



Electronic Tax Administration Advisory Committee

# ANNUAL REPORT

## TO CONGRESS

June 2026





## Chairperson's Message

On behalf of the Electronic Tax Administration Advisory Committee (ETAAC), I am pleased to submit our 2026 Annual Report to Congress and the Internal Revenue Service. As Chair of ETAAC, I am proud of the work our committee – comprising tax practitioners, enrolled agents, state and local administrators, payroll providers, and tax software experts – has accomplished this year. United by a shared commitment to a digital-first IRS, our members have drawn on real-world experience to develop recommendations that are practical, actionable, and centered on the taxpayer.

This year's work spans six priority focus areas: Technology and Data Sharing, Sustained IRS Funding, AI and Human-Centered Design, Digital Filing and Payments, Tax Simplification and Outreach, and Fraud Prevention and Preparer Regulation. Four active subcommittees – Federal/State Interaction and Technology, Tax Preparation/Software Providers, Tax Practitioners, and Payroll Providers – have advanced these priorities through extensive research, stakeholder engagement, and in-depth IRS briefings. The insights gained from our IRS partners have been instrumental in shaping recommendations that build on the excellent progress already underway.

Our recommendations reflect a consistent focus on continuing the IRS's technology transformation through secure application programming interfaces (APIs), real-time data sharing, and modernized taxpayer and practitioner account platforms. We urge Congress to provide adequate and reliable funding to sustain these critical investments. We also call on the IRS to place taxpayers and tax professionals at the center of system design, expand the use of human-centered design and artificial intelligence with appropriate transparency and governance, and improve outreach and education on tax law changes.

I extend my sincere gratitude to our Vice Chair, David Casey, the subcommittee leads: Manny Dominguez and Jack Mao, our editor, Ryan Minnick, and every committee member whose dedication and collaborative spirit made this report possible. Their hard work has been critical to producing a set of actionable recommendations that truly reflect the practical needs of the tax ecosystem.

I respectfully invite Congress and our IRS partners to review our proposals with the same spirit of collaboration that guided our work. Together, we can continue to build a tax administration system that is modern, secure, and responsive to the needs of all taxpayers.

With Gratitude,



Amy Miller  
Chair, IRS Electronic Tax Administration Advisory Committee

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## Executive Summary

This report to the IRS and Congress by members of the IRS Electronic Tax Administration Advisory Committee (ETAAC) presents recommendations for strengthening U.S. tax administration in an era of rapidly evolving technology, persistent fraud threats, and changing taxpayer expectations. The recommendations reflect the joint perspective of tax practitioners, enrolled agents, state and local tax administrators, payroll providers, and tax software experts, informed by extensive IRS briefings and grounded in the operational realities our members confront every day. Together, they form an actionable agenda for the IRS and Congress to advance modernization, protect taxpayers, and sustain public trust in the tax system.

This year's recommendations are organized around six priority focus areas, each representing a critical pillar of a modern, secure, and taxpayer-centered system.

### Technology and Data Sharing

ETAAC emphasizes that a modern, unified technology environment is foundational to effective tax administration. The report calls for continued modernization of the IRS technology stack, including reducing reliance on legacy systems, expanding secure APIs, and building durable in-house engineering expertise. A central priority is real-time, secure data sharing across the tax ecosystem. ETAAC recommends accelerating the exchange of information with state tax agencies and industry partners, including near real-time delivery of key information returns and the development of API-based “pull” models. Improved data sharing will enhance compliance, reduce duplication, strengthen fraud detection, and lower taxpayer burden.

### Sustained IRS Funding

ETAAC underscores that predictable, multi-year funding is essential to sustaining modernization and delivering quality taxpayer service. Recent workforce reductions and budget uncertainty have strained the IRS's ability to meet expanding responsibilities, including implementation of major legislative changes. The report urges Congress to provide flexible, stable funding that supports technology modernization, workforce capacity, enforcement, and taxpayer service. Without sustained investment, the IRS will be unable to complete critical system upgrades, retain technical talent, or meet growing service expectations.

### Artificial Intelligence (AI) and Human-Centered Design

ETAAC supports the responsible use of AI and human-centered design to improve service delivery, compliance, and operational efficiency. The report recommends expanding AI applications in areas such as fraud detection, identity verification, and workflow optimization – paired with strong governance and transparency. To maintain public trust, ETAAC calls for a public AI disclosure framework, including a plain-language dashboard explaining how AI is used, how risks are mitigated, and how taxpayers can seek recourse. Across all technology initiatives, the IRS should design systems with taxpayers and practitioners at the center, ensuring usability, accessibility, and clarity.

### Digital Filing and Payments

ETAAC highlights the need to accelerate the transition to a fully digital, end-to-end tax administration experience. Recommendations focus on improving e-filing systems, expanding IRS Online Account functionality, and enabling authorized tax professionals to access taxpayer information securely online. Key improvements include clarifying MeF reject codes, prioritizing e-filing for additional return types, enhancing transparency in return processing, and enabling digital delivery of forms such as the Form W-2 (to employees). These steps will reduce reliance on paper, lower processing costs, and improve speed and accuracy for taxpayers and practitioners.

## **Tax Simplification and Outreach**

ETAAC recommends reducing unnecessary complexity and strengthening communication to help taxpayers comply accurately the first time. This includes eliminating redundant filings—such as extension requests that are already automatic—and simplifying processes where possible. The report also calls for timely, clear, and consistent guidance on tax law changes, along with improved outreach and education strategies. Enhancing communication channels, modernizing reporting tools, and providing plain-language resources will reduce confusion, improve compliance, and build trust in the tax system.

## **Fraud Prevention and Preparer Regulation**

Protecting the tax system from fraud remains a top priority. ETAAC recommends a comprehensive approach that includes earlier access to information returns, expanded identity verification tools, and greater use of AI to detect fraudulent activity before refunds are issued. The report also calls for stronger oversight of the tax preparation industry, including statutory authority for the IRS to regulate paid preparers, real-time validation of electronic filing identification numbers (EFIN) and preparer tax identification number (PTIN) credentials, and enhanced enforcement tools to address ghost preparers and abusive schemes. These measures will improve return accuracy, safeguard taxpayer data, and protect the integrity of revenue collection.

## Recommendation 1: Congress and the IRS should provide Forms 1099-NEC, 1099-DA, 1099-R, and other relevant information return data to states on an expedited basis and accelerate the filing deadline for certain informational returns.

ETAAC recommends that Congress accelerate the filing deadline for Forms 1099-R (Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts) and 1099-K (Merchant Card and Third-Party Payments) returns from March 31 to January 31.<sup>1</sup> Congress took this action in the 2015 PATH Act for wages reported on Form W-2 and for non-employee compensation reported on Form 1099.<sup>2</sup> Accelerating the filing deadlines has proven to be an effective tool to reduce fraud and increase efficiency across the tax ecosystem by allowing for more real-time matching of information reporting to tax returns. Changing the deadline also allows the IRS to leverage existing systems to more effectively serve taxpayers and better protect the national treasury.

(See Recommendation 5 of this report for a table summarizing key information returns that report or support federal withholding claims, along with their statutory filing timelines.)

### Early Information Returns Provide Faster Resolution of Errors

Third-party information returns are a proven tool that encourages voluntary compliance and helps to reduce the tax gap. Issuers of informational returns file 102 million Forms 1099-R and nearly 9.8 million Form 1099-Ks each year. As a result, millions of taxpayers must report Forms 1099-R and 1099-K income on their tax returns. The electronic filing rate is 100%,<sup>3</sup> but the current due date for Forms 1099-R and 1099-K is too late to serve their purpose. Taxpayers will have already filed more than 80 million tax returns by the March 31 due date of Forms 1099-R and 1099-K.<sup>4</sup> The burden of late information ultimately falls on taxpayers, either from refund delays or after-the-fact recapture of inaccurate refunds. Furthermore, late matching costs taxpayers in another way – it is more expensive for the IRS to correct returns after the fact than to match them before sending a refund.

The IRS gathers independent information about income received and taxes withheld from information returns, such as Form W-2 and 1099 filed by employers and other third parties. The IRS uses this information to verify income and withholding that taxpayers self-report on their returns. The IRS then contacts taxpayers to resolve discrepancies.<sup>5</sup>

Third-party information returns play a critical role in enabling the IRS to identify non-filers and assess unpaid taxes, interest, and penalties.<sup>6</sup> As the gig economy continues to expand, more taxpayers are navigating the complexities of self-employment, increasing the importance of timely and accurate reporting. These information returns help bring taxpayers into compliance earlier and keep them on track. Congress recognized this benefit by accelerating the filing deadline for non-employee compensation.<sup>7</sup> Early filing of Form 1099-Ks would further support the PATH Act goals by ensuring that the reporting of net payments received on credit cards is in the same manner as non-employee compensation. Table 24 of the 2024 IRS Databook, set forth below, reflects over \$8 billion in tax assessments from these matching programs for the fiscal year 2024.

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<sup>1</sup> The issuer must transmit these forms to the applicable taxpayers no later than January 31.

<sup>2</sup> U.S. Congress, PATH Act, § 201.

<sup>3</sup> U.S. Department of the Treasury, Internal Revenue Service. “Statistics of Income: Calendar Year Projections of Information and Withholding Documents for the United States and IRS Campuses, 2025 Update” Publication 6961, Rev. September 2025.

<sup>4</sup> E-File Weekly Statistics, as of midnight March 26, 2021, reflected over 85 million returns e-filed.

<sup>5</sup> U.S. Department of the Treasury, Internal Revenue Service. “IRS Data Book, 2024.” Publication 55-B, Rev. May 2025.

<sup>6</sup> IRS Data Book, 2024.

<sup>7</sup> Reported on the Form 1099-NEC.

**Table 24. Information Reporting Program, Fiscal Year 2024**

[Money amounts are in thousands of dollars]

Item	Number or amount
<b>Number of information returns received [1]:</b>	
<b>Total</b>	<b>4,567,821,438</b>
Paper [2]	2,607,181
Electronic [3]	4,289,793,639
Other [4]	275,420,618
<b>Automated Underreporter Program [5]:</b>	
Number of closed cases [6]	1,151,873
Amount of additional assessments [7]	7,653,131
Number of full-time equivalent positions [8]	1,413
<b>Automated Substitute for Return Program [9]:</b>	
Number of closed cases [10]	442,633
Actual closures	1,169
Terminated closures	441,464
Amount of additional assessments [11]	81,984
Number of full-time equivalent positions [8]	29

### Timely Information Returns Are a Powerful Fraud-Prevention Tool

It is difficult to recover funds after payments to fraudsters occur. When the IRS has information returns at the beginning of the tax season, it has a better chance of detecting fraudulent refund schemes as they evolve. The IRS advises issuers of information returns to file on time because:

*"The due dates for information returns, like Forms 1099-MISC and 1099-NEC, help the IRS more easily detect refund fraud by verifying income that individuals report on their tax returns."*

- Internal Revenue Service<sup>8</sup>

And fraudulent filings result in additional challenges for the actual taxpayer, who must prove that the taxpayer, not the fraudster, is the legitimate filer. Early detection of fraud schemes minimizes the number of actual taxpayers impacted. The amount of identity theft and fraudulent tax returns associated with Forms 1099-R and 1099-K income are rising.<sup>9</sup> The IRS reported that Form 1099-R fraud was the top scheme identified in ISAC alerts in 2020, making up nearly 45% of the 2020 scheme alerts.<sup>10</sup> Criminals are most successful if they file before the actual 1099 and legitimate tax returns are received by the IRS. With the late deadline for Forms 1099-R and 1099-K, the criminal's odds of success increase.

*"The criminal tax return often looks identical to the real taxpayer's return. To eliminate refund fraud entirely, the IRS and state departments of revenue would have to wait until all returns are filed and analyzed before issuing refunds."*

- ISAC Annual Report<sup>11</sup>

We note that this approach has already been tested and has proven successful. In 2015, Congress passed the PATH Act, which accelerated the filing deadline for Form W-2 and some Forms 1099 to January 31. Issuers readily adapted to this change. In the tax year 2016, nearly 85% of Form W-2s were filed on time. In the tax year, 2019 on-time filings grew to almost 90%. The IRS reports that Form W-2 filings were up 140% from 2020 as of January 29, 2021.<sup>12</sup>

The IRS must balance taxpayer dependence upon prompt refunds against the risk that a real-looking tax return is fraudulent. Congress can help the IRS work toward more timely and accurate detection by accelerating the due date of

<sup>8</sup> IRS Press Release, IR-2021-14, January 14, 2021.

<sup>9</sup> IRS Briefing, Denise Davis, January 2021.

<sup>10</sup> IRS briefing to Security Summit Partners by Denise Davis, January 2021.

<sup>11</sup> IDTTRF-ISAC, "2020 Annual Report."

<sup>12</sup> IRS Briefing, Denise Davis, January 2021.

Forms 1099-R and 1099-K. Accelerated timing would allow the IRS to independently verify 1099-R and 1099-K income while processing the taxpayer's return. Return processing and issuing of associated refunds could happen sooner and with more accuracy.

The IRS can also assist states that require Forms 1099-R and 1099-K information and simplify the filing process for Form 1099 submitters. ETAAC recommends the IRS research, alongside states, the benefit of collecting both the federal and state filing information in a single submission and passing the state information along to states that have a 1099 filing requirement.

If the IRS is not able to deliver all information reporting data to state tax agency partners in real time, state tax agency partners would benefit greatly from receiving Form 1099-NEC data that was filed electronically in real time during the filing season, similar to the process used for states to retrieve electronic income tax returns in real time. To meet this potential capability, the IRS could evaluate whether more timely or event-based delivery of selected information-return data to states is feasible over time, subject to architecture, funding, and operational readiness.

This would ensure the states receive the information at the same time the IRS does by the January 31 due date and would eliminate taxpayer burden, expedite return processing, and eliminate manual IRS processes that entail gathering the information and sending the files to the states after the filing season. Anecdotal discussions with state representatives confirmed the importance of receiving Form 1099-NEC in as near-real-time as possible. In 2021, the IRS received nearly 70 million Form 1099-NECs.<sup>13</sup> The recipient and IRS copy of Form 1099-NEC are both due on January 31 of the year following the tax year at issue. ETAAC recommends the IRS work with state and industry stakeholders to build a process that reduces taxpayer burden and enhances tax compliance.

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<sup>13</sup> Research, Applied Analytics and Statistics (RAAS). E-mail attachment (IRMF Counts (Draft- 2023\_01\_24) from RAAS to ETAAC Subgroup on Information Reporting (January 31, 2023).

## Recommendation 2: The IRS should implement real-time EFIN and PTIN validation capabilities and evaluate additional policy changes and taxpayer protection tools to strengthen system integrity.

The IRS should prioritize the development and implementation of a system that enables real-time electronic validation of EFINs by authorized third parties. Once this capability is fully operational, the IRS should evaluate extending similar real-time validation functionality to PTINs. The IRS should also continue and expand its current pilot program with select tax industry participants and advance the development of secure APIs. This API should include appropriate safeguards, data protections, and transparency measures to allow verified industry partners to validate EFIN and PTIN credentials in real time. These enhancements would improve the ability to confirm the legitimacy of tax preparers and firms, strengthen protections for taxpayer data, and enhance the overall security and integrity of the tax filing system.

There is currently no easy or efficient way to independently verify an individual PTIN or company EFIN other than to request the data from the user. This data may be fabricated or stolen or otherwise inappropriately acquired or forged. The IRS is piloting a host of programs for faster data verification – these verification pilot programs should be prioritized, executed and expanded.

The accuracy and integrity of EFIN and PTIN holder information contributes to preventing and resolving Identity Theft Tax Refund Fraud (IDTRF) issues. Real-time access and verification enable states and industry to verify the legitimacy of EFIN and PTIN holders quickly and efficiently and ensure legitimate access to sensitive IRS systems, tax company systems, financial partner systems and State systems in advance of attacks or fraud attempts.

### **Example Business Case: Tax Professionals Are a High-Value Target of Identity Thieves and Growing More So Every Day; Solutions and Protections Must Leverage Real-Time Information**

Increasingly, identity thieves target tax professionals to gain access to taxpayer data and the tools necessary to use that stolen data to file tax returns. For tax professionals, EFIN and PTIN provide access to the e-filing system as unique digital identifiers assigned to the businesses and individuals. An EFIN starts the e-file program engine for a professional tax preparation business. PTINs, assigned to individual tax preparers, start the e-filing process. The IRS and states require both an EFIN and a PTIN to e-file tax returns on behalf of taxpayers.

In our ETAAC June 2020 report, we outlined various ways that an EFIN could be compromised or misused.<sup>14</sup> We recommended that the IRS implement real-time EFIN and PTIN verification capabilities. We supported the implementation of APIs to enhance communications, reduce costs, and strengthen the e-file program's system security. Our recommendation was consistent with the IRS's desire to leverage APIs in its modernization efforts.<sup>15</sup> We encouraged the IRS to continue developing its pilot API-based EFIN Validation tool for the 2020 filing season. Unfortunately, the IRS postponed the EFIN API project due to a lack of timely funding.

Criminals take advantage of funding shortfalls and lapses. In February of 2021, the IRS issued an urgent alert to practitioners, warning them that criminals were targeting EFIN credentials through a phishing email scam.<sup>16</sup> The scheme sought to take advantage of a portion of the user validation process by sending phishing emails impersonating the IRS. This targeted attempt to compromise a segment of the EFIN validation process is a stark reminder that bad actors continue to seek new ways to exploit the e-file program.

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<sup>14</sup> <https://www.irs.gov/pub/irs-pdf/p3415.pdf>.

<sup>15</sup> See e.g., IRS Integrated Modernization Business Plan (Issued April 2019), <https://www.irs.gov/pub/irs-pdf/p5336.pdf>; Taxpayer First Act Report (Issued January 2021), <https://www.irs.gov/pub/irs-pdf/p5426.pdf>.

<sup>16</sup> "IRS News Release 2021-34, IRS, Summit partners issue urgent EFIN scam alert to tax professionals," <https://www.irs.gov/newsroom/irs-summit-partners-issue-urgent-efin-scam-alert-to-tax-professionals>.

We reiterate our support for ETAAC's 2020 EFIN recommendation and recognize with dismay that budget shortfalls have again prevented the timely implementation of a pilot project that would have provided more identity theft protection to both taxpayers and the government. We also recognize the immense strain placed on the IRS staff and budget during the 2020 pandemic and commend their efforts to strengthen the security and service of the e-services platform despite these challenges.

ETAAC recommends that the IRS reaffirm its commitment to developing an EFIN API to help combat IDTRF and reduce the manual validation processing burdens currently placed on IRS employees, industry partners, and state taxing authorities for 2021. ETAAC also recommends that the IRS develop additional capabilities through the EFIN API.

The new capabilities would allow the tax professional to designate software vendors in their e-services account, allowing transactions to be handled electronically between IRS and stakeholders, eliminating the need to remove EFIN documents from a secure e-services account. Securing this communication process would help reduce the threat of sending emails that invite phishing. The development of such a tool would also aid practitioners in meeting the e-services Terms and Service obligations.

*"Protect the data you access through e-services; it's your legal obligation to protect all tax information."  
- IRS e-Services Practitioner Terms of Service*

We believe that through the sustained collaboration of IRS and its stakeholders, a more secure EFIN management process can be developed.

### **The Successor to Secure Access Digital Identity (SADI) is Eagerly Anticipated and Would Improve EFIN Security**

ETAAC recommends that the IRS prioritize the secure accessibility and usability of e-services accounts encouraging practitioners to focus on security and to help ensure compliance with the e-filing participation requirements. In 2020, the IRS reported that there were over 340,000 Active EFINs managed within IRS e-services. The IRS issued over 30,000 new EFINs for the 2021 filing season and deactivated about 23,000.<sup>17</sup> When creating an e-services account, an applicant must first pass the IRS identity proofing system called Secure Access ("SA"). Currently, new practitioner-applicants can successfully authenticate using SA 56.4% of the time.<sup>18</sup>

An unsuccessful attempt to authenticate, by itself, does not confirm fraudulent activity. Secure Access uses a third-party service that requires the user to remember (or look up) personal, historical financial services account information. Many legitimate applicants cannot correctly answer these questions and have minimal recourse or success in overcoming this hurdle. Currently, unsuccessful applicants must visit a Taxpayer Assistance Center to set up a new EFIN.<sup>19</sup> During the pandemic, the TACs were closed, leaving tens of thousands of preparers unable to get an EFIN over two filing seasons. These lower successful authentication rates can discourage honest tax professionals as they attempt to comply with IRS e-file mandates and may drive them to prepare returns as ghost preparers.<sup>20</sup> It can also potentially foster an environment of unsafe practices by unsuccessful applicants, placing an additional burden on the IRS and its stakeholders to identify during the year.

About 8.6% of active EFIN holders do not have an e-services account.<sup>21</sup> The lack of an e-services account requires the e-

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<sup>17</sup> Reasons for deactivation vary, including denial to participate. See IRS Pub. 3112.

<sup>18</sup> We note that the success rate for professionals is higher than for the general population, we suspect this is because the practitioner population includes more people accustomed to authenticating using online services in general.

<sup>19</sup> Telephone assistance is only available after the user successfully authenticates through Secure Access. See IRS FAQ regarding Exceptions Process, <https://www.irs.gov/individuals/faqs-about-e-services-and-secure-access>.

<sup>20</sup> Ghost preparers are paid tax preparers who do not include their information on the tax returns they are filing on behalf of taxpayers.

<sup>21</sup> For the 2021 filing season, 35,987 individual practitioners covered by an active EFIN have not authenticated through Secure Access.

help desk phone assistants to set up and manage their account information, which is costly and inefficient. We understand that the active EFIN holders without e-services accounts had EFINs before e-services or visiting a Taxpayer Assistance Center (TAC) office was required and have not been required to create an account. It is not clear whether these EFIN holders have tried and failed to access e-services or simply choose not to use them. Conceptually, we are concerned that practitioners who choose not to use e-services may also fail to take advantage of other helpful tools the IRS offers to the practitioner community.

The IRS Identity Assurance division is currently developing a new identity proofing and authentication tool called SADI to address known secure access authentication shortcomings, including usability. The IRS expects SADI to leverage federated identity proofing and authentication solutions from authorized credential service providers. Preliminary internal test results provided to ETAAC by the IRS have shown a significant increase in these test users' pass rates, including those previously unable to use Secure Access. After SADI successfully passes the security and usability requirements of the pilot phase, ETAAC recommends that the IRS begin using SADI to authenticate e-services users in SADI's phase 1 release.

### **The suitability check process for non-credentialed preparers is paper-based and slow.**

The final step in completing an EFIN application is the suitability check. Tax professionals who are listed as the Principal or Responsible Official who are not an attorney, certified public accountant, or enrolled agent, officer of a publicly traded corporation, or a bonded bank official, must get fingerprinted, often using a paper card.<sup>22</sup> The fingerprint process can take up to 45 days or more from when the application is submitted.<sup>23</sup> Though the IRS may not be able to control the process before it receives the fingerprint documentation, we understand that once received by the IRS, delays are often attributable to internal IRS mail processing times. Currently, the applicant receives no information on the status of review.

These delays and lack of information burden legitimate new entrants to the tax preparation marketplace, thereby impacting taxpayer choice. As noted above, delays in the ability to make a living may push good preparers to behave badly, by filing "ghost returns" often on paper. The upstream approval delay adds work to the already backlogged mail processing systems. Many tax professionals who are working to serve the middle- and low-income class taxpayers, including the unbanked, underserved or immigrant population are affected by this every year which harms small businesses, discourages voluntary compliance, reduces e-file volume and provides a poor customer experience to the tax professional and ultimately the taxpayer.

We recommend the IRS modernize the background check process to be an automated function that includes more detailed and timely status update to applicants within the e-services account during the application process. We recommend that the IRS study whether these features should be included as a part of SADI.

### **The EFIN application should align with the FTC safeguards rule to nudge practitioner compliance.**

We commend the IRS on its update to the e-services Terms of Service Agreement for the tax year 2020, requiring that every user accept the updated Terms and Conditions before allowing e-services access. If a user does not accept the terms, the IRS denies access. The new Terms of Service Agreement includes a section called "Safeguarding Taxpayer Data" and refers the practitioner to Publication 4557. Among other things, the Terms of Service Agreement summarizes the user's responsibilities concerning safeguarding taxpayer data and provides resources to develop the FTC-required written Information Security Plan.<sup>24</sup> It also reminds the practitioner of the potential IRS enforcement actions against users for not adhering to the security standards. Though the IRS does not have direct authority to enforce the FTC Safeguards Rule, they embed compliance with the standards in the e-services requirements.<sup>25</sup>

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<sup>22</sup> The fingerprinting process uses Form FD-258.

<sup>23</sup> <https://www.irs.gov/pub/irs-pdf/p3112.pdf>.

<sup>24</sup> The FTC Safeguards Rule can be found in 67 FR 36493 § 314.4 and is issued by authority delegated to the FTC under the Graham-Leach-Bliley Act, 15 USC 6801 et. seq.

<sup>25</sup> See Publication 4557, "Comply with the FTC Safeguards Rule," Page 13; <https://www.irs.gov/pub/irs-pdf/p4557.pdf>.

ETAAC recommends that the IRS support the recent enhancements to the Practitioner Relief Program discussed in Recommendation 6 above by adding a firm's Designated Security Officer(s) to the Authorized Users list in the EFIN application, thus creating a Security Point of Contact ("SPOC"). Designating a person responsible for coordinating a firm's security program is required by the FTC Safeguard Rule. This enhancement creates a direct point of contact with a selected subject matter expert at the practitioner's office. This enhancement would provide a communication channel that can be used by RICS and the Public Liaison Office to react faster in the event of a security incident and to provide timely information regarding security standards and emerging threats directly to the practitioner's security experts. Finally, requiring a Designated Security Officer on the EFIN application also promotes an attitudinal awareness of each office's responsibility to protect taxpayer data.

## Recommendation 3: The IRS should modernize its technology stack and approve the use of artificial intelligence with clear, documented transparency to preserve public trust.

### A Unified, Modern IRS Technology Stack

The IRS deserves substantial credit for the progress it has made in recent years on hardware refresh, software modernization, and making information more accessible to taxpayers and tax professionals. Investments in online accounts, digital notices, document upload tools, and improved telephone and chatbot capabilities have demonstrably improved the experience of stakeholders who interact with the Service. ETAAC commends these efforts and the leadership of the Chief Information Officer, the Transformation and Strategy Office, and the workforce that has delivered them.

At the same time, the IRS's overall technology environment remains characterized by aging core systems, deep platform fragmentation, and a steadily growing list of point solutions that, individually, solve real problems but, collectively, increase complexity, operational risk, and total cost of ownership. The Service needs both the resources and the authority to keep pushing toward a true unified IRS technology stack — one designed for stakeholder use end-to-end — rather than maintaining and bolting onto an ever-larger inventory of disconnected systems. To be clear, this is a long-term goal that will require substantial effort, time, and resources. ETAAC supports the IRS' posture of transformation, and the Service should continue reducing fragmentation and modernizing shared platforms and core systems over time, with the goal of improving interoperability and reducing complexity across the IRS technology environment.

ETAAC therefore frames our recommendation around a single, integrated theme: technology modernization with disciplined prioritization, durable in-house expertise, and transparent, well-governed adoption of AI. These are not separate workstreams; they reinforce one another. Modernized core systems make AI safer and more useful. In-house engineers make modernization sustainable. Transparency about AI use protects the public trust that makes the entire program possible.

### Prioritize Core System Modernization and Reduce Complexity

Recent multi-year funding has accelerated visible improvements, but many of the most consequential gains for taxpayers, tax professionals, and IRS employees still depend on modernizing the underlying core systems — the Individual and Business Master Files, the case management environment, identity and access services, and the data platforms that feed them. ETAAC recommends that the IRS continue to prioritize this foundational work and explicitly weigh new investments against it.

Specifically, ETAAC recommends that the IRS continue to mature a consistent prioritization approach for technology investments and, where appropriate, provide greater transparency about the factors used to sequence major modernization work. This could include AI projects, new digital channels, enforcement tools, and stakeholder-facing applications and would ensure they are measured against each other on a consistent basis. At a minimum, the methodology should consider:

- Direct taxpayer and practitioner impact (volume of stakeholders served, time saved, errors avoided);
- Contribution to retiring or consolidating legacy systems versus adding new ones;
- Total lifecycle cost, including operations, security, and decommissioning of replaced components;
- Dependencies on, and reuse of, shared platform services (identity, data, APIs, integration);
- Risk reduction, including reductions in cyber, privacy, and operational risk; and
- Whether the investment moves the IRS closer to a unified, interoperable technology stack rather than further fragmenting it.

Applying a published methodology of this kind serves three goals. It gives Congress and oversight bodies confidence that

scarce modernization dollars are being directed where they will do the most good. It gives IRS leadership a defensible mechanism to say no — or not yet — to projects that would add complexity without commensurate benefit. And it gives stakeholders a clearer line of sight from foundational investments to the improvements they will eventually see.

To reduce complexity in practice, ETAAC encourages the IRS to where feasible, pair significant new systems or major features with a retirement or consolidation strategy for legacy capabilities they are intended to replace, and to track the share of stakeholder-facing functionality that runs on modernized platforms as a top-line modernization metric.

### **Build Durable In-House Subject Matter Expertise and Engineering Capacity**

Modernization or transformation at this scale cannot be sustained through contractor and consultant capacity alone. ETAAC is concerned that, in several critical technology domains, the IRS has become heavily reliant on a relatively small number of vendors and consulting firms for design authority, architectural decisions, and day-to-day engineering. That reliance creates real risks: vendors lock-in, knowledge that walks out the door at the end of a contract, weakened ability to evaluate vendor recommendations, and reduced continuity across administrations.

ETAAC recommends that the IRS treat in-house technology talent as core mission infrastructure. That means securing the resources and authority to hire, retain, and develop a deeper bench of federal subject matter experts, software and platform engineers, data scientists, AI/ML specialists, security engineers, and product managers — with adequate coverage to operate, evolve, and govern modern systems without a single point of failure. Hiring authorities, special pay flexibilities, modern technical career paths, and rotational opportunities with operating divisions should all be used aggressively to build and sustain that capacity.

Vendors and integrators will continue to play an essential role; the goal is not to displace them, but to ensure the IRS retains the strategic, architectural, and engineering judgment necessary to direct them. A healthy in-house capability also makes the responsible adoption of AI — discussed below — markedly safer, because the people designing prompts, evaluating models, and overseeing AI-assisted decisions will have direct, durable accountability to the Service and to taxpayers.

### **Approving AI Use with Documented Transparency to Preserve Trust**

ETAAC strongly supports the IRS's continued use of AI where it improves accuracy, speeds service to taxpayers, reduces burden on employees, and strengthens compliance and security. The Service moved early to identify appropriate uses for AI and, as of early 2024, had identified dozens of AI projects either active or under development. In May 2024, the IRS issued comprehensive guidance through Internal Revenue Manual (IRM) Section 10.24.1, and the Department of the Treasury maintained a public inventory of AI use cases that included the IRS. In a March 11, 2025, Interim Policy for AI Governance, the IRS suspended IRM 10.24.1 pending further guidance from the Office of Management and Budget and the Department of the Treasury, and the Treasury AI use case inventory previously published at [home.treasury.gov/data/ai\\_inventory](https://home.treasury.gov/data/ai_inventory) is no longer publicly available.

As of the spring of 2026, the federal AI policy landscape continues to evolve, including under Executive Order 14179 ("Removing Barriers to American Leadership in Artificial Intelligence") and successor guidance from OMB and Treasury. ETAAC's position is that, regardless of how the specific instruments evolve, two principles should be preserved and strengthened: (1) the IRS should continue to approve and deploy AI where it can be shown to deliver clear public benefits, consistent with applicable law and policy; and (2) that approval should be paired with proactive, plain-language transparency about how AI is being used, supported by documented governance. Mistrust in AI generally stems from a lack of understanding, which sensationalized misinformation readily exploits. The most effective protection against that dynamic is for the IRS to put a complete, accurate, and easy-to-understand account of its AI use directly in front of the public.

## **A Public AI Disclosure Dashboard**

ETAAC recommends that the IRS publish, and regularly update, a single AI disclosure dashboard or webpage written in plain language and supplemented with simple visuals where helpful. In addition to any AI use case inventory required by federal policy and the time-of-service notices contemplated by IRM 10.24.1.8.8, the dashboard should make the following information easy to find:

- A short, plain-language statement of the IRS’s policy position on AI;
- A list of all current uses of AI within the IRS, and for each use case:
  - 1) How the process was handled before AI,
  - 2) What tasks or functions the AI is conditioned to perform,
  - 3) How the process is handled after the implementation of AI, and
  - 4) How the IRS is mitigating risk and upholding security where the AI use is rights- or safety-impacting (especially where any taxpayer data is used, even if anonymized);
- Information about whether and how data is shared with third parties, and the data security measures in place;
- At minimum, appropriate information about expert review that validates, where the IRS uses standard anonymization or de-identification methods (for example, to use taxpayer data to train or fine-tune generative AI models), that the IRS is applying accepted best practices to mitigate bias — including racial and socioeconomic bias — recognizing that public disclosure of specific enforcement methodology could compromise enforcement effectiveness; and
- Related FAQs.

Where AI is used in a sensitive process such as audit selection or fraud detection, the IRS should still disclose as much detailed, declassifiable information as possible — including the categories of inputs used, the role of human reviewers, and the channels available for taxpayers to challenge or seek explanation of an AI-assisted action.

## **Public Engagement and Stakeholder Input**

Consistent with the spirit of IRM 10.24.1.8.10, ETAAC recommends that the AI Governance Project Management Office (PMO) and the Data and Analytics Strategic Integration Board co-host regular town hall–style meetings, open to the public, focused on AI developments — with particular attention to newly launched and proposed projects that may be rights- or safety-impacting. These sessions should, where possible, feature the executives or designated officials of the business units sponsoring the projects, and should include time for Q&A. In addition to building trust, these forums consistently surface high-value ideas for improving and extending IRS AI projects.

## **Strengthen AI Governance to Conserve Resources and Improve Quality**

To conserve resources and improve outcomes, ETAAC recommends that the Chief Data and Analytics Officer modify the AI project approval process to require a preliminary assessment and approval at the proposal stage before substantial development resources are committed. Business units that deploy AI projects should have an easy, well-publicized way to report technical issues or inaccuracies, and should be both incentivized and obligated to report them — to the technical owner of the project for immediate remediation, and to the AI Governance PMO so that issues can be tracked for purposes of the annual AI governance review contemplated by IRM 10.24.1.5.3.

The IRS should also actively gather insight from its own workforce. Anonymous employee surveys — protected against any potential repercussions — can give the Service a candid view of how employees use AI in their personal and professional lives, what tools they find useful, and where IRS-built tools fall short. Regular internal user surveys on in-house AI tools, combined with continuous post-launch testing, will help the IRS decide which tools merit continued investment and which should be retired in favor of better alternatives. Disciplined retirement of underperforming tools is itself an important contributor to reducing complexity in the technology stack.

## **Invest in Internal Technology and AI Projects That Substantially Improve Service to Taxpayers**

While the IRS is already investing in AI in its internal processes, ETAAC encourages the IRS to focus especially on internal processes that have the potential to directly and substantially improve the Service's processing capabilities and usage of limited human capital.

### **Conclusion**

The IRS has made meaningful progress modernizing its hardware and software environment, expanding digital services, and beginning to deploy AI in ways that benefit taxpayers and employees alike. ETAAC supports continued investment in these efforts — and recommends that they be guided by a single, integrated approach: prioritize the modernization of core systems, reduce overall complexity by retiring or consolidating legacy components, build durable in-house subject matter expertise and engineering capacity, and approve the use of AI through a framework of documented transparency that preserves public trust.

With the resources, the authority, and the disciplined prioritization to do this work, the IRS can deliver what stakeholders ultimately need: not a growing list of disconnected systems, but a unified, modern IRS technology stack — one that is faster, more accurate, more accessible, and worthy of the public's confidence in the responsible use of new technologies.

## Recommendation 4: The IRS should provide properly authenticated third parties the ability to “pull” information return data on demand.

The IRS should make tax information documents available in real time through secure, digital channels, enabling taxpayers to seamlessly export their data into authorized third-party tax software. This capability would reduce administrative burden, improve accuracy, and streamline tax preparation and compliance.

In addition, for taxpayers who have engaged a tax preparation firm to prepare and file their returns, the IRS should allow that firm—subject to appropriate authentication, authorization, and safeguards—to access the taxpayer’s information directly through the existing EFIN framework. Leveraging the established preparer-client relationship would eliminate redundant authorization steps and enable more efficient service, particularly for post-filing support and issue resolution.

Expanding secure, on-demand data access in this manner would enhance taxpayer experience, improve compliance, and support a more modern, integrated tax administration system while maintaining strong protections for taxpayer privacy and data security.

### **Current System Limitations and Operational Burden**

Currently, to secure taxpayer tax data and information on IRS secure systems requirements include a multi-layered process with taxpayer authorizations, forms, wet signatures, identity verification, subsequent transmittal of that information to IRS and then insertion into IRS computer system and approvals for even the most minimal data or discussions by a tax professional on the taxpayer’s behalf. This can include much labor, time, delays and difficulty often resulting in increased support and burden by IRS staff to resolve. The IRS is currently implementing a new Tax Pro Account (TPA) business Centralized Authorization File (CAF) management program intending to allow a tax firm’s designated official to have greater access and permissions to service taxpayers with tax administration needs. This will have the double benefit of reducing burden on IRS staff and call centers and increasing speed of taxpayer issue resolution utilizing current tax systems and the large population of registered tax professionals.

### **Proposed Approach: Streamlined, Secure Data Access**

A more streamlined, integrated approach is needed to build on existing IRS systems and ongoing technology transformation efforts. The IRS should enable approved and properly authorized tax professionals and firms to access taxpayer data—such as transcripts—and interact with IRS systems on behalf of taxpayers through efficient, digital channels. This approach would accelerate issue resolution, reduce administrative burden, and alleviate pressure on already constrained IRS staff, call centers, and taxpayer service resources.

### **Benefits to Tax Administration and Taxpayers**

Expanding access for professional tax preparation firms to authorized IRS systems through the existing EFIN framework offers a practical, taxpayer-focused path to improving efficiency, accuracy, and service delivery across the U.S. tax ecosystem. By enabling secure, enterprise-wide data sharing among approved and vetted tax professionals, the IRS can better leverage existing infrastructure while delivering tangible benefits to American taxpayers.

First, enhanced access would significantly improve accuracy in tax preparation. When authorized professionals can retrieve verified taxpayer data directly from IRS systems—such as prior-year returns, income documents, and filing history—the risk of transcription errors and omissions is reduced. This leads to fewer mistakes on returns, minimizing the likelihood of audits, delays, or amended filings. For taxpayers, this translates into greater confidence that their returns are correct the first time.

Second, streamlined access would accelerate the filing process and refund timelines. Today, taxpayers often must manually gather and provide documentation that the IRS already possesses. Allowing authorized professionals to

securely access this information eliminates redundant steps, reducing preparation time and administrative burden. Faster, more accurate filings ultimately mean quicker processing and more timely refunds—an outcome that directly benefits millions of households.

Third, enterprise-wide data sharing within the EFIN framework would strengthen fraud prevention and identity verification. Professional tax firms operate under strict compliance requirements and due diligence standards. By integrating IRS-verified data into their workflows, these firms can more effectively detect inconsistencies, flag suspicious activity, and confirm taxpayer identities. This collaborative approach enhances the IRS's broader efforts to combat identity theft and fraudulent filings, protecting both taxpayers and federal revenue.

Fourth, improved access supports better taxpayer service and equity. Many individuals—particularly those with complex financial situations, small business owners, or limited financial literacy—rely on professional assistance to navigate the tax system. Providing authorized professionals with comprehensive, real-time data enables them to offer more informed guidance, identify eligible credits and deductions, and ensure compliance with evolving tax laws. This helps taxpayers maximize legitimate benefits while avoiding costly errors. Importantly, these advantages can be achieved while maintaining robust safeguards for privacy and data security. The EFIN framework already establishes a controlled environment in which only approved entities, subject to background checks and ongoing compliance monitoring, can participate. Expanding access should be accompanied by enhanced authentication protocols, audit trails, and strict usage limitations to ensure that taxpayer data is accessed only with proper consent and for legitimate purposes.

Fifth, moderate- and low-income taxpayers have an additional economic challenge when it comes to access to trained experienced quality tax professional assistance. This is especially true for post filing issues as with an IRS notice or assessment or missing tax refund. Compounding this issue is the simple fact that acquiring authorizations for taxpayer data access, even for current clients and recently paid for service tax clients for tax filing, subsequent for service requires additional authorizations, Power of Attorney and other authorization access rights (even and especially for a current tax client in many cases) and the generation and creation of authorizations requires time and by extension economic commitment by a tax professional. This is true even for the smallest tax compliance issue and especially frustrating for current tax clients where simply the prior season tax professional has left the employ or become dormant. This all-too-common scenario requires the establishment of a new taxpayer-tax professional relationship at the IRS even for same company clients where the tax preparer of record for the recent tax return is not there – a cost that must be absorbed by someone in the tax ecosystem, either by the tax professional or passed on to the client in the way of additional fees and costs. With recent IRS reductions in force, closed Tax Assistance Centers, reduced resources, access to in-person or even telephone IRS live support is not only harder in current times but likely to get increasingly scarce to help taxpayers with tax issues.

A better benefit would be to allow the overriding and originating tax entity and EFIN filer of the source tax return or client relationship to have additional rights as the owner or operator level for the tax return. Providing this approved access to their “client” data without a series of new filings, authorizations, and work for an existing tax client relationship may simplify the process. This “enterprise wide” level access to approved taxpayer data for filed tax returns using the EFIN system would create a streamlined framework and cut the time and cost to assist taxpayers with post tax filing issue resolution and compliance administration – saving the IRS and the tax system time and expense, while offering material benefits of speed and accuracy on the front and back end of the tax return filing process.

Finally, leveraging the existing EFIN infrastructure avoids the need for costly, large-scale system overhauls. Instead, the IRS can build upon a proven framework, incrementally expanding capabilities in a way that is both cost-effective and scalable. This approach aligns with broader modernization goals while delivering near-term benefits to taxpayers. In conclusion, enabling greater, secure access to IRS data for authorized professional tax firms through the EFIN framework represents a balanced, pragmatic policy choice. It improves accuracy, speeds up processing, enhances fraud prevention, and elevates the overall taxpayer experience—while maintaining strong protections for sensitive information. By fostering a more integrated and collaborative tax administration system, the IRS can better serve American taxpayers in an increasingly digital era.

## Recommendation 5: Congress and the IRS should strengthen refund integrity to combat tax refund fraud.

ETAAC recommends a coordinated approach to strengthening refund integrity that addresses each fraud vector through focused statutory and administrative reforms.

Tax refund fraud continues to evolve in scale and sophistication, exploiting both statutory limitations and operational timing gaps across the filing and refund lifecycle. This recommendation focuses on three distinct but related fraud vectors that materially undermine refund integrity: identity theft facilitated through fabricated wage and information returns, the persistent harm caused by ghost preparers who deliberately evade identification while preparing returns for compensation, and a growing category of first person refund fraud driven by social media-promoted schemes that encourage taxpayers to inflate withholding and credit claims. Although these forms of fraud present differently, each takes advantage of structural weaknesses that allow improper refunds to be issued before effective verification or resolution can occur.

Addressing these risks requires targeted, narrowly tailored reforms that strengthen front-end validation, reinforce preparer accountability, and modernize existing statutory tools to enable efficient resolution of clearly abusive claims while minimizing burden on compliant taxpayers.

Our recommendations include:

- **Identity Theft (Fabricated Form W-2/1099):** Accelerate the statutory due dates to January 31 for information returns that report withholding credits. Aligning the due dates for Forms W-2 and all Forms 1099 that report or support withholding claims would allow the Internal Revenue Service to apply consistent, front-end validation across the filing ecosystem, reducing opportunities for fraud involving fabricated withholding claims regardless of the form used.
- **Ghost Preparers:** Establish criminal sanctions for willful “ghost preparing” conduct—preparing tax returns for compensation while intentionally failing to sign the return or include a valid PTIN – to supplement existing civil penalty authorities and deter repeat, organized, and intentional misconduct. ETAAC supports legislative efforts reflected in the Taxpayer Advocate Service (TAS) Act to strengthen oversight of paid tax return preparers and endorses the establishment of enhanced enforcement mechanisms, including criminal penalties for willful ghost preparation, to improve accountability and deter intentional misconduct in the tax preparation ecosystem.
- **First Person Fraud and Social Media Driven Schemes:** ETAAC recommends that Congress expand IRC §6702 and related authorities to establish a streamlined administrative framework that enables the IRS to identify and group high-volume, clearly abusive withholding and credit inflation schemes—particularly those promoted through social media—and resolve such claims through standardized adjustments, expedited penalty assessments, and centralized processing without requiring full examination in each case.

### Identity Theft: Earlier Information Return Reporting

Refund fraud associated with identity theft frequently exploits the gap between the start of filing season and the availability of third-party wage and information return data. Fraudulent tax returns may be filed early using fabricated Forms W-2 or Forms 1099 that report withholding, allowing refunds to be issued before the IRS can verify the underlying data. While the IRS has implemented identity theft filters and post-refund compliance programs, current information-return due dates limit the Service’s ability to prevent fraudulent refunds at the front end of the process.

The following table summarizes key information returns that report or support federal withholding claims, along with their statutory filing timelines. As illustrated, the timing of these information returns varies significantly. This sequencing limits the IRS’s ability to validate withholding claims prior to refund issuance.

Form	Type of Income / Withholding Relevance	Due to IRS (Paper)	Due to IRS (E-file)	Due to Recipient
Form W-2	Wages with federal income tax withholding	January 31	January 31	January 31
Form W-2G	Gambling winnings (withholding applies in certain cases)	February 28	March 31	January 31
Form 1042-S	U.S. source income paid to foreign persons (withholding required)	March 15	March 15	March 15
Form 1099-NEC	Nonemployee compensation (backup withholding possible)	January 31	January 31	January 31
Form 1099-MISC	Miscellaneous income (backup withholding possible depending on payment type)	February 28	March 31	January 31
Form 1099-K	Payment card & third-party network transactions (backup withholding possible)	February 28	March 31	January 31
Form 1099-B	Broker & barter transactions (backup withholding possible)	February 28	March 31	February 15
Form 1099-G	Government payments (optional withholding allowed in some cases)	February 28	March 31	January 31
Form 1099-DIV	Dividends (backup withholding possible)	February 28	March 31	January 31
Form 1099-INT	Interest income (backup withholding possible)	February 28	March 31	January 31
Form 1099-OID	Original issue discount (backup withholding possible)	February 28	March 31	January 31
Form 1099-PATR	Cooperative distributions (backup withholding possible)	February 28	March 31	January 31
Form 1099-R	Retirement distributions (federal withholding optional/elective)	February 28	March 31	January 31
Form 1099-DA	Digital asset broker proceeds (backup withholding framework)	February 28	March 31	January 31

Source: Internal Revenue Service, *A Guide to Information Returns*, confirming general filing deadlines and requirement to furnish statements to recipients (paper filings generally due February 28; electronic filings generally due March 31).

Source: Internal Revenue Service, *Publication 1099 – General Instructions for Certain Information Returns*, governing reporting requirements and timing for Forms 1099, W-2G, and related information returns.

Source: Internal Revenue Service, *Topic No. 752 – Filing Forms W-2 and W-3*, confirming unified filing and furnishing deadline for Forms W-2.

Accelerating and aligning the due dates for information returns that report withholding would allow the IRS to perform matching earlier in the filing season, preventing fraudulent refunds before payment rather than relying on post-refund enforcement. Front-end prevention is more efficient, reduces losses to the Treasury, and minimizes collateral impacts on compliant taxpayers whose returns may otherwise be delayed or flagged due to broader fraud controls.

## Ghost Preparers: Strengthening Deterrence and Accountability

Federal law requires paid tax return preparers to sign returns they prepare and include a valid PTIN. Preparers who intentionally fail to do so—commonly referred to as ghost preparers—can operate anonymously while shifting responsibility for errors, omissions, and fraud entirely to taxpayers. Existing enforcement tools rely primarily on civil penalties and post-filing compliance actions, which may be insufficient to deter organized or repeated misconduct. Oversight bodies, including the Government Accountability Office (GAO) and the Treasury Inspector General for Tax Administration (TIGTA), have repeatedly identified ghost preparers as a persistent compliance risk and have noted limitations in the IRS’s ability to identify and address this conduct effectively.

Establishing criminal sanctions for willful ghost preparing would close a critical enforcement gap by targeting preparers who deliberately evade identification requirements while profiting from return preparation. Criminal accountability

would complement existing civil penalties, enhance deterrence, and align consequences with the intentional and repeat nature of this misconduct. Strengthened enforcement would also better protect taxpayers from being held solely responsible for errors or fraud attributable to anonymous preparers.

### **First Person Fraud and Social Media Driven Schemes: Modernizing IRC §6702 Processes**

An increasing volume of refund fraud involves first person filers who submit their own returns but inflate withholding or credit amounts based on misinformation or templates promoted through social media and other online platforms. These schemes often rely on exaggerated withholding entries rather than false identity information, allowing returns to appear facially valid and increasing the likelihood of refund issuance before discrepancies are detected.

Under current law, IRC §6702 authorizes penalties for frivolous tax submissions. In practice, resolution of suspected frivolous or abusive withholding claims generally requires multiple procedural steps under the Internal Revenue Manual (IRM), including identification of potentially frivolous positions, issuance of warning or educational correspondence, allowance of response periods, and, if unresolved, referral for examination or penalty assessment. This process is resource-intensive and was not designed to address high-volume, repetitive credit and withholding inflation schemes that present clear indicia of abuse but do not require full factual development to resolve.

Modernizing IRC §6702 to allow streamlined administrative resolution of clearly abusive withholding and credit claims would better align statutory authority with the current fraud environment. Providing explicit authority to create a framework to adjust egregious claims without initiating a full examination, when appropriate, would conserve examination resources, enable the IRS to address social media-driven schemes at scale, and reduce unnecessary burden on compliant taxpayers. These changes would allow the IRS to focus more intensive compliance resources on cases requiring factual development while resolving clear abuse efficiently and consistently.

## Recommendation 6: The IRS should promote greater information sharing with states and industry partners by providing homogenized tax data metrics, year-over-year metrics, and seasonal information in a timely manner.

The IRS has numerous stakeholders, states, financial industry tax partners, and others that have a stake in tax administration and compliance. When it comes to sharing confidential tax information that would allow states to have better tax compliance to impact taxpayers, their practitioners, and other partners, the IRS should review and investigate changes to shared data with their state partners. Information that is currently sent out to some states on a monthly or quarterly basis should be provided in a timely manner to minimize the risk of potentially becoming “stale” data.

Greater transparency and sharing of information related to the IRS operational practices, including tax burden equity efforts, audit selection practices, target criteria and algorithm best practices, criminal enforcement focus areas, and other related developments will increase tax administration efficiency and reduce taxpayer burden.

The IRS should partner with states to address criminal action enforcement in jurisdictions that could be made aware of illegal activity. This would impact specific taxpayers who may owe money to that given state or local government. Sharing best practices in compliance and other activities could forge stronger relationships.

It would be very helpful for the IRS Commissioner and the Federation of Tax Administrators (FTA) to hold semi-annual meetings. The IRS Taxpayer Experience team holds meetings with FTA monthly, which is a great start, but leadership of the IRS should have the opportunity to hear what the states concerns are with filing season, Pub 1075 requirements, and having access to other key members of the IRS. Meetings with the head of the IRS and their team would improve sharing of best practices, promote problem resolution ideas, improve FTA membership and technological updates in tax administration. Optimal meetings could be scheduled around FTA’s annual conferences in the early summer and fall. This allows for discussions around post filing seasons, and at the start of the upcoming filing season regarding best practices, as well as confidential information that could be shared in a group setting. Optimally this would be best utilized in in-person meetings instead of using technological platforms.

We are asking the IRS to provide real-time data and analytics with the states so that they may have the capabilities to increase compliance initiatives around enforcement efforts and audit practices. All states should receive timely, exact information, from the Examination Operational Automation Database (EOAD), CP 2000 and Levy information in real-time as opposed to the months-long delays for data. We are aware that some state partners are getting data that is 1-2 years old. This has a negative impact on how the states can generate revenue particularly in incidences of staying in touch with taxpayers, who may have left the state, have been impacted by other unforeseen financial matters, and are unable to be responsible for resolving their state tax matters.

As the IRS looks to do more corporate audits in high income or high net worth personal audits, they should build in quarterly processes to share the determination with large and complex businesses with states and industry. The IRS should provide training to states on these determinations. Training could be done either in person, virtually or at a designated IRS field office. This would allow state or industry partners to understand the complexity of IRS audits on corporations, along with the resources and techniques they use when auditing.

After completing an audit, the IRS should share the following information:

1. Federal adjustments (Corporate)
  - a. State based
  - b. Non-DC based but with DC property and/or operations
2. Federal adjustments (Individual)
  - a. State residents with property and/or operations in a given jurisdiction
3. IRS estate closing letters (most states have not received in several years)

States should share the following information with IRS:

- Audit cases in which there was a substantial underreporting of income.
- Audit cases with a substantial overstatement of deductions and/or expenses.
- Cases of substantial fraud (Criminal Investigations)

The IRS should evaluate a phased modernization approach for state data exchange, including whether selected API-based services could complement or gradually replace certain legacy exchange mechanisms over time. This framework should move toward a pull model for detailed data retrieval while maintaining lightweight discovery mechanisms to identify non-filers and multi-tier partnership structures.

## Improving Data Hygiene and Security

The current reliance on legacy, high-volume batch processing via Failure to Pay (FTP) results in systemic data proliferation. States are forced to ingest and store redundant, long-term copies of Federal Tax Information (FTI), increasing the surface area for potential leaks and creating an immense security and compliance burden under Pub 1075.

An on-demand externally accessible API facilitates a shift from a push to a pull model. States would retrieve full FTI payloads only when triggered by a specific tax administration action, ensuring the IRS remains the primary, secure repository of the data.

To maintain the ability to identify non-filers, the system should support discovery (who filed, who was audited, etc.) through one of the following modernized channels:

- **Webhooks:** The IRS triggers an automated notification to state-registered endpoints when new data is available, prompting a secure API call for the detailed payload.
- **Regular Polling:** States query a discovery endpoint at regular intervals to identify new records or changes in filing status.
- **Status Quo (Batch FTP):** Maintaining legacy FTP drops for discovery only. This remains the least desirable option as it perpetuates insecure transmission habits and prevents real-time synchronization.

Any future exchange model would need to address not only transport mechanisms, but also common data standards, event definitions, latency requirements, operational support, and source-system readiness.

## Resolving Complex Multi-State Entities

States currently lack the visibility to trace complex, multi-tier partnership structures that cross multiple jurisdictions. Existing state datasets often only reveal immediate child entities, leaving the ultimate tax liability of constituent individuals obscured behind layers of passthroughs.

The IRS could evaluate whether more structured, phased access to selected ownership-resolution data is feasible over time, recognizing the complexity of source data, matching logic, and operational constraints. The IRS could also work with states to prioritize indicators to support analysis and audit discovery for pass-through entities, in addition to access to additional ownership-resolution data. By mapping these entities to their ultimate individual owners and identifying specific ownership percentages, states would be better enabled to accurately assess tax liability and identify fraudulent or incomplete returns that are currently undetectable.

## Recommendation 7: Congress should provide the IRS with flexible, sustainable, predictable, multi-year funding.

ETAAC recommends that Congress provide the IRS with flexible, sustainable, predictable, multi-year funding. In particular, ETAAC urges Congress to enact full-year FY 2027 appropriations on time and to establish a stable funding baseline that does not rely on the dwindling supplemental balances from the Inflation Reduction Act, so that the IRS can train staff, modernize systems, and successfully administer the sweeping changes enacted under the One Big Beautiful Bill Act (OBBBA, P.L. 119-21) without disruption to taxpayers.

ETAAC views the lack of stable, predictable funding as the single biggest challenge facing the IRS. ETAAC is not alone in this view. The National Taxpayer Advocate, our sister committee, the Internal Revenue Service Advisory Council (IRSAC), and the Treasury Inspector General for Tax Administration (TIGTA) have each identified resource constraints as a critical hindrance to the agency's ability to deliver quality service to taxpayers. TIGTA reported in October 2025 that "completing IT modernization projects, providing quality service to taxpayers, and enforcing tax laws with a reduced workforce and budget will be challenging for the IRS." Practitioner groups, state tax administrators, and bipartisan policy organizations have echoed these concerns. The IRS workforce has historically taken on whatever Congress assigns it and used heroic effort to meet taxpayer needs, but with the agency having shed roughly 25% of its workforce between January and May 2025 — largely through the Deferred Resignation Program — and with FY 2026 discretionary appropriations cut by approximately 9% (roughly \$1.1 billion) below FY 2025 levels, that reservoir of capacity is no longer something Congress can assume.

While discretionary funding has contracted, the IRS's mission has expanded dramatically. The OBBBA, signed into law on July 4, 2025, introduced new deductions for tips, overtime compensation, car loan interest, and seniors; created Trump Accounts requiring an entirely new contribution and recordkeeping infrastructure; permanently extended the 2017 individual rate structure; reset the Form 1099-K third-party reporting threshold; raised the Form 1099-MISC and 1099-NEC reporting thresholds from \$600 to \$2,000; modified the employee retention credit, multiple energy credits, and the qualified business income deduction; and required the creation of new forms such as Schedule 1-A, Additional Deductions. Each of these provisions carries downstream obligations for state tax agencies as well, which conform to or decouple from federal definitions and rely on accurate, timely federal data exchange. The IRS is implementing all of this in the middle of the 2026 filing season, with a workforce significantly smaller than the one that existed when the law was signed.

Gone are the days when a typical taxpayer needs to think about taxes only once a year. The array of credits, deductions, and IRS-administered programs layered on top of an already complex code means taxpayers will interact with the IRS more frequently and through more channels than ever. Congress and taxpayers rightfully expect quality service. Congress should fund not only the technology overhauls necessary to deliver that service, but also the education, outreach, and live-assistance functions that allow taxpayers to comply correctly the first time.

It is with the utmost respect and deference to Congressional authority that we recommend the following changes to the mechanics of IRS funding:

- **Restructure the IRS's appropriations to reduce rigid category silos.** The traditional appropriations categories disincentivize efficiency and accountability and no longer align with how modern, integrated organizations operate. Funding should be flexible enough to allow accountable allocations within the IRS that are consistent with sound accounting principles and program needs.
- **Consistently and fully fund the IRS's budget requests each year, and do so on time.** Since 2001, the IRS has operated under more than 100 continuing resolutions. Lapses, shortfalls, and general uncertainty in funding punish taxpayers. When funding for taxpayer service falls significantly below the requested level, long phone wait times and degraded service follow predictably. Inconsistent funding also forces stops and starts in major modernization projects, increasing total cost to taxpayers and extending the life of legacy systems that should be retired.
- **Establish a sustainable replacement for the Inflation Reduction Act supplemental funding before it is**

**exhausted.** The IRA balances that have underwritten core IT modernization and operations have been substantially rescinded and are projected to run out within the next several fiscal years. Without a planned transition to a stable base, the agency will face a fiscal cliff that forces cuts to staff, service, and modernization simultaneously — at exactly the moment OBBBA implementation is maturing.

- **Pilot a benefits-based funding mechanism that allows the IRS to retain a defined portion of amounts it collects for designated technology or staffing investments.** Several states use this approach. It incentivizes both revenue collection and cost control because the agency benefits directly when it performs well. Any federal application must include strong accountability to Congress and full respect for the Taxpayer Bill of Rights.
- **Ensure that inapplicable budgetary limitations do not constrain IRS funding.** In particular, the Program Integrity Cap should not apply to an agency whose central role is ensuring the integrity of the tax system itself.

ETAAC commends the IRS for the work it has done — under significant constraints — to stand up systems, forms, withholding tables, and guidance to administer OBBBA in time for the 2026 filing season. Updated information returns, the new Schedule 1-A, the revised Tax Withholding Estimator, and dozens of pieces of sub regulatory guidance issued since July 2025 all reflect what the IRS workforce can accomplish when given a clear mission. At the same time, that work has been done with a workforce reduced by roughly a quarter, with funding uncertainty extending into the current fiscal year, and with the supplemental balances that have underwritten modernization steadily drawing down. Sustaining these gains — and continuing to modernize core systems such as the Individual Master File, the Modernized e-File platform, and the IRS Online Account toolset — will require Congress to put the agency on a stable, predictable, multi-year footing rather than continuing to rely on short-term continuing resolutions and rescission-driven offsets. ETAAC supports continued implementation work across forms, guidance, and selected technology and operational capabilities needed for OBBBA administration and broader modernization priorities.

The IRS is the revenue engine of government, and even after the workforce reductions of 2025 it remains a remarkably efficient one. ETAAC believes today's IRS can meet or exceed bipartisan expectations to "Put Taxpayers First" but only with the consistent financial support that a tax administration of this scale and complexity requires.

## Recommendation 8: The IRS should enable tax professionals with proper authorization (e.g., Forms 8821, 8655, 2848) to access taxpayer information online.

In principle, authorized representatives with Power of Attorney (POA) should have access to the taxpayer information they need to act on the taxpayer's behalf. Representative access to taxpayer information is currently limited to fax, mail or isn't available at all.

For example, representatives lack a centralized location to easily access taxpayer name controls, and other account maintenance information. Although transcripts are available to representatives, they are often incomplete, making them insufficient because they require representatives to call the IRS for more information. Taxpayers' notices continue to be posted by mail and compact discs (CDs), which requires the taxpayer in many cases to provide notices to their representative, and can result in delayed action, potential interest and penalties.

Representatives are not able to easily or quickly in real-time communicate with or send information to the IRS in order to swiftly resolve taxpayer matters such as notices. Only if the taxpayer has given full Power of Attorney to act on behalf of the taxpayer to a tax professional can smaller issues be investigated and quickly managed.

Our recommendation looks to provide all allowable taxpayer information to the authorized representative within a centralized location online. This includes but is not limited to 1) a complete list of name controls, and deposit frequencies for all taxpayers, 2) accurate, complete and timely transcripts, and 3) taxpayer notices such as the CP 2100.

Authorized representatives should also have access to defined online workflows for submitting documents and resolving eligible taxpayer account matters. The IRS should continue to expand authenticated online access for authorized representatives, prioritizing taxpayer information and workflows by impact and resource availability over time.

Taxpayer issues are timely resolved because their representative has access to the information it needs to act on their behalf, which minimizes interest and penalties.

## Recommendation 9: The IRS should expand functionalities, ensure consistency, improve the user experience and enhance communication for IRS Online Accounts.

IRS Online Accounts have served as an important gateway that enabled stakeholders – taxpayers and tax professionals – to interface with the IRS online 24/7 with no wait time. Self-help tools like Online Accounts allow stakeholders to directly take action to resolve tax issues, reducing the need to call or mail a letter to the IRS. With visits to IRS.gov jumping 61% year-over-year to more than 500 million visits as of May 1, 2026, it's more important than ever for the IRS to have a robust Online Account ready to account for the growing shift to digital interactions.

While the IRS has made strides in developing and improving Online Accounts for stakeholders in recent years, these accounts still lack crucial functionalities and consistent reliability, hindering more widespread usage and, at times, forcing stakeholders to resort to outdated communication channels. The lack of critical functionality within the IRS Tax Pro account was highlighted as one of the Most Serious Problems Encountered by Taxpayers in the Taxpayer Advocate Service 2025 Annual Report to Congress. Tax professionals are often the first to be contacted when taxpayers encounter a tax issue, so a robust Tax Pro account is especially crucial to assisting tax professionals in resolving issues for their clients and, in turn, relieving the strain on IRS phone lines.

As the IRS improves the Online Accounts at a technical level, ETAAC also encourages the IRS to consider improvements to communication and customer support strategies for Online Accounts to enhance their reach and effectiveness. ETAAC recommends that the IRS adopt the following recommendations on technical and communication strategies.

### **The IRS Should Publish Guides and Establish a Technical Support Phone Line, Chat Feature, or other Secure Channel to Help Stakeholders Navigate IRS Online Systems**

In the private sector, software developers typically publish guides to help users navigate software and establish a technical support phone line for users to call about software issues. While the IRS has one of the largest customer support staff in the country, the existing customer support representatives (CSRs) only handle tax and account matters, not technical issues (except in a limited context).

ETAAC recommends that the IRS should evaluate options, needs and potential benefits for providing technical support for users of online tools, which could include chat, a phone line, or secure email, recognizing that each requires distinct platform and operating-model support. These improvements would help taxpayers and tax professionals navigate IRS self-help tools (e.g., IRS Online Account) and allow the Service to identify technical issues. This shift would allow stakeholders to have a better understanding of how they can resolve issues through IRS self-help tools moving forward, instead of calling the IRS, and allow the IRS to gather more data points on systematic issues that need to be fixed or improved to increase stakeholder satisfaction, in turn increasing usage of these tools. Establishing this dedicated IT support line is crucial to ensuring that stakeholders have 24/7, unfettered, reliable access to business-critical functions, such as IP PIN retrieval.

Technical teams responsible for developing IRS self-help tools should publish guides to help stakeholders navigate these tools on their own and help IRS CSRs provide reliable guidance to stakeholders over the phone. These guides should be actively maintained so they are up to date with the latest updates to IRS self-help tools.

### **The IRS Should Conduct Robust User Research to Identify How Stakeholders Use IRS Online Systems and the Bottlenecks that Can be Addressed**

While we recognize the effort the IRS made in collecting user feedback while developing the IRS Online Account, we encourage the IRS to continue to collect ongoing feedback from stakeholders to ensure existing IRS self-help tools adequately address the needs of stakeholders and operate smoothly. The IRS should use industry standard methodology

to collect user and stakeholder feedback and identify issues and priorities. This could include focus groups, interviews, surveys, and feedback forms, along with diagnostic tools. If diagnostic data is collected with each submission, this system will generate a wealth of useful data points for areas of improvement and bugs to resolve, translating to fewer calls and written correspondence to the IRS and greater stakeholder satisfaction.

### **The IRS Should Centralize and Streamline Communication on Its Website About Updates to IRS Online Systems on a Single Webpage and Provide Guides to Help Users Navigate IRS Systems**

As the IRS continues developing new features for the Online Account and other self-help tools, it's important for the IRS to communicate all of these updates to stakeholders so the true potential of these features can be realized: increased efficiency for stakeholders in resolving their tax issues and decreased burden on IRS support staff. If taxpayers and tax professionals are unaware of new IRS self-help tool features, they will continue reaching out to the IRS by phone or mail, defeating the purpose of developing these features in the first place. Therefore, the IRS should maintain an announcement section in a conspicuous area on the landing page of each of its self-help tools (e.g., Online Account) that provides a centralized place where stakeholders can stay up to date with the latest developments.

### **The IRS Should Consolidate User-Facing Online Systems (e.g., Tax Pro Account, TDS, E-Services, PTIN, IRIS, Role-Based Access Control) to Improve User Experience and Reduce the Risk of Functional Inconsistencies**

The IRS should continue evaluating opportunities to streamline user-facing online systems and reduce functional inconsistency, recognizing that meaningful consolidation may require holistic product visioning phased implementation and substantial cross-system dependency work.

The existing IRS self-help tools for tax professionals, while extremely helpful, are siloed and scattered across different interfaces. Coupled with the complexity of maintaining authorization in different contexts (e.g., individual and firmwide CAF for POA, firmwide TCC for IRIS), the isolated nature of each of these self-help tools can create a difficult user experience and, worse, access issues.

For example, sometimes, tax professionals who departed from their previous tax firm cannot access the Transcript Delivery System (TDS) even through their new tax firm or as an individual due to the error of lacking firm-level authorization, even if the CAF is tied to the tax professional individually. Affected tax professionals currently have to resort to the traditional method of submitting a paper request for any transcripts they need on behalf of clients, which causes delays for tax professionals and their clients in resolving their tax issues and burdens the IRS with more paper processing.

Tax professionals should be able to directly pull transcripts through the Tax Pro account, or, in the interim, avoid the need to select a firm role when accessing TDS, as TDS already requires the tax professional to input their CAF when submitting a transcript request.

### **The IRS Should Continue to Develop Features and Address Issues with Tax Pro Accounts to Help Tax Professionals Better Serve Their Clients**

To allow tax professionals to better serve their clients, ETAAC recommends that the IRS address the following shortfalls with the Tax Pro Account:

- Tax professionals currently cannot view notices received by taxpayers in the Tax Pro Account.
- Some of the taxpayer authorizations cannot be withdrawn through the Tax Pro Account. This should be corrected so that any tax practitioner is able to withdraw their authorization through the Tax Pro Account for every client.
- The POA withdrawal process through the Tax Pro Account should allow for bulk withdrawals, which would be beneficial, especially for practitioners who are switching firms.
- Clients are listed in the Tax Pro Account alphabetically. The system currently only allows you to search by page number, which requires scrolling through many pages of taxpayers to find the correct account. The IRS should

implement a functionality to search by the taxpayer's last name to be able to locate the appropriate taxpayer more easily.

- The IRS should consider expanding the existing Secure Messaging tool to allow taxpayers and tax professionals to ask questions to the IRS in lieu of utilizing IRS phone lines or mail. This function will encourage more taxpayers and tax professionals to use IRS Online Accounts.
- The IRS should consider piloting a program to allow tax professionals to schedule an appointment with an IRS representative on the Tax Pro Account to discuss multiple clients' cases, with the hopes of increasing efficiency and service quality.

## **The IRS Should Allow Taxpayers to Respond to Tax Notices Electronically and Develop Capabilities to Allow the IRS to Process Responses Systematically**

Traditionally, the IRS communicates with taxpayers exclusively by mail—notices are issued by mail, and responses are expected by mail. Unfortunately, the IRS may take months or years to process paper correspondence, and in the interim, IRS personnel or systems may take action against the taxpayer before the response is processed, the effect of which may not be reversible.

In recent years, the IRS introduced the Document Upload Tool that allows taxpayers to upload their responses and supporting documentation via an online form. Allowing taxpayers to respond to IRS notices electronically provides an opportunity for a timelier response and higher resolution rates. ETAAC fully supports this development and encourages the IRS to continue to invest in expanding the capabilities of the Document Upload Tool, including in these three areas:

- Automatically pause further actions taken by the IRS until the Document Upload Tool submission is processed, or, whenever possible, automatically process the submission and update the taxpayer's account accordingly.
- Always link Document Upload Tool submissions to the taxpayer's account to allow Customer Service Representatives (CSRs) to adequately assist taxpayers calling regarding their submissions.
- Expand the use of the Document Upload Tool for all system- and manually- generated IRS notices.
- Permit taxpayers to communicate with the IRS regarding questions relating to notices through an online account.

Additionally, to further encourage the use of the Document Upload Tool and mobile-friendly forms (DMAF) in instances where time is of the essence (e.g., 83(b) elections, CDP notices, CP 2000 responses, appeals), the IRS should consider providing proof of submission that satisfies the postmark rule under IRC § 7502.

## **The IRS Should Expand the Individual Online Account to Continue Adding More Practical Functionalities that Increase Digital Interactions with the IRS**

The IRS should strategically develop new functionalities within IRS Online Accounts to reduce routine, administrative correspondence.

For example, the IRS should allow taxpayers to change their address in their IRS Online Account, an action that currently requires the taxpayer to mail a form to the IRS or call the IRS. If taxpayers do not update their mailing address with the IRS or the IRS does not process the address change request in time, taxpayers may miss important communication from the IRS and face additional penalties and interest on assessments.

Allowing taxpayers to update their mailing address through the IRS Online Account, where extensive identity protection mechanisms are already in place, is a safer communication method compared to alternatives like phone calls, which have been prone to fraud.

As another example, to encourage new businesses to apply for an EIN online (versus by mail) and create an IRS Online Account, the IRS may consider allowing businesses to directly sign up for an Online Account after creating the EIN, skipping the ownership verification process.

Separately, the IRS should consider allowing tax professionals to apply for EINs in bulk on behalf of their clients through an authenticated version of the EIN Assistant Tool to minimize mailed or faxed EIN applications (Form SS-4).

These recommendations encompass some of the strategic directions ETAAC believes the IRS should consider as it expands IRS Online Accounts. Consolidating systems and improving consistency in functionality and user experience will encourage more stakeholders to utilize and depend on IRS online systems, increase stakeholder satisfaction, and reduce calls and written correspondence to the IRS. Sharing updates to IRS online systems in a centralized location will help keep stakeholders informed about new functionalities, especially for users who have not accessed IRS systems for an extended period. Providing guides on how to accomplish varying tasks within IRS online systems and establishing a dedicated IT support line will help new and returning users navigate the systems with ease, especially for those less proficient with technology. Overall, developing robust IRS online systems is as important as building the supporting infrastructure around it (i.e., IT support hotline). Both serve important roles in helping the IRS better serve taxpayers and increase efficiency.

## Recommendation 10: The IRS should review and update the current list of MeF reject codes and explanations to provide greater clarity regarding the cause of rejected returns and how to resolve them.

ETAAC recommends that the IRS should review Modernized e-File (MeF) reject codes, business rules, and associated explanations with industry and state partners to identify opportunities to improve clarity and actionability for filers, consistent with system and security constraints.

The MeF platform supports electronic filing for the large majority of eligible federal individual returns and, in many cases, linked state filing through participating software providers and state programs. When a taxpayer submits their return, the return is sent to the software company which then transmits it to the IRS. For most taxpayers whose returns are accepted, the system works well. The accepted federal return is processed into the IRS’s internal tax system, and any State return is made available to the applicable state to download into state tax system(s).

If the IRS rejects the return, the IRS will provide a reject code and a reject message to the filer to provide information on why the return was rejected. As the Taxpayer Advocate cited in her 2022 report, rejected returns are a barrier to electronic filing.<sup>26</sup> The reject messages are sometimes unclear to the filer on why the return was rejected and how to fix the error(s) so the return can be successfully resubmitted. This can result in the IRS, software companies, and state tax agencies receiving phone calls from taxpayers and tax preparers on how to fix the reject so the return can be resubmitted and accepted.

MeF rejects may result in the taxpayer deciding to file a paper return instead of fixing the issue with their electronically filed return. This results in additional work and cost for the IRS to process these paper returns. According to the Taxpayer Advocate’s 2022 Report, a return filed electronically through MeF costs the IRS \$0.28, while a paper return costs \$7.33 to be processed.<sup>27</sup>

If a paid preparer paper files a return for a client instead of electronically filing it, they are supposed to file Form 8948, Preparer Explanation for Not Filing Electronically. On this form, several reasons are given as to why the return was not filed electronically. One of these reasons (number 4) is “This return was rejected by IRS e-file and the reject condition could not be resolved.” The Form 8948 also asks for the reject code and the number of attempts the filer made before mailing in the return. For the past few years, just over 10% of the reasons indicated on the Form 8948 are for the return being rejected and the rejection reason could not be resolved.

**Table 1:**

Reason Indicator	Description	2022		2023		2024		2025	
		Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage
1	Taxpayer chose to file this return on paper.	673,553	56.7%	447,814	48.8%	384,615	48.2%	328,366	48.3%
2	The preparer received a waiver from the requirement to electronically file the tax return.	4,170	0.4%	2,775	0.3%	2,067	0.3%	1,573	0.2%
3	The preparer is a member of a recognized religious group that is conscientiously opposed to filing electronically.	6,214	0.5%	4,575	0.5%	3,674	0.5%	3,696	0.5%
4	This return was rejected by IRS e-file and the reject condition could not be resolved.	108,072	9.1%	97,992	10.7%	83,286	10.4%	69,005	10.1%
5	The preparer’s e-file software package does not support Form ___ or Schedule ___ attached to this return	12,884	1.1%	13,122	1.4%	10,181	1.3%	8,102	1.2%
6*	Check the box that applies and provide additional information if requested.	382,429	32.2%	352,040	38.3%	313,481	39.3%	269,637	39.6%
<b>Total</b>		<b>1,187,322</b>		<b>918,318</b>		<b>797,304</b>		<b>680,379</b>	

<sup>26</sup> TAS 2022 Annual Report to Congress at p. 106.

<sup>27</sup> TAS 2022 Annual Report to Congress at p. 105.

Providing taxpayers with refined explanations of the MeF reject reason, when such messages would not create operational security risks, and how to resolve the issue that led to the rejection would reduce taxpayer frustration and confusion and may reduce taxpayer contacts to the IRS from those seeking assistance on why their return was rejected and how to fix it. This may also reduce taxpayer contacts to tax software companies and to state tax agencies, as IRS rejects also generate phone calls to these entities from taxpayers looking for assistance. Further, there are some specific IRS reject codes that contain “State” followed by a number. These codes can be particularly confusing as the tax preparers, upon receiving one of these “State” reject codes, contact state tax agencies looking for assistance, even though it was an IRS reject.

Providing additional information on how to fix a return can also help software companies improve their products to prevent returns from being submitted that will be rejected. It can also reduce costs to the IRS, as electronically filed returns are significantly cheaper to process than paper returns, as well as reduce taxpayer frustration.

## Recommendation 11: The IRS should eliminate unnecessary filings for extensions that are already automatic.

To provide efficiency, to the extent legally permitted, ETAAC recommends that the IRS remove the requirement for taxpayers to e-file or paper file extensions that are already automatic. For those provisions that the IRS determines a filing for extension should be required for legal or other reasons, we suggest the IRS introduce a “one-click extension request” option through the IRS online account system, and that the IRS should evaluate whether enabling online extension requests are feasible for selected forms or tax types in order to reduce the burden on taxpayers requesting extensions and increase efficiency.

Improvement to this process will provide a user-friendly alternative and ensure taxpayers have efficient access to their extension information. For taxpayers who cannot register an IRS online account, such as Individual Taxpayer Identification Number (ITIN) applicants (though ITIN holders are able to register an account), the IRS could consider developing unauthenticated Mobile-Friendly Forms for Forms 4868 and 7004, which do not require signatures for filing.<sup>30</sup>

There are a number of forms by which taxpayers are allowed an automatic extension if the taxpayer requests it, and in some cases, if the taxpayer meets a minimum requirement at the time of request (such as submitting an estimated payment). ETAAC believes that, to reduce overall administrative and compliance complexity, the IRS needs a mechanism for the taxpayer to request the extension even if it is automatically granted when requested.

The IRS currently automatically grants extensions for certain forms, including:

- Form 4868 (Application for Automatic Extension of Time to File U.S. Individual Income Tax Return),
- Form 7004 (Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns),
- Form 8868 (Application for Extension of Time to File an Exempt Organization Return),
- Form 8809 (Application for Extension of Time to File Information Returns),
- Form 4768 (Application for Extension of Time to File a Return and/or Pay U.S. Estate [and Generation-Skipping Transfer] Taxes)
- Form 8892 (Application for Automatic Extension of Time to File Form 709 and/or Payment of Gift/Generation-Skipping Transfer Tax)

Taxpayers are required to submit these forms to request an extension despite these extensions being automatically granted upon submission. This redundant step creates unnecessary filings and paperwork and can lead to confusion and delays. The number of automatic extension requests the IRS must process annually is voluminous.

To clarify, ETAAC is only recommending this activity for automatic extensions that are already granted and does not suggest any changes to the IRC that still apply for deadlines, payments, penalty and interest, etc.

For example, information relating to certain automatic extension requests provided by the IRS below:

Form #	CY2023 Total	CY2022 Total
F4868: Extension of Time to File US Individual Tax Returns	17,964,280	18,970,894
F7004: Extension of Time to File Certain Business Tax Returns	9,912,435	9,887,485
F8868: Extension of Time to File Exempt Organization Returns	1,148,832	1,279,158
F8809: Extension of Time to File forms (W-2, W-2G, 1042-S, 1094-C, 1095, 1097, 1098, 3921, 5498, and 8027)	58,038	65,724

Filing for something that is already “automatic” produces inefficiency. By eliminating extension filings (or minimizing the burdens of filing by instituting a “one-click extension request” online) has the following benefits:

- Reduced administrative burden: simplifying the extension process will decrease the workload for both taxpayers and the IRS, allowing resources to be allocated more efficiently.
- Enhanced User Experience: providing a “one-click option” will improve the overall user experience, making it easier for taxpayers to manage their extension filings.
- Increased Efficiency: Streamlining the process will reduce processing times and minimize the risk of errors or delays associated with redundant filings.

## Recommendation 12: The IRS should improve communication, outreach, and education around new tax law changes.

### **The IRS Should Provide Timely Legal Guidance on Federal and State Laws That Impact Tax Administration**

Federal and state tax laws can have a significant impact on tax administration. Federal tax law changes impact states and state tax law changes impact the IRS. One or the other can affect the actions taxpayers and stakeholders must take. These interconnections make legal reviews and guidance necessary to ensure returns can be filed in accordance with tax laws. Failure to provide timely legal guidance results in confusion, public relations issues, inaccurate returns, and more overall work for the IRS, taxpayers, and stakeholders.

In several instances, the IRS and Treasury have not provided timely legal guidance, which has hindered taxpayers' ability to file accurate returns and limited stakeholders' ability to offer appropriate advice. These delays have increased confusion and undermined taxpayer confidence. Examples involving state special refunds and rebates, Section 6050X, Form 1099-K reporting, and the Hawaii Red Fuel issue<sup>28</sup> illustrate that this approach to guidance is insufficient. The IRS should invest in operational and organizational improvements that enable timely, coordinated legal guidance and more proactive engagement with both stakeholders and taxpayers.

### **The IRS Needs Additional Tools to Combat Scams and Schemes Promoted on Social Media and Other Communication Platforms**

As identity theft and other tax fraud scams and schemes have moved from physical to digital crimes, the IRS has necessarily adapted its training, tools and technologies to keep pace. Recently, the IRS has witnessed the rapid and growing proliferation of scams and schemes through social media and other digital channels. To supplement the efforts of its existing partnerships to tackle identity theft and tax refund fraud, such as the Identity Theft Tax Refund Fraud Information Sharing and Analysis Center (the "ISAC"), in August 2024, the IRS and partner organizations, including federal and state tax agencies, software and financial companies, and national tax professional associations, formed the Coalition Against Scam and Scheme Threats ("CASST").

While the ISAC and CASST are vital in combating the digital threats plaguing taxpayers and the IRS, it is incumbent upon the IRS to ensure that the Criminal Investigation Division (CI) staff charged with disrupting the criminal activity which preys upon unsuspecting taxpayers are provided with the tools and training necessary to effectively meet today's challenges. To be effective in these efforts, CI and certain other IRS component groups need adequate and dedicated funding to support the deployment of the technology necessary to identify harmful online activity and to stop it after it is uncovered. Critical tools include:

- open-source intelligence tools used to identify fraudulent schemes,
- digital forensics tools used by CI to collect and analyze evidence of crimes committed through electronic means,
- off-network computing capabilities that are necessary to ensure IRS special agents can effectively perform undercover, online investigations, and
- training of both CI and IRS staff to effectively deploy the respective tools used by their offices.

In addition to sophisticated tools and training, a critical component of combating scams and schemes is timely and accurate information sharing from partners and, at its most basic level, from the citizens who learn of these scams and schemes, or unfortunately, may have fallen victim to a scam or scheme that may impact their tax matters. Currently, the IRS lacks a streamlined and comprehensive tool for taxpayers and tax professionals to provide information about identity theft, data breaches, and other scams and schemes. ETAAC encourages the IRS to evaluate whether the current approach supports consistent service across channels. While offering multiple tools gives the public some flexibility, there is potential for inconsistent experiences.

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<sup>28</sup> The IRS announced tax relief for Red Hill residents in April 2023 at: <https://www.irs.gov/pub/irs-drop/a-23-07.pdf>.

Individuals who have not been contacted by the IRS and who would like to report to the IRS that they have been a victim of identity theft are directed to first file a complaint with the Federal Trade Commission.<sup>29</sup> Tax professionals who have been the victim of a data breach are directed to call or email their local IRS stakeholder liaison, who will then notify IRS Criminal Investigation.<sup>30</sup> In its guidance to tax professionals, the IRS notes that “speed is critical.” However, the processes outlined for taxpayers and tax professionals with a need to inform the IRS of critical information institute a game of telephone tag in which delay is inevitable.

While progress has been made with the February 2026 launch of the consolidated “Report Fraud” webpage at IRS.gov, ETAAC recommends the IRS continue to unify and bring to maturity this effort and should now focus on the next phase: reducing forms, automating referral workflows, and modernizing case management in pursuit of a future-state online tool in which taxpayers can report various types of fraud directly to the IRS that facilitates quicker handling of these complaints as well as more timely aggregation of data and identification of patterns that require prompt IRS action to prevent additional harm.<sup>31</sup>

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<sup>29</sup> Publication 5027 (Rev. 5-2018) (accessed Jan. 16, 2025), at: <https://www.irs.gov/pub/irs-pdf/p5027.pdf>.

<sup>30</sup> Data theft information for tax professionals, Internal Revenue Service (accessed Jan. 16, 2025), at: <https://www.irs.gov/individuals/data-theft-information-for-tax-professionals>.

<sup>31</sup> Current IRS procedures provide a variety of forms and methods to collect information about fraud and scams. Although some of the forms are available online, others require the printing and mailing/faxing of a paper form or calling the IRS. See Report a tax scam or fraud | Internal Revenue Service (accessed Jan. 16, 2025), at: <https://www.irs.gov/help/report-fraud/report-tax-fraud-a-scam-or-law-violation>.

## Recommendation 13: Congress and the IRS should strengthen the regulation of paid tax return preparers and implement measures to address incompetent and unscrupulous conduct.

### **Congress Should Authorize the IRS to Regulate Non-Credentialed Tax Return Preparers to Prevent Harm to Taxpayers and the Tax System**

The majority of individual tax returns are filed by paid tax return preparers, and the majority of paid tax return preparers are not credentialed. Many have no formal training or experience. There are no requirements to be competent, to follow industry best practices, or to safeguard taxpayer information. This poses a threat to consumers who can be swindled by incompetent and/or unscrupulous tax preparers and can add to the tax gap when incompetent and/or unscrupulous tax preparers prepare inaccurate returns with inflated refunds. According to the National Taxpayer Advocate 2025 Purple Book,<sup>32</sup> numerous studies have found non-credentialed tax return preparers routinely prepare inaccurate returns, including improper payments of approximately \$21.9 billion on EITC claims alone in fiscal year 2023.

ETAAC once again recommends congress charge the IRS with implementing a program to define and establish minimum standards for paid tax return preparers. Standards could include passing a background check, passing a tax compliance check, maintaining a valid PTIN, required education, and passing a basic competency exam on an annual basis.

Finally, because voluntary standards already exist, IRS already has institutions in place to oversee tax preparers. The IRS Office of Professional Responsibility (OPR) and the IRS Return Preparer Office (RPO) currently manage the PTIN system and oversee paid tax professionals on a variety of issues. VITA and TCE volunteers have been required to demonstrate basic competency for decades. Enrolled Agents have been part of Treasury since 1884, and the IRS has managed the Annual Filing Season Program since 2014. Adding this charge to the IRS should not require massive expansion of the existing organizational structure, would offer consumer protection to taxpayers, and would help close the tax gap.

### **Maintaining a Secure and Auditable Chain of Taxpayer Information Regarding Growing Overseas Tax Preparation**

We recommend that the IRS initiate a comprehensive study into how many tax returns are being prepared outside of the United States. Over the past decade, there has been a massive shift in outsourcing tax return preparation from licensed U.S.-based CPAs and IRS Enrolled Agents to non-U.S. tax preparers. This trend raises serious concerns about taxpayer data security and national security, as sensitive information such as Social Security numbers and bank account details are being handled by individuals beyond the jurisdiction of the U.S. Department of Justice. Understanding how many tax returns are prepared offshore and evaluating the security measures in place is an essential first step in preventing large-scale, untraceable fraud. Without proper oversight, this outsourcing trend could expose taxpayers to risks of identity theft and financial crime on a scale that is difficult—if not impossible—to enforce. A comprehensive study into this issue is crucial to safeguarding taxpayer information and maintaining trust in the tax system.

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<sup>32</sup> The Taxpayer Advocate's 2024 Annual Report to Congress at: <https://www.taxpayeradvocate.irs.gov/reports/2024-annual-report-to-congress/national-taxpayer-advocate-2025-purple-book/>.

## Recommendation 14: Congress and the IRS should enhance e-services for reporting agents.

Payroll providers are authorized by their clients via Form 8655, *Reporting Agent Authorization*, which allows reporting agents (RAs) to electronically deposit employment taxes, electronically sign and file employment tax returns, and exchange confidential information with the IRS. Reporting Agents account for 92% of e-filed employment tax returns. Despite the magnitude of the taxes remitted and employers represented by payroll service providers, they have not been provided with adequate e-services to interact with the IRS. Reporting agents must call the IRS for even the most routine transactions, clogging up phone lines and wasting valuable time for both the agency and payroll service providers. New solutions are needed to provide online tools to allow payroll providers to adequately and efficiently represent employers.

ETAAC, consistent with and in support of recommendations advanced by the National Payroll Reporting Consortium (NPRC),<sup>33</sup> recommends that Congress and the IRS prioritize the following areas of improvement to enhance and modernize e-services for reporting agents:

### **Allow Payroll Providers Access to TIN Matching Services**

The IRS should allow access for payroll providers to validate name/EIN combinations prior to submission through e-services, and Congress should act promptly to remove the legislative barriers that prevent this commonsense modernization. The IRS already administers a functioning TIN matching program, but Reporting Agents are expressly barred from participation due to taxpayer information disclosure restrictions under IRC section 6103. This exclusion results in preventable deposit and filing failures, unnecessary penalty assessments, and downstream account resolution burdens for both the IRS and the employers that Reporting Agents serve. These limitations have been previously acknowledged at a policy level and continue to impact the ability to provide Reporting Agents with pre-filing validation tools necessary for accurate employment tax administration. Addressing these constraints would enable the IRS to extend existing validation capabilities in a manner that reduces filing errors, minimizes downstream account resolution, and improves overall data accuracy. Congress should provide the IRS with the necessary authority, including addressing the § 6103 constraints, to enable the IRS to expand its existing TIN-Matching Service to Reporting Agents.

As part of standard onboarding procedures, payroll providers currently request source documentation from new clients to validate the employer's legal name and EIN. This process is designed to reduce filing errors and ensure alignment with IRS records prior to submission. While the IRS-issued CP-575 notice (which confirms the assigned EIN, legal name, and address) is one of the preferred forms of documentation, it is not always readily available—particularly for businesses that were established many years ago. Accordingly, payroll providers typically accept a range of IRS-generated documentation to substantiate EIN/name combinations, including:

- CP-575 notices (when available),
- Other IRS correspondence,
- Previously filed federal tax returns displaying the EIN/legal name header, and
- Screenshots from IRS systems such as the Electronic Federal Tax Payment System (EFTPS) reflecting the EIN and associated business name.

The IRS does not require payroll providers to submit this documentation to the IRS as part of the filing or onboarding process (beyond authorization forms such as Form 8655). While providers collect and retain documentation for internal controls, they do not transmit these source documents back to the IRS, as the IRS is the original issuer of the underlying records. Additionally, a valid EIN is required to successfully file Form 8655 (Reporting Agent Authorization), which is foundational to a payroll provider's ability to file and pay employment taxes on behalf of a client. If the EIN or name is invalid, the authorization will not be successfully established.

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<sup>33</sup> <https://www.nprc-inc.org/about.html>.

In practice, payroll providers incorporate Form 8655 into a broader validation workflow. For example:

1. Submit Form 8655 authorization data electronically pursuant to IRS Publication 1474, and
2. Establish or validate enrollment in EFTPS to confirm the EIN/name combination.

These steps generate IRS acknowledgments that confirm whether the EIN/name combination aligns with IRS records. However, current IRS response codes are often generic (e.g., “EIN/name mismatch” or “invalid EIN”), providing limited diagnostic value and no actionable remediation guidance. This lack of specificity increases operational burden, delays issue resolution, and can result in downstream filing failures. While Form 8655 plays a critical role in authorization, it is not designed as a standalone pre-filing validation tool. In addition, Form 8973 is applicable only to Certified Professional Employer Organizations (CPEOs), representing a very small subset of payroll filings, and therefore does not address the broader validation needs of Reporting Agents.

Recent efforts to strengthen EIN/name validation through Modernized e-File (MeF) business rules further highlight the need for Reporting Agent access to validation tools. In 2025, new MeF business rules were introduced requiring alignment of the employer’s legal name and EIN based on IRS derived name control logic. However, Reporting Agents were not provided with a mechanism to validate or replicate this logic prior to submission. As a result, these rules created increased reject risk and operational disruption, particularly for high-volume filers, and were ultimately disabled or deferred. This experience demonstrates that validation requirements cannot be operationalized without providing corresponding pre-filing validation capabilities to Reporting Agents. This capability should extend beyond pre-filing validation and support real-time EIN/name verification integrated into API submission workflows, with actionable response codes to allow correction prior to filing.

The IRS currently administers a TIN matching program for third-party entities that are subject to mandatory backup withholding. The program allows these entities, mostly payers of interest or other forms of income, to pre-screen names and TINs to identify those that do not match IRS records. However, the current program is limited in scope and does not address employer EIN validation needs central to employment tax compliance.

Under section 3406, reportable payments are subject to backup withholding if the payee fails to furnish a correct TIN to the payor in the manner required. The purposes of section 3406 are to ensure that payors receive correct TINs from all payees and that payors include those TINs on information returns filed with the IRS.

Under the broad regulatory authority in section 3406(i) to prescribe regulations necessary or appropriate to carry out the purposes of backup withholding, the IRS implemented a voluntary TIN matching program for payors of payments subject to backup withholding. Under the TIN matching program, before filing information returns reporting payments subject to backup withholding, payors confirm with the IRS that the name and TIN combination for payees matches a name and TIN combination in IRS records. Providing the payor with confirmation of a name/TIN combination match with respect to reportable payments subject to backup withholding is a permitted disclosure of taxpayer information under the authority of section 3406.

Payors of reportable payments benefit from participating in the TIN matching program because they often are able to resolve mismatches with payees before filing information returns, thereby reducing penalties for filing information returns with incorrect TINs and eliminating the need to correspond with the IRS to establish reasonable cause. The IRS benefits from the TIN matching program because it receives more accurate information, resulting in more efficient use of information returns to verify returns and combat fraud, which in turn conserves scarce resources by reducing correspondence with payors seeking penalty relief.

Because the authority to disclose taxpayer information under the TIN matching program is limited to reportable payments subject to backup withholding under section 3406, taxpayers required to report information other than reportable payments subject to backup withholding are not eligible to participate in the TIN matching program. However, filers and the IRS would benefit if TIN matching were made available to Reporting Agents that are bulk filers. The capability to perform TIN matching already exists within the IRS's infrastructure; the barrier to broader participation is statutory and regulatory, not technical. ETAAC recommends that Congress enact legislation to expressly authorize the IRS to extend TIN matching capabilities to Reporting Agents – this would reduce filing errors, decrease penalty

assessments, and improve the accuracy of employment tax records. Such expansion should explicitly include employer EIN validation and not be limited to payee-based matching frameworks. Future enforcement of EIN/name validation requirements should be contingent on the availability of real-time, IRS-supported validation tools accessible to Reporting Agents.

### **Create Online Accounts for Reporting Agents**

The IRS currently offers online account access to individual taxpayers and, more recently, to tax professionals through the TaxPro online account. However, Reporting Agents—who collectively file and remit employment taxes on behalf of millions of American employers—do not have access to a dedicated online account equivalent. Without such access, Reporting Agents are forced to rely on telephone calls to the IRS for basic account inquiries, authorization status checks, and routine correspondence. The IRS should develop and deploy an online account portal specifically designed for Reporting Agents, enabling them to view client authorizations, monitor filing and payment statuses, receive electronic notices, and manage their interactions with the IRS in a secure, self-service environment.

This platform should support bulk client management across large portfolios of EINs, include role-based access aligned to Form 8655 authority, and provide near real-time data visibility rather than delayed transcript-based information. The platform should also incorporate full lifecycle management of Form 8655 Reporting Agent Authorization, including electronic submission, approval, revocation, bulk processing, and status tracking, eliminating current paper-based limitations and restricted access for e-filing.

This effort is not without precedent or a starting point. In the fall of 2024, the IRS presented a detailed roadmap to industry stakeholders outlining a phased delivery of Reporting Agent e-services capabilities. Features planned for delivery as of November 2024 included digital Form 8655/Reporting Agent Authorization submission and approval, the ability to view or revoke active authorizations, bulk management of authorizations, EIN validation capabilities, the ability to view taxpayer notices, and payment workflows designed to replace the legacy EFTPS batch software. Had the IRS continued executing this roadmap, the agency would be significantly closer to a digital-by-default interaction model for Reporting Agents. While this roadmap does not encompass all features that industry ultimately needs, it would establish a scalable foundation upon which additional capabilities could be built. ETAAC strongly encourages the IRS to recommit to this roadmap and to accelerate delivery of the planned features. An online account for Reporting Agents would significantly reduce call volume, improve response times, and bring the IRS's service capabilities in line with modern expectations.

### **Build Account Resolution Capabilities**

When filing and payment discrepancies arise—such as penalty notices, misapplied payments, or balance-due inquiries—Reporting Agents currently have no online mechanism to research or resolve these issues on behalf of their clients. Instead, they must navigate the IRS's general telephone lines, often experiencing lengthy hold times and multiple transfers before reaching an agent who can assist with employment tax matters. The IRS should build robust online account resolution tools that allow Reporting Agents to view detailed account transcripts, submit penalty abatement requests, initiate payment transfers, and correspond electronically with the IRS to resolve discrepancies. These tools should include digital submission and tracking of requests (e.g. credit transfers, abatements, tracers), status visibility, and the ability to upload supporting documentation tied to specific tax periods and modules. Providing these capabilities would not only reduce the burden on IRS phone lines but would also accelerate issue resolution, reduce the accrual of unnecessary penalties and interest, and improve the overall experience for the small businesses that Reporting Agents serve.

### **Provide Access to the Cloud-Based Bulk EFTPS Platform**

The IRS's Electronic Federal Tax Payment System remains a cornerstone of federal tax collection, yet its current infrastructure creates an unnecessary two-tier system among the nation's largest payroll providers. While some high-volume remitters have been granted access to the cloud-based bulk EFTPS platform, others processing comparable

volumes are still relegated to the legacy EFTPS batch software, a locally installed system that lacks the reliability, scalability, and real-time processing capabilities that modern payroll operations demand. For providers remitting billions of dollars in federal employment taxes on behalf of hundreds of thousands of American businesses, the batch software introduces avoidable operational risk, loss of critical data such as EFTPS enrollment status, increased use of FedWires for payroll tax deposits, and increased potential for processing failures that can cascade into penalties for the very small businesses these providers serve.

The IRS should provide equitable access to the cloud-based bulk EFTPS platform for all qualifying high-volume Reporting Agents based on transparent, objective criteria. In addition, the IRS should establish a clear timeline for retiring the legacy batch software and invest in modernizing the EFTPS infrastructure to support real-time payment confirmation, improved error handling, and seamless integration with payroll systems.

### **Allow Reporting Agents to Pull Transcripts in Bulk and Access Return Transcripts**

Reporting Agents frequently need to obtain tax account transcripts and return transcripts to verify filing statuses, confirm payments, and resolve client account issues. Under the current system, Reporting Agents must request transcripts individually through the IRS's existing e-services platform or by calling the IRS directly, a process that is time-consuming and wholly impractical for firms managing thousands or tens of thousands of employer clients. The IRS should expand its transcript delivery capabilities to allow Reporting Agents to pull transcripts in bulk and to access return transcripts electronically. Enabling bulk transcript retrieval would dramatically reduce the administrative burden on both Reporting Agents and the IRS, improve the speed and accuracy of account resolution, and allow payroll providers to proactively identify and address discrepancies before they escalate into costly notices and penalties. This capability should include API-enabled bulk retrieval, access to return transcripts, and event-driven updates when account activity occurs (e.g., new transaction codes or notices issued).

### **Prioritize APIs Between Payroll Providers and the IRS**

As the IRS continues to modernize its technology infrastructure, it should prioritize the development of Application Programming Interfaces (APIs) that enable secure, real-time data exchange between payroll providers and the IRS. Currently, interactions between payroll systems and the IRS are largely dependent on batch file transmissions, manual processes, and legacy protocols that introduce delays and increase the risk of errors. Modern APIs would allow payroll providers to submit filings, confirm payment receipt, validate taxpayer information, check authorization statuses, and retrieve account data programmatically and in real-time.

APIs should be designed to support high-volume, real-time processing and aligned with Reporting Agent authorization frameworks (Form 8655), rather than individual taxpayer authentication models.

The development of open, well-documented APIs would not only improve operational efficiency for the IRS and payroll providers alike, but would also strengthen data security, reduce processing errors, and create a foundation for continued innovation in tax administration. ETAAC encourages the IRS to engage directly with the payroll provider community in the design and testing of these APIs to ensure they meet the practical needs of high-volume filers. This capability should include API-enabled bulk retrieval, access to return transcripts, and event-driven updates when account activity occurs (e.g., new transaction codes or notices issued).

Enabling bulk transcript retrieval would dramatically reduce the administrative burden on both Reporting Agents and the IRS, improve the speed and accuracy of account resolution, and allow payroll providers to proactively identify and address discrepancies before they escalate into costly notices, penalties, and interest.

## **Recommendation 15: IRS should utilize artificial intelligence to develop robust identity theft fraud filters and allow tax professionals to verify the identity of taxpayers to expedite the release of refunds held by the IRS due to identity theft.**

The existing IRS systems for identifying fraudulently filed returns are outdated and burdensome for both the IRS and taxpayers. The fraud detection systems frequently have false positives and long backlogs for resolution. Fraud prevention, detection, and resolution can be improved by allowing credentialed vetted tax professionals to assist in verifying the identity of taxpayers, thereby promoting efficiency, increasing security, and improving taxpayer service.

### **Tax Refund Fraud Causes Harm to the Tax Ecosystem and Remains a Serious Issue**

Fraudulent tax refunds cause serious harm to the U.S. Government and taxpayers and continue to be a growing issue with the rise of identity theft, especially in the new digital era. Bad actors may, for example, use stolen identities of unknowing taxpayers to file fraudulent tax returns and claim bogus tax refunds, which forces the IRS to make a determination for every tax return accepted whether there is a risk for fraud. When a fraudulent tax return is accepted, and the victim separately files a legitimate tax return, the IRS would then be presented with the separate challenge of determining which tax return is legitimate, and what to do if the bogus tax refund was already issued to the bad actor.

### **The Existing IRS System for Catching Potential Refund Fraud Cases Has a High False Positive Rate**

Under current operating procedures, the IRS tries to proactively prevent the issuance of tax refunds if the IRS believes there is a high risk of identity theft tax refund fraud (IDTTFR). To make the determination, the IRS programs its systems to rely on a pre-determined set of rules and criteria. However, about 54% of the cases caught by this system are later determined to be false positives, affecting nearly 1.3 million tax returns, as reported by the National Taxpayer Advocate. Conversely, if IRS fraud filters do not catch a fraudulent tax return filed by identity thieves (a false negative), the IRS has a separate identity theft victim assistance (IDTVA) process for rectifying the fraudulently filed tax return.

### **The IRS Currently Takes 2 Years to Release Tax Refunds Held Due to IDTVA Cases**

The Return Integrity and Compliance Service (RICS) organization within the IRS handles all cases of suspected and confirmed cases of identity theft refund fraud. For IDTVA cases, specialized IRS employees within RICS often resolve the issue within 30-40 days once they are assigned to a case. However, due to the massive backlog of cases, taxpayers may have to wait upwards of 2 years for an employee to be assigned to their case. Per the National Taxpayer Advocate, the average time the IRS took to resolve these cases and release tax refunds was 676 days as of fiscal year 2024. For high-risk cases caught by fraud filters, the refund may be held for several months or over a year while the taxpayer waits to receive the IRS notice informing them of the next steps. Sometimes, the taxpayer may be required to visit an IRS Taxpayer Assistance Center in person to verify their identity, which poses a burden on affected taxpayers.

### **Long Processing Time and a High False Positive Rate Cause Undue Burden on Low-Income Taxpayers**

Low-income taxpayers are disproportionately affected by identity theft and are more likely to be flagged by IRS systems for potential identity theft. Identity theft victim assistance (IDTVA) case processing delay was highlighted as one of the Most Serious Problems Encountered by Taxpayers in the National Taxpayer Advocate 2024 Annual Report to Congress. These two factors combined cause undue hardship on low-income taxpayers, who may be relying on their tax refunds to pay for daily essentials or large household expenses.

While the 2019 Taxpayer First Act required the IRS to implement changes to IDTVA case processing to reduce taxpayer burden and resolution timeframe when handling identity theft cases, recent National Taxpayer Advocate reports have shown that there is still room for improvement in reducing resolution time and false positive rates.

## **The IRS Should Allow Credentialed Tax Professionals Who Have Completed Forensic Training to Verify the Identity of Taxpayers Whose Refunds Are Held Under IRS Identity Theft Protocols**

Tax professionals are already entrusted by the IRS with handling various aspects of tax administration that involve taxpayer identification. For example, tax professionals with valid Powers of Attorney can sign tax returns on behalf of taxpayers who are abroad or incapacitated under 26 C.F.R. § 1.6012-1(a)(5).

In another example, ITIN applicants who typically need to mail their passports to the IRS to verify their identity can instead visit a local tax professional who has undergone forensic training and entered into an agreement with the IRS to become a Certifying Acceptance Agent (CAA), expediting the ITIN issuance process for both the taxpayer and the IRS. By extending similar authority to trusted and trained tax professionals to verify the identity of taxpayers caught by IRS fraud filters or involved in IDTVA cases, the IRS can quickly release refunds for the majority of cases, and more efficiently and confidently process complex cases. The IRS should consider utilizing the secure document upload tool (authenticated via IRS Tax Pro account) to allow participating tax professionals to share the identification documents they verify for taxpayers. In the spirit of proactiveness, the IRS may consider extending the program by allowing these tax professionals to preemptively verify taxpayer identity at the time of e-filing so these taxpayers can bypass some or all the fraud filters.

The IRS may consider piloting this program by working with existing Certifying Acceptance Agents (CAAs), especially those affiliated with IRS VITA sites that prepare tax returns for low-income taxpayers. While it's important for the IRS to vet tax professionals participating in this proposed program, it's equally important to make the application and training process as simple and low-cost as possible to promote widespread adoption and minimize fees charged to taxpayers.

## **The IRS Should Consider Utilizing Artificial Intelligence to Develop a More Robust Fraud Filter and Reduce False Positive Rates**

The existing rule-based fraud filter is outdated by today's technology standards and could be improved substantially with the use of reinforcement learning (a form of artificial intelligence). Reinforcement learning will allow IRS systems to dynamically adjust to new fraud schemes and reduce the existing false positive rate that currently burdens low-income taxpayers.

By leveraging the assistance of hundreds of thousands of trusted tax professionals nationwide, the IRS can resolve high-risk and IDTVA cases more efficiently. A more efficient and streamlined identity verification process will provide much-needed relief to vulnerable low-income taxpayers. The IRS will also benefit from having in-person identification verification performed by community-based tax professionals that the IRS currently is unable to perform at scale on its own. Enabling tax professionals to help the IRS reduce the high-risk and IDTVA case backlog will minimize the impact on low-income taxpayers while balancing the need for proactive refund fraud prevention—a win-win for both the taxpayers and the IRS.

Additionally, utilizing new technologies, such as reinforcement learning, will help reduce the existing false-positive rate for IRS fraud filters. A lower false positive rate results in fewer cases for the IRS to process, further easing the burden on both the IRS and taxpayers.

## Recommendation 16: The IRS should enhance transparency in tax return processing and tax issue resolution.

ETAAC recommends the IRS enhance transparency in tax return processing and tax issue resolution.

While the IRS has made strides in recent years to provide more transparency through self-service tools to taxpayers, there are still gaps where the process (or processing) remains a mystery to the taxpayer. The lack of transparency extends to authorized third parties, such as tax professionals and tax software providers, who have even less access via self-service tools to learn about a taxpayer's return and what steps are required by the taxpayer before the return will be processed and the tax refund (if requested) released. In many cases, a taxpayer or their duly authorized third-party representative must still call the IRS and spend extensive time trying to get this information.

As recently noted by the Taxpayer Advocate, this lack of transparency causes problems for taxpayers in many areas, including difficulty accessing specific information about their tax refunds, return processing delays, and, further down the processing line, their IRS notice, letter or case before the IRS.<sup>34</sup> This lack of transparency frustrates taxpayers and, in some cases, erodes taxpayer trust and confidence in the IRS which undermines voluntary compliance with their federal tax obligations.<sup>35</sup>

ETAAC recommends the IRS enhance transparency in three specific ways:

1. The IRS should enhance its self-service tools (e.g., Where's My Refund, IRS Online Accounts) to improve the transparency of tax return processing statuses for taxpayers with a refund, balance due, or refund offset.
2. The IRS should expand digital notices and the Document Upload Tool pilot to modernize and enhance transparency in the post-filing compliance process.
3. The IRS should develop and deploy a public facing dashboard that is regularly updated with expected wait times for customer support lines, estimated processing timelines for individual and business tax returns and estimated timelines for taxpayers to receive their tax refund.

### Provide Greater Transparency into Return Processing

Millions of calls are generated to the IRS, State Departments of Revenue, software service providers, tax practitioners, the National Taxpayer Advocate, and even Congressional offices every year just to ask the question, "Where's My Return?"<sup>36</sup> This is a topic ETAAC has written on for the last several years, and taxpayers continue to struggle to obtain detailed information on the processing of their tax return, the release of their refund and any post-filing issues they may have with the IRS. This lack of transparency is less impactful when a taxpayer follows the happy path.

The process that exists today works just fine for a taxpayer who successfully files a return electronically, experiences no hiccups in processing, and has their refund, if one is requested, deposited into their account within 21 days (about 3 weeks) of filing. The primary existing tool a taxpayer in this scenario would use to check status, the Where's My Refund tool, likely provides them ample information to track the process to a sufficient level of detail. However, if a taxpayer's return encounters a hiccup in processing, Where's My Refund often falls short. This is particularly the case in situations where the taxpayer must take some action before their return is fully processed.

The information currently available through the IRS Where's My Refund tools include:

- High-level processing status,
- Refund date,
- High-level offset and math error information,
- Contact information for further questions, and

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<sup>34</sup> The Taxpayer Advocate's 2022 Annual Report to Congress, Most Serious Problem #7, page 117, at: [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22\\_MSP\\_07\\_Transparency.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_07_Transparency.pdf).

<sup>35</sup> Ibid, page 117.

<sup>36</sup> ETAAC's 2022 Annual Report to Congress, page 16, at: <https://www.irs.gov/pub/irs-pdf/p3415.pdf>.

- Helpful links for additional information.

The IRS recently enhanced the information available within the Where's My Refund tool to include information for the current tax year and two previous tax years and has made some modifications to information related to certain math errors.<sup>37</sup> However, there is insufficient information available through this self-service tool in situations where further action may be needed by the taxpayer. In fact, the Where's My Refund tool now specifically tells taxpayers in these instances that they may be able to receive additional information by calling the IRS.<sup>38</sup> This undercuts the utility and cost savings of this self-service platform, results in additional, and costly, call volume to IRS's already strapped call center agents, and fails to empower the taxpayer to independently receive the information they need without jumping through hoops. To make matters worse, when the taxpayer calls the IRS, the IRS agent is not able to provide any further information beyond what is available through Where's My Refund.

ETAAC recommends that the IRS prioritize the development and release of a more holistic and detailed return tracking tool for taxpayers, including those who have a balance due. The Where's My Refund suite of tools gives easy access to basic return status information, and many taxpayers use it as a first step. However, if a return has any deviation from standard processing, the taxpayer does not have sufficient insight into what is happening without calling the IRS. ETAAC also recommends that this enhanced return tracking tool provides information for taxpayers who have a balance due.

### **Harness Community of Partners to Expand This Tool to Authorized Third Parties**

Taxpayers looking for more information on their tax return often do not start or finish with the IRS. More often, taxpayers contact their state revenue agency, tax professional, tax software provider or their financial institution. In most cases, these credible organizations do not have the information necessary to assist the taxpayer. Instead, they are left to refer the taxpayer to contact the IRS, thus leaving the taxpayer in an endless support loop without resolution.<sup>39</sup> The IRS should enable a process by which taxpayers can authorize secure sharing of this same tax return processing data to specific third parties, including the taxpayer's tax software and their tax professional. By leveraging third parties that nearly all taxpayers choose to work with for their tax preparation journey, the IRS will amplify the ability for taxpayers to have the information they need as these third parties will be able to proactively communicate status updates to taxpayers through a channel that may be more likely to use. To put it bluntly, taxpayers do not often engage with direct outreach from the IRS. At best, they seek assistance from a credible third party. At worst, they fully disregard it.

ETAAC recommends sharing third-party data in a manner that provides the third-party with the information needed to assist the taxpayer while ensuring it's properly utilized and protected. To ensure this information can be securely communicated to authorized third parties in a scalable and secure manner, the IRS should work with stakeholders to consider the development of an application programming interface (API) to allow third parties to pull the information from the IRS in a secure and automated fashion once taxpayer consent has been obtained. In addition, the IRS should include this authorization process in the e-filing record, so taxpayers can grant this consent during the filing experience.

### **Provide Greater Transparency into Tax Notice and Other Account Issue Resolution**

When a taxpayer receives correspondence from the IRS that requires a response, traditionally the taxpayer, their tax professional or other third-party assistant need to paper mail any response and supporting documentation back to the IRS. In this situation, taxpayers are often left wondering whether their response was even received by the IRS or if more action was necessary on their part. While this still happens for certain notice streams, ETAAC commends the IRS for two recent initiatives that have modernized post-filing compliance for taxpayers:

- Uploading select notices and correspondence to the Taxpayer Online Account,<sup>40</sup> and
- Releasing the Document Upload Tool (DUT), which enables digital correspondence with the taxpayer by

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<sup>37</sup> IRS Information on Where's My Refund, at: <https://www.irs.gov/refunds/about-wheres-my-refund>.

<sup>38</sup> Tax Topic 152 – Refund Information, at: <https://www.irs.gov/taxtopics/tc152>.

<sup>39</sup> ETAAC's 2021 Annual Report to Congress, page 49, at: <https://www.irs.gov/pub/irs-prior/p3415--2021.pdf>.

<sup>40</sup> IRS Tax Tip 2022-105, July 12, 2022, at: <https://www.irs.gov/newsroom/irs-online-account-makes-it-easy-for-taxpayers-to-view-their-tax-info-anytime>.

providing a URL and a time-limited unique access code to a specific taxpayer so they can upload their response and supporting documentation to the IRS in response to specific notices.<sup>41</sup>

These two initiatives greatly enhance the ability of taxpayers to engage with the IRS digitally, reducing the cost and time delay associated with paper mailing. In the future, ETAAC recommends that the IRS:

- Expand the digital correspondence program to all notice and letter types and enable taxpayers with an authorization on file to receive these same notices in their Tax Pro Account.
- Expand the digital upload functionality to all notice types, specifically allowing taxpayers to respond to all notices digitally without having to use traditional mail channels. To get the full benefit of the financial investments that must be made to stand up this capability for all IRS notices, the IRS must expand this capability to tax professionals to upload responses and documentation on behalf of their clients.

ETAAC has held exciting discussions with IRS on plans to expand the usage of both digital notices and the DUT. To fully realize the benefits of these two innovations, ETAAC recommends that the IRS make immediate investments to further include tax professionals in this process. Over half of U.S. taxpayers rely upon a tax professional to handle their tax filings and any related IRS compliance efforts. The IRS must respect this taxpayer preference and extend these same capabilities to tax professionals to meet taxpayers' expectations and needs.

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<sup>41</sup> IRS Fact Sheet 2023-05, February 2023, at: <https://www.irs.gov/newsroom/irs-expands-secure-digital-correspondence-for-taxpayers>.

## Recommendation 17: The IRS should prioritize e-filing of 94X returns and enhancing duplicate 94X processing.

The IRS should work collaboratively with states and software providers to develop a long-term roadmap for payroll and information return modernization, leveraging its experience with MeF, to provide capabilities that allow seamless experience for all stakeholders using the systems.

### 94x Series Filing: Challenges and Recommendations

The 94x Series (Employer's Federal Tax Returns) represents the second-largest category of paper returns by volume. In calendar year 2021, over 17.5 million of these returns were filed on paper. While the push for electronic filing likely reduced the 56 million paper submissions seen in early 2022, many small employers without third-party vendors still rely on physical mail. This category, which includes Forms 940 and 941 for payroll and unemployment taxes—had a relatively low e-file adoption rate of approximately 55% in fiscal year 2020.

### The Paper-Process Problem

A significant hurdle is that all amendments to these returns must currently be filed on paper. This reliance on physical documents creates several systemic issues:

- **Payment Inefficiency:** When an employer files on paper, they are more likely to submit a paper check for convenience, often ignoring electronic payment instructions.
- **Processing Errors:** IRS agents frequently deal with missing forms or documents sorted in the incorrect order. This is particularly problematic when multiple 941-X corrections are filed for the same period, as the forms lack "version control" to indicate their proper sequence.
- **Data Mismatches:** While employers can electronically file a Form W-2c with the Social Security Administration (SSA), the corresponding 94x corrections must be mailed to the IRS. The resulting lag time between electronic SSA data and paper IRS data creates a heavy administrative burden.

### Impact of the Pandemic and the ERC

The lack of e-filing for amended returns became a crisis during the pandemic due to the Employee Retention Credit (ERC).

- **Retroactive Changes:** The ERC was enacted and expanded multiple times (March 2020, December 2020, and March 2021), with many changes applying retroactively.
- **Increased Volume:** These retroactive laws forced a massive number of employers to file amended paper returns.
- **Small Business Burden:** The resulting refund delays were significant, creating financial hardship for small businesses already struggling with revenue losses from pandemic restrictions.

### Recommendations

To modernize the system, reduce the burden on both the IRS and small businesses, and comply with IRS's zero paper initiatives, we suggest the following:

- Enhance the MeF System:** Like individual returns, payroll returns should fully utilize the Modernized e-File (MeF) system. The IRS should implement improvements that allow for PDF uploads and amended e-filing.
- Create a Portal for Small Businesses:** Similar to payroll service providers' ability to file payroll returns electronically, small businesses that do not use a payroll service or tax filing service, should have the ability to file their returns electronically.
- Implement Version Control:** The IRS should add features to the 94x series that allow employers to indicate the sequence of corrections, ensuring they are processed in the correct order.
- Adopt Electronic Signatures:** While the IRS has focused on e-signatures for individuals, it is time to expand this to employment tax returns. Secure technology currently exists to mitigate the IRS's security concerns.

## Recommendation 18: Congress and the IRS should allow electronic delivery of Forms W-2 to employees unless an employee specifically requests a paper version.

The IRS should build upon its current digital modernization initiatives by advancing a digital-first framework for electronically prepared tax documents and wage statements, including targeted reforms that appropriately limit taxpayer preference for paper when no technological barrier exists. These reforms should be paired with strengthened fraud prevention and identity verification safeguards.

Over the past several years, the IRS has significantly expanded digital services, including enhancements to Online Accounts, Secure Access Digital Identity standards, increased Identity Protection PIN (IP PIN) adoption, expanded e-filing mandates for businesses, and improved digital correspondence capabilities. These investments have reduced processing backlogs, accelerated refunds, improved accuracy, and strengthened fraud detection.

Despite this progress, employers are still facing requirements to provide paper forms unless an employee opts in to electronic form distribution. This continues to encourage taxpayers to file paper forms, and the IRS continues to process substantial volumes of paper filings and correspondence, creating avoidable costs, delayed processing, and increased fraud exposure.

### **Mandatory E-Filing for Electronically Prepared Returns**

Current regulations require specified tax return preparers to electronically file returns prepared using tax software. However, the continued allowance of Form 8948 (“Taxpayer chose to file on paper”) permits avoidance of the e-file requirement solely based on taxpayer preference.

ETAAC recommends:

- Eliminating the “taxpayer preference” exception where no technological or accessibility barrier exists.
- Requiring electronically prepared returns to be electronically filed unless:
  - The taxpayer lacks access to digital infrastructure;
  - A documented hardship exists;
  - The IRS system is unable to accept returns electronically.

When a return is prepared using professional software, the marginal burden of electronic filing is minimal compared to the significant administrative burden imposed by paper processing. A digital-first mandate would reduce processing costs, shorten refund timelines, improve data accuracy, enhance fraud detection analytics, and lower paper inventory volumes.

Taxpayer preference alone should not override systemic efficiency, cost control, and fraud prevention objectives where no barrier to electronic filing exists.

### **Electronic Delivery of Forms W-2 to Employees**

Paper Forms W-2 are frequently mailed to outdated addresses, increasing the risk of identity theft and refund fraud. Unlike physical mail, email addresses and secure digital portals generally remain associated with the individual rather than a physical location.

ETAAC recommends that the IRS, in coordination with Treasury and SSA, provide:

- Digital-First Wage Statement Delivery
  - Expand default electronic delivery of Forms W-2 through secure employer portals or IRS Online Account access.
  - Maintain paper delivery only upon affirmative opt-out by an employee.
  - Ensure compliance with electronic consent standards while simplifying employer implementation.

- Secure Access Authentication
  - Require strong identity verification, including multi-factor authentication consistent with SADI standards.
  - Encourage employers to adopt comparable identity-proofing standards.
- Validation Controls
  - Expand real-time address validation and change-of-address confirmation mechanisms.
  - Encourage IRS and SSA collaboration to reduce wage reporting mismatches.

Reducing paper W-2 distribution mitigates intercepted wage statements, early-season refund fraud, and stolen identity refund schemes fueled by compromised mail.

Specifically, ETAAC recommends that Treasury and the IRS revise the regulatory framework in Treas. Reg. § 31.6051-1(j) to allow electronic delivery of Forms W-2 by default, while requiring employers to provide a clear and simple mechanism for employees to request paper delivery at any time. If Treasury determines that regulatory change alone is insufficient, ETAAC recommends that Congress enact clarifying legislation to confirm that wage statements required under IRC § 6051 may be furnished electronically under a default-electronic, employee opt-out model, subject to appropriate taxpayer safeguards.

The IRS has made significant investments in modernization, digital identity protection, and fraud mitigation. To fully realize the return on those investments, ETAAC recommends moving from a 'digital option' model to a 'digital default' model for electronically prepared W-2 and wage statement distribution. Limiting paper where no barrier exists will reduce operational costs, increase processing efficiency, improve taxpayer service speed, strengthen fraud prevention, and protect taxpayers from identity theft risks associated with paper mail.

Taxpayer preference for paper, standing alone, should no longer outweigh the systemic burdens and fraud risks imposed by continued paper processing.

## Appendix: ETAAC Member Bios

**Amy Miller (Chair)** – Miller is a seasoned professional with over 15 years of experience in public policy, compliance, and advocacy. As the Senior Director of Government Affairs at ADP, she leverages her background as a CPA and former public accountant to develop and promote policies that support business growth and operational efficiency. Amy earned a B.S. in Accounting from Pennsylvania State University and a J.D. from the American University Washington College of Law.

**David Casey (Vice Chair)** – Casey was appointed Secretary of the Wisconsin Department of Revenue in April 2024. He previously served as deputy secretary of the department from 2019 to 2022. Casey has a bachelor's degree in economics from Grinnell College. Additionally, he holds a Master of Public Administration in public policy and management from Carnegie Mellon University.

**Jane Chou** – Chou is a tax consultant, tax professional, Chinese Mandarin interpreter and founder of CKYFS Inc. Chou belongs to the National Association of Tax Professionals. She is a U.S. Navy veteran who served as a military cryptologic technician interpretive. Chou holds a bachelor's degree in liberal arts from Regent College.

**Manuel Dominguez** – Dominguez is Program Manager, Agency and Industry Relations with The Tax Institute at H&R Block. He participates in the IRS Security Summit and the Identity Theft Tax Refund Fraud Information Sharing and Analysis Center. He is a co-lead for the Council for Electronic Revenue Communication Advancement's Digital Services working group. Dominguez holds a bachelor's degree in accounting from the University of Phoenix.

**Ronald Gilson** – Gilson is Product Owner for Caselle a division of Govineer Solutions in Provo, Utah. He has worked in the accounting software and services industry since 1997 in various capacities including software platform implementation, project development of new software platforms, and tax and payroll compliance, including file schema updates. He is experienced in payroll management and project administration, implementation of software systems, electronic file creation and customer account management. He has served in multiple board positions for Payroll Org and is currently an ambassador and co-chair of the association's Electronic Payments Subcommittee.

**Douglas Harding** – Harding is a tax corrections principal examiner at the Connecticut Department of Revenue Services, where he has been employed since 2013. Mr. Harding serves as the department's electronic filing coordinator, overseeing all aspects of the Modernized e-File (MeF) and Fed/State Employment (FSET) Programs, including schema development, internal testing, software vendor testing, and troubleshooting production issues. He has served on the Town of Ellington, CT's Board of Finance since 2014, and is currently the board's chairman.

**Richard Lavina** – Lavina is co-founder and CEO of Taxfyle. He is a certified public accountant and a member of the American Institute of Certified Public Accountants (AICPA) and Florida Institute of CPAs. He previously worked at PwC. Lavina holds a Master of Accountancy from Florida International University and Bachelor of Business Administration from the University of Miami.

**Carol Lew** – Lew is a partner of Stradling, Yocca, Carlson & Rauth, LLP in Newport Beach, Calif. She is a tax lawyer and has substantial experience with tax exempt bond audits and tax-exempt bond voluntary closing agreement program cases. She served as president of the National Association of Bond Lawyers from 2006-2007, and as chair of the American Bar Association's Tax-Exempt Financing Committee from 2001-2003. Ms. Lew has experience as bond counsel, underwriter's counsel, special tax counsel and borrower's counsel for various kinds of bond issues for state and local government and non-profits for the provision of public infrastructure, housing, charter schools, performing arts facilities, hospitals, museums and other types of facilities. She also has substantial experience with respect to green energy tax credits. She served as editor-in-chief of the Federal Taxation of Municipal Bonds from 2000-2001. Ms. Lew served on the Internal Revenue Service Advisory Council from 2019 to 2022 and was chair in 2022.

**Jack Mao** – Mao is an Enrolled Agent and the founder of Jack Mao Tax Services Corp, a boutique tax firm and software company in San Francisco, California, serving college students, immigrants, startups and HNW individuals. He is also the

founder of TaxFellows, a federally-funded Volunteer Income Tax Assistance organization serving low-income taxpayers in the San Francisco Bay Area in partnership with the IRS and Stanford University. Mao is a member of the National Association of Enrolled Agents and California Society of Enrolled Agents. Mao studied computer science at Stanford University.

**Jose Martinez** – Martinez is in private accounting practice and is the founder of J.A. Martinez Jr. Inc. He has over 25 years of experience as a tax accountant and has worked with a variety of accounting firms. Martinez is an Enrolled Agent. Martinez also serves as the Assistant Director of Wing Finance for the New Jersey Wing of the Civil Air Patrol – the U.S. Air Force Auxiliary. Martinez holds a bachelor’s degree in accounting from Rutgers University.

**Ryan Minnick** – Minnick is chief operating officer with the Federation of Tax Administrators (FTA) and a regular host of FTA’s podcast, FTA Tax Breaks. Minnick is also a speaker and writer on the topic of technology and its application in tax and revenue. He holds a Bachelor of Business Administration from the College of William and Mary.

**Amy Nowak** – Nowak is a senior attorney in tax law at Frost Law in Annapolis, Maryland. She received her Juris Doctor from Loyola University New Orleans College of Law and her Master of Laws in taxation from Boston University School of Law. During her time in law school, Nowak was a legal intern with the IRS Office of Chief Counsel.

**Graham O’Neill** – O’Neill has broad experience in IRS Volunteer Income Tax Assistance program management and tax credit program administration. O’Neill is the former Director of Partnerships & Virtual Tax Operations at the Campaign for Working Families, and former Administrator of Taxpayer Assistance & Credit Programs for the Philadelphia Department of Revenue. O’Neill holds a Bachelor of Arts in history from Dickinson College.

**Stephanie Plaza** – Plaza is senior lead product manager at Wolters Kluwer. She has worked in the tax software development and financial products industry for more than 12 years. During her tenure in the tax industry, Ms. Plaza has worked closely with The Council for Electronic Revenue Communication Advancement (CERCA) and more recently the American Coalition for Taxpayers Rights (ACTR). Through CERCA, she has worked closely with the IRS on taxpayer experience and digital services.

**Mark Steber** – Steber is chief tax officer with Jackson Hewitt Tax Service, where he serves as liaison to the IRS, states, and other government authorities. Mr. Steber has been an active participant in the IRS Security Summit since its founding in early 2015. He has been involved with the Summit’s Information Sharing, Authentication, Strategic Threat Assessment and Response, and Tax Pro working groups. Mr. Steber is active with various industry groups, including ACTR and CERCA. Prior to joining Jackson Hewitt, he was a tax partner with Ernst and Young LLP. Mr. Steber previously served on the ETAAC from 2017 to 2020.

**Kristine Willson** – Willson is Director of Global Payroll at Talkdesk, Inc. She has over three decades of payroll, benefits and accounting experience and is a Certified Payroll Professional. Willson has worked in payroll with a variety of industries including biotechnology, insurance, retail and healthcare. She is a member of PayrollOrg, where she is co-chair of the Electronic Payments Committee.



