

1 THE INTERNAL REVENUE SERVICE ADVISORY COUNCIL (IRSAC)

2 PUBLIC MEETING

3

4 Wednesday, November 15, 2017

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7 The Marriott Wardman Park Hotel

8 The Wilson Room

9 2660 Woodley Park Road, N.W.

10 Washington, D.C. 20008

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16 The above titled meeting was called to order at

17 9:00 a.m.

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19 Chair:

20 Timothy McCormally

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1 COMMITTEE MEMBERS IN ATTENDANCE

2 Timothy McCormally
3 IRSAC Chair
4 Washington, DC

5
6 Dennis Ventry
7 IRSAC Vice Chair
8 Davis, CA

9
10 Patricia Atwood
11 OPR Subgroup
12 Chicago, IL

13
14 Brenda Bianculli
15 Digital Services Subgroup
16 Charlton, MA

17
18 Eunkyong Choi
19 SBSE/W&I Subgroup
20 New York, NY

21
22 Thomas Cullinan
23 Chair, LB&I Subgroup
24 Atlanta, GA

25
26 Estarre Fischer
27 LB&I Subgroup
28 Everett, WA

29
30 Neil Fishman
31 SBSE/W&I Subgroup
32 Boynton Beach, FL

33
34 Sharyn Fisk
35 SBSE/W&I Subgroup
36 Pomona, CA

37
38 Kathy Hettick
39 OPR Subgroup
40 Enumclaw, WA

41
42 Stuart Hurwitz
43 LB&I Subgroup

1 San Diego, CA
2
3 Sheldon Kay
4 OPR Subgroup
5 Atlanta, GA
6
7 Phyllis Jo Kubey
8 SBSE/W&I Subgroup
9 New York, NY
10
11 John McDermott
12 Chair, SB/W&I Subgroup
13 Baton Rouge, LA
14
15 Shawn O'Brien
16 LB&I Subgroup
17 Houston, TX
18
19 Walter Pagano
20 Chair, OPR Subgroup
21 New York, NY
22
23 Donald Read
24 OPR Subgroup
25 Berkeley, CA
26
27 Kevin Richards
28 Digital Services Subgroup
29 Springfield, IL
30
31 Stephanie Salavejus
32 Chair, Digital Services Subgroup
33 Newport News, VA
34
35 Dave Thompson, Jr
36 LB&I Subgroup
37 Montgomery, AL
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1 IRS ATTENDEES:
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3 Kirsten Wielobob
4 Deputy Commissioner, Services & Enforcement
5
6 Terry Lemons,
7 Chief, Communications & Liaison
8
9 Melvin Hardy
10 Director, IRS National Public Liaison
11
12 John Lipold
13 IRSAC Designated Federal Official
14 Branch Chief, IRS National Public Liaison
15
16 Steve Whitlock
17 Director, Office of Professional Responsibility
18
19 Ken Corbin
20 Commissioner, Wage & Investment
21
22 Tamera Ripperda
23 Deputy Commissioner, Small Business/Self-Employed
24
25 Paul Mamo
26 Director, Online Services
27
28 Thomas Kane
29 Acting Deputy Commissioner, Large Business &
30 International
31
32 Anna Millikan
33 IRSAC Program Manager, IRS National Public Liaison
34
35 Maria Jaramillo
36 IRS National Public Liaison
37
38 Brian Ward
39 IRS National Public Liaison
40
41 Tina Briscoe
42 IRS National Public Liaison
43
44 Darlene Frank

1 IRS National Public Liaison
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3 Tonjua Menefee
4 IRS National Public Liaison
5
6 Cumbuka Ortez
7 IRS National Public Liaison
8
9 Rose Smith
10 IRS Online Services
11
12 Johnnie Beale
13 IRS Wage & Investment
14
15 Holly Paz
16 IRS Large Business & International
17
18 Shawn Hooks
19 IRS Large Business & International
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24 PUBLIC ATTENDEES:
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26 John Ams
27 National Society of Accountants
28
29 Larry Gray
30 National Association of Tax Professionals
31
32 Robert Kerr
33
34 Alice Jacobsohn
35 American Payroll Association
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37 Jennifer MacMillan, EA
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39 Jyme Mariani
40 American Payroll Association
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42 Randy Riggs
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44 John Russell

1 American Society of Appraisers
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P R O C E E D I N G S

MR. HARDY: So, good morning. My name is Melvin Hardy. I am the director of National Public Liaison, and I want to welcome each and every one of you to this 2017 IRSAC Public Meeting here. And we are very excited to have several of the BOD commissioners here, and we will have the Deputy Commissioner, Kirsten Weilobob, she'll be here a little later.

So, without further ado, since we do have a very tight schedule, I'm going to ask my boss, Terry Lemons, to give a few words, and then we'll turn it over to our current chair, Timothy McCormally.

MR. LEMONS: Good morning, everyone. Thanks for joining us. I'm going to keep my remarks really, really short. For me, a foundational component of having a strong tax administration in this country is having strong support from the tax community. The IRS can't run the tax system by itself. Groups like IRSAC and your hard work and dedication are critical to us. We get valuable feedback from your work.

And, you know, just on behalf of NPL, and our organization, and the rest of the IRS, we just

1 appreciate you guys, your time, your dedication. Your
2 insight really is just invaluable to us, and we really
3 appreciate you doing it. You guys make a difference,
4 and throughout the history of IRSAC, you've made a huge
5 difference for tax administration. So, appreciate it,
6 and we look forward to the report today.

7 MR. MCCORMALLY: Good morning, everyone. I'm
8 Timothy McCormally. I've had the pleasure the last
9 four years of being a member of the IRS Advisory
10 Council, and this past year to serve as chair. I
11 welcome you all. Following up on Mel's and Terry's
12 comments, I think that it's important to note that
13 IRSAC has been a continuing partner with the IRS for
14 almost 65 years, formed in 1953. And we hope that's
15 not just a sign of inertia, but the fact that we are a
16 contributor and collaborator in the good sense of the
17 word in the service of the tax administration.

18 And with that, I would ask Dennis if he wants to
19 make any welcoming remarks, and then suggest we just go
20 around the room and everyone can introduce themselves,
21 and we'll get into the body of the report.

22 DR. VENTRY: I'm Dennis Ventry, the vice chair of

1 IRSAC and member of the subgroup, Office of
2 Professional Responsibility. Welcome.

3 MR. LIPOLD: Good morning, everybody. John
4 Lipold. I'm the so-called Designated Federal Official
5 for the IRSAC, and I work with Mel Hardy and National
6 Public Liaison.

7 MS. RIPPERDA: Thanks, John. Hi, I'm Tammy
8 Ripperda. I'm the current Deputy Commissioner of Small
9 Business/Self-Employed. Happy to be here.

10 MR. CORBIN: Good morning. I'm Ken Corbin. I'm
11 the Commissioner of Wage and Investment.

12 MR. MAMO: Good morning, everybody. Paul Mamo.
13 I'm the Director of Online Services.

14 MR. CULLINAN: Good morning, everyone. My name is
15 Tom Cullinan. I'm a partner with Eversheds Sutherland
16 in Atlanta, Georgia. I focus my practice on tax
17 controversy work, and I chair with the LB&I Subgroup.

18 DR. THOMPSON: Good morning. My name is Dave
19 Thompson. I'm an IRSAC member.

20 MS. FISCHER: Hi, I'm Star Fischer. I'm a partner
21 with Moss Adams in Seattle, Washington, and I'm on the
22 LB&I Subgroup.

1 MR. O'BRIEN: Good morning. I'm Shawn O'Brien.
2 I'm a partner with Mayer Brown in Houston, and I'm on
3 the LB&I Subgroup.

4 MR. HURWITZ: Hi, my name is Stuart Hurwitz. I'm
5 a tax practitioner in San Diego. I have an office
6 called CPA & Law Offices, and I specialize in whatever
7 walks in the door.

8 (Laughter.)

9 MR. KAY: Hi, my name is Sheldon Kay. I'm a
10 partner in charge of Washington National Tax for firm
11 Crowe Horwath. And I'm on the OPR Committee.

12 MS. HETTICK: Good morning. I'm Kathy Hettick.
13 I'm an enrolled agent. I have a small practice in
14 Enumclaw, Washington, outside of Seattle, and I am
15 currently serving on the OPR Subgroup.

16 MR. READ: My name is Don Read. I'm a tax
17 attorney in Berkeley and tax counsel to Lakin Spears in
18 Palo Alto, and I'm on the OPR Subgroup.

19 MR. PAGANO: Good morning, everyone. My name is
20 Walter Pagano. I'm a tax partner at EisnerAmper LLP in
21 New York City, and I'm also the tax controversy
22 practice leader, and currently for this year, I am

1 chair of the Office of Professional Responsibility
2 Subgroup. Thank you very much.

3 MS. ATWOOD: And I'm also on the OPR Subgroup. My
4 name is Patricia Atwood. I'm a personal property
5 appraiser in the Chicago area.

6 MS. BIANCULLI: My name is Brenda Bianculli. I'm
7 a CPA from Charlton, Massachusetts, and I'm on the
8 Digital Service Subgroup.

9 MR. RICHARDS: Good morning. I'm Kevin Richards
10 with the Illinois Department of Revenue, and I'm a
11 member of the Digital Services Subgroup.

12 MS. SALAVEJUS: Good morning. My name is
13 Stephanie Salavejus. I am chair of the Digital
14 Services Subgroup, and our organization specializes in
15 payroll compliance and taxation.

16 MS. KUBEY: Good morning. My name is Phyllis Jo
17 Kubey. I'm an enrolled agent with my own practice in
18 New York City, serving mostly complex individual
19 returns. And I am on the Small Business/Self-Employed
20 and Wage and Investment Subcommittee.

21 MR. MCDERMOTT: Good morning. I'm John McDermott.
22 I'm an attorney and CPA from Baton Rouge, Louisiana,

1 with the Law Firm of Taylor, Porter, Brooks & Phillips.

2 And this year I've had the privilege of being the
3 chairman of the SBSE and W&I Subgroup.

4 MS. FISK: Good morning. My name is Sharyn Fisk.

5 I'm an accounting professor at Cal Poly Pomona, and
6 I'm on the SBSE and W&I Subgroup.

7 MR. FISHMAN: Good morning, Neil Fishman. I am a
8 CPA among other credentials. I am the principal in
9 Fishman Associates, a full-service CPA firm based in
10 Boynton Beach, Florida.

11 MS. CHOI: Good morning. My name is Eunkyong
12 Choi. I'm the New York City taxpayer advocate with New
13 York City Department of Finance, and I am a member of
14 SBSE and W&I.

15 MR. KANE: I'm Tom Kane. I'm the Acting Deputy
16 Commissioner for Large Business and International.

17 MR. WHITLOCK: I'm Steve Whitlock, the Director of
18 the Office of Professional Responsibility.

19 MR. MCCORMALLY: Thank you, everyone, and again,
20 welcome. We're going to move first into reports from
21 our various subgroups, then some dialogue between
22 members of the subgroup and our counterparts at the

1 IRS. We'll begin with the Large Business and
2 International Subgroup, and Tom Kane who is the acting
3 deputy commissioner. And I'm going to ask Tom Cullinan
4 to start our conversation.

5 MR. CULLINAN: Thanks, Tim. Good morning, again,
6 everybody. Happy to be here. It's been a good year
7 for IRSAC and a great year for the LB&I Subgroup. We'd
8 really like to thank Commissioner O'Donnell. I
9 understand that he can't be here, but we ask Tom Kane
10 to pass along our thanks to him and to the rest of the
11 leadership.

12 It's been a really good year. There's been some
13 great dialogue, some great back and forth. They've
14 been receptive to what we've had to say. Believe me,
15 they didn't agree with all of it, but they agreed with
16 some of it, and I think we done some good, so it's been
17 a good year.

18 We covered three issues in our report. We're
19 going to go into all three of them here. The first
20 issue has to do with what is called the LEP, which is
21 an acronym for the Large Business and International
22 Examination Plan. And this is a new framework that is

1 going to govern, or has governed for the last two
2 years, how LB&I audits the country's largest taxpayers
3 that are within its jurisdiction.

4 The second issue that we're going to cover is what
5 are called campaigns. This is a new model for LB&I.
6 Historically, LB&I would audit its taxpayers using an
7 enterprise-based approach, meaning that it would look
8 at the entire return. It's starting to move away from
9 that approach. It hasn't moved far away from it yet.
10 It's just starting to. But the campaigns use an issue-
11 based focus where they're looking at particular issues
12 that have significant risk of noncompliance. And so,
13 they're looking at these issues, and it's much more
14 focused, much more targeted, and it's also different in
15 the sense that they are trying to come up with
16 alternative treatment streams so that an audit isn't
17 the answer to everything. Shawn O'Brien is going to
18 speak about campaigns when we get there.

19 And then the last issue we looked at was Schedule
20 UTP. Schedule UTP has been around for several years.
21 UTP stands for uncertain tax positions, and this
22 schedule, which is filed by the country's largest

1 taxpayers with their returns, is, as it sounds, a
2 schedule of their uncertain tax positions.

3 There have been issues with Schedule UTP from the
4 day it was first promulgated. There was a lot of
5 pushback from taxpayers. There were discussions
6 between taxpayers and the IRS about what that form
7 should look like, how much detail it should ask for.
8 And in today's environment, there are questions about
9 whether it's working as it was originally intended.
10 Star Fischer is going to talk about Schedule UTP when
11 we get there.

12 But I'm going to start with the first issue, which
13 is LEP. We looked at three issues within the LEP
14 framework. The first is how do you determine whether
15 it's working. It's a new process, and LB&I is really
16 trying to be efficient and effective. Obviously, we're
17 in days of everybody having fewer resources and they
18 need to do more with the resources they have. So, with
19 this new framework, the question is how do they
20 determine that it's really being effective and
21 efficient?

22 So, we've suggested a variety of measures, or

1 metrics, for them to assess how they're doing -- both
2 qualitative and quantitative. For example,
3 quantitative measures might include things like how
4 long IDRs are outstanding, how long it takes the IRS to
5 follow up on IDRs, and whether the IRS exam team needs
6 to bring in outside expertise. And by "outside
7 expertise," I don't mean outside the organization, but
8 consultants within IRS, such as Chief Counsel. Another
9 measure is, essentially, how far does an exam need to
10 stray or does it stray from the opening examination
11 plan.

12 The second thing we recommended were qualitative-
13 type measures. These are the types of things where
14 taxpayers can give feedback, and we made a
15 recommendation that LB&I consider using outside third
16 parties to solicit feedback. IRS Appeals had done
17 something like this for years where after you go to an
18 Appeals conference, you would get either a letter or a
19 phone call from an independent organization essentially
20 asking how did Appeals do? What was the process like?
21 Could it be improved? And they would ask a series of
22 questions, and compile that information, and give that

1 feedback to Appeals so Appeals could improve how it
2 approaches taxpayers and the process generally. We
3 thought that something similar could be done with LB&I,
4 so we made that recommendation as well.

5 The second issue we focused on was something that
6 is really quite new, and it's called the Acknowledgment
7 of Facts. And what LB&I is starting to do with
8 taxpayers is at the end of the audit, they ask the
9 taxpayer to sign an acknowledgment of facts. The
10 acknowledgment of facts is crafted by the exam team,
11 and its intended purpose is to make sure that everybody
12 is on the same page, which is a laudable goal, in
13 particular before a non-agreed issue might go to IRS
14 Appeals. And it is laudable in the sense that Appeals
15 has a certain record, an agreed-upon record that would
16 allow for the issue to hopefully be resolved quickly or
17 more quickly than it otherwise might be.

18 And as we said, we agree that acknowledgment of
19 facts in principle is something that is certainly
20 worthwhile, but there have been issues with the way
21 that it's been rolled out that we think can be resolved
22 relatively easily. First, taxpayers don't quite

1 understand how the acknowledgment of facts is supposed
2 to work. We've understood from our discussions with
3 LB&I that there is training within LB&I how it's
4 supposed to be used. And the way agents are being
5 trained, we think, is the way that it should be used.

6 But the issues that we've seen at the early stages
7 are -- the Acknowledgment of Facts in some cases tends
8 to be a little bit slanted in the IRS's favor. In some
9 cases, we've seen that the Acknowledgment of Facts
10 doesn't actually state facts; it states the law. And
11 in some cases, we've seen that the statement of facts
12 reports some facts, but not all relevant facts. So, we
13 suggested that the IRS put out guidance so that
14 taxpayers are aware of what's supposed to be in the
15 Acknowledgment of Facts and how they can approach it,
16 and also to make sure that agents are trained with
17 those things in mind.

18 The last issue that we looked at was within this
19 whole new framework of campaigns and LEP, there needs
20 to be a focus on communication and coordination. In
21 particular with the campaigns, as we move into a more
22 issue-based regime, we'll have instances where one

1 taxpayer will be under audit, perhaps with several
2 different players involved; there may be one group of
3 agents looking at issue one, and another group looking
4 at issue two, and another group looking at issue three.

5 So, there needs to be coordinated somehow.

6 We've made recommendations that there needs to be
7 somebody put in charge. There needs to be somebody
8 accountable. There needs to be somebody the taxpayer
9 can reach out to you to have a conversation with when
10 they think that things may be getting a little bit off
11 the rails. And that's important because we want to
12 keep the process working, and the more quickly you can
13 address those types of issues, the better off we think
14 we will be.

15 Tom, did you want to have -- do you have any
16 thoughts about that?

17 MR. KANE: Thanks, Tom. As you said, Doug can't
18 be here. He's out of town, prior engagement. He
19 really would've liked to be here. He's appreciated all
20 the work that the whole team has done. I look like I'm
21 facing a firing squad.

22 (Laughter.)

1 MR. KANE: And Tim is off to the side waiting to
2 pull the trigger. But we really do appreciate what you
3 have done this year. The dialogue, I think, from our
4 side of the house has been great. You know, there are
5 things in the report, and that's fine, but our dialogue
6 covered much more than that, and it informed us, I
7 think, to a great extent beyond what's in the report.
8 So, we appreciate that and appreciate IRSAC's work
9 actually on our behalf. So, thank you very much.

10 Three things on the metrics issue. We hear you
11 loud and clear. As you probably know, the GAO came out
12 with a report last year that talked about metrics in
13 the new Future State of LB&I. We are hard at work not
14 only in the campaign space, but across the LB&I
15 organization to try to come up with metrics that
16 actually work. Your report focuses on metrics
17 primarily in the examination space. But obviously when
18 we're looking out into the future looking to change
19 taxpayer behavior, making it more voluntarily
20 compliant, we're going to need metrics to try to figure
21 out how we're doing in that space as well.

22 And so, in addition to your suggestions, which are

1 good ones and we will look at them, we're actively
2 looking at metrics across our organization to see how
3 we can measure our success or the lack thereof, which
4 will inform us as to where we go in the future. So,
5 appreciate that.

6 Acknowledgment of the facts. I don't think that
7 we disagree that there is some confusion out there
8 regarding acknowledgment of the facts. As we
9 discussed, I think a lot of people routinely refer to
10 the Acknowledgment of Facts, or the AOF, as agreement
11 of facts, and that's not necessarily the case. We
12 never intended that the parties get together and agree
13 to a set of facts that could be taken forward to
14 Appeals, much like you'd want to do in the technical
15 advice memorandum scenario. And so, we agree that
16 there is some confusion there, and that we need to do
17 some work in that space, and we're actively working
18 that issue.

19 The AOF first appeared when we put out the LEP --
20 acronyms are going to kill people -- in May of 2016 as
21 part of our rollout of the campaigns in the Future
22 State. So, it's new to us, too. Training is

1 important, and we will continue to focus on that, but
2 we are actively working to try to figure out how to
3 make a better process because ultimately the goal is to
4 get a good set of facts with both parties engaged into
5 the Appeals process where meaningful discussion can be
6 had with an Appeals officer and an Appeals team. So,
7 we appreciate your input on that. We acknowledge that
8 we have to do some work, and we will.

9 Communication and coordination. I also think that
10 there's been some confusion over this. Who's in charge
11 of what issue or the case is actually addressed in
12 Publication 5125. There's a case manager. There's
13 issue manager or managers, and the publication lays out
14 the responsibility. I think everyone, including people
15 on our side, need to pay a little more attention to
16 that, and obviously we will continue to focus on making
17 sure our people follow the processes that we have in
18 place.

19 We're in the process of revising the IRM to take
20 into account a lot of the things that we've been doing
21 in LB&I over the last year and a half or two years, and
22 obviously that will be one thing that will be taken

1 into account. I would say, though, that any taxpayer
2 who has an issue with respect to the way the exam is
3 being conducted, who's in charge of what issue, or if
4 they're not happy, they ought to take advantage of the
5 elevation procedures and try to get that resolved as
6 soon as possible and as early as possible. And if we
7 need to tweak Publication 5125 or tweak our training,
8 we're open to considering that.

9 So, thank you.

10 MR. CULLINAN: Thanks, Tom. With that, I'd like
11 to turn it over to Shawn O'Brien. But first, before I
12 do that, but I should acknowledge that one member of
13 our Subgroup, Sandy Macfarlane, Vice President of Tax
14 at Chevron, could not be here today. He sends his
15 regrets. But he was really instrumental with the work
16 that we did and very helpful. Shawn?

17 MR. O'BRIEN: Thank you. As Tom mentioned, LB&I
18 has moved to a fresh approach to examinations. They're
19 considering moving away from enterprise audits and into
20 a more issue-specific compliance campaign-type
21 approach. Effectively, this approach would move the
22 identifying issues away from revenue agents and move it

1 to a more centralized function. Specialized agents
2 within particular issues can address how specific
3 issues can be handled.

4 LB&I was interested in learning how they could
5 gain more external feedback on the overall campaign
6 approach, and then including specific campaigns, how do
7 they get feedback on those. So, we met with LB&I,
8 looked at a lot of articles that were published
9 surrounding the campaigns, talked to various folks that
10 practice in the area with tax controversy, and took all
11 this information into account, and considered how we
12 could help LB&I with gaining more external feedback.

13 One of the things we learned in the process was
14 how LB&I evaluates possible campaigns. And there are a
15 lot of issues out there that could be a campaign issue,
16 but an initial analysis is done to figure out which
17 issues they really focus on, focused on -- focusing
18 mainly on how would they implement these campaigns, and
19 how many returns would be impacted, and just did a
20 general assessment of a whole bunch of issues, and then
21 narrowed those down to a finite number, which then
22 could be developed, looking at the legal analysis of

1 the particular issues, and trying to understand how
2 they would approach the issue.

3 And once some campaigns have been identified as
4 potential initiatives, then LB&I would move to an
5 approval process, and they've developed a Compliance
6 Integration Council to look at particular campaigns and
7 decide what kind of resources are necessary to
8 implement the campaign, and whether or not there needs
9 to be some tweaks made to the campaign. And once a
10 particular campaign is approved, LB&I would roll out
11 the campaign and start executing on it by contacting
12 taxpayers who had the issue, and then start applying
13 what we're calling a treatment stream to the particular
14 taxpayer. And that could be an examination. It could
15 be a letter sent to the taxpayer asking for certain
16 compliance actions, various ways to address the
17 particular issue that had been identified as a
18 campaign.

19 Learning about the process and how it's rolled out
20 helped us identify ways for the external stakeholders,
21 the tax community, to give feedback about the
22 particular compliance initiative.

1 We gave four recommendations, and the first is
2 just suggesting that LB&I be more transparent about the
3 overall process of developing the campaigns, and then
4 about how specific campaigns are dealt with. We learned
5 that LB&I had that goal in mind to be more transparent,
6 and they actually executed on that by hosting a series
7 of webinars as those initial campaigns were rolled out.

8 But we encourage LB&I to do more of that. We feel
9 that transparency will just naturally result in more
10 feedback from externals, and by being more transparent,
11 change taxpayer behavior just by the tax community
12 learning more about the issue.

13 There are specific ways to host presentations.
14 NPL has a great forum on a monthly basis that campaigns
15 could be a subject for. There are various meetings,
16 conferences, et cetera, where this subject could be
17 talked about more. And so, there are just obvious ways
18 to get out there and talk about the campaign process.
19 And we think that transparency will result in feedback.

20 The second recommendation was to use the revenue
21 agents who are in this area to gather information that
22 they are learning throughout the examination, and have

1 those revenue agents elevate any feedback they receive
2 from the taxpayer or the taxpayer's representative.
3 For example, this could be done through sharing IDR
4 responses that they receive about the particular issue.

5 One thing we learned was that the revenue agents
6 working in this area are asked by LB&I to answer
7 specific questions about the campaigns. There's a
8 questionnaire that's being developed, and we recommend
9 that LB&I add some questions about whether the revenue
10 agent has received external feedback on a particular
11 campaign and then share that information they've
12 received. So, using the revenue agents to try to
13 gather the external feedback is our second
14 recommendation.

15 The third recommendation was to use the practice
16 networks. LB&I has developed practice units on
17 particular issues. I kind of look at it as a knowledge
18 base of specialized issues, and those practice units
19 are published on IRS.gov. And just by publishing the
20 information and asking taxpayers to review that, it
21 will be easy to identify, from an external standpoint,
22 things that could be worded differently or consider

1 certain things hadn't been considered. And so,
2 practice units' mechanism is set up for receiving
3 feedback. In fact, on the website, LB&I has an email
4 address where you can email questions or comments to.
5 And so, one of our recommendations is for that to be
6 expanded, and encourage taxpayers to use that portal
7 for feedback.

8 And the fourth recommendation is that although
9 LB&I had rolled out its Future State by publishing some
10 guidelines and then a model that kind of shows how a
11 campaign is developed, there's no place in the
12 guidelines that shows how external feedback is used.
13 By simply editing the guiding principles to show that
14 external feedback would be considered, we think would
15 result in receiving more feedback.

16 So, those are our recommendations regarding
17 campaigns, and if Tom or anyone has questions, I'm
18 happy to answer them.

19 MR. KANE: So, again, thank you very much for
20 that. And we did have a lot of discussion during our
21 meetings, some of it lively, some of it maybe not so
22 much, about the new campaign process. I would like to

1 just step back for a second because everyone thinks of
2 campaigns in the examination mode. But I think, as you
3 mentioned, campaigns are designed to and should cover a
4 lot more than just examinations. In fact, examinations
5 are time consuming and rather resource intensive. And
6 what we'd really like to, and it's baked into the
7 campaign process, is figure out a way to change
8 taxpayer behavior without having go into an
9 examination.

10 Whether it's an industry issue resolution project,
11 which we do have a campaign on, whether it's looking at
12 talking to our colleagues in the national office about
13 revenue rulings, regs, things that can get guidance out
14 on so that everybody knows what the rules of the road
15 are so that everybody -- taxpayers -- can be more
16 compliant because the rules are out there for them to
17 see, to legislation, to education sessions such as the
18 forums that you mentioned. That's really where we want
19 to be in terms of changing taxpayer behavior and
20 encouraging more voluntary compliance. So, although
21 people talk about examinations because that's the thing
22 they see the most, we'd rather be spending our time in

1 other places to get to a better place for everyone.

2 We don't disagree with any of your
3 recommendations. Again, this is a new process. We're
4 learning as we're going. We encourage the feedback,
5 both internally and externally. We have tried to reach
6 out to the best we can to date, and I think we need to
7 do a better job of that obviously, to get more
8 involvement from the outside, whether it's taxpayers,
9 whether it's industries, or whether it's practitioners,
10 to help us find our way. And we'll be looking to
11 continue our efforts along that road.

12 The practice networks and the practice units are
13 really important. They're very active. The practice
14 networks are very active. The people are subject
15 matter experts. And actually, to a point that you
16 made, I do think on a regular basis, people that are
17 involved in examinations are discussing the state of
18 the issues that they're seeing, whether it's in the new
19 campaign process or the old examination process that
20 we're still working through.

21 And so, the practice networks are getting, I
22 think, a good real-time look at what the issues are,

1 and whether or not we need to do something to react to
2 what taxpayers are doing, or we need to do something
3 different to react to something that we need to change.
4 It's an evolving process, but a very important one.

5 To your point about practice units, we do believe
6 that they're very important. We do believe that
7 they're part of the educational process for both our
8 people and for taxpayers. And I'm not going to rank
9 which one is more important because having a good
10 understanding of where we're coming from on the law or
11 the application of the law to the facts in some
12 instances is important to make sure that we're both
13 moving in the same direction.

14 And so, as we go through the campaign approval
15 process, whether it's exams or maybe some of the other
16 lighter touches that we're using, we do talk about
17 whether or not we need -- we have agents who are
18 trained. Are they already trained on the issues? Do
19 they need training? What type of training do they
20 need? And do we need practice units if none exist? If
21 practice units exist, do they need to be updated?
22 That's all part of the approval process in the new

1 campaign world.

2 We're learning as we're going along, and there are
3 things that we should do or need to do better, whether
4 we hear it from a revenue agent working a case, a large
5 taxpayer practitioner, or an industry group, we're
6 happy to hear that. So, appreciate the feedback.
7 Thanks very much.

8 MR. CULLINAN: And last, we have Star Fischer, who
9 is going to talk about and try to have an abbreviated
10 discussion of UTP to get us on schedule.

11 MS. FISCHER: All right. So, just a quick
12 background on Schedule UTP. It was first issued in
13 2010 and applied to taxpayers with over \$100 million
14 assets who had audited financial statements. At a high
15 level, the form requires taxpayers who report an amount
16 on their financial statements as "uncertain tax
17 positions" to also disclose that on their tax return.

18 It is our understanding that the IRS primarily
19 uses the information for two different reasons: one,
20 for risk assessment and audit selection or deselection,
21 depending on what was on the form, and secondarily,
22 once a taxpayer was selected for examination, the IRS

1 would use this form to help guide what issues the agent
2 would look at during the examination.

3 There were discussions this year with LB&I. Some
4 challenges noted or items that they asked us to look at
5 were, first, the historical effectiveness of the form.

6 Was it being used for its intended purpose, and how
7 effective was that? And secondly, there's a big issue
8 with noncompliance of the form, particularly related to
9 the requirement to add a concise description about each
10 issue presented on the form. The concise description
11 is pretty subjective in nature, and so taxpayers just
12 were not complying effectively with that.

13 Given these challenges, the IRSAC has the
14 following recommendations. First, with respect to the
15 effectiveness, IRSAC recommends that the IRS undergo a
16 further study to evaluate what the effectiveness has
17 been in all of the ways examiners have been using the
18 Schedule UTP for, and also just to evaluate how
19 effective it can be in the new Future State of the IRS
20 with the new examination plan and campaigns. It might
21 have a new use.

22 The second recommendation is to modify the form or

1 instructions, especially related to the concise
2 description, to make it more objective. Right now, as
3 I mentioned, it's very subjective. The IRS has done a
4 great job in issuing guidance with some examples of an
5 appropriate concise description, but we're still
6 falling short on compliance -- primarily just because
7 there are so many different issues that can be
8 presented in different fact patterns that, given its
9 subjectivity, it's difficult to maybe give the
10 information that the IRS wants specifically.

11 This has resulted in a lot of soft letters being
12 sent to taxpayers who are not complying, and the soft
13 letter basically says please do better next year. And
14 it's just not - LB&I's not seeing the improvement that
15 they'd want to see there. So, we recommended a
16 modification to make it more objective, maybe add
17 specific information that the IRS is trying to get, or
18 just maybe remove the concise description field
19 altogether if it's not effective.

20 Those are our two recommendations for Schedule
21 UTP. Tom, do you have any comments?

22 MR. KANE: A couple, and, again, thank you for

1 that. The schedule is something that we've actually
2 been spending some time on internally. We have one of
3 our oversight bodies looking at what we've done in this
4 space and where we're at. And so, there's been a lot
5 of activity here.

6 I want to just maybe make a correction for
7 something you said. I don't think that we use a
8 Schedule UTP in terms of selecting a specific taxpayer
9 for audit. Upfront, it's more for risk assessment
10 purposes for LB&I. Obviously, if a taxpayer is
11 selected for examination, the Schedule UTP is part of
12 the package the revenue agents will look at, and they
13 will evaluate as part of how they evaluate what to
14 audit and how to audit it. But the process itself is
15 not dependent upon looking at line 3 of the schedule,
16 and then saying, aha, we got him. That's not how we
17 use it, and that's not how it was intended to be used.

18 Separate and apart from that, I think there were a
19 lot of expectations set early on in the discussion of
20 the Schedule UTP before it was rolled out. And I think
21 some of those expectations were raised at a time when
22 the Schedule UTP regime was still in development. And

1 what actually came out of that process may not have
2 matched the expectations that people got set in when we
3 first started talking about it. So, there were a lot
4 of high expectations about the schedule and how we
5 could use it.

6 Because of the process that led to the
7 promulgation of the schedule, it hasn't been as useful
8 as people originally thought it would be. That said,
9 despite the fact that externally there are some
10 complaints about the schedule, and internally you might
11 hear people talking about it, we do believe that, at
12 least in certain circumstances, the schedule has proved
13 useful for what it was intended to do, and that was
14 overall risk assessment, which in our new campaign
15 world is pretty darn important because that's what
16 we're doing with the campaigns -- assessing what the
17 risks are with specific issues.

18 But we do think that given where we have -- how
19 far we've come, that we do need to take a look at what
20 we're doing and where we're going. Making changes,
21 again, in the environment to which the schedule was
22 originally promulgated has some baggage that's

1 associated with it. But we do think that we need to
2 take a look at it. We are doing that. We have an
3 oversight body looking at it.

4 And your concerns, your recommendations, are much
5 appreciated and not inconsistent with what we've been
6 hearing from some other sources. So, we appreciate the
7 feedback. Thanks very much.

8 MR. MCCORMALLY: Thanks very much, Tom, and
9 members of the subgroup. I happen to serve on the LB&I
10 Subgroup, and appreciate all the hard work of my fellow
11 members. We're going to turn from LB&I to Digital
12 Services, and I would ask Stephanie Salavejus to walk
13 us through IRSAC's recommendations and engage with Paul
14 and other IRS folks on the issues we identified.

15 MS. SALAVEJUS: Welcome, everyone. We want to
16 thank the IRS Office of Online Services team and other
17 dedicated IRS employees who provided valuable research
18 and insight into specific areas of this year's Digital
19 Services report. We commend the Office of Online
20 Services' progress on an enterprise-wide modernization
21 that is essential for the IRS to provide 21st Century
22 customer service.

1 I want to thank Brenda Bianculli and Kevin
2 Richards, the two other members of our Digital Services
3 Subgroup, for their dedication and work compiling our
4 report. You will hear from them later in this report.

5 The IRS is behind in responding to the rapidly-
6 changing customer service preferences of taxpayers.
7 Data shows there is a growing base of taxpayers who
8 prefer digital service methods, yet the IRS' operation
9 model is still primarily paper and phone based. In
10 this year's Digital Services report, we focus on three
11 issues that address how the IRS can create efficiencies
12 to meet the high expectations of their growing base of
13 taxpayers by expanding its suite of online digital
14 services.

15 We are advocating that the IRS expand the customer
16 service channels, not eliminate traditional higher-cost
17 channels, to provide all taxpayers with the service
18 channel of their choice. As more taxpayers opt in to
19 engage with the IRS and obtain correspondence digitally
20 versus paper, the IRS will realize an immediate and
21 substantial cost savings that can be redeployed to
22 better support taxpayers served through phone and in-

1 person contact. We also believe the IRS can accelerate
2 their progress by working with third parties to
3 accelerate development and adoption of digital tools.

4 The first issue is the tax professional account.
5 The Service is developing an online account for tax
6 professionals to obtain access to their clients' tax-
7 related information as well as tools and services to
8 assist their clients in meeting their tax obligations.

9 The tax professional account is a component of the IRS
10 Future State third party strategy to provide better,
11 faster service, and improve the user experience for the
12 tax professional community.

13 We strongly encourage the Service to keep moving
14 forward with expanding the online features and
15 providing a tax professional account sooner rather than
16 later. Delaying the availability reduces the IRS'
17 ability to leverage tax professionals for filtering
18 clients' questions and resolving tax issues without
19 needing to contact the Internal Revenue Service.

20 IRSAC made five recommendations for the tax
21 professional account. The first is to commit to and
22 communicate a timeline for the release development of

1 the tax professional account. IRSAC understands IRS is
2 facing challenges in the development of the tax
3 professional account, but for the strategic plan to be
4 a viable document, it must reflect the objectives of
5 the Service and the needs of all taxpayers.

6 Tax professionals assist millions of taxpayers in
7 meeting their compliance obligations, and they are
8 committed to being part of the solution. But the IRS
9 must commit to a strategy and an actionable timeline to
10 keep key external stakeholders engaged. The IRS should
11 proactively engage and collaborate with state
12 departments of revenue to find and execute the best
13 solutions.

14 States such as California have successfully
15 implemented online accounts for tax professionals to
16 serve their clients. This is our second
17 recommendation, to actively implement techniques proven
18 successful by industry and state agencies. These
19 states are facing the same challenges as the IRS, but
20 have prioritized allocation of resources to streamline
21 processes, improve efficiencies, and improve taxpayers'
22 experience.

1 Our third recommendation is to implement the
2 ability for taxpayers to authorize their tax
3 professionals to assist with compliance. Taxpayers
4 should be able to authorize their tax professional or
5 other third parties, such as volunteer income tax
6 assistance (VITA) sites and tax software providers, to
7 electronically receive tax information as part of the
8 tax preparation process. Taxpayers will likely take a
9 more active role in controlling their account, but tax
10 professionals should only have privileges that are
11 granted by the taxpayer through a power of attorney,
12 and taxpayers should have the ability to be able to
13 revoke the POA.

14 Our fourth recommendation is to provide
15 capabilities for tax professionals to act on behalf of
16 their clients. Tax professionals will be instrumental
17 in educating taxpayers, and the key to increasing
18 taxpayer adoption for IRS' online services. They
19 should be treated as a valued partner in tax
20 administration, and be able to conduct the same
21 activities they perform on paper, but with the online
22 account.

1 Our fifth recommendation is to build the
2 architecture and infrastructure to support current and
3 future development technology. IRS' infrastructure
4 needs to support a continually-evolving tax ecosystem
5 and future technologies, such as Chatbox and artificial
6 intelligence. It is vital to plan for today's
7 development projects, but also continue planning for
8 future projects that will improve taxpayer service.
9 Leveraging successful customer service models that are
10 currently used in private industry will keep the IRS
11 moving forward to delivering 24/7 customer service.

12 This is the end of my report, and I will now turn
13 it over to Kevin Richards to present the
14 recommendations for the third-party application program
15 interfaces. Kevin?

16 MR. RICHARDS: Good morning, everyone. Before I
17 talk about the recommendations, the first step is some
18 of you may be saying, well, what is an API? An
19 application programming interface, so everybody is on
20 the same page, is a public protocol for a computer to
21 access data on a remote computer. In other words, APIs
22 are how computers use computers. A typical API may

1 exchange data via the internet-based web services as
2 part of its service-oriented architecture. In addition
3 to exchanging data, an API frequently includes
4 functionality for security, analytics, and performance
5 enhancement.

6 Where or who will use API some of you may be
7 asking. The following would be major stakeholders in
8 the use of APIs: taxpayers, both individual and
9 businesses, would be able to utilize these at IRS.gov,
10 which is web-based, or IRS2Go for mobile applications;
11 third parties, which include software providers, tax
12 professionals, government agencies, and other entities;
13 and another major stakeholder would be IRS employees,
14 and they would use these through the IRS internet and
15 IRS internal applications.

16 APIs provide the IRS the capability to focus on
17 customer needs rather than managing data presentation,
18 and enables third parties to better participate in
19 digital solutions. IRSAC recommends the IRS take a
20 strategic approach on how the IRS can remove obstacles
21 for API use. For example, the current framework does
22 not support real-time authorization. A modernized

1 approach will provide taxpayers with the ability to
2 unlock their taxpayer information and to import tax
3 information into tax software. This requires APIs to
4 enable third-party providers -- the IRS must address
5 how third parties will be authorized via APIs.

6 Also, we believe the IRS needs to develop a
7 holistic API strategy that emphasizes consistency,
8 robustness, improved user experience, and efficiency.
9 The IRS also needs to develop a long-term API strategy
10 including funding for the delivery of these services.
11 The IRS will also need to look at what kind of IT
12 system changes are needed to support the rollout of an
13 API strategy that prioritizes data as well as back-end
14 services. After the API long-term and short-term
15 strategies are developed, they need to be clearly
16 communicated to both internal and external
17 stakeholders.

18 Our two primary recommendations for third party
19 application program interfaces are, first, to identify
20 the types of beneficial APIs. So, as part of a long-
21 term strategic approach to customer service, IRSAC
22 recommends the IRS develop APIs for information

1 statements and transactions. A logical beginning point
2 could be to start with an API that imports W-2s and
3 1099s from the IRS and then allow the transfer of W-2
4 and 1099 information for input to tax software.

5 While expanding the current process by granting
6 taxpayers access to tax information through Form 8821
7 and Form 2848 increases the complexity with the digital
8 platform, the IRS needs to create an authorization
9 process for software providers that support a good user
10 experience. In addition, a couple other APIs the IRS
11 may want to develop is an app where it will verify
12 income, that is, provide adjusted gross income (AGI) of
13 a taxpayer for a given year. This could be utilized
14 for a variety of purposes, including financial and
15 education institutions.

16 Calculators would be something of a service for
17 EITC, offer in compromise, or Energy Star rebate count
18 - and the calculators could be used by multiple
19 channels, including IRS.gov and software providers.
20 Another one that we feel would be very helpful is
21 prior-year tax information to the tax preparer. API
22 would enable a tax preparer to look up prior-year tax

1 information for their client. And then one other one
2 is assigning a payment from one taxpayer to another.
3 The API would enable a taxpayer or tax professional to
4 move a payment to the correct period. So, we feel
5 those are four ideal apps.

6 Our second recommendation is to build up on the
7 success of the third-party refund status API pilot
8 project. This pilot project was designed to inform
9 individual taxpayers of their Form 1040 individual
10 income tax refund status through their self-preparation
11 tax software company instead of having to call the IRS
12 or visit the IRS website. They could just access their
13 software and find out the status of their refund.

14 Three iterations of this pilot project were
15 successfully implemented during the 2015, 2016, and
16 2017 filing seasons. In each year of the pilot, the
17 IRS has refined and improved the pilot program for the
18 taxpayer and the participating software companies. We
19 believe several key objectives have been met through
20 this pilot. Number one, the IRS delivered an external-
21 facing API, developing a better understanding of
22 challenges associated with sharing business

1 functionality with external partners, in this case, the
2 software developers. Number two, the IRS learned about
3 third-party taxpayer authorization requirements and
4 process; and three, the IRS validated a security model
5 that supported external partners.

6 Also, during the pilot, the IRS captured detailed
7 metrics to encourage sizing of information system
8 changes that would be required for full implementation
9 and rollout of this program. Although the pilot was
10 limited in scope to a small number of software
11 companies that participated and the daily volume had a
12 cap, we're recommending the IRS continue the pilot as
13 it develops full-scale implementation of plans for this
14 API.

15 In our view, this is a great example of what
16 taxpayers need, want, and expect from the IRS. It's
17 also an excellent example of how the Agency can partner
18 with industry to deliver improvements to the taxpayer
19 via digital tools. IRSAC recommends the IRS commit to
20 a timeframe for the expansion and rollout of this pilot
21 and build upon the success of this pilot for future API
22 expansion and growth.

1 So, with that, I'm going to turn it over to Brenda
2 to present the power of attorney issue.

3 MS. BIANCULLI: All right. The third issue we
4 looked at this year was Form 2848, Power of Attorney.
5 Form 2848 is used to authorize an individual to
6 represent a taxpayer before the IRS and is an essential
7 component of tax professionals providing services to
8 taxpayers.

9 Currently, Form 2848 is only allowed to be mailed
10 or faxed to the IRS. We are recommending that the IRS
11 implement a digital method to process Form 2848. In
12 addition, we are recommending that the IRS provide
13 notification when a power of attorney is received,
14 accepted, and withdrawn. And we are recommending that
15 the IRS review digital methods offered by various state
16 agencies to authorize tax professionals to act on
17 behalf of taxpayers.

18 Our first recommendation is implement a digital
19 method to process Form 2848, Power of Attorney.
20 Currently, a power of attorney is only allowed to be
21 mailed or faxed to the IRS for processing. Generally,
22 authorizations are processed within five business days.

1 An authorization is processed at one of three
2 Centralized Authorization File sites (CAF). Most
3 domestic authorizations are processed at two of these
4 three sites. In 2016, approximately 3,700,000
5 authorizations were processed. There are approximately
6 170 CAF tax examiners within the three sites.

7 A taxpayer needs representation in a variety of
8 situations, including responding to tax notices. Often
9 the requested responses are time sensitive. For most
10 taxpayers, contact by the IRS causes stress and
11 anxiety. The lengthy processing times associated with
12 the current manual processing of Form 2848 prolongs the
13 stress and anxiety and increases the possibility that
14 taxpayers will not receive the benefit of
15 representation in critical matters, such as levy
16 actions.

17 Our recommendation for a digital method to file
18 and process Form 2848 is not new. Previous IRS
19 advisory councils, the Information Reporting Program
20 Advisory Committee (IRPAC), the Electronic Tax
21 Administration Advisory Committee (ETAAC), the National
22 Taxpayer Advocate, and multiple professional

1 associations have provided recommendations related to
2 digital authorizations for several years.

3 We recommend that the IRS implement a digital
4 method for processing Form 2848 as soon as possible.
5 The current methods are inefficient, outdated, not
6 cost-effective, and do not provide any type of
7 verification or authentication. Also, any digital
8 processing method developed should include processes
9 that make it easier for taxpayers to authorize multiple
10 individuals and to replace or to revoke a prior
11 authorization.

12 Our second recommendation is that the IRS provide
13 notification when a power of attorney is received,
14 accepted, and withdrawn. Often, the taxpayer and
15 individual representative have no way of knowing if a
16 Form 2848 has been received or processed until either
17 the taxpayer's representative gains access to
18 information via e-Services, or the representative
19 contacts the IRS directly, or the taxpayer receives a
20 letter from the IRS. When a representative should
21 contact the IRS several times to confirm the processing
22 of a Form 2848, more IRS resources are consumed, and

1 the taxpayer may incur additional fees for the
2 representative's time.

3 It appears the IRS is starting to offer email
4 notifications for IRS Direct Pay and EFTPS. And
5 several state agencies offer confirmation of receipt,
6 which help relieve taxpayer and tax professional stress
7 regarding whether information has been received. Email
8 notifications to taxpayers and individual
9 representatives to confirm that a power of attorney has
10 been received, processed, or withdrawn should be
11 included with any digital method of processing Form
12 2848.

13 Our third recommendation is that the IRS review
14 the digital methods offered by various state agencies
15 to authorize tax professionals to act on behalf of
16 taxpayers. Many states have implemented digital
17 authorization as well as hybrid solutions, which
18 include accepting PDFs of the powers of attorney, which
19 allow much shorter turnaround timeframes for processing
20 the powers of attorney. We recommend that the IRS
21 review the systems in New York, Colorado, California,
22 and Illinois, if it hasn't already done so. In

1 addition, many of the states are looking at uniformity
2 as they develop and implement more electronic offerings
3 related to online accounts and powers of attorney.

4 In summary, digital technology is available with
5 other IRS services, and security, authentication, and
6 authorization issues are being addressed. Online
7 accounts for individual taxpayers has been developed
8 and is available through IRS.gov. Direct Pay provides
9 for secure payment of taxpayer liabilities. The e-
10 Services platform provides secure access to selected
11 taxpayer information by an authorized individual.
12 EFTPS is used to process sensitive payroll data. And
13 according to online services, digital communication is
14 being tested on a limited basis, including the use of
15 secure messaging with selected SB/SE correspondence
16 exams.

17 Providing a method to quickly, efficiently, and
18 securely process Form 2848 through a digital method
19 will not only provide piece of mind to taxpayers and
20 allow timely assistance by representatives, but will
21 permit better use of IRS resources. Thank you.

22 MR. MAMO: I really appreciate the opportunity.

1 I'm going to have to take these in the order in which
2 they were given. So, just give me a little opportunity
3 to kind of walk through them.

4 So, first, I want to thank Kevin, Stephanie, and
5 Brenda for their leadership, for their thoughtful
6 comments, and for their recommendations. Clearly, most
7 of you don't know, the Digital Services Subgroup is in
8 its inaugural year. There was a group called ETAAC
9 that was repurposed. And so, the IRSAC folks were kind
10 enough to take in some folks, and we appreciate that.
11 So, just kind of level set.

12 And with respect to everything that you opened
13 with, Stephanie, in terms of efficiency, and
14 effectiveness, and the Future State, and where we're
15 trying to go, I think you hit all the marks. We are
16 trying very diligently to look at areas where we could
17 take things, particularly tasks that we think can be
18 quickly moved in a virtual or digital environment.

19 A couple recent examples, and some of these
20 examples have been around for a little while, but like
21 "Where's My Refund," is a great example. That's been
22 out for a while. Over 300 million uses I think we had

1 this past year. The one thing that's interesting, we
2 still have a lot of unmet demand, and so what we're
3 really trying to do is take a lot of these services
4 that are tasks that we think that can easily be
5 converted, and put them in an online environment.
6 "Where's My Amended Return" is a recent one, Direct Pay
7 within the last three or four years.

8 In terms of the context setting, and you mentioned
9 it in your report, and I appreciate the acknowledgment,
10 is that last November, about this time last year, we
11 soft launched an online account for individual
12 taxpayers. Since then we've had two million people log
13 into that account for any number of reasons, primarily
14 to see their balance due information. Again, that is
15 an opportunity to take folks, move them away from the
16 phones and some of the other burdensome channels that
17 we have. And, again, we're not taking anything away,
18 but we know we want to meet the taxpayers in terms of
19 expectations.

20 We have a couple of themes in the IRS. The Future
21 State obviously we've talked a little bit about, but
22 we've taken it even a step further. A couple of themes

1 that we're working on is improving or transforming the
2 tax experience and modernizing the IRS operations. And
3 everything that you've kind of touched on sort of -- it
4 falls within those two -- those two general themes.

5 And in addition, you mentioned secure messaging,
6 which is one of the other areas that we're still
7 piloting. Recently, just this week, as of Monday, we
8 started unauthenticated chat, so for the very first
9 time for people that are on the -- what we call our
10 online payment -- they're able to ask for help, and
11 they're able to navigate through a customer service
12 assister on the other line.

13 And I got some statistics, very interesting. Just
14 through a day, we've had a hundred folks come in and
15 request help, and over 75 percent could be resolved
16 right there in that chat environment. Twenty-five
17 percent had to go over the phone, but you could see,
18 again, the idea is that we're trying to take more of
19 these services and offload some of that demand and all
20 the other high-cost channels.

21 So, tax pro account. I mentioned the individual
22 taxpayer account. We spent a lot of time working with

1 the tax professional community to get feedback on what
2 would a tax professional account look like, and I
3 mentioned the taxpayer account that we -- that we
4 rolled out last year. A lot of the taxpayers and a lot
5 of you who were here in the room probably could comment
6 on it as well, is that having that for the taxpayers
7 has still been a benefit because a lot of folks are
8 calling their taxpayers to say, hey, did you know you
9 can actually gain access to your own account through
10 the IRS.gov account services; a lot of the folks don't
11 realize that. And so, they can get on there. They can
12 see their balance. They can see their transcripts.

13 We recently launched a piece that allows folks to
14 see a tax record snapshot that, to some degree, limits
15 the need to get a full transcript, which we all know is
16 not the easiest thing to read. So, those are the sorts
17 of things that we're trying to make convenient in terms
18 of efficiency and effectiveness, and clearly that helps
19 us on our end. But we still have a long way to go, as
20 you guys have cited through your recommendations.

21 On the tax pro account, one of the things we did
22 this year, and you cited in the report, is developed a

1 research prototype. Over the last two or three years,
2 we've gotten feedback from tax professionals on what
3 they would like to see in account capability as it
4 relates to tax professionals. We built out a research
5 prototype that was fairly interactive. We shared it
6 with the folks at the Nationwide Tax Forums. We shared
7 it with most of the Federal Advisory Committee Act
8 groups, you all included, and the feedback that we
9 received was overwhelming.

10 We shared it with probably in the range of 8,000
11 to 10,000 folks at the tax forums. We did about 50 in-
12 depth interviews with folks. And, you know, the
13 overwhelming response was, hey, that's cool, when are
14 we going to get it? One of your recommendations speaks
15 to we'd like to get a real timeline in terms of
16 delivery and authorization. We were very careful not
17 to articulate what that is because -- to be quite
18 honest with you -- I was teasing the former
19 Commissioner the other day before he left, and he said,
20 I'm hoping to see that at some point. But he knows,
21 you know, there are some limitations in terms of
22 funding and our ability to build the infrastructure.

1 And that was, I think, one of the other pieces that you
2 talked about.

3 So clearly, it's something -- it's an area -- it's
4 our next frontier that we want to challenge. We're
5 still building on an individual taxpayer account, but
6 we think for the tax pro account, the use is going to
7 be very considerable because you have close to 70
8 percent of all returns that are prepared by tax
9 professionals or representatives of some kind.

10 The one thing that I think is important to
11 recognize is security features. So, security --
12 protecting data -- is of utmost importance. And so,
13 each time when there's something that goes bump in the
14 night in the security world, in the cyber world we
15 should adjust, and we're trying to be more proactive in
16 that area. We're actually in the process of looking at
17 some of our security protocols and how we authenticate
18 people. You probably remember that we used to have
19 out-of-wallet questions that are called knowledge-based
20 questions. We have since graduated from that. We're
21 now in a more secure environment where we're using the
22 phones and the physical verification for folks to log

1 in. Most of you, through your own private
2 interactions, you deal with that environment today, so
3 it shouldn't be anything new.

4 The thing that's interesting is because of the
5 phone and because of how phones are associated with
6 folks, sometimes it limits people's ability to gain
7 access to that. Authorization is the big threshold
8 piece that we're working on. A lot of work that that
9 needs to occur there.

10 Authorization is continuing to evolve, but
11 authorization is a little bit trickier. Authorizing
12 "Tom Kane" as "Tom" is one thing, but then deciding
13 what information he has access to in terms of his
14 client is a different conversation. There's not just
15 the 2848. There are other power of attorney forms that
16 need to be considered with regards to that.

17 So, we're excited in terms of where we're at.
18 We've been partnering a lot with the operating
19 divisions, and so we're hopeful. We're still building
20 out our authorization strategy. In fact, that's one of
21 the areas that we would love to get your input on. The
22 folks in the identity assurance office are working on

1 that. So, we're excited about the potential and where
2 that's going.

3 The cool thing is that developing the research
4 prototype gave us the ability to kind of showcase
5 notionally where we're going, and I think a lot of
6 folks are excited about that. And we've used the tax
7 forums to get the word out and share that through a
8 variety of means. I know some of the folks that are
9 here in the public session have heard some of this
10 conversation before, but it's very helpful to sort of
11 evangelize what we're trying to do as it relates to the
12 Future State. So, I think that's everything that
13 you've outlined and cited. I think the one that will
14 be a little difficult for us to consider is when are we
15 going to be able to really nail down what this is going
16 to look like, because a lot of the back-end pieces, to
17 be quite honest with you, we're still -- we're still
18 trying to figure out.

19 I was thinking about your laundry list. So,
20 collaborating. You mentioned collaborating with the
21 states. The one thing, and I know Ken can speak to
22 this thoroughly, is we've really ramped up our activity

1 with the states. The Security Summit is a great
2 example, but there's a lot of other opportunities.

3 Brenda, you mentioned working with the states and
4 your recommendations on the authorization side of the
5 house. Massachusetts, Illinois, and California have
6 done some really good work. A lot of those models
7 we're looking at, I mean, you mentioned the CAFs. You
8 know, we process them by hand. There used to be the
9 disclosure authorization POA. We took it away in 2013,
10 I think it was, for -- there were some -- some IT and
11 infrastructure issues.

12 But bottom line is we recognize that that's the
13 big need and want as it relates to tax pros. If we
14 could give an account for tax pros to manage powers of
15 attorney or authorizations in terms of acknowledgment,
16 receipt, and withdrawal, I think everyone would be
17 ecstatic at that point. So, we're working on what we
18 describe as a minimal viable product, and we think that
19 minimal viable product is going to be accessible in our
20 tax pro account.

21 So, on the APIs, yeah. I mentioned building the
22 infrastructure. And a lot of the things you talked

1 about on behalf of the clients, if you've seen the
2 research prototype, you'd see that a lot of that is
3 already there. It's envisioned. For us, again, it is
4 very notional. But we think a lot of the capabilities
5 that you're citing is exactly right on point, and
6 that's what we're working towards.

7 APIs. Kevin, great description. Machine-to-
8 machine conversation. The way I like to describe it is
9 basically you build it, and there's multipurpose use.
10 So, if I build something and I can share information
11 and point to another machine, and then that information
12 can be shared readily, quickly. You mentioned the
13 refund API that we've piloted the last two years.
14 Basically, we have the "Where's My Refund." We've
15 basically taken API, used that to point to the software
16 developers or even, you know, the folks that are -- the
17 folks that are working with clients. And so, rather
18 than coming to our site, they're going through their
19 site. So, we've just created -- we're just creating
20 more channels or opportunities for folks to get the
21 information.

22 All the examples that you cited -- income

1 verification, you know, the ACH payment -- are all
2 things at the top of our list. In fact, we recently
3 had a conversation with the Bureau of Fiscal Services
4 about how can we leverage the payment API. So,
5 payments can come in multiple front doors, but then
6 obviously processed through these APIs because they
7 just take the information, and then they share it with
8 the back-end machines or computers, if you will.

9 So, verification of income. Low-end origination
10 is a big deal. Any time they want to issue a loan,
11 they want to come to us for income verification. And
12 that's also true in the case of FEMA, you know, during
13 disaster. People come to us, they want to make sure
14 that folks are claiming, if they're claiming certain
15 information as it relates to their FEMA forms. We know
16 there's a lot of demand out there for that information
17 because right now we're processing a lot of
18 transcripts, and if we could do that in a virtual
19 place, a lot of the agencies and, of course, we
20 ourselves would be in a much better place.

21 So, I think the long-term strategy, obviously,
22 that's part of the authorization strategy. We've taken

1 the API strategy and authorization strategy, and we're
2 looking at coupling those two activities as they relate
3 to building that. So, a lot of these cases I think
4 you've described, I think we're completely in sync with
5 one another in terms of where we're going to want to
6 go. As we get closer, we would love to share that
7 information with you all to see, does this make sense?

8 Is it consistent with where you guys are going?

9 Lastly, the 2848. We heard some similar comments
10 from the IRPAC. I think a lot of folks want to get out
11 of the paper mill mode, where you're just faxing things
12 to some server in the middle of, in this case, Memphis
13 and Ogden, I believe. And the expectation is that
14 people want to track -- you know, if they submit
15 something, they want to be able to track it. Everyone
16 tracks packages and pizzas now, right? That's like a -
17 - that's like a big deal. The number one website in
18 the government is USPS because everyone is tracking
19 their packages. They want to know where it's at.

20 So, what happens now, it's a message in a bottle,
21 right? You stick it in the mail, and maybe you'll get
22 a -- maybe you'll get an acknowledgment in -- you know,

1 within that hopefully that five- to seven-day window.
2 But, again, that's part and parcel of what we're trying
3 with the tax pro account, and I think we've been
4 working very diligently.

5 And the one thing you talked about is, again,
6 working with the states, I think, is an opportunity for
7 us to continue to see if we can leverage, particularly
8 from an IT perspective. Again, we should work with our
9 IT folks to begin to break down some of these barriers
10 because a lot of it's dependent and restrictive based
11 on the security protocols and some of the cyber rules
12 that we have in place.

13 You guys gave me a lot to comment on, and I'm
14 sorry for taking some of your time. Thank you all very
15 much for your -- for your passion and for empathy. I
16 think that that's -- it showed up in the report, and I
17 appreciate it.

18 MR. MCCORMALLY: Well, thanks so much. And let's
19 turn now to SBSE and W&I, the opposite of a small group
20 -- a big group with an awful lot of responsibility in
21 terms of what the IRS is involved in. John, if you
22 would take us through the Subgroup's recommendations.

1 MR. MCDERMOTT: With pleasure. I'm John
2 McDermott, and I had the pleasure of being the chair
3 for the combined Small Business/Self-Employed and Wage
4 and Investment Subgroup. We appreciate Commissioner
5 Corbin and Deputy Commissioner Ripperda being here.
6 And also, for the assistance of your personnel and the
7 time that they spent with us answering our questions
8 and providing information. I certainly want to
9 acknowledge and thank our liaisons who put it all
10 together for us, kept the lines of communication going,
11 and made sure that we were talking to the correct
12 people.

13 As you've already seen, there's some collaboration
14 here between groups. And so, Paul Mamo, I thank you
15 for meeting with us and assisting us, and also thank
16 the members of our Digital Services Subgroup who each
17 contributed and collaborated with us on our issues.

18 We have five members in our group, and we have
19 five issues. And so, each member is going to present
20 one issue. But we did find that the issues shared
21 common themes, and the first theme was protecting
22 taxpayers and ensuring the integrity of the tax

1 collection system. Another theme was the importance of
2 clear and effective communication to educate and inform
3 taxpayers and practitioners. And a third theme was the
4 development of systems and practices to improve the
5 delivery of IRS services and improve the efficiency of
6 IRS operations. I think you'll find these themes
7 repeated throughout these five issues. So, I'd like to
8 turn it over now to Phyllis to present the first issue.

9 MS. KUBEY: Thank you, John. Good morning again,
10 everyone. The W-2 verification codes, it's a 16-digit
11 code, alphanumeric, that actually appears printed on
12 the W-2 form. And the idea is that the taxpayer or the
13 tax preparer enters that code, and if that code is
14 entered and there's a match, it helps the tax return go
15 through the e-filing process authentication, and
16 eventual processing and issuance of the refund more
17 quickly and more efficiently.

18 The problem is, as we know, there is an awful lot
19 of identity theft that's related to tax returns. So,
20 when a fraudulent tax return is filed, it almost always
21 includes some form of withholding because otherwise
22 there's nothing to request in terms of a refund. What

1 we find is that there are a lot of phony W-2s that get
2 submitted along with these fraudulent tax returns. The
3 W-2 verification code is a really important tool in the
4 IRS' toolkit for screening for and excluding fraudulent
5 returns and smoothing the processing of the actual
6 returns.

7 We looked at a lot of things. There was a very
8 interesting dialogue, including a lot of great
9 colleagues at the IRS. And also, as John mentioned,
10 our Digital Services crew here. One of the things that
11 we came upon right away was now that we have an earlier
12 filing deadline for the W-2 forms -- January 31st,
13 which was new with last filing season -- is this W-2
14 verification code program still viable? We think very
15 much that it is still viable.

16 Interestingly enough, the heaviest volume of tax
17 returns -- Individual 1040 and 1040A returns -- comes
18 in during the early weeks of February. So, even if the
19 employer data is complete and received by January 31st,
20 we would imagine that it really wouldn't be available
21 for any kind of useful matching until mid-February.
22 And so, the W-2 codes really serve an important

1 function of authentication during that heavy-volume
2 filing period where a lot of the thieves are also
3 trying to get the false returns through the system.
4 Thus, we think that this is a good thing and should be
5 continued and expanded.

6 Now, the problem is that there's been a
7 significant gap between the W-2 codes that are issued
8 and the W-2 codes that come back entered into the e-
9 filed tax returns. As someone who's active in the tax
10 practitioner community, I can say that what I have
11 heard is, well, what's the penalty for not doing it.
12 And if there is no penalty, well, I'm not going to do
13 it.

14 So, I think the challenge is to get the word out
15 there that these codes are really an effective and
16 important tool in protecting your clients and your
17 taxpayers' tax returns, and also the entire integrity
18 of the tax filing system. I think there's marketing
19 opportunity there that can be tapped. And our
20 recommendations in this area were that the IRS continue
21 to promote the W-2 verification codes for the very
22 reasons I've mentioned, and that the IRS could expand

1 outreach efforts through tax professional groups,
2 through the local stakeholder liaisons, through
3 marketing at the forums, through webinars and other
4 outreach efforts on IRS.gov. We think that the
5 taxpayers and the tax professionals really need to be
6 convinced of the value of this.

7 We also thought that one very important component
8 of this is that software vendors also promote the W-2
9 verification codes, that they need to prompt for and
10 remind the people who are doing the data entry that
11 these codes are important and, you know, if they're not
12 entered, please enter them. There is a slight problem
13 because not all W-2s are going to have these codes, so
14 you can't really make it mandatory, but we do need to
15 make it desirable. And I think the software vendors
16 are an important partner in that effort.

17 Also, the IRS should try to expand this program to
18 include more payroll service providers and more
19 stakeholders so that more W-2s can have the codes and
20 be more easily authenticated. And also, IRS should
21 consider whether there be other uses for these codes
22 and try to expand and enhance the value or the return

1 on investment.

2 And with that, thank you very much, and I turn it
3 over to Neil Fishman.

4 MR. FISHMAN: Good morning. The issue that I was
5 looking at was the concept that is currently being
6 known as account lock/unlock. In Fiscal Year 2016,
7 over 86 percent of the 152 million tax returns were
8 filed electronically. At this meeting last year, then
9 Commissioner Koskinen announced that there was a 50-
10 percent reduction in the amount of fraudulent returns
11 that got through the system, but still, as we know,
12 that this is still a problem for the IRS.

13 So, the IRS has developed an idea of what's called
14 account lock/unlock. This would be a voluntary program
15 where the taxpayers would go to the IRS website, create
16 their own account, username, password, and then the
17 account would be locked. Once their return would be
18 prepared, they would have to go into the IRS system,
19 put an unlock on their account, which would then allow
20 the return to be submitted. Once the return was
21 submitted, the system would automatically lock the
22 account again to prevent any further returns from being

1 filed. We like this concept, but there are still a
2 number of issues that need to be addressed.

3 One issue in particular is the coordination
4 between the taxpayer and the tax preparer. There is
5 still a misconception that whenever somebody goes to
6 have somebody else do their tax return, they're sitting
7 down right in front of the preparer at that time. That
8 may be the case at certain locations where tax returns
9 are of the more simple variety -- the 1040A or the
10 1040EZ -- but for tax returns that are more
11 sophisticated, that is generally not the case.

12 I can speak for myself that when a client comes in
13 and we're going over their information, all I'm doing
14 is verifying that the information that I have this year
15 is the same as last year's, and then, of course, asking
16 the questions if something is not there, why isn't it
17 there. Currently once the return is done, I send it to
18 my client. They review the return. They sign the
19 authorization form, and then send it back to me, at
20 which point I can then submit the tax return because by
21 law I am not allowed to submit it without that
22 authorization form in my possession.

1 Under this account lock/unlock concept, I would
2 now have to contact my client, or they would have to
3 contact me, to let me know that they have unlocked
4 their account if they are part of this program. And
5 then I would have a window of opportunity to submit
6 their tax return. Of course, during this window of
7 opportunity, there is always the possibility that
8 somebody preparing a fraudulent return using that
9 taxpayer's name and information might try to submit
10 their return at that time as well.

11 There are other issues discussed in our report,
12 but because of time I will not go into all of them.
13 But what I will say in summary is that, again, we like
14 this concept, but it needs to be worked on, further
15 developed. When you are developing an anti-fraud
16 program, you are looking for weaknesses in your system.

17 You are trying to then determine policies and
18 procedures that would strengthen those weaknesses, and
19 implement them. Once they are implemented, they must
20 still be monitored to see if they are working, but
21 also, more importantly, see what other weaknesses
22 develop that can be manipulated by those who would do

1 so.

2 Thank you.

3 MS. CHOI: My topic is how to improve the
4 Practitioner Priority Service line, so I'm going to
5 give brief background information before I go into our
6 recommendations.

7 In 2002, IRS launched the Practitioner Priority
8 Service, also known as PPS, which is a nationwide
9 telephone hotline dedicated for tax practitioners.
10 This hotline was intended by the IRS to be the
11 practitioner's first point of contact, and to serve an
12 important role as a conduit between tax professionals
13 and the IRS. But due to the IRS' budget cuts, between
14 2010 and 2015, staffing was reduced, and the level of
15 quality of services provided by PPS decreased
16 significantly.

17 And as a result, in 2016, Congress provided
18 additional funding to improve taxpayer services, and
19 IRS dedicated additional resources to restore PPS, thus
20 improving practitioner access to PPS. Yet surveys
21 showed that practitioners remained dissatisfied with
22 the quality of service. The IRS asked IRSAC for

1 suggestions to improve practitioners' PPS experience.

2 We looked at the current IRS' PPS model, and also
3 looked at New York State and California models. And we
4 recognize the important role practitioner-focused
5 hotline services play in providing effective and
6 efficient tax administration, and we are pleased to
7 submit our recommendations.

8 Our recommendations are as follows. One, IRS
9 should establish a detailed marketing and outreach plan
10 that clearly defines the scope of services provided by
11 PPS, and publicize the improved level of services based
12 on objective criteria and encourage practitioners to
13 use the PPS. And number two, IRS should provide a
14 callback service. Long hold times and calls not
15 getting answered during periods of high utilization or
16 reduced services are major causes of dissatisfaction
17 with PPS.

18 Instead of requiring practitioners to stay on hold
19 indefinitely, the IRS should implement a callback
20 system like the California model. PPS should announce
21 wait time and, additionally, should also provide the
22 caller with an option to leave a phone number to

1 receive a callback with an estimated time. The
2 instructions should also state how many times the
3 representatives will attempt to return the call.

4 And number three, IRS should monitor practitioner
5 complaints and follow up. Practitioners are the target
6 audience of PPS, and addressing their concerns would be
7 the most effective way to improve the system. And this
8 could be done by developing a system to receive direct,
9 immediate feedback from practitioners who use the
10 service. Additionally, a section of IRS' website
11 should be dedicated to receiving comments from
12 practitioners regarding their experience with PPS and
13 their suggestions for improvements.

14 Another direct feedback system would be to hold
15 periodic forums dedicated to practitioners focused on
16 improving practitioner-dedicated services. IRS should
17 also monitor surveys and social media for practitioner
18 complaints about the hotline, and follow up.

19 Fourth, IRS should provide regular customer
20 service training to PPS representatives in addition to
21 technical tax resolution training. And lastly, IRS
22 should do direct PPS marketing to English as a second

1 language (ESL) and limited English proficient (LEP)
2 communities. There are a lot of people who speak
3 English as a second language or they're not proficient
4 in English. Making PPS better known to ESL and LEP
5 communities will help engage the participation of the
6 less involved practitioners whose practices are local
7 and focus on serving these communities.

8 And now, John, yours?

9 MR. MCDERMOTT: So, it's back to me. Our fourth
10 issue is taxpayer and practitioner concerns regarding
11 debt collection. Private debt collection was mandated
12 by the FAST Act in 2015, and quite frankly, my first
13 reaction as a practitioner, mostly because of my
14 experience with state and local private debt
15 collection, was less than positive. Judging from the
16 publicity and the comments that this particular issue
17 has received, most people reacted in the same way that
18 I did.

19 I am pleased, though, to say that in developing
20 this topic and talking to the IRS representatives, most
21 of the concerns are fears that have not been fully
22 materialized, and I think have been well handled to

1 date by the IRS. So, I think this program, from all
2 indications, seems to be working well. But
3 nevertheless, there were some concerns to be raised,
4 and, of course, these are not entirely original, as I
5 found in reading a number of publications and letters
6 addressed to IRS. Also, the IRS itself has recognized
7 these issues and has been working to mitigate their
8 effect, their impact.

9 A principal concern of the private debt collection
10 system is that there's an increased complexity to the
11 collection system. There's an increased opportunity
12 for identify theft and misuse of confidential taxpayer
13 information. Use of private collection agencies
14 creates a need for taxpayers to be able to authenticate
15 the private collection agency and their contact, and to
16 be able to distinguish them from fraudulent contacts.
17 And then there is also a concern for possible profit-
18 motivated collection practices by the collection
19 agencies.

20 So, we've made some recommendations. Generally,
21 our recommendation is for increased effective
22 communication to educate taxpayers and the

1 practitioners regarding the private debt collection
2 procedures. Also, the IRS should diligently monitor
3 the private collection agencies and their activities,
4 and strictly enforce all laws, regulations, and IRS-
5 established protocols for respectful treatment of
6 taxpayers. More specifically, we suggest that there be
7 additional information on IRS.gov, perhaps a site
8 dedicated specifically to taxpayers whose accounts have
9 been assigned so that they can receive information
10 that's specific to their situation. We also find that
11 there is a need for instructions for practitioners
12 representing taxpayers with respect to private debt
13 collection, including information regarding processing
14 of 2848s and 8821s, to make sure that they are able to
15 assist their clients in the private debt collection
16 process.

17 The IRS, I believe, has done a good job of
18 monitoring the development of schemes to defraud
19 taxpayers, and since private debt collection provides
20 another opportunity for fraudsters to use this system
21 to develop schemes, the IRS needs to monitor those
22 schemes, and publish them, and make that information

1 known to taxpayers.

2 There are four private collection agencies that
3 are part of the IRS program and the accounts started
4 being assigned to the private collection agencies in
5 April of this year. It is our understanding that as of
6 September, about 147,000 accounts have been assigned.
7 And, but looking at the websites for each of these
8 collection agencies, only one of them has any
9 information directed towards taxpayers. And so, we
10 suggest that you encourage the collection agencies to
11 put information on their website, and it might be
12 nothing more than referencing IRS information, so that
13 that information is more readily available to taxpayers
14 whose accounts they are working.

15 Also, we ask that the IRS screen accounts to
16 eliminate those that the IRS determines to be
17 statistically uncollectable, and not assign them for
18 collection. We believe this would mitigate the
19 negative effects of actual or perceived aggressive
20 collection actions.

21 And with that, I turn to Sharyn.

22 MS. FISK: I worked on our last issue here, which

1 was the development of new collection notices by the
2 IRS. The IRS initiated some pilot programs to revise
3 its collection notices, and these notices were
4 redesigned with attention given to affect taxpayer
5 behavior: what catches the taxpayer's eye, what gets
6 them to respond, what motivates them. And the IRS used
7 this information to change approaches to encourage
8 taxpayers to pay those liabilities. These redesigns
9 include the use of color, visual cues, behavioral cues,
10 and explaining installment payment options.

11 The IRS requested IRSAC to review the prototypes
12 of two collection notices, the LT16 and the CP14, and
13 provide comments and suggestions with respect to their
14 effectiveness. And while we were working on the
15 report, the IRS had received some data with respect to
16 the LT16, and that data has been very promising.

17 Our recommendations concern taxpayer rights, just
18 in an effort not to overwhelm taxpayers with
19 information in the notices of the past, while still
20 ensuring that taxpayer rights are clearly stated and
21 explained, especially as to any procedural deadlines.
22 Also, as part of the IRS' Future State, these

1 redesigned notices have references to links for
2 taxpayers to obtain additional information. We just
3 want to make sure that those links clearly inform the
4 taxpayers of their rights with respect to financial
5 hardship, how to dispute a debt, appeal rights, and
6 procedures. And the notices do include a phone number,
7 but there was no indication of a general phone number
8 for the notice. It might be a little clearer if
9 there's just a number for a taxpayer to call.

10 Another recommendation had to do with clear
11 communications - that the final version of the notice
12 should be vetted to avoid any misunderstandings by the
13 taxpayer, especially with respect to the accrual of
14 interest and penalties. For example, the prototype
15 installment agreement notice, which I believe was very
16 popular might be revised to make clear that the
17 installment payment amount does not include the
18 continual accrual of interest and penalties. And,
19 again, to ensure that the information in those notices
20 is consistent with IRS online self-services and call-in
21 centers.

22 The other recommendation is to assist in

1 incentivizing taxpayers to respond to notices. We
2 suggested that the notices include a reference to the
3 IRS' First Time Abate Program. If the taxpayer knows
4 of the possibility to reduce a penalty that may
5 incentivize them to call. And also, the notices might
6 include a reference to the links for the low-income tax
7 clinics that could help taxpayers with collection
8 issues.

9 Also, a suggestion regarding the use of neutral
10 language on the notice so as not to disrespect the
11 taxpayer, items such as "should you choose not to pay"
12 versus "if you are unable to pay," or "the IRS will
13 impose a penalty" as opposed to "a penalty will be
14 imposed."

15 These notices are great. I liked them a lot.
16 They're different, quite different from any notices
17 that have been out before. In the environment of tax
18 scams and identity theft, it was suggested that the IRS
19 have a sample of the new notices on the IRS website so
20 taxpayers can authenticate. There was a concern that
21 may skew some of the data with respect to the notice,
22 so the suggestion was maybe just partial disclosure --

1 enough of the notices so that a taxpayer can verify
2 that these are indeed from the IRS.

3 And that is it.

4 MR. CORBIN: So, good morning to you all, and let
5 me say it's indeed a pleasure to be here today and have
6 this opportunity to make a few remarks on the work that
7 you all have done in support of the IRS. I'd also like
8 to recognize the IRSAC service under the leadership of
9 Subgroup Chair John McDermott. And I'd also like to
10 take this time to especially thank Ms. Choi, John, and
11 Neil, who are departing after three years of service,
12 and we wish them well, and we will miss you all.

13 Let me move on to the issues that you looked at
14 for us here in Wage and Investment. First is the use
15 of the W-2 verification code as practitioners.
16 Particularly as members of the IRSAC, your support of
17 this program is critically important to the IRS, and
18 definitely your recommendations are timely. They're
19 going to help us with the 2018 filing season.

20 We do plan on continuing that pilot. We have
21 about 66 million W-2s that we anticipate will come out
22 in 2018 with the verification code on them. We also

1 are promoting the use of the verification code. We've
2 done a lot of work in the tax forms and in various
3 working groups. We also are promoting it on IRS.gov
4 this year as well.

5 Another change you'll see for this filing season,
6 you'll see a change in the W-2. Previously, the
7 verification code was in one of its extra boxes on the
8 W-2, and this year you'll see a change in the Form W-2.

9 There's a specific box now that's been created for the
10 W-2 verification code. We're also going to include
11 that in the instructions, and we will update the 1040
12 instructions to provide more information about the
13 verification code for 2018.

14 We've also had a great relationship with the tax
15 software industry, and so we've been partnering with
16 them on both their do-it-yourself and their
17 professional products to put a little bit more
18 prompting and education around the W-2 verification
19 code. And so, we think that'll help along with the
20 other marketing things that we're going to put out
21 there about the W-2 verification code.

22 With the implementation of the PATH Act last year

1 and early receipts of W-2s, we are still, of course,
2 looking at the data, but we also see the benefits of
3 the verification program, and certainly agree with you
4 that there could be other uses that might be helpful
5 for the taxpaying community for the verification codes.

6 We will continue that pilot. Look forward to
7 expanding that and seeing that go out further.

8 For our account unlock and lock solution, we
9 definitely appreciate the recommendations. You all
10 have given us a lot to think about in regards to how
11 that process will work, and particularly focused in on
12 the interactions between the tax professionals and
13 their clients, and the timing of how all that would
14 work. We continue always to look at different ways
15 that we can do work for protecting taxpayers and
16 protecting professionals as they prepare returns.
17 Certainly, the unlock/lock feature is something that
18 we're looking at, and we will continue to work with you
19 all as we look at that solution and other solutions
20 that might be helpful to protect the taxpayers. And
21 certainly, we think the unlock/lock feature, which will
22 be a voluntary program, would help with the taxpayer

1 account, as well as any kind of enhancements we might
2 look at when we roll out the tax professional account,
3 which must have the functionality to be able to do that
4 for their client. So, that's something else that we'll
5 walk away from, and take a look at, and work with you
6 all as we continue to explore different ways to be able
7 to do that.

8 With Practitioner Priority Service, that is
9 something definitely that we look at as a top priority.

10 We want to deliver a robust level of service because
11 we do think it's important that professionals have
12 their own way of being able to come in, get answers to
13 their questions for their clients, and to be able to do
14 that. We continue to work on the customer callback-
15 type service. This capability has been something that
16 we've partnered for a long time in the IRS with Online
17 Services and Wage and Investment. It continues to be
18 on our priority list, and, of course, in these tight
19 budget times and funding, we will work to push that
20 forward and see what we can do to create that
21 functionality.

22 We also are going to work on regular training for

1 our assisters. As things evolved, discussions about
2 tax reform and things are happening within the tax
3 ecosystem, we think it's critically important that our
4 assisters have the most new information available, as
5 well as access to the accounts and that the accounts
6 are updated quickly, particularly when you look at
7 2848s and other issues, so we can help practitioners
8 help their client meet their tax filing obligations.

9 And certainly, we definitely love the idea of the
10 feedback loop, providing different areas for
11 practitioners to be able to come into the IRS so we can
12 do just-in-time adjustments to our service, but also to
13 kind of hear what they're hearing and make sure that we
14 communicate and market out what Practitioner Priority
15 Service will do for our practitioners.

16 Again, I just want to commend the IRSAC for the
17 great work you all have completed in 2017. We look
18 forward to the continued partnership in 2018, and thank
19 you for your service to the IRS and to the American
20 taxpayers. So, thank you. Tammy.

21 MS. RIPPERDA: All right, thanks, Ken. And now
22 that I'm in the unenviable position of being between

1 you all and break, I will try to be as brief as I
2 possibly can. But I echo Ken's appreciation for the
3 Subgroup's work. I think that you put in a lot of
4 thought to it, a lot of diligence in understanding our
5 processes on the IRS side, and understanding our
6 position in the arena of somewhat controversial
7 collection arena since your recommendations for SBSE
8 were centered around our collection program.

9 We do serve about a third of all American
10 taxpayers in the Small Business/Self-Employed Division,
11 so we're very cognizant of the impact that we have in
12 the American taxpayers' lives. So, I appreciate your
13 efforts and your work in pulling together the
14 recommendations that you did. I was also happy to hear
15 John summarize the themes around your work this season,
16 particularly with respect to the W-9 and SBSE Subgroup
17 because I think that the themes that you laid out of
18 protecting taxpayer rights and communication align very
19 nicely with our Future State themes at IRS, and our
20 guiding principles of improving the taxpayer experience
21 that Paul mentioned earlier, as well as modernizing our
22 processes and our programs. So, thank you for that. I

1 think we're all on the same page on moving forward with
2 this.

3 With respect to the private debt collection
4 recommendations, in particular John, you mentioned that
5 this is a mandate that we contract out for collection,
6 and that is very much unlike our previous endeavors in
7 this area where we have proactively attempted to
8 contract out some of our collection work. But having
9 it mandated makes us no less determined to get it
10 right, and so we do appreciate your recommendations.

11 And I'm happy to report that many of your
12 recommendations are right in line with what we've been
13 concerned about as well in reporting out what the
14 industry and the taxpayers are concerned about and
15 activities of the contractors, and we're equally
16 concerned at IRS. And I'm happy to report that we've
17 instituted a lot of oversight mechanisms in our Private
18 Collection Program to overcome that and to address
19 those concerns.

20 Namely, we do quarterly operational reviews of
21 each of the private collection agencies. We do
22 frequent onsite visits where we actually sit in on

1 phone calls. We actually do that on a daily basis. We
2 will listen in on live phone calls to ensure that they
3 are following the Fair Debt Collections Act as well as
4 treating taxpayers with respect, and not overstepping
5 their authority to collect taxes on our behalf.

6 So, we have instituted quite a few of those
7 mechanisms in addition to requiring each collection
8 agency to report to us on a monthly basis their
9 measures of success or failure, as the case may be. So
10 with respect to the addressing of the concerns, again,
11 we share those, and we are undertaking many activities
12 to overcome those concerns and to address those
13 concerns.

14 With respect to educating the taxpayers more on
15 this private collection as you indicated, John, by and
16 large the program has been successful. It is running
17 smoothly. It was launched in April. We launched it in
18 a slow-measured fashion in order to monitor more
19 closely and address those concerns that you mentioned.

20 So, it is up and running, and we are getting ready to
21 increase the number of accounts that we are assigning
22 to the private debt collection agencies. Always with

1 protecting the taxpayers' rights key in our minds.

2 And I'm happy to report that we've actually
3 received less than a dozen complaints from those
4 147,000 accounts that we've assigned. I think that's a
5 good sign. I think it's a good indicator that we are
6 watching. And actually, two of those complaints
7 were really just the taxpayers complaining that they
8 found them quite [MISSING WORD? efficient?] frankly.
9 So, it really wasn't any actions on behalf of the
10 private collection agency or the IRS for that matter.
11 They were just complaining about the whole system
12 essentially. So, we will take your recommendations
13 under consideration obviously, and we'll look more
14 closely at them.

15 In particular, with respect to the new scams and
16 schemes that this kind of opens the door for, I'm sure
17 we're going to see a flood of scam notices coming out
18 as we approach filing season. But we do frequently put
19 out scam notices, and we certainly include the Private
20 Debt Collection program in reminding taxpayers that we
21 do have that two-way authentication process in place to
22 help the taxpayer be more assured that they are dealing

1 with an authorized representative, if you will, or
2 agent of the Federal government in collecting the
3 taxes. So, we will continue to educate the public on
4 that and on those opportunities for the scamsters out
5 there.

6 But we also have a pretty good PDC page, and
7 that's private debt collection, on IRS.gov. You
8 mentioned putting more information for taxpayers who
9 are subject to private collection. I looked at it
10 myself yesterday just to make sure that we're still
11 sharing the information that I think that we need to be
12 sharing with the public. And it's a pretty good, darn
13 good, site I will say, and kudos to Paul and his folks
14 for redesigning the whole IRS.gov website because it is
15 much more user friendly. I can find things more easily
16 than I used to be able to before, I daresay.

17 So, there is a lot of information out there for
18 taxpayers, and I would encourage you to encourage your
19 clientele to access that; all you got to do is search
20 "PDC" or "private collection," and it comes up, and
21 there's a lot of information all the way from, you
22 know, the letters that the IRS will send first. We

1 will send the first letter telling the taxpayer their
2 account has been assigned to a private collection
3 agency, which will be followed up on by the private
4 collection agency; their first contact has to be by
5 letter, not by phone call, where they, too, send out
6 the letter with the authentication number and
7 everything. And then when the taxpayer gets the call,
8 they kind of already have been notified twice before
9 then that they will be getting called.

10 With respect to not assigning those accounts that
11 are uncollectable, by and large we don't assign
12 accounts that have been entered into our system as
13 currently not collectable. Those are not part of
14 what's being assigned. Now obviously, if they become
15 uncollectable between the time we last contacted them,
16 or pulled financial information, and the assignment,
17 too, they very well may be assigned.

18 But, again, there's a mechanism in place in the
19 process by which the private collection agency can
20 return that account to us to be shelved again,
21 essentially as not collectable. So, thank you for the
22 recommendations that you provided with the private debt

1 collection process. We will continue to make tweaks
2 and adjustments as we deem necessary as we go along.

3 With respect to the notices, I, too, thought that
4 they were pretty nifty. And, again, my first reaction
5 was, when I looked at a notice, it certainly doesn't
6 look like it's coming from the Federal government, let
7 alone the IRS. So, to your point, Sharyn, was what
8 would kick into somebody's mind that this is probably
9 not from the IRS. It looks too good? It looks too
10 snazzy? It looks a little bit too snappy for IRS
11 activity?

12 But nonetheless, the notices have been successful.

13 And all of them have actually increased taxpayer use
14 of self-service channels by encouraging people and
15 educating people on what's available out there for
16 other channels. The notices did decrease IRS costs by
17 way of fewer phone calls and then less paper that we
18 have to deal with.

19 You mentioned the installment agreement notice.
20 That along with the urgent notice -- that was one that
21 was the first thing you see is "urgent," this "This is
22 urgent and needs your attention," that actually

1 improved payment compliance and reduced taxpayer
2 penalties, which is kind of a win-win for both sides on
3 that. So, that approach is engaging our research and
4 analytics folks in studying taxpayer behavior and
5 things that we can do differently to change that
6 behavior. We continue to do that in other areas, and
7 we'll continue to do that with all of our notices, at
8 IRS and certainly with SBSE.

9 Some of the other things that we're partnering on
10 is to continue to look at more of our notices and
11 redesign our collection notices, as well as some of
12 that examination notices and assessment notices that we
13 use. We're looking at the Federal tax deposit alerts
14 that we make, and we've worked with our research folks
15 in determining how behavior can change with early
16 intervention with those employers who appear to show
17 signs that they will be late on their deposits or may
18 not deposit at all. If we can get in there earlier to
19 alert them to that, they're more likely to come back
20 into compliance sooner, and thereby reduce the
21 penalties on them as well.

22 Another example is the PDC. We're working with

1 our research and analytics folks to measure the
2 effectiveness of the Private Debt Collection Program,
3 as well as to help us with how we allocate the
4 inventory and the assignments out for the best results
5 for all.

6 And finally, we're going to be working with them
7 as we launch our new passport program, which was also
8 another FAST Act item that mandates that we certify
9 seriously delinquent tax debt to the Department of
10 State so that they can either deny an application for a
11 passport or revoke an existing passport. We're working
12 with our research folks to help us analyze that
13 inventory as well and determine what impact that might
14 have on taxpayer behavior.

15 So, thank you again for your work this year on the
16 Small Business/Self-Employed issues. We certainly look
17 forward to working more with you on these issues as
18 well as the new issues that will arise in the coming
19 year. So, thank you.

20 MR. MCCORMALLY: Thanks so much, Tamara, Ken, and
21 everyone. And, Walter, I ask you to lead us right into
22 the OPR Subgroup report.

1 MR. PAGANO: My pleasure, Tim. Thank you very
2 much. Good morning, everyone. The Office of
3 Professional Responsibility Subgroup, collectively we
4 as a whole certainly want to thank Steve Whitlock for
5 the resources that Steve provided to us during this
6 past year. Those resources not only included access to
7 Steve whenever we requested it and whenever he was
8 available, which was, quite frankly, all the time, and,
9 number two, Steve's attorney staff, investigators, and
10 administrative staff. So, we thank you very much for
11 all of that support. Without that support, we would
12 not have been able to complete our tasks in the manner
13 that we have done, so we very much appreciate that.
14 Thank you, Steve.

15 Also, in terms of the issues that we wish to speak
16 about this morning, there are three. One will be
17 addressed by me. That will be the first one. And then
18 I will hand off the second issue to Kathy Hettick,
19 who's to my right next to Don Read, and then to
20 Patricia Atwood, who's at my left.

21 The first issue that we are going to address is
22 something that you folks have probably heard in the

1 past, but it is no less important today than it has
2 been last year, the year before, the year before that,
3 and perhaps several years even preceding the last
4 three. The issue is the need for express authority to
5 confirm to the Treasury Department its ability to
6 establish, enforce, and require minimum standards of
7 competence for all tax practitioners, including tax
8 return preparers. The next topic, which Kathy will
9 address, will be the issue of educating practitioners
10 and preparers about their responsibilities under the
11 Internal Revenue Code's penalty provisions, and the
12 Treasury Department's practice standards under Circular
13 230.

14 I certainly recall from last year Steve's comments
15 about education being equally as important to the IRS
16 and to the practitioner community as are the issues
17 that we have spoken about previously, which include, of
18 course, establishing, enforcing, and requiring minimum
19 standards. So, the educational component, Steve,
20 certainly has not gone unnoticed by us, and we truly
21 support that endeavor as being co-equal with
22 establishing and enforcing. The third issue, which

1 Patricia will address, is the use of generally accepted
2 appraisal standards in IRS valuations.

3 As many of you know, recently several courts have
4 circumscribed the authority of the Treasury Department
5 to establish, enforce, and require minimum standards of
6 competence on tax return preparation and other pre-
7 filing services, as well as on post-filing services
8 that are prior to the examination or the audit stage.

9 IRSAC believes that it is in the public interest
10 and the interest of taxpayers particularly to safeguard
11 the integrity of tax return preparation, tax advice and
12 planning, tax representation generally, and the tax
13 controversy process also. IRSAC also believes that
14 Congress should extend to the Treasury Department
15 express authority to establish, enforce, and require
16 minimum standards of competence for the full range of
17 tax practice from tax advice and planning all the way
18 through tax litigation.

19 As of September 1st, 2017, there were
20 approximately 730,000 PTIN holders. Those individuals
21 have the valid PTIN, the preparer tax identification
22 number. Of those individuals, slightly more than half

1 -- approximately 370,000 -- of those PTIN holders have
2 no requirement whatsoever to follow the competency
3 standards promulgated by the Treasury Department, and
4 they are not subject to discipline by any licensing
5 bodies for professional misconduct. Meanwhile,
6 slightly less than the 730,000 -- approximately 351,000
7 of PTIN holders are formerly authorized to practice
8 before the IRS, and are, therefore, subject to Circular
9 230.

10 Fortunately, for the tax community as a whole, for
11 the Internal Revenue Service, and for effective tax
12 administration, a growing number of elected officials
13 have recognized the pressing need to pull all tax
14 practitioners under the umbrella of the Treasury
15 Department for purposes of establishing, enforcing, and
16 requiring minimum standards of competency. And
17 certainly, requiring minimum standards of competency
18 includes the educational component that is also very
19 important, I believe, to practitioners, to the Service,
20 and, of course, to effective tax administration as
21 well.

22 One of the latest efforts this year is H.R. 1077,

1 which is referred to as the Tax Return Preparer
2 Accountability Act of 2017. This act would authorize
3 the Treasury Department to prescribe regulations
4 overseeing "any tax return preparer or preparers who
5 are not regulated by the Service under 31 U.S.C. 330."

6 However, the combination of both *Loving* and *Ridgely*
7 necessitate a broader authorization that grants the
8 Treasury Department the power to regulate all tax
9 practitioners, not just tax return preparers.

10 As the IRSAC has done for each of the last three
11 years, we recommend that the Commissioner of Internal
12 Revenue ask Congress to enact legislation expressly
13 authorizing the Treasury Department, under 31 U.S.C.
14 330, to establish, enforce, and require minimum
15 standards of competence for all tax practitioners,
16 including tax return preparers. The IRSAC is proud to
17 lend its voice to the chorus of supporters from across
18 the professional and political spectrum who recognize
19 the dire need for Federal oversight of tax
20 practitioners, particularly those who are currently
21 unlicensed and subject to no threat whatsoever of
22 discipline for misconduct that is detrimental to not

1 only taxpayers, but also to ethical tax practitioners
2 and effective tax administration.

3 I want to thank you for the opportunity to express
4 our thoughts about this issue, and I'd now like to turn
5 it over Kathy Hettick. Kathy?

6 MS. HETTICK: Thank you, Walter. We all know that
7 education is a key component for any successful
8 occupation or career. For tax practitioners, it is
9 absolutely essential, and with the continuing changes
10 to tax law and tax policy, it is critical for tax
11 practitioners to have ongoing professional education.
12 It is equally important for all tax practitioners to
13 understand the role and ethical responsibilities that
14 come with tax preparation and holding themselves out to
15 the general public for service.

16 Tax practitioners include a variety of
17 individuals: lawyers, CPAs, enrolled agents, actuaries,
18 appraisers, and, of course, all tax return preparers,
19 including unenrolled preparers with no minimum standard
20 requirements or regulation, as Walter referred to.
21 Also included in this group are the annual filing
22 season program participants, a growing group of tax

1 practitioners who voluntarily subscribe to CE
2 requirements testing, as well as Circular 230.

3 All tax practitioners, regardless of their license
4 or credentials, must have a preparer's tax
5 identification number, a PTIN. This is issued and
6 renewed on an annual basis, and currently, as Walter
7 referenced, there are over 730,000 PTIN holders. As
8 stated before, these individuals have a variety of
9 licenses and credentials, and, therefore, have a
10 variety of educational requirements and minimum
11 standards. We believe that all tax practitioners,
12 regardless of licensing or enrollment, need to have
13 access to and exposure to the IRS resources, which
14 includes Circular 230 information and preparer penalty
15 information under Title 26.

16 The IRS has done a great job increasing education
17 resources for tax practitioners, including newsletters,
18 webinars, filing updates, even short tutorials on
19 YouTube. Current topics include office security issues
20 and getting ready for the 2018 tax filing season. Tax
21 practitioners use these resources as well as pass this
22 information along to their clients, the taxpayers. Tax

1 practitioners are a critical resource to the IRS to
2 reach taxpayers.

3 To gain access to these resources, which are all
4 delivered electronically, you must be online with the
5 IRS website or subscribe to the email updates. We
6 believe that it is essential all PTIN holders need to
7 be aware of the resources available to them. Our first
8 recommendation is that upon the PTIN renewal, the
9 individual be auto-subscribed to the email update "E-
10 News for Tax Professionals." This is a weekly digest
11 that includes all the IRS happenings, alerts, and
12 communications to tax practitioners, including upcoming
13 educational opportunities. Of course, as with any
14 auto-subscribe program, it would include an opt-out
15 feature.

16 Currently, we have 310,000 subscribers to the e-
17 News for Tax Professionals. We believe we can greatly
18 expand the delivery of IRS resources to hundreds and
19 thousands of tax practitioners and taxpayers with the
20 auto-subscribe feature.

21 Another recommendation during the PTIN renewal is
22 to take the users to the landing page, "Your

1 Responsibilities as a Tax Professional," as the final
2 step before they exit the IRS site. This landing page
3 offers critical information on preparer standards,
4 penalties, as well as basic tools for tax
5 practitioners. Again, this is another opportunity to
6 reach more tax practitioners and promote the IRS
7 resources that are available.

8 We believe that education for all practitioners
9 surrounding Circular 230 can be improved by providing a
10 summary of Circular 230, which is our next
11 recommendation. This would be a brief summary of the
12 various sections of Circular 230, and would be a
13 valuable, quick reference. This is similar to the
14 Summary of Preparer Penalties, which is currently
15 available on the Tax Pro landing page. Having these
16 two resources prioritized at the top of the Tax
17 Professional webpage will encourage and assist all tax
18 practitioners to become familiar with Circular 230, and
19 aspire to best practices and a higher level of
20 professionalism.

21 In conclusion, we commend the IRS for a great job
22 in developing and expanding the resources and

1 educational opportunities for tax practitioners.
2 However, as you have heard, resources are available to
3 those that proactively search them out or subscribe to
4 email alerts. By providing the opportunity to all PTIN
5 holders to be exposed to what is available, we believe
6 they will be more widely used, thereby enhancing our
7 tax system with increased education and awareness of
8 the tax practitioners and taxpayers.

9 Thank you. With that, I'll turn it over to Patty.

10 MS. ATWOOD: Well, if you're following along,
11 we've gotten up to page 118 on our long morning, and
12 this is the last section of all of our reports until we
13 get to the general reports. I point out what page
14 number this is only because I'm not going to go into
15 the history of the Uniform Standards of Professional
16 Appraisal Practice. My colleagues will be pleased to
17 not hear that again, but you can read it, and I hope
18 you will, including some of the footnotes, which go
19 into the very important sources of authority for the
20 Uniformed Standards of Professional Appraisal Practice
21 that we call USPAP.

22 The general topic of our recommendations here go

1 beyond OPR; this really cuts across the board.
2 Valuation standards are important to almost all of the
3 operating divisions. They're important in Appeals.
4 They're important in Chief Counsel's office. You
5 encounter issues, thorny issues, about valuation and
6 disputes over valuations throughout everything that
7 happens in the IRS.

8 So, what are these standards in a nutshell in two
9 sentences or less? Ethical standards will sound very
10 familiar to all of you professionals, whether you're
11 attorneys, or enrolled agents, or CPAs. Professional
12 ethical standards are analogous to what we see in
13 Circular 230. For appraisers, they're a little bit
14 different. Appraisers are required to be independent,
15 impartial, and objective, not advocates for anything
16 except for the truth of the valuation. Appraisers are
17 supposed to be competent for the job they're doing; if
18 you are appraising my house, you are not also
19 appraising the Empire State Building, for example. You
20 need to be competent within your profession.

21 There are methodological requirements in the
22 Uniform Standards of Professional Appraisal as well.

1 If you look at a historical probate inventory, 18th and
2 19th century - has anyone done their history on this? -
3 - you'll see a list, description of the property and a
4 number; the brilliant appraiser, based on their
5 opinions, and knowledge, and smartness, simply said
6 "because I say so," that's the value. That's no longer
7 acceptable in the Uniform Standards of Appraisal
8 Practice. Appraisals must be backed up with evidence
9 and logic. This is new in the appraisal as of 30 years
10 ago, and these are the current standards.

11 The IRS currently requires that taxpayers submit
12 appraisals in certain contexts that are consistent with
13 these good Uniform Standards of Appraisal Practice.
14 You see this particularly in the area of charitable
15 contributions. We think this is a great idea.

16 We also think it's a good idea if the IRS
17 themselves in the valuations prepared within the
18 Service, if they would also consider whether or not at
19 least the principles of these Uniform Standards might
20 also be applicable to the valuations prepared, whether
21 it be in LB&I, SBSE, by the business valuation
22 appraisers, by the appraisers of real property,

1 machinery and equipment, or art. There are many
2 valuations that are prepared within the Service.

3 We also think it would be a good idea when the
4 Service looks outside IRS employees and hires outside
5 experts, we think it would be a good idea if at least
6 the question were asked of these outside experts, do
7 you comply with USPAP as one of the hiring criteria in
8 evaluation matter. It's not explicitly required, but
9 it seems like a good question to ask, particularly in
10 the context of a U.S. Tax Court case, such as *Kohler v.*
11 *Commissioner*. In that case, Uniform Standards were not
12 the only criteria cited by the court. They were not
13 the only reason that the IRS lost the case, but they
14 were mentioned twice in the Court opinion that the
15 expert did not.

16 And finally, there is an organization called the
17 Art Advisory Panel that works within Appeals and Art
18 Appraisal Services. One of our recommendations is that
19 this panel be looked at. It was formed well before the
20 creation of USPAP. Some of its processes could be more
21 transparent. We've heard that word a lot today. I
22 think a few people have said that. But they also could

1 be streamlined and modernized, and I think you've heard
2 that today as well. So, we're suggesting that that be
3 looked at.

4 There's an appendix at the very end of the report
5 -- I won't give you the page number -- which shows that
6 many of the valuation guidelines in the IRM are quoted
7 almost verbatim from USPAP, but there's no attribution
8 at all. And furthermore, it's not updated. The last
9 valuation guidelines were updated in 2006. Since then
10 there have been six editions of the Uniform Standards
11 of Appraisal Practice.

12 As we think about being cost effective, we've
13 talked about updating Circular 230 -- poor Steve -- and
14 we know how hard it this is to update some of these
15 things. But perhaps cross-references to Uniform
16 Standards might be a cost-effective way to keep the IRS
17 valuation guidelines up to date with current practice.

18 Thank you.

19 MR. PAGANO: Patricia, thank you very much. And
20 before I turn to Steve for any comments, I just want to
21 express my heartfelt thanks to all members of IRSAC,
22 and particularly the members who served with me this

1 particular year on the Office of Professional
2 Responsibility Subgroup. Thank you very much. Steve?

3 MR. WHITLOCK: Well, thank you for the report.
4 So, you know, Walter, Dennis, Don, Patricia, Kathy, and
5 Shelly. We've got six folks on the OPR Subgroup.
6 There are 30 people in the Office of Professional
7 Responsibility, so per capita, we're getting a lot of
8 support from the IRSAC, right? But I think the
9 recommendations that you make highlight the scope of
10 the work that you're doing, and the issues that you're
11 addressing go well beyond the Office of Professional
12 Responsibility, and I appreciate the implications of
13 that.

14 As you said, this is the third year that you've
15 made a recommendation specifically on the subject of
16 statutory authority. My observation on that is it's
17 critical that we match the expectations of tax
18 professionals of the Office of Professional
19 Responsibility with the authority that we have to act
20 on those expectations. The standards that are
21 described in Circular 230 are not unique to the IRS.
22 They're a consensus of tax professionals, provisions in

1 the Tax Code, tax professional organizations, things
2 that have grown out for many years.

3 Having a mechanism to enforce these things that is
4 effective and comprehensive is something I think the
5 Service has been supporting for long before these
6 recommendations were made. So, we appreciate the
7 continuing broad consensus behind doing something to
8 address the gap between what's expected and what the
9 specific authorization is.

10 On the education front, I think the numbers are
11 interesting, the number of people who we reach and the
12 number of people who we need to reach. I know just
13 from my own office, we touched about 28,000 people, but
14 you give a number of 730,000 people who have PTINs. We
15 can't touch them all. We rely on lots of different
16 forums to get at the issues that are described.

17 I think the approach that we've taken, again,
18 recognizing this is a consensus document, the standards
19 that we have in Circular 230, for example, on return
20 preparation are taken right out of the standards that
21 appear in the Internal Revenue Code around penalties.
22 So, when people say I'm not covered by Circular 230,

1 they still are covered by the penalty provision. It's
2 an important point to try to pick that up in an
3 effective way through the education process.

4 The specific recommendations that you've made in
5 terms of how we arrange things in the website, I'm
6 going to talk to my good friend, Paul, about. He's
7 just redesigned the webpage, and one of the key factors
8 was the popularity of some of the links. We had to
9 adjust because some people don't feel like they really
10 want to spend a lot of time looking at the discipline
11 piece. Popularity may not be the only measure here,
12 and it's not been. We've been working through some of
13 those kinds of issues. We'll work some of these
14 particulars.

15 Some of this is, you know, deceptively easy to
16 say, but much harder on the technical side to do,
17 whether it's making those links on a website that we
18 don't own or something like that. But they're
19 important recommendations, and if we can't get it
20 through the front door, maybe we get it through the
21 back door. Thank you for the thought that went behind
22 that. We can certainly update in plain language the

1 materials that we have on our webpage and make that
2 more accessible, and that's much easier to do, and we
3 will get on that, of course.

4 On the appraisal issue, we've been talking about
5 appraisal issues since I joined the OPR and met with
6 the OPR Subgroup the first time back in 2015. I really
7 appreciate the work that's been over a sustained period
8 to raise these questions within the Service about how
9 we interact with taxpayers and how our operating
10 divisions apply these standards. It is a challenge.
11 You know, as you say the process of updating the IRM
12 seems to be harder than the process for updating the
13 Uniform Standards of Appraisal Practice.

14 And, it's a useful suggestion. I'll have to talk
15 to the folks who actually set the style standards and
16 the requirements for what goes into the IRM to see how
17 we make cross-references to other documents. As you
18 mentioned, this is not an OPR issue. This is an LB&I,
19 this is an SBSE, this is Appeals and Chief Counsel
20 issue -- all have to weigh in on this. But very
21 thoughtful recommendations and I appreciate the input.

22 MR. PAGANO: Steve, thank you very much. Tim, I

1 turn it back to you, sir.

2 MR. MCCORMALLY: Thank you, Walter. Thank you,
3 Steve. I want to thank everybody for their
4 participation and engagement so far. And having been
5 joined by Deputy Commissioner Wielobob, I'll turn the
6 microphone over to her for a few remarks.

7 MS. WIELOBOB: Okay. So, I'm Kirsten Wielobob.
8 I'm the Deputy Commissioner for Services and
9 Enforcement. So first, thank you for inviting me here
10 today to this public meeting.

11 The first thing I'd like to do is set some
12 expectations about what I'm about to say before I
13 discuss the substance. So, I hope this isn't going to
14 come as a shock, but I'm not John Koskinen. I'm not
15 David Kautter either. So, with that said, I'm sure
16 that you've heard that Dave Kautter is splitting his
17 time between two very, very large jobs. Typically, the
18 acting commissioner or the commissioner would attend
19 this event, but he -- as you might guess -- he's quite
20 busy lately, especially considering the
21 Administration's goals for the timing of tax reform.
22 He is involved at the Service already in his first

1 week, but I do want to say that I think it's great Dave
2 has willingly given up on a personal life and sleep for
3 the sake of tax administration.

4 But I do think he's going to have a challenging
5 time splitting between those two roles. I think it's
6 going to be challenging to wear the two hats of tax
7 policy and tax administration. It's going to be, I
8 think, a challenge to keep those two worlds separate
9 because they are distinct parts of tax administration.

10 I do know that Dave is very well respected in the
11 tax community, and I feel like we're fortunate to have
12 him in any capacity as the acting commissioner until
13 the Administration announces one permanently. And
14 considering how implementation of tax reform goes, I
15 might be especially glad that he's in the acting role
16 and I'm not.

17 So, before we launch into the substance of the
18 report, I do want to thank you, each of you, for
19 spending the time that IRSAC requires of you for your
20 commitment, and the extra work and the travel that this
21 entails. Tim and Dennis especially, our thanks go out
22 to you.

1 You provide the IRS a great opportunity to hear
2 from the tax professional community about our
3 practices, our procedures, and how they affect you, how
4 they affect tax administration generally, and we really
5 do value the relationship. And I think Commissioner
6 Koskinen was clear about that when he visited with you
7 in the past, and we all thank you for the efforts that
8 you guys put forward.

9 I think the spirit of collaboration that IRSAC
10 represents to me, and I've been at the IRS since 1997,
11 and I think when I first was aware of this group, it
12 was called the CAG, which is an acronym for the
13 Commissioner's Advisory Group. And whether CAG,
14 whether IRSAC, whatever the moniker is, I think the
15 spirit of collaboration has always aided tax
16 administration.

17 We may have different perspectives, and I know
18 that you know, you guys make recommendations and we
19 respond, and our perspectives may not always be the
20 same, but the exchange of information is really
21 valuable. Even if we agree to disagree, we find value
22 in what you suggest to us. You can cause us to rethink

1 what we do, think about what we do differently,
2 bringing your experience to bear -- what you experience
3 from an external perspective -- on what we do. So,
4 channeling Commissioner Koskinen, the conversation is
5 very important, and we all have an interest in getting
6 tax administration right. So, again, my thanks to
7 every one of you.

8 With that said, I would love to hear about the
9 overview issues, and I look forward to continuing the
10 conversation in the future. So, Tim, I'll turn it back
11 to you.

12 MR. MCCORMALLY: Thanks so much. And what I think
13 is important, and Patty mentioned 118 pages to get up
14 to her issue, overall the report is 154 pages. As fast
15 as all of us on IRSAC can talk, we can't cover
16 everything that's in that report. So, those of you who
17 haven't had a chance to review it yet, I would
18 encourage you to do so.

19 In turning to the general report, we covered three
20 issues, and they're not new, but that doesn't mean
21 they're not important. Sometimes we end up talking to
22 ourselves about issues of common concerns, and other

1 times we end up educating ourselves and ideally others
2 about what the issues are.

3 The first issue IRSAC chose this year to address
4 is the budget. Anybody who works for the IRS, anybody
5 who deals with the IRS, and that's everyone in the
6 room, knows what the implications are of the billion
7 dollars in budget cuts that the Agency has experienced
8 since 2010. There are 20,000 fewer employees since
9 that time. So, we're preaching to the choir when we
10 say you can't ignore the human and the systemic cost of
11 the budget cuts.

12 But rather than singing from the same book again,
13 what I'm going to do is just quote something that the
14 chairman of the Senate Finance Committee lodged last
15 night as an amendment to the Senate Finance Committee
16 tax reform bill, because to me, it speaks volumes, and
17 it's probably all we need to say about the budget. It
18 says, "The proposal to the revised bill expresses the
19 sense of the Senate that politically-motivated budget
20 cuts are counterproductive to deficit reduction,
21 diminish the IRS's ability to adequately serve
22 taxpayers and protect taxpayer information, and reduce

1 the IRS's ability to enforce the law." So, that's what
2 the general report says. That's what prior general
3 reports have said. And I think, with that, I'll move
4 on to the second topic.

5 Actually, for the second topic, I'm going to turn
6 to somebody who knows a whole lot more about the
7 Appeals process than I do. I could point to you,
8 Commissioner Wielobob, because you used to serve as
9 Chief of Appeals, but I'm going to talk to your
10 predecessor. Shelly Kay is going to talk about some of
11 the concerns that IRSAC has about recent changes in
12 Appeals processes with respect to who's involved in
13 Appeals conferences. Shelly?

14 MR. KAY: Just this past summer, Appeals began a
15 pilot program that involves about one-third of their
16 large case ATCLs, where they are basically going to be
17 required to have Compliance and Counsel folks attend
18 conferences. There's been a lot of discussions about
19 it, a lot of panels. What we wanted to focus on is
20 that the traditional Appeals process is not your normal
21 ADR process, and an Appeals officer is not neutral.
22 They make reasoned resolutions, which is a term that I

1 learned when I came back to Appeals. And it's a power
2 to settle, which is different than most neutrals.

3 And if you look at the Appeals Division's mission
4 statement, which is different than everybody else's
5 mission statement in the IRS, it really has two
6 distinct parts. The first part deals with resolving
7 cases without litigation in a manner that's fair and
8 impartial to both the government and the taxpayer. So,
9 that's addressing both taxpayers and the government.
10 The second distinct portion is how that is to be done.

11 It's done in a manner that will enhance voluntarily
12 compliance and public confidence.

13 Well, both of those are taxpayer facing. You
14 know, the compliance is on the taxpayers, and public
15 confidence is clearly the public's. So, the manner in
16 which it's done is really public facing.

17 We have heard recently from the chief and the
18 deputy -- and the acting deputy chief -- that they
19 anticipate that this pilot will only go forward during
20 the preliminary portions of the appeals and not later
21 on when settlement discussions happen. You know, I'm
22 not sure exactly when that shift is. When I am at

1 Appeals conference, I always figure as soon as the LB&I
2 folks leave the room, that settlement starts at that
3 point. As soon as I open my mouth or the ATCL asks me
4 a question, everything there is settlement.

5 Getting dialogue, if the goal -- and it is one of
6 the stated goals in the frequently asked questions, to
7 get a dialogue going -- that's laudable, and I'm
8 probably different than most practitioners in that
9 view. I think it's good to have a dialogue between the
10 compliance folks, counsel, and the taxpayer, but I'm
11 not sure -- but the pilot and the FAQs don't really
12 clarify that well.

13 And the cases that are selected are ATCL cases,
14 and those are probably the cases that will least
15 benefit from this procedure. In those cases, as we
16 spell it out in our report, there's a notice of
17 proposed adjustment. There's a response. There's a
18 revenue agent's report. There's a protest. There's a
19 rebuttal. And there's a pre-opening meeting. The
20 issues and the facts are generally pretty well known,
21 and if not, there's other problems there. Possibly in
22 the SBSE world, things could be different because you

1 don't necessarily have that depth for each individual
2 case.

3 So, knowing that there are other alternatives,
4 like Rapid Appeals Process, Fast Track, et cetera, we
5 just wanted to focus on whether the need exists for
6 this kind of change.

7 MS. WIELOBOB: So, you talked about why you think
8 that this is different than traditional ADR because
9 Appeals has the power to settle. I disagree with that
10 underlying premise. I think the taxpayer has the power
11 to settle, and I think that ultimately the taxpayer has
12 to agree to any settlement. I think that this is more
13 like non-binding arbitration, which is a traditional
14 ADR concept.

15 I agree that Appeals as a government organization
16 is not technically neutral. Having been part of 10
17 different organizations at IRS, including Appeals, I do
18 think that Appeals is in an interesting spot, and I
19 think that they might have hit the sweet spot because
20 externals want them to be more independent, and
21 internals want them to be less independent. And so, to
22 me, it's like that old adage about compromise that

1 everybody is leaving unhappy in a sense.

2 Everybody would prefer Appeals to be slightly
3 more, slightly less independent. So, I think they've
4 reached a pretty good spot on that. And as you know,
5 they zealously guard that independence, much to the
6 annoyance of the folks that I oversee now.

7 The second thing I'll say is you talked about the
8 mission of Appeals, resolving cases without litigation
9 in a fair and impartial manner. I would point out that
10 it's actually tax controversies, and that was always
11 one of my bugaboos because I think Appeals ought to be
12 focused on tax controversies, but that's sort of an
13 aside. "Fair and impartial manner" to me does not mean
14 that either side should have unfettered access or
15 unique access to Appeals.

16 And so, what this is designed to do, in the pre-
17 conference portion, how this has always worked is a
18 taxpayer comes in with Compliance. Compliance presents
19 its case while taxpayer is there -- and presents to the
20 Appeals officer. While taxpayer is there, taxpayer can
21 rebut while Compliance is sitting there. Then
22 Compliance leaves the room, and taxpayer presents its

1 case, his case, her case, whatever pronoun you want to
2 use. And Compliance doesn't have a chance to rebut
3 sitting there.

4 And so, the goal is that exchange of information
5 so that the Appeals officer can potentially hear the
6 rebuttal from Compliance if there is rebuttal to be
7 made. After that is when the conference starts -- not
8 the pre-conference, but the conference, and that's when
9 settlement negotiations happen, and Compliance should
10 be out of the room at that point. That conversation is
11 between Appeals and the taxpayer or the taxpayer's rep,
12 as it were.

13 So, I think there's just a couple questions there.
14 I think Appeals is working very hard to get it right.
15 I know that you -- that IRSAC -- and other groups are
16 giving feedback, and I think that they're striving to
17 incorporate the feedback as best they can with the
18 notion of trying to understand "fair and impartial"
19 across tax administration, and still provide that
20 resolution for them.

21 Go ahead. I can tell.

22 MR. KAY: Just one quick rebuttal to the rebuttal.

1 (Laughter.)

2 MR. KAY: And I completely agree --

3 MS. WIELOBOB: Reserve more time?

4 MR. KAY: Sure. No, I completely agree with that,
5 and if the goal, as we indicated, is to have more
6 direct conversations between the taxpayers and
7 Compliance initially, like in the pre-opening meeting
8 and LB&I cases, that's laudable, and that should be
9 done. And I know a lot of practitioners would be
10 screaming at me right now, but I think it should be
11 done. It makes the process more open.

12 But the frequently asked questions don't really
13 limit it to that, and I think there needs to be some
14 kind of clarification about what that means, what it
15 affects, and when it's over.

16 MS. WIELOBOB: And I'll take that back to them
17 because I know they are very interested in getting this
18 as right as possible. So, yeah, thank you for that.

19 MR. MCCORMALLY: I think that's good. I just
20 wanted to do a shout out to National Public Liaison for
21 the forum it hosted earlier this year talking about the
22 pilot and the changes in in-person conferences as well.

1 With the pilot program going on, I think there'll be
2 an opportunity down the road to bring stakeholders back
3 into the room and to continue the conversation with
4 some experiences in terms of taxpayer concerns, actual
5 results, and the views of practitioners as well. So, I
6 think that's good.

7 That actually leads into the third recommendation
8 that IRSAC covers in its general report, which is to
9 reimagine what IRSAC should be going forward. This is
10 a very consequential time for the tax system with major
11 tax reform legislation going on. It's a consequential
12 time for the IRS with a vacancy in terms of a permanent
13 commissioner and the President expected to name a new
14 commissioner soon.

15 And it seems to me that those two things together,
16 with the variety of challenges that the tax system
17 faces, make this an opportune time for us to take a
18 step back to an organization that was first constituted
19 in 1953 in anticipation of the legislation that gave
20 rise to the 1954 Code, and examine the basic questions
21 that journalists ask: who, what, when, where, why, and
22 how.

1 Those questions have great relevance in terms of
2 how IRSAC operates. Right now we're pretty much an in-
3 person group. Yes, we have phone calls, we have
4 emails, but we do our work around several several
5 meetings a year plus the public meeting. The "what,"
6 the way the charter is written, it's an annual report.

7 And although the charter doesn't foreclose the
8 possibility of interim reports, the practice for the
9 most part has just been an annual report. Does that
10 make sense in the breakneck arena in which we now all
11 work and live?

12 The "what" and "who" are more complicated
13 questions. So, what have we talked about? Very
14 importantly today, the OPR Subgroup talked about
15 regulation of practitioners. At one level, that's a
16 matter for Congress. We can talk among ourselves all
17 day and generally agree with respect to the need for
18 legislation, but is that inward-looking conversation by
19 itself helpful to the process? Similarly, on the
20 budget, our report is very carefully couched given the
21 language of the current charter to say, "Hey,
22 Commissioner, you should get adequate funds to do your

1 job?" But the question is, in our view, are there more
2 effective ways for IRSAC to do its work. We currently
3 work in an open environment, "transparency" to use the
4 term that Patty used earlier, that allows us to
5 identify, research, develop recommendations with
6 respect to issues of common concern.

7 And to me, in one of those magnificent punts at
8 the end of my term as chair of IRSAC, I say, Dennis,
9 this is what you --

10 (Laughter.)

11 MR. MCCORMALLY: -- working with John Lipold as
12 the Designated Federal Officer, should focus on next
13 year and maybe even before next year with respect to
14 what should IRSAC look like when we're dealing with the
15 Tax Reform Act of 2017 or 2018, and how could we do a
16 better job.

17 And coming back to the Appeals issue to tie it all
18 together, I think one of the more effective things that
19 IRSAC could do -- because all of the members of IRSAC
20 are members of other organizations and represent
21 varying constituencies -- is to serve a coordinating
22 role. We can maybe save the IRS some time. I can't

1 imagine how all of the folks from the operating
2 divisions can meet with all of us who want to meet with
3 them all the time.

4 When Doug O'Donnell met with IRSAC's LB&I
5 Subgroup, he said, "Is there anything that you folks
6 can do to help us deal more effectively with all the
7 input that we get?" And that, to me is another issue
8 to look at. Can we serve a coordinating and
9 streamlining role, not because we all have to sing the
10 same song, but if we all are singing pretty much the
11 same song, do you have to listen to it, say, 153 times?

12 So, that's another issue that I would hope that Dennis
13 and next year's IRSAC can take up with John and his
14 counterparts in NPL, and depending on whatever
15 recommendations come out of that review, make changes
16 going forward.

17 So, that's it for the general report. I don't
18 know if, for the benefit of Commissioner Wielobob, the
19 subgroup chairs want to take a few minutes to do a very
20 high-level overview of the key points you made during
21 your report earlier today. Kathy, were you going to do
22 it for OPR?

1 MS. HETTICK: Thank you all. I'll just go ahead
2 and highlight. Walter had to leave early, but the
3 focus topic that Walter wanted to bring forward is the
4 education piece. And I want to kind of piggyback on a
5 few comments that Director Whitlock made a few moments
6 ago about the Circular 230 and the regulation of
7 practitioners.

8 We know from the numbers that we heard that less
9 than half of the PTIN holders, the 730,000 individuals
10 who have a PTIN, less than half are regulated under
11 Circular 230. But in that education piece, when we
12 look at Circular 230, Circular 230 is not about
13 regulation. It's about best practices. It's about
14 standards for tax practitioners. And so, we believe
15 that educating all tax practitioners about those
16 standards, about aspiring to best practices really is
17 in the best interests of the tax system.

18 And if we can reach more tax practitioners than we
19 currently are -- I mentioned the 310,000 tax
20 practitioners that currently subscribe to the "e-News
21 for Tax Professionals," the weekly update -- if we
22 could reach 730,000 tax practitioners with the "e-News

1 for Tax Professionals," it would be good. Every week
2 they'd be getting an update. They would click on maybe
3 the webinar that Director Whitlock did on Circular 230.

4 Would you be interested in that if you were not being
5 regulated under Circular 230? We hope so. We believe
6 so.

7 We believe that all tax practitioners want to
8 aspire to the standards of Circular 230. They want to
9 be compliant. They want to understand preparer
10 penalties under Title 26. If we can raise the
11 awareness and educate more tax practitioners, we'd have
12 a more sound tax system. Thank you.

13 MR. MCCORMALLY: Thanks, Kathy. John?

14 MR. MCDERMOTT: Self-Employed/Small Business and
15 the Wage and Investment combined group, we reported on
16 five issues, and we commented on the W-2 Verification
17 Code Pilot Program, and the development of a system to
18 lock and unlock tax accounts. And we reported on
19 improvements to the Practitioner Priority Service and
20 on the Private Debt Collection Program that's currently
21 ongoing. And we commented on some revisions to several
22 collection notices to improve taxpayer response.

1 We discussed each of those in depth in our report,
2 but I want to share that there were common themes
3 throughout all of these issues. And one was protecting
4 taxpayers and ensuring the integrity of the tax
5 collection system. Another theme was the importance of
6 clear and effective communication to educate and inform
7 taxpayers and practitioners. And the third theme was
8 the development of systems and practices to improve the
9 delivery of IRS services, and improve the efficiency of
10 IRS operations.

11 So, that's the substance of our report.

12 MR. MCCORMALLY: Thank you, John. Stephanie?

13 MS. SALAVEJUS: Hello. The Digital Services
14 Subgroup this year was very active in focusing on the
15 tax professional account. The IRS' future digital
16 online services cannot come soon enough for taxpayers
17 and tax professionals. Digital online service provides
18 you the ability to engage with your growing base of
19 taxpayers and positively influence compliance behavior
20 while generating a substantial cost savings.

21 Online digital channels are a data-driven approach
22 that will transform customer service touchpoints into

1 powerful relationships for the IRS. We commend the
2 Online Services' services progress towards an
3 enterprise-wide modernization, moving toward a 21st
4 Century customer service platform. We are recommending
5 the expansion of customer service channels, not
6 eliminating traditional higher cost services, but we
7 want to see a solution that meets the needs of all
8 taxpayers, and let them make their choice of how they
9 need customer service.

10 We focused on three issues to address how the IRS
11 can create efficiencies to meet the high expectations
12 of their growing base of taxpayers. But our primary
13 focus, as I mentioned earlier, was the tax professional
14 account. The tax professionals need an ability to
15 obtain access to their clients' tax-related information
16 as well as tools and services to assist their clients
17 in meeting their tax obligations. It provides
18 efficiencies, faster service, and improves the user
19 experience for the tax professional community.

20 We strongly encourage the Service to keep moving
21 forward with expanding the online features and
22 providing a tax professional account sooner rather than

1 later. Any delays will reduce the IRS' ability to
2 leverage tax professionals, their valuable partners for
3 filtering client questions and resolving tax issues
4 without the need of contacting the IRS.

5 For this reason, we urge the IRS to commit and to
6 communicate their timeline for the development of the
7 account, to actively implement techniques proven
8 successful by industry and state agencies, and for the
9 IRS to implement the ability for taxpayers to authorize
10 their tax professionals to assist with their compliance
11 needs. Also, we want to see the IRS provide
12 capabilities for tax professionals to act on behalf of
13 their clients. Tax professionals will be instrumental
14 in educating taxpayers and the key to increasing
15 taxpayers' adoptions of these online services. And
16 they also need to be able to conduct the same
17 activities they perform today on paper, but with an
18 online account.

19 And our final recommendation is to keep the IRS
20 moving forward once this train gets momentum, and to
21 build the architecture and infrastructure to support
22 not only current, but future development technologies.

1 The infrastructure needs to support the continually
2 evolving tax ecosystem and future technology, such as
3 Chatbox and artificial intelligence. It is vital to
4 plan for today's development, but also just as
5 important to plan for future projects that will not
6 only improve taxpayer service, but it will leverage
7 successful customer service models that are currently
8 in private use, and will keep the IRS moving towards
9 delivering 24/7 taxpayer service at the highest quality
10 possible.

11 This concludes my report, and thank you.

12 MR. MCCORMALLY: Thanks, Stephanie. Tom?

13 MR. CULLINAN: Thanks, Tim. On behalf of the LB&I
14 Subgroup, again we thank the folks that we work with at
15 IRS. It was truly wonderful. They put a lot of effort
16 into things. There was some great dialogue over the
17 year.

18 I like John McDermott's way of expressing what his
19 subgroup did in terms of themes. We did address a
20 couple of different issues, but I do think that the
21 theme was that LB&I expressed a lot of interest in
22 assessing whether what they were doing was effective

1 and efficient. They wanted us to help them understand
2 whether it was working and how different processes
3 could be improved. And that's highlighted, I think,
4 through the first issue that we addressed, which is the
5 LEP, the LB&I Examination Process.

6 That was rolled out two years ago, and it
7 establishes a framework for LB&I to use to audit the
8 taxpayers within its jurisdiction. It sets out
9 procedures, timelines, responsibilities that by and
10 large the taxpayer community thinks LEP is working
11 well. There are some issues with it which we've
12 addressed in our report. Consistent with the themes
13 that I mentioned is LB&I asked us to think about how it
14 could assess whether it's being effective. And we've
15 listed a series of metrics, both quantitative and
16 qualitative.

17 The quantitative, you know, they're there.
18 They're numbers, but they all circle around whether the
19 audit sticks to the plan. As you know, there's a plan
20 put in place at the outset of the audit, but the
21 quantitative measures that we suggested are things like
22 whether more IDRs were issued than needed, whether more

1 extensions of the statute of limitations were needed
2 than originally anticipated, whether the issues
3 multiplied outside of what were in the original plan.

4 And then on the qualitative side, just because
5 everything can't always be captured in numbers, we
6 suggested something along the lines of outside surveys.

7 Let taxpayers give feedback. Appeals did something
8 similar to this a couple years where taxpayers would
9 get phone calls or letters after an Appeals conference
10 asking whether the process worked, what Appeals could
11 do better, whether it met their expectations. And we
12 have something similar in mind that LB&I could use to
13 get that type of input, again using a third party so
14 taxpayers aren't concerned about having things used
15 against them.

16 To keep us on schedule, I'll stop there.

17 MR. MCCORMALLY: Do you care to make any more
18 remarks?

19 MS. WIELOBOB: I appreciate, again, the time and
20 effort and the report out. Thanks.

21 MR. MCCORMALLY: Thanks so much. Mel, do you want
22 to choreograph the next few minutes?

1 MR. HARDY: Sure. So, at this point we are the
2 end of this, and we will ask Kirsten if she would
3 stand. We have a couple of folks that are rolling off,
4 and then I think Tim will make announcements of some
5 new things as well.

6 (Presentation of certificate.)

7 MR. HARDY: Now we'll have closing remarks.

8 MR. LEMONS: Just a couple comments from me just
9 listening to the discussion this morning, and clearly
10 you guys did a wonderful job of looking at it. I did
11 notice, just with my Communications and Liaison cap on,
12 there was a continuing theme of communications in
13 there. And one of the things that NPL and our area
14 does after these meetings is we step back and look at
15 what recommendations are in there and what we can do.

16 But I know on things like the W-2 verification
17 code, we're going to be working with Ken and the Wage
18 and Investment team to raise awareness about that.
19 We'll be highlighting that later this month in
20 conjunction with the Security Summit. We're going to
21 be doing the Tax Security Awareness Week. It's the
22 second year of that, but we will be hitting on the W-2

1 verification code, encouraging people to use it in
2 that.

3 The other thing, I don't know if Kathy is still
4 here or not, but the OPR Subgroup, I don't know who
5 wrote the summary of practitioner duties under Circular
6 230, but we may have a job them in my communications
7 area. It's a very nice summary, and we will take a
8 look at that as well as the other things in here.

9 So anyway, I appreciate all the work that went
10 into this.

11 MR. HARDY: And before I turn it over to Tim, I
12 just personally want to thank all of you for your hard
13 work. And I also want to recognize my staff, but in
14 particular, Anna Millikan.

15 (Appause.)

16 MR. MCCORMALLY: Thank you, Mel. And let me start
17 where you ended because it was in the list of the thank
18 you's I was going to have. I've been in this town and
19 doing taxes for a long, long time as you can tell from
20 the color of my hair, and I know that among the many
21 lies you hear is that government employees don't work
22 very hard. That, of course, is simply not true. I

1 cannot count the number of times that I received an
2 answer to a question I sent after "normal working
3 hours," often over the weekend. And the responses came
4 from all quarters -- Mel, John, Anna, and folks in
5 operating divisions.

6 One of the real gifts that we who serve on IRSAC
7 receive is the opportunity to work with dedicated
8 public servants, and my words may not carry a lot of
9 weight outside this room, but they come from my heart.

10 And I know I speak for all of my IRSAC sisters and
11 brothers in saying that we appreciate your service.

12 I want to also thank my fellow IRSAC members,
13 maybe especially the subgroup chairs and those of you
14 who are rotating off with me. I have learned so much
15 this year not only from our counterparts at the IRS,
16 but from you as well, and I just want to thank you for
17 indulging my large corporation examination orientation.

18 And I realize the tax system is just a little bit
19 broader than the CIC or CAP program group of taxpayers,
20 and so I appreciate your educating me along the way.

21 It's been a real joy. And I would be remiss if I
22 didn't thank Brian for becoming the official

1 photographer of IRSAC. He can put that on his LinkedIn
2 profile. And then I would just return to the themes
3 that everybody mentioned, and, most recently, Terry.
4 Communication and collaboration have been the hallmarks
5 of the Commissioner's Advisory Group and the IRS
6 Advisory Council for 64 and a half years. And I know
7 that the organization is in good hands with Dennis
8 Ventry's appointment as the 2018 chair, and I ask him
9 if he has any closing remarks.

10 DR. VENTRY: Well, the first one has to be to
11 thank you. Tim's leadership this year was
12 extraordinary. We got more done than I think any of us
13 could've ever imagined, and your inclusiveness is just
14 really, really appreciated. I think it's getting
15 reflected in next year's lineup. So, thank you very
16 much, and I wouldn't mind giving you a round of
17 applause.

18 (Applause.)

19 DR. VENTRY: Tim followed in the shoes of Jennifer
20 McMillan who was here. She just stepped out. And in
21 the interest of continuity, I was actually
22 contemplating changing my last name to McVentry.

1 (Laughter.)

2 DR. VENTRY: But there's some legal issues and
3 trust things and that sort of stuff, so I couldn't do
4 that. But we have a great lineup for next year.
5 Serving as OPR Subgroup chair is going to be Shelly
6 Kay. Thank you very much, Shelly. And serving as the
7 new LB&I Subgroup chair is going to be Shawn O'Brien.
8 Thank you very much, Shawn. Continuing to serve in the
9 capacity of the subgroup chair of Digital Services is
10 going to be Stephanie Salavejus. And serving as SBSE
11 and W&I Subgroup chair is going to be Phyllis Jo Kubey.
12 And serving as IRSAC vice chair is going to be Kathy
13 Hettick. It's a great leadership team, so I'm looking
14 forward to next year as well.

15 (Applause.)

16 MR. MCCORMALLY: That concludes this year's annual
17 meeting. Thank you for coming.

18 (Applause.)

19 (Whereupon, at 12:11 p.m., the meeting was
20 adjourned.)

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REPORTER'S CERTIFICATE

This is to certify that the attached proceedings
Before:

INTERNAL REVENUE SERVICE

In the Matter of:

Internal Revenue Service Advisory Council (IRSAC)

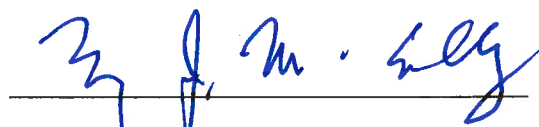
Where held as herein appears and that this is the original transcript thereof for the file of the Agency, Department, Commission, Board, Administrative Law Judge or the Institute.

Further, I am neither related to or counsel for any of the party of the above proceeding.

Merinda Ellis Evans
Official Reporter

Date: November 15, 2017

Approved: _____



Timothy McCormally, IRSAC Chair

Dated: _____

