

## 2011 IRPAC Public Report Letter from the Chair

Dear Commissioner,

As you know, in 1989 Congress recognized the importance of information reporting as a critical function to effective tax administrative, and for the past twenty years the Information Reporting Program Advisory Committee<sup>1</sup> ("IRPAC") has worked side-by-side with the Internal Revenue Service ("Service") to meet this goal.

As legislative action places increased focus on information reporting and its key role in closing the tax gap and bringing all taxpayers into compliance with ever-increasing complex tax laws, the role of the Service and IRPAC becomes even more critical. To meet these challenges, we have organized IRPAC into four subgroups – Emerging Compliance Issues, Burden Reduction, Employee Benefits & Payroll, and International Reporting & Withholding. The key focus areas of the subgroups for 2011 are described below, and we thank the Service for its continuing efforts to address our concerns in these areas:

1. Employee Benefits & Payroll (C. Leonard Jacobs, Chair): This group focused on the reporting implications of health care reform (with immediate consideration for Form W-2 reporting of the cost of health care and longer-range consideration of additional reporting requirements to come). It also worked closely with TEGE regarding reporting concerns raised by the employee benefits community. We appreciate your taking our concerns into consideration and issuing important relief this year in a number of areas, including cell phone relief, establishing a voluntary program for worker reclassification, and extending Form 8955-SSA reporting.
2. Burden Reduction (Kathy Ploch, Chair): This group focused on Form 1099-B cost basis reporting. Although this became effective on January 1, 2011, a number of issues had to be addressed regarding the design of payee statements which will be produced in 2012. The current form design and instructions reflect sensitivity to matters raised by IRPAC that will benefit both recipients and filers. Additionally, we

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<sup>1</sup> IRPAC was established in 1991 in response to an administrative recommendation in the final Conference Report of the Omnibus Budget Reconciliation Act of 1989. Since its inception, IRPAC has worked closely with the IRS to provide recommendations on a wide range of issues intended to improve the information reporting program and achieve fairness to taxpayers. IRPAC members are drawn from and represent a broad sample of the payer community, including major professional and trade associations, colleges, and universities, and state taxing agencies.

appreciate your taking our concerns into consideration and in granting relief for 2011 reporting for tax credit bonds on Form 1097-BTC.

3. Emerging Compliance Issues (Candace Ewell, Chair): This group focused on Form 1099-K credit card and third party network reporting requirements, which also largely became effective on January 1, 2011. Although these rules remain fraught with many uncertainties and confusion persists for reporting organizations, we appreciate your taking our concerns into consideration and issuing much needed guidance for the health care industry.
4. International Reporting & Withholding (Donald Morris, Chair): This group focused on working side-by-side with the Service on the implementation of Foreign Account Tax Compliance Act ("FATCA") and on Chapter 3 withholding. With the Service's focus on international issues, we thought it appropriate to similarly dedicate our attention to international issues.

Although a great deal has been accomplished throughout 2011, much work remains. And I urge you to continue to focus on our 2011-2012 Guidance Plan comment letter, where we emphasized that (1) IRPAC plays a critical role in implementing information reporting and should be consulted early in the process, (2) any changes to information returns takes considerable time and resources, and (3) adding a de minimis dollar threshold (e.g., \$10) with respect to the correction of information returns would significantly reduce taxpayer and Service burdens alike.

IRPAC also supports the efforts of the Office of Servicewide Penalties ("OSP") in its review of the Service's administration of civil penalties, and we look forward to working with OSP as it continues to improve the Service's procedures, including permitting the use of multiple addresses for reporting entities within the IRS computer system to avoid undue delay in response to notices.

Finally, we commend you on your vision to strive for a "real-time" review of Form 1040 filings. Although we appreciate the benefits of such an approach (including fraud prevention), we urge you to consider carefully all the parties involved -- including employers, the Social Security Administration, state tax authorities, information reporting entities, and software companies -- and their limitations and restrictions with any reporting change. Any change in the process (e.g., the flow of information returns, due dates, data exchange between SSA and the Service, a reduction of the number of information documents that trigger electronic filing, etc.) will result in time-consuming and costly programming and system changes, and in some instances, the proposed change may not be viable. That said, we look forward to working with you to address and overcome the challenges and to create a more efficient reporting process.

As my tenure comes to an end, I am confident that IRPAC will continue to serve you well. On behalf of IRPAC, I wish to thank you and the Service (with special thanks to the Office of National Public Liaison) for your continued recognition of the importance of IRPAC, and the ongoing support that allows IRPAC to fulfill its mission to reduce taxpayer burden and improve the overall administration of information reporting.

Respectfully Submitted,

Elizabeth Thomas Dold  
2011 IRPAC Chair