



## **ELECTRONIC TAX ADMINISTRATION ADVISORY COMMITTEE**

### **Electronic Tax Administration Advisory Committee (ETAAC) Virtual Public Meeting Agenda Wednesday, June 23, 2021 MINUTES**

The Electronic Tax Administration Advisory Committee (ETAAC) was held virtually via Zoom and called to order by Geno Salo, its Chairman shortly after 9:00 a.m. ET. Mr. Salo welcomed the public to the meeting. He provided opening acknowledgements, recognizing the work of the ETAAC volunteer committee members, as well as the work of the IRS employees and leaders who provided information requested by ETAAC to support its work. Mr. Salo then provided a summary of the mechanics of how the meeting would be run. Mr. Salo introduced Mel Hardy, Director, National Public Liaison, who also welcomed meeting participants. Mr. Hardy introduced the IRS Commissioner, Charles Rettig.

Commissioner Rettig thanked ETAAC for its work, acknowledging the importance of collaboration in continuing to improve service to taxpayers, and noted success of the Security Summit model of collaboration. Commissioner Rettig highlighted a number of IRS achievements since ETAAC's last report, and identified challenges that the IRS is working to address.

Mr. Salo then provided an overview of ETAAC's annual report, noting that the committee discussed several different topics before reaching its recommendations. He recognized that the pandemic placed a tremendous strain because of a chronic lack of adequate technology and staffing resources. When Congress instructed the IRS to get economic relief payments to citizens expeditiously, the IRS responded. The IRS raised the bar on how fast economic relief payments went out each time.

At the same time, the IRS continued ongoing operations, including return processing during two extended filing seasons. Paper-based work, as well as telephone-based services suffered during the pandemic, due to outdated IT technology and understaffing. To address these problems, Mr. Salo highlighted ETAAC's recommendation to fund the IRS's budget requests each year consistently and fully and to immediately fund the backlog of technology projects described in the IRS's Technology Modernization Plan. Mr. Salo also noted the pandemic impacts on underserved and non-digital populations, recognized Commissioner Rettig's efforts in that area, and encouraged continued vigilance.

Mr. Salo also commended the IRS on rolling out the latest iteration of its secure access tools, to be used first for the new monthly child tax credit program. The transparency envisioned with this program should be carried through to other areas, as ETAAC has recommended in this year's report. Similarly, ETAAC has a keen interest in protecting taxpayer data, and makes additional recommendations to protect taxpayer data. Mr. Salo noted that the IRS and the tax administration community have benefited from the collaborative efforts of the Security Summit public-private partnership.

Mr. Salo noted that ETAAC's recommendations can be generally categorized around IRS budget, modernization, and security. ETAAC's discussions were wide ranging, and came from diverse perspectives. Mr. Salo then introduced the first of five presenters to offer perspectives relevant to ETAAC's report and insights as to the current tax administration environment.

ETAAC member Timur Taluy provided a brief background of the Security Summit and its accomplishments since its inception in 2015. Mr. Taluy emphasized that the Security Summit model is built upon developing strong collaborative relationships between public (both federal and state) and private sectors that focus on the common interest of serving taxpayers. He thanked Commissioner Rettig for his continued support of the Security Summit, and recognized that the Security Summit's collaboration model was used to support

the IRS's rollout of EIP. Mr. Taluy emphasize the need for continued vigilance by the Security Summit participants because the threats are ever-evolving. Mr. Taluy noted a theme in ETAAC recommendations - transparency in the filing process – supports the Security Summit efforts by involving taxpayers and their trusted third parties to watch their accounts for fraud.

ETAAC member Larry Gray provided the tax practitioner perspective. Mr. Gray explained that practitioners are on the front line of communicating with their clients. During the pandemic, they were in a position of having to quickly learn significant law changes that were effective immediately, and in some cases retroactively. Practitioners also try to communicate the status of their clients returns when there are delays, which was more prevalent during the pandemic. Mr. Gray expressed admiration for Commissioner Rettig's focus on translating tax information into multiple different languages. He analogized this work to the need for the IRS to act as a translator for practitioners regarding cyber security. Mr. Gray described practitioners as knowledgeable in the tax profession, but often cybersecurity is a foreign language to them. Mr. Gray reiterated the need for adequate IRS funding, and emphasized the need to include the practitioner community in collaboration to serve and protect taxpayers.

ETAAC member John Kreger spoke about information reporting. Mr. Kreger reiterated that this past year operating through the pandemic has been a challenge for businesses and government agencies alike. He emphasized that the unprecedented shift to a primarily remote workforce has further highlighted the need for continued focus on technology solutions that make compliance with tax reporting obligations simpler, while also maintaining a high level of information security and data accuracy. Mr. Kreger commended the IRS on its focus on the taxpayer experience and welcomed the significant progress being made on various facets of the IRS Integrated Modernization Plan. He further highlighted the IRS's proactive engagement of stakeholders throughout its modernization work. IRS collaboration and engagement with states and the private sector is a theme that weaves through the ETAAC report. Mr. Kreger noted that collaboration and sharing of information are fundamental to ETAAC's recommendations regarding information returns and the 1099 Portal to reduce fraud.

ETAAC member Jenine Hallings provided perspectives from the payroll industry. Ms. Hallings discussed the pandemic-required changes to Form 941 during the year and the challenges with implementing the retroactive Employee Retention Tax Credit. Ms. Hallings commended the IRS for its collaborative work to disseminate information quickly to employers, using both public and private partnerships as force multipliers. She indicated the pandemic revealed gaps that were not otherwise readily apparent, and the gaps generally resulted from significant paper-based processes and outdated technology at the IRS.

ETAAC member Carlos Lopez provided perspectives from small business and new American populations. Mr. Lopez identified the complexity of the U.S. tax system as a hurdle for new business owners that can be easily overlooked when a business is started. Immigrant entrepreneurs also face a language barrier. Mr. Lopez noted that many new business owners may not be able to tell whether the practitioner that they hired is qualified, which ultimately creates problems for the business and the tax system as a whole. Mr. Lopez stressed that many businesses are continuing to struggle to recover from the economic effects of the pandemic, making the continued existence of the IRS's People First Initiative important.

Commissioner Rettig thanked the presenters for their remarks, and provided follow up comments. He then noted that the terms of several committee members were ending upon the delivery of ETAAC's report, namely: Geno Salo, Luanne Brown, Jenine Hallings, Lynne Riley, Cynthia Rowley and Matt Vickers. He thanked them for their service.

After a short break, Mr. Salo reconvened the meeting and turned discussion over to Vice-Chair Courtney Kay-Decker to begin the discussion of ETAAC's 2021 recommendations. Ms. Kay-Decker shared that the taxpayer experience was the overarching guiding principle for the 2021 recommendations. She noted that the IRS is culturally poised to make the tax filing process better for taxpayers. She emphasized that many of the recommendations involve technological improvements that may not obviously promote the taxpayer experience. The goal of each of these recommendations is to address the root cause of a problem, minimizing the need for a taxpayer to interact with the IRS, or making that interaction easier. Ms. Kay-Decker identified four key components of delivering a high-quality taxpayer experience:

- **Security.** The IRS must be able to ensure that the systems are secure and protect taxpayer information.

- **Funding.** Quality service must be consistently funded from year to year.
- **Seamlessness.** All components of tax administration - a public-private endeavor – must work together. The Security Summit is the model.
- **Trust.** Taxpayers need to know that their information, not just in the hands of the IRS or state revenue agencies, but also in the hands of their tax preparer, a software company, their financial institution, or payroll provider, is safe and not being shared or stolen.

ETAAC Vice-Chair Courtney Kay-Decker then introduced ETAAC subgroup lead Daniel Eubanks to provide the recommendations being made to Congress.

Mr. Eubanks began by outlining ETAAC's budget recommendation to Congress. Mr. Eubanks observed that over the years, the IRS budget has decreased while at the same time the IRS mission has expanded. Mr. Eubanks emphasized appropriate resources are necessary to bring the rest of ETAAC's recommendations to life. Mr. Eubanks expressed ETAAC's view that the biggest challenge facing the IRS is the lack of appropriate funding. ETAAC's budget recommendation includes the following components:

- Restructure the IRS's funding to eliminate appropriations categories.
- Predictably and fully fund the IRS's budget requests each year.
- Establish a pilot benefits-based funding tool that allows the IRS to retain a portion of defined amounts it collects for technology or staffing-related projects.
- Immediately fund the backlog of technology projects described in the IRS's Technology Modernization Plan.
- Ensure that inapplicable budgetary limitations do not impact IRS funding.

Mr. Eubanks then outlined ETAAC's second recommendation: to accelerate filing of Forms 1099-R and 1099-K with the IRS to allow the IRS and states to better detect tax refund fraud in a timely manner.

Filing subgroup lead Lynne Riley then presented an overview of ETAAC's review of the taxpayer experience during the pandemic and the challenges faced when tax administration relies on paper processing. Ms. Riley outlined ETAAC's recommendation that the 1099 Portal be capable of sharing information with states and other appropriate stakeholders in a timely manner. Ms. Riley commended the IRS for its collaborative efforts to date, and encouraged more in-depth collaboration on the administration and processing components of the portal. Ms. Riley then reported on ETAAC's recommendation that the IRS re-evaluate the returns used to establish the 80% e-filing target, and expand e-file capabilities.

Security Subgroup lead Eric Inkrott presented a summary of security-related recommendations to improve the taxpayer experience. Mr. Inkrott congratulated the IRS on its early rollout of nationwide access to the IP PIN tool which allows taxpayers to lock their tax return account. He then discussed ETAAC's recommendation that additional tools and education be implemented to authenticate as many taxpayers as possible, prior to filing their taxes, to further reduce the opportunity for false tax returns. He noted that the IRS's progress in modernizing secure access was commendable. Mr. Inkrott then explained ETAAC recommendation that the IRS explore existing taxpayer and tax preparer third-party partnerships to expand online taxpayer service options, enabling the tax industry to help answer and resolve any questions or concerns taxpayers may have, which would improve return status transparency. Mr. Inkrott then discussed the recommendations related to practitioners. He explained ETAAC's recommendations regarding additional security plan guidance and training, and the recommendation to implement tools to verify a practitioners EFIN credentials in real time. Mr. Inkrott identified the increased fraud related to unemployment claims and other pandemic programs as support for ETAAC's recommendation to increasing the data sharing abilities between the IRS and other federal and state agencies to combat stolen identity fraud.

After the recommendation summaries, Ms. Kay-Decker wrapped up the recommendations section of the meeting and asked for feedback from the IRS representatives. Mike Beebe, Director of Return Integrity and Compliance Services, Mel Hardy and Commissioner Rettig provided brief comments thanking the committee and taking the recommendations under advisement. Mr. Salo concluded the meeting by thanking participants and reminding participants that any questions should be directed to the national public liaison office for forwarding to ETAAC.

The meeting was adjourned at approximately 11:30 a.m. ET.