



ELECTRONIC TAX ADMINISTRATION ADVISORY COMMITTEE

Electronic Tax Administration Advisory Committee (ETAAC) Virtual Public Meeting Wednesday, January 8, 2025, 12:30 p.m. Eastern MINUTES

Call to Order and Opening Remarks

The meeting was called to order by John Lipold, the Designated Federal Official for the ETAAC. He provided an overview of the committee's purpose, which is to offer public insight into its decision-making processes, ongoing issues, and recommendations. He explained that the ETAAC operates under the Federal Advisory Committee Act, is administered by the IRS, and reports to both Congress and the Commissioner of Internal Revenue. Public attendees were requested to remain muted.

Vernon Barnett, Chair and Alabama's Commissioner of Revenue, expressed his appreciation for leading the meeting. He summarized prior discussions, including a conversation with IRS Commissioner Danny Werfel regarding the department's strategic direction and key challenges. Additionally, he noted discussions with Terry Lemons, Chief of Communications & Liaison for the IRS, on the transition process and future expectations.

ETAAC Briefings and Subgroup Updates

Vernon Barnett provided a summary of recent IRS briefings, which included insights from an investigative unit, updates on the employee retention credit, and discussions on enhancing IRS efficiency through electronic administration. He emphasized the committee's focus on increasing efficiencies through electronic processes and expressed appreciation for the IRS's timely and transparent collaboration.

Amy Miller, Vice Chair, reiterated that the forthcoming updates from ETAAC members were informed by input from IRS representatives and committee working sessions. Vernon then introduced Carol Lew, chair of the legislative simplification subgroup. Carol reported that her subgroup was developing legislative recommendations for Congress, specifically addressing tax simplification in anticipation of the expiration of provisions from the Tax Cuts and Jobs Act. The draft first recommendation involved proposing guidelines for tax simplification.

Carol outlined further draft recommendations aimed at improving tax code stability and IRS operations. These recommendations focused on ensuring legislative clarity, minimizing expiring tax provisions, reducing complexity, and avoiding retroactive changes. Additional draft recommendations addressed IRS budgetary needs, advocating for adequate funding to enhance taxpayer services and retain IRA funds for ongoing improvements. Non-legislative draft recommendations included eliminating unnecessary filings, implementing paperless and automated processes, introducing electronic mechanisms for extensions and payments, and simplifying payment procedures for secondary tax filers and first-time filers.

Carol also discussed succession planning recommendations, specifically regarding the Business Services Online (BSO) platform. A key draft recommendation included enabling taxpayers and practitioners to access scanned copies of filed paper tax returns through their online accounts, alongside their tax transcripts.

IRS Modernization, Technology, and Identity Verification

Argi O'Leary, the chair of the state subgroup, presented draft recommendations related to IRS modernization efforts. These recommendations emphasized adequate funding for taxpayer services and the Taxpayer Advocate Service, alongside investments in technology enhancements such as artificial intelligence and master file modernization. The modernization of the master file system was identified as a critical priority for improving data-sharing efficiency with IRS partners.

Further draft recommendations addressed improving IRS identity verification procedures to facilitate secure access to services. The committee also highlighted the need for consistent IRS procedures across digital platforms to reduce taxpayer confusion and strengthen public trust. Additionally, draft recommendations regarding mandatory e-file business rules were introduced to improve clarity on rejection causes and resolution methods, ultimately reducing paper filings.

Other draft recommendations addressed concerns about "ghost preparers" by advocating for form enhancements and improved data collection to identify these issues within IRS systems. The committee also underscored the importance of enhancing data-sharing processes with state agencies to address inefficiencies caused by "unlinked returns," wherein states did not receive corresponding federal return data.

Application of Direct File Principles and Taxpayer Protections

The committee discussed the IRS's application of direct file principles within its services and the need for broader implementation of these best practices. A draft recommendation was introduced to address fraudulent tax schemes promoted through social media. The committee supported equipping the IRS with the necessary tools, technology, and training to combat these fraudulent activities, in alignment with a commissioner-led task force dedicated to this issue.

Additionally, the committee reviewed a preliminary recommendation aimed at reducing paper usage within the IRS. Given the substantial volume of mail processed by the agency, the committee sought to explore cost-effective strategies for decreasing paper reliance while preserving options for taxpayers who preferred non-digital methods.

Practitioner Subgroup Recommendations and Tax Policy Considerations

Mark Steber, the chair of the practitioner subcommittee, provided an overview of the organizational structure of ETAAC practitioner team and their draft recommendations. The teams worked in collaboration with government entities, the IRS, state tax administrations, and tax practitioners to formulate recommendations. This year's focus included key considerations within the tax preparation cycle.

Mark summarized past recommendations concerning IRS regulatory oversight, particularly regarding emerging tax preparation methods that utilized offshore resources, artificial intelligence, and hybrid approaches. The committee emphasized the need for increased guidance and regulatory oversight in these evolving areas.

The discussion then shifted to the expiration of the Tax Cuts and Jobs Act (TCJA) of 2017, set to sunset on December 31, 2025. Mark highlighted the extensive changes introduced by the TCJA, including adjustments to standard deductions, dependency rules, and tax brackets. He advised that Congress and the IRS carefully evaluate these changes, along with new legislative proposals, as they approached the 2025 deadline. Additionally, the committee examined forthcoming changes to the 1099-K disclosure thresholds and the introduction of the 1099-DA form for digital assets, both of which were set to take effect on January 1, 2025. Draft recommendations were provided to ensure the effective implementation of these new tax reporting rules.

The final draft recommendations are categorized into three key areas: improvements for taxpayers, tax practitioners, and tax administration. Recommendations aimed at tax practitioners primarily focused on technological advancements, including new digital tools and the expansion of existing IRS resources. The overarching objective was to modernize tax administration to benefit taxpayers, the IRS, state agencies, and private sector partners.

Mark noted that many recommendations remained under development, with ongoing work led by Chair Vernon Barnett and Vice Chair Amy Miller in coordination with the IRS.

Adjournment

Chair Vernon Barnett underscored the fluid nature of tax administration and stressed the importance of adapting recommendations to reflect emerging changes. He noted that the aggressive briefing schedule allowed for the timely incorporation of updates. The report would be formally presented at the June meeting and shared with both the IRS and the public. The committee emphasized its commitment to maintaining ongoing engagement and dialogue with the IRS to refine and implement its recommendations. Chair Barnett thanked all attendees for their participation and contributions. He then turned the floor over to John Lipold, who expressed appreciation for the committee's efforts and formally adjourned the meeting. The next public meeting was announced for Wednesday, March 19, with details to be published in the Federal Register and on the committee's website.

ETAAC Public Meeting attendees – January 8, 2025

ETAAC

Vernon Barnett, ETAAC Chair
Amy Miller, ETAAC Vice Chair
David Casey
Jane Chou
Manuel Dominguez
Jerry Gaddis
Ronald Gilson
Douglas Harding
Andrew Jennison
Richard Lavina
Carol Lew
Jack Mao
Jose Martinez
Ryan Minnick
Amy Nowak
Argi O'Leary
Graham O'Neill
RaeAnn Pilarski
Stephanie Plaza
Keith Richardson
Mark Steber
Kristine Willson

IRS

John Lipold, ETAAC DFO
Tanya Barbosa
Candice Haynes
Alec Johnston
Maritza Rabinowitz

Members of the Public who Registered to Attend

Shelly Abril
Rayna Alexander
Greg Franciscovich
Ali Lance
Rebecca Mobley
Megan Murphy
Michael Stewart