tax software industry
19 and web development industries and research
20 companies, right, to find out -- focus groups and
21 those types of things; I think that is key.

22 And Nina, I think your panels have

1 shown that right? You've brought in folks that
2 have been surprising in the insight that they've
3 had. And I kind of scratch my head, and think
4 that's a universal truth you're talking about.
5 You know I can't believe that I thought it was all
6 just my experience.

7 So that's what I believe and I believe
8 they're doing that. I believe they are open to
9 that type of input and I believe that the "Future
10 State" -- I'm pretty excited about it, now that
11 I've educated myself on it over the last month or
12 so. And I believe that the IRS is very open to
13 seeing that variety of ways to implement that.

14 MS. OLSON: Okay. Well, if no one else
15 -- yes, sir? Get to the microphone that'd be
16 great.

17 DAVID:

18 My name is David (inaudible). I've been
19 doing tax returns for forty-eight years, but I
20 don't have a license or anything like that. I did
21 pass your Volunteer Tax Return Preparer (VTRP)
22 Tax Program. But one of the things that people talk

1 about, congressmen talk about is simplifying the
2 Tax Code. I remember back in 1997, they changed
3 the tax law related to capital gains. They reduced
4 the rate from 28 percent to 20 percent, but they
5 added a second level. They went to short term,
6 intermediate term, and long term.

7 And I looked at that and I commented to
8 Congressman Archer one time that I thought that
9 was a proposal that was conceived in Hell. And
10 Congressman Archer didn't agree with that until he
11 had to do his own tax return, but do any of you
12 people at the IRS ever sit down with the
13 Appropriations or the Ways and Means Committee or
14 whoever draws these things up, and says "I've have
15 looked at Candidate Clinton's proposal on capital
16 gains."

17 MS. OLSON:

18 They did require that, they said in the
19 1998 Act, and so this is in the law, "frontline
20 technical experts." That's the legal term in the
21 statute to provide Congress with information about
22 the difficulty of legislative proposals from the

1 administration side. And in our 2014 Annual
2 Report to Congress, we asked IRS, do you send a
3 frontline technical expert to Congress
4 to talk about the difficulties or the benefit
5 of administering a certain proposal?

6 I think the short answer is it sends
7 the senior leadership.

8 Anybody else that might explain
9 why we do some of the things that we do?

10 (No response.)

11 MS. OLSON:

12 Okay. Well, I want to thank this fabulous
13 panel for just sharing so much good
14 information, lots to think about. And I want to
15 thank you all. I'm not sure when our next
16 one is, but there is one coming up.

17 We'll be somewhere in the United States
18 in a week near you, and keep checking our website
19 because we'll be posting the transcripts
20 slowly- but-sure-like, and they really are
21 fascinating, as you read what's being raised
22 all around the country.

1 So thank you very much.

2 FEMALE VOICE: Thank you.

3 (Applause)

4 (Public Forum concluded)

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May 31, 2016

Eve Jemison, CET 7-44

