INTERNAL REVENUE SERVICE

ADVISORY COUNCIL (IRSAC)

PUBLIC MEETING

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(Virtual Webcast via ZoomGov)

INTERNAL REVENUE SERVICE ADVISORY COUNCIL MEMBERS

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P R O C E E D I N G S

Welcome

MR. HARDY: All right. Good morning, everyone. Happy to be here.

I'm going to keep my comments short, just going to welcome everybody and pass it off to the next speaker because we have a tight time frame. The Commissioner has a hard stop at 12:20.

So, I will turn it over to the next speaker and I will come back at the end to introduce the 49th Commissioner of the International Revenue Service, Mr. Chuck Rettig.

So, Ben, who's next?

MR. DENEKA: Mr. Lipold.

MR. LIPOLD: Yes. Good morning, everybody. This is John Lipold. I'm the Designated Federal Official for the IRSAC, and I'd like to welcome everybody to this public meeting today.

I'm going to just give a couple of housekeeping notes for a Zoom meeting. In a regular year, we would be at 1111 Constitution Avenue, but, of course, here we are today on Zoom.

Just to keep this manageable and as pleasant as possible for everybody, I'd just encourage everybody to place yourselves on mute unless you are speaking.

Also, good etiquette is turning on your camera so other participants can see you and that's whether you're a member of the public or a member of the IRS or a member of the committee. Finally, please also put your name in the box next to your picture. You can do that by right clicking up in the right-hand corner of the screen with your picture in it and going down to the option that says 'Rename.'

So that's it for me. I'm now going to turn it over to IRSAC Chair Ben Deneka. Ben?

MR. DENEKA: Thank you, John, and welcome, everyone, to the November 2021 IRSAC Public Meeting.

As John said, my name is Ben Deneka. I'm a Program Manager for the Agency & Industry Relations Team at H&R Block and the current 2021 IRSAC Chair.

Today, the IRSAC is proud to present our Public Meeting Report with recommendations to the Commissioner of Internal Revenue. To offer some context for those who may not be familiar with the

IRSAC, it is meant to serve as an advisory body to the Commissioner and our primary purpose is to provide an organized public forum for discussion of relevant tax administration issues between IRS officials and representatives of the public.

The IRSAC reviews existing tax policy and makes recommendations regarding both existing and emerging tax administration issues. We suggest operational improvements. We convey the public's perception of professional standards and best practices for tax professionals and IRS activities. We offer constructive observations regarding current or proposed IRS policies, programs, and procedures, and we advise the Commissioner and senior IRS executives on substantive tax administrative issues.

The 2021 IRSAC is composed of 34 members who represent a broad cross-section of the tax-paying public and offer a wealth of experience in the following areas: tax preparation for individuals, small businesses, and large multinational corporations, information reporting, tax exempt and government entities, volunteer community tax programs, electronic tax administration and digital services, and professional standards for tax preparers.

The IRSAC members are organized into five subgroups, four of which align into major business operating divisions of Wage & Investment, Small Business/Self-Employed, Large Business and International, and Tax Exempt and Government Entities; and new for this year a fifth subgroup for the Information Reporting Subgroup which was instituted to ensure public representatives have an effective forum to discuss information reporting and payroll issues.

If you would like to learn more about the IRSAC, I would encourage you to visit the newly-redesigned web page irs.gov/irsac. It's now easier than ever to learn more about IRSAC's mission, its members, and to find our prior-year reports and public meeting transcripts.

Before we present our report, I'd like to take a moment to thank our partners at the Internal Revenue Service. For the last four years that I've served on the IRSAC and especially since the start of the pandemic, I have watched the IRS tirelessly work to serve our nation. IRS announced the People First Initiative in March 2020 which offered broad relief to those who may have been unable to meet their tax obligations due to unforeseen impacts of the pandemic.

IRS also implemented several tax legislation packages over the same time frame to provide targeted relief for businesses and entity taxpayers.

Additionally, the IRS has been tasked to expand the scope of its role beyond tax assessment and collection and with each task they have risen to the occasion between monthly advance payments and refundable credits to individuals and over $800 billion in economic impact payments, all while seeking to maintain the health and safety of their employees and trying to give back to their communities.

I want to take this opportunity to recognize their heroic efforts and thank you for your public service.

I'd also like to specifically recognize the Office of National Public Liaison led by the incomparable Mel Hardy, our Designated Federal Officer John Lipold, Program Managers Anna Brown and Stephanie

Burch, as well as our NPL Liaisons and Business Operating Division Liaisons who were all invaluable partners in ensuring we were able to effectively engage with the IRS and collaboratively discuss emerging and existing tax issues to achieve our goal of actionable and informed recommendations all in a virtual environment.

I recognize Commissioner Rettig, the National Taxpayer Advocate, and a number of IRS executives and personnel who met with us throughout the year, engaging with us in substantive discussions, responding to information requests, and reviewing our pointed recommendations. Thank you for your support.

Lastly, I'd like to thank the IRSAC members for their time and energy to engage virtually throughout the year, to provide real-time feedback, to offer their expertise, experience, and perspective, and to craft informed and actual recommendations.

I'd like to specifically thank the IRSAC Leadership Team who you will meet shortly. As I mentioned, our members are organized into five subgroups and those subgroups are where much of the heavy lifting occurs. So, the Subgroup Chairs, thank you for volunteering the additional time and energy to lead.

Finally, I would like to introduce and thank my Vice Chair Carol Lew. Throughout the year no matter the issue, you always provided thoughtful feedback and suggestions. You brought a great positive energy to our working sessions and meetings and you always were willing to step up, roll up your sleeves and put in the work to ensure we were in a position to succeed. Thank you for your invaluable counsel and hard work throughout the year, Carol.

With that, ladies and gentlemen, Carol Lew.

MS. LEW: Thank you, Ben.

I would like to thank our hard-working IRSAC members, NPL, and other IRS employees for their talent and their efforts in putting together this great report which we're presenting today.

I'd like to make a special thank you to our fearless leader Ben for his talent and tireless efforts this entire year for making this a successful year and a successful report and, last but not least, his delightful sense of humor which enlivened every day that we had to work to make this a successful year.

I would like to now turn the microphone back to Mel for a special announcement.

MR. HARDY: Thank you, Carol.

So, before I make that special announcement, I think we have just a few moments before Commissioner Rettig comes on.

So, John and Anna, are there any additional administrative things that we need to cover prior to the Commissioner coming on because we do have a hard stop with him? Perhaps, Anna or John, you can explain to the group what's going to happen as far as the cadence of the Commissioner recognizing everybody.

MR. LIPOLD: So today, when the Commissioner joins us in just a few minutes, he'll make some opening remarks and then he will recognize our members who are rolling off the committee after their three years of service today. So, we expect him to do that within about five minutes and then Ben will pick up with going through an overview of the report for the Commissioner.

At that point, he'll turn it over to various committee members to go over various parts of the report and then they will hand it back to the Commissioner at about 12:15 for any final remarks that the Commissioner has.

MR. HARDY: All right. Thank you, John.

So, Ben, I do not see the Commissioner on just yet. So, is there anything additional then that you want as far as administrative stuff for the group to know prior to the Commissioner coming on?

MR. DENEKA: Thanks, Mel, and thank you, John, for laying out the agenda there.

Just to add on to that, at around 12:20, we'll take a break to kind of split our public meeting in two halves. Then we'll reconvene at 12:45 Eastern Time to present the remaining subgroup topics to the leaders as well as members of Chief Counsel. So please do come back to view those remaining topics. So, we'll cover 11 topics total for the Commissioner and then, in addition, 13 topics in the latter half of the meeting.

You will want to be with us all the way to the end for Mel's closing comments, as well.

MR. HARDY: Well, thank you, Ben, kind of a captive audience to wait for my closing remarks.

MS. LEW: We could talk a little bit about the themes of the report, too, and I don't know if you want to talk about the themes of the report, or I’m happy to do so.

MR. DENEKA: Yeah. I'd be happy to do that. By now the report should be public on irs.gov and I believe we don't have a chat open but if you go to irs.gov/irsac, you should be able to find the report relatively easily and as you read it, you'll find that our issues and recommendations reflect several key themes.

First and foremost, the detrimental effects of sustained budget reductions over the last decade and the subsequent human capital attrition is a fundamental problem that impacted many issues throughout the report. We have a consolidated single issue in the general report with references made to it throughout, but that really underpins the success of a lot of these recommendations.

The second theme revolves around the Taxpayer First Act of 2019. The Act was meant to re-imagine and enhance the way that the IRS serves taxpayers, enforces the tax laws fairly, and the way they train their employees.

So, in our report, we'll be offering feedback on how best to implement those TFA legislative mandates as well as assess IRS's ongoing efforts to meet the spirit of the Act which is to put taxpayers first.

The third theme is regarding the prioritization of the IRS's multiyear modernization plan initiatives. Successful modernization of IRS systems, case management, and digital services underpin the IRS's ability to empower its employees to enforce that Tax Code fairly and to ensure those taxpayers have fair representation, and, lastly, our report reflects the heightened importance of taxpayer relief, digital tools, and virtual service delivery due to the Coronavirus Recovery Pandemic which, in 2021, continues to impact taxpayers' abilities to meet their tax obligations and continue to challenge the IRS's abilities to serve taxpayers and process returns and correspondence.

So, I do hope you'll go out and read through it. It's about 164 pages. You can read it end to end, but I do hope you'll recognize those themes throughout.

MS. LEW: It looks like we have the Commissioner.

COMMISSIONER RETTIG: I apologize for being the last one onboard. That's certainly not my intention, but it seems to be happening more routinely than not now and, you know, the other apology I might as well get out of the way now is I'm on a tight schedule. So, if I'm not sitting in a vehicle headed to an airport by 12:30, I'm told I cannot make a dinner presentation I have to make this evening in another town with an airplane in between.

MR. HARDY: Understood, sir. Good morning. This is Mel. How are you?

COMMISSIONER RETTIG: Good. How are you doing?

MR. HARDY: Doing well, sir. So happy that you're here.

Ladies and gentlemen, my name is Mel Hardy, and in the interest of time, I am the Director of National Public Liaison.

I am very, very pleased to be able to introduce for this public meeting, the 49th Commissioner of the Internal Revenue Service, you all know him and love him, the Honorable Chuck Rettig.

Commissioner, as usual, everything is in the report but there is just one thing that the IRSAC members did not put in the report and they want to share that information with you now.

So, IRSAC, hit it.

(Singing Happy Birthday.)

Opening Remarks

COMMISSIONER RETTIG: So there go my talking points. Yeah. I am absolutely humbled by that and if you want a dedication to mission, I guess I should say, my birthday is tomorrow and I leave town tonight and I come back on Friday and my wife says you're going to be out of town on your birthday, and I said yeah and I'm giving three different presentations between then and then. Hey, I appreciate that. I'm humbled and you very rarely catch me speechless, you know. Usually having something to say is sort of always on top of my mind, but I'm most appreciative.

I am really most appreciative for all of your efforts and your efforts during the pandemic and in a virtual environment. You know, when I was on IRSAC and ultimately chaired IRSAC while I was on the outside, you know, some of the relationships I developed, both with IRS employees as well as with other IRSAC members, I still have and they're exceptionally strong today.

I was with somebody that I was on IRSAC with. I was with them yesterday and you go through something together and I think the pandemic may add to that, I hope, at least, rather than detract from it, you really pull together and, you know, it's been a very difficult year for all of you.

I want you to know that Chuck Rettig has huge personal appreciation for you for what you've gone through and now you just took it over the top with the birthday wishes and all, but everybody at IRS has huge appreciation.

I have to tell you something. So I'm actually turning 65 and I remember being 20 and seeing somebody past, you know, 40 or 50 and kind of in my head thinking, well, you know, they kind of had a good life. My children are 33 and 31 and in my mind I'm like a couple of clicks over that but I'm not like 35 clicks over that, right, and life does go by very quickly and, you know, my advice to you today, you know, being halfway through life, right, I finished the first 65, I'm hoping to finish the next 65.

But really, you know, I enjoy every day and find time to spend with family and friends and particularly during the pandemic reach out to family and friends just with, you know, how you doing, just checking in, no agenda-type thing, and when you see people on the street, you know, a nod or a smile goes a long ways and, you know, our employees and all of you and literally every person not only in our country but, you know, in the world has struggled.

I don't think anybody can say they didn't struggle during the pandemic. The level and degree, whatnot, might be different for different people but certainly everybody has had a lot of personal reflection, and I think on every birthday you have a lot of personal reflections.

So, I don't mean to get on a soapbox-type thing with you, but just a gentle reminder that, you know, family and friends are who make us the people that we are, and I consider all of you close friends.

I do wish that we, you know, were operating in an in-person environment. I really appreciate the in-person aspects to life.

So, coming into IRSAC, you know, being the guy who says, hey, I'm pressed for time, I shouldn't be the guy that just wanders around with you either, but I'll be the first to say that, you know, I respect each of you and words in a remote setting really cannot convey my personal feelings for you on that.

Obviously special thanks to both Ben for serving as chair, for Carol coming in as chair, and to each of you. You know, you spent a lot of your personal time to benefit others, to benefit the IRS, IRS employees, taxpayers, tax professionals, the Hill.

We are all privileged to have a voice in tax administration. You've heard me say I don't consider tax administration a responsibility of anyone. I consider it a privilege for all of us and particularly to be able to have a voice for those who don't, whether it's the underserved communities, the rural communities, or people who just don't for whatever reason, but to keep our line of sight on those folks as we move forward.

I think that your reports today, I've looked at them, I'm very proud, very pleased, and, you know, your reports today really bring home a lot of different things.

I have to call out in particular, you know, Ben and Carol and all of you, your letter supporting IRS funding and supporting funding on the Taxpayer First Act, huge. Those letters like that make a difference and they are noted up on the Hill. They're also noted by obviously IRS executives and leadership, but they're also noticed by IRS employees, like front-line employees.

We share those things because, as we look at it, we're all in this together and I'm very proud of the fact particularly when folks on the outside support those on the inside. In the federal setting there's not a lot we can do to support the employees. There are certain guidelines and to be able to share, hey, people on the outside get it, they appreciate what you're doing and all of that is huge.

In that, I will say that recently the Tax Conference gave a Public Service Award in the name of, quote unquote, “IRS employees” and I couldn't be more proud to see something come for that rather than in the name of, you know, so and so, you know, Commissioner, Deputy Commissioner, Division Commissioner, on behalf of the IRS employees. This award was in the name of the IRS employees for the critical services they provided during the unprecedented pandemic.

We shared that with all 83,000 employees. I shared that with the Secretary, the Deputy Secretary, and very proud, and I think your report hits us in the same way that an effort to help us make it better, to help us help others, and to step into the wind, as I typically will say.

So personally, and on behalf of every employee at the IRS, thank you. You guys, the time you've spent is noted, it's appreciated and particularly during a pandemic. There's a lot of other things for you to do, and in the interest of time and I hate to go where I'm going to go, but I'm going to combine my closing remarks because, you know, the Protection Detail are really friendly until they're not and they don't have a commissioner miss an airplane and there's a lot more of them and they're better armed than I am.

So I'm also going to give you my closing comments so that I don't unnecessarily bring the temperature in the room down at some inopportune time.

My closing comments really echo my opening comments which is, you know, thank you and when we see each other in person I'll thank you in person.

Unfortunately, people rotate off of IRSAC. It's not a permanent commitment. You know, you may say fortunately, those who are rotating off, but, you know, you'll miss the other IRSAC members, you'll miss the interaction, and I think you'll miss the ability to help.

We do have other advisory groups that I would encourage you to join. I would also encourage you to join the IRS. We're hiring and we're looking at possibly epic hiring and it would be huge to have any or all of you onboard, but as far as the folks who are departing, and again I apologize for having to do this out of sync, with respect to the Information Reporting Subgroup, Deborah Fox and Chair Alexandra Cruz, you know that's a critical area for us. It's a critical area for the Hill. We need to get it right. We need to get it as electronic as possible so that we can process the information that we do receive in a timely manner.

I think the pandemic demonstrated the need for electronic filing as broad-based as we can because we have the ability to do that, even when we did not have folks in our submission processing and whatnot centers.

So, you know, for your efforts and for the report, you know, personal thank you. Thank you for coming on and we will be forwarding a certificate to you.

As the SB/SE Subgroup, you may not all know but Mary Jo Werner and I go back more than a little ways. I'm not going to say that she's, you know, been around as long as I have since I've already said I'm about to be 65, but Mary Jo, you know, continues to give back and I think that's the best description I can give and really, you know, deep personal appreciation, Mary Jo, for your efforts and constant efforts and I know we'll have you back in some capacity.

TE/GE Subgroup, Dan Welytok and Charlie Yovino and the Chair, April Goff, same thing. You know, that's an area that people tend to not focus on until they do and, you know, to get ahead of the curve on things that happen in the TE/GE lane, I think, is vital to tax administration. It's vital to the IRS. It's vital to the reputation of the IRS that we get that lane right. You know, by nature, TE/GE has a lot of social welfare aspects to it and for a lot of us that's why we're here at the IRS.

So, you know, I hate to see you all rotate off but again same pitch. Look to having you back and if you want to come on full time, you know, give me a call.

W&I Subgroup, you know, in terms of the volume of folks that we touch and interact, it comes down that ramp. W&I is critical for every lane and deals with more unrepresented people than any other part of the IRS. So, Antonio Gonzalez and Martin Rule, your efforts in particular are highly noted by all of us.

Finally, you know, Ben as chair, you're always the last guy. Normally I like to come in and roast you for 10 or 15 minutes and give you a hug. Being chair is a challenge. It puts an added layer on everything that you do, and I think you've been spectacular. I was chair and I gave it everything I had because I believed in it and I believed in the IRS and all that and I know what it's like to sit there. You want to be respectful, but you want to participate and you want to contribute and in the real world there's not time to do all those.

I think you've been spectacular and you've been an amazing chair and, you know, I think you set that bar high for Carol coming forward and you all may know I'm not involved in the direct selection of folks to come onboard, but Carol and I served in a different group couple of years ago in California.

So, look forward to Carol coming over. Ben, thank you and, you know, I know you'll be sticking around.

So with that, let me turn it back. I think Mel is up. I'm going to stay on, but I don't want to be -- the game plan is about -- it's 11:30 in Washington. So about 12:20 you might see me leave or you might see them drag me out of here about 12:22. One of those two will happen, but, you know, personally to all of you, very much appreciate it for everything you do. We cannot do what we do without you. We collectively are helping a tremendous amount of people during what we believe will be the worst part of their life, you know, the pandemic and the impact of the pandemic and so again a personal thank you to all of you. So much appreciate it.

MR. HARDY: Thank you, Commissioner.

Now, ladies and gentlemen, I give you the Chair of the IRSAC, Ben Deneka. Ben?

Report Overview

MR. DENEKA: Thanks, Mel, and thank you, Commissioner, for joining today and for those opening comments. I'm glad to hear you appreciated the song that, believe it or not, without practice we did.

COMMISSIONER RETTIG: Is embarrassed and appreciated the same thing, you know? Hey, you know, I'm not sure how you found out it's my birthday. The big thing is the presentation that I'm doing tomorrow, I have said to folks going with me and will be there, you know, I'm not going to say anything about my birthday. I would if it was 30, trust me. You would all know it's my birthday. I'd be so proud. At 65, you know, it's different. Actually, I'm proud of it, and I have no regrets for the life I've been privileged to lead and certainly the privilege of working with all of you. So, thank you.

MR. DENEKA: Thank you.

Well, we'll see if we can get through our Report Overview in time for a few closing comments at the end.

Today we're proud to present the 2021 IRSAC Public Report. It is a culmination of a year of effort from both members and the IRS throughout four two-day working sessions, three public meetings, and numerous ad hoc calls throughout the year. The IRSAC worked with the IRS to facilitate issues selection for our annual report from both member- and IRS-raised topics. We engaged in substantive discussion with the IRS to craft actionable, informed recommendations for the Commissioner, and throughout the year we sought to provide real-time feedback to the IRS.

Some examples include the Letter of Support regarding the IRS Fiscal Year 2022 Budget Request that you mentioned with base appropriations of $13.2 billion, the Program Integrity Allocation Adjustment of $417 million, and the Authorization of a Working Capital Fund's IRS Centralized Services. You can find a copy of this letter in Appendix A of the public report.

We also provided feedback regarding content on CP-2000 Notices for under-reporters as well as draft revisions to Form W-8 Series and, lastly, provided feedback regarding an employer's annual federal tax return or Form 944 and the potential benefits and drawbacks of eliminating the form or consolidating it with the quarterly return or Form 941.

In addition to this real-time feedback, we present now our public report with recommendations to you, Commissioner.

As you read the report, you will find that our issues and recommendations reflect several key themes. I've already discussed most of these, so I won't go in-depth, but the budget reductions and the human capital attrition over the last decade or more has been a fundamental problem that impacts many of the issues presented throughout the report.

Secondly, the Taxpayer First Act, both in terms of implementing legislative mandates and meeting the spirit of the Act to put taxpayers first; the third theme around modernization of IRS systems, case management and digital services, and, lastly, the impacts of COVID and the heightened importance of taxpayer relief, digital tools and virtual service delivery.

The report we present today addresses existing and emerging issues and also reiterates feedback from prior IRSAC and IRPAC reports. The recommendations we offer are meant to be informed and actionable with the goal of improving tax administration.

So, we'll now present our six topics followed by one topic from each subgroup report before we take a short break.

I will now pass the floor to Phillip Poirier of the Wage and Investment Subgroup to present our first general report issue. Phil?

MR. POIRIER: Thanks, Ben.

Good afternoon, Commissioner Rettig, IRS Leadership, and Guests. My name is Phil Poirier. I'm a volunteer here in San Diego, California, and I'm also Senior Fellow with the Social Policy Institute at Washington University in St. Louis. The Policy Institute works to understand policy problems and then develop potential solutions in a variety of areas, including improving the financial lives of low- and moderate-income Americans which IRS has always been involved with and is increasingly so.

Today, I'm going to summarize IRSAC's support for adequate IRS funding and add just a little bit of detail to some of the comments Ben has made.

In conducting our review, we did several things but that included reviewing IRS's strategies, modernization plans in its FY '22 Budget Request, and we also engaged with the Office of IRS Chief Financial Officer.

Let's start by looking at the current state. IRS plays a critical role. It collects over $3 trillion in taxes and accounts for about 95 percent of the collection of funding for the federal government's operations.

At the same time, IRS faces many challenges in executing its mission. It needs to provide a 21st Century taxpayer experience. At the same time it needs to enforce our tax laws. It's got to implement legislative mandates. It has to modernize its information systems. It's got to improve cybersecurity, and it has to address other emerging threats to tax administration.

Coincident with these challenges, IRS responsibilities have steadily increased over the past few years, most notably with its delivery of economic impact payments and the implementation of the new Advanced Child Tax Care Credit Program.

Although IRS funding was severely constrained from between 2010 and 2020, we're pleased that Congress has provided increased IRS funding over the last two funding cycles.

So let's look ahead to 2022, Fiscal Year 2022. It's clear that IRS needs adequate funding to execute its responsibilities. Consistent with achieving its objectives, IRS' budget submission for Fiscal Year '22 request basic appropriations of just over $13 billion, which is about a 10 percent year-over-year increase, a Program Integrity Allocation of just over $400 million, Authorization of a Working Capital Fund for IRS Centralized Services and for the Working Capital Fund.

The budget request also recognizes the need for consistent multiyear funding for IRS's long-term initiatives, including customer service strategy, training strategy, and business modernization plan.

With that context in mind and based on our discussions and assessment, IRSAC only supports IRS's proposed FY '22 Budget Request; that is, as already mentioned, the support letter that we issued a few months ago, which is attached as Appendix A to the report, and I just want to again outline the key elements of our support.

We support the basic appropriations request of $13.2 billion to provide funding for the nation's taxpayer services, enforcement, operations support, and IT modernization programs.

We support a program integrity allocation adjustment of $417 million to improve the effectiveness and efficiency of the IRS's Tax Enforcement Program in order to recover taxes already owed to the Federal Government.

We support the Authorization of a Working Capital Fund for IRS Centralized Services. We support consistent multiyear funding for ISR's long-term initiatives, including the customer service strategy, training strategy, and business modernization plan.

That concludes my comments, and I'll hand off to Joe Novak to address our next general report issue.

MR. NOVAK: Thanks, Phillip, and good morning, Commissioner.

My name is Joe Novak. I am the Head of Tax at Abbott Laboratories. I'm Chair of the LB&I Subgroup, and I'm going to be discussing the second general report topic which is the Implementation of the Taxpayer First Act and Modernization of the IRS's Organizational Structure.

As background, TFA instructed the IRS to modernize its organizational structure to successfully implement the TFA and, among other things, prioritize taxpayer services and minimize redundancies.

Under this mandate, the IRS has proposed to consolidate its organizational sedimentation, LB&I, SB/SE, IT, TE/GE operating divisions. Specifically, we understand a new aggregated Exam Office has been proposed to be responsible for all examination processes across all taxpayer segments but would maintain some degree of specialization to address unique taxpayer needs.

The IRS cites in its report to Congress that the proposed consolidation aims to reduce duplicative activities related to strategic planning, issue identification, work plan development, case selection, performance monitoring, and research.

Coupled with the proposed training strategy, the proposed structure would also assist with career path development for its employees.

Our report commends the IRS' work to improve the IRS's efficiency and taxpayer experience and we appreciate the IRS focusing on attracting, training, and retaining a talented workforce.

Many of our IRSAC members work for or represent taxpayers that will be impacted by this proposed reorg and we, along with many of our peers in the taxpayer community, have been watching this proposed reorganization with some interest.

Our goal is to report and maybe as relevant the goal of our interim meetings with the IRS management was to help communicate the pulse of the taxpayer community to the IRS regarding this important initiative.

Specifically, we recall the history of RRA-98 which LB&I, SB/E, TE/GE, and the W&I dedicated divisions were created which was to move away from the geographic and functional alignment to better respond to the customer needs of distinct taxpaying groups.

The report also notes several of the meaningful benefits of those distinct operating divisions.

IRSAC notes that there is a balance between the benefits of aggregating the exam functions, the training and functional efficiencies, and the benefits to the taxpayer of that dedicated IRS segment.

So, for example, when we talk about the benefits of aggregating exam processes, we understand that the R&D tax credit, for example, is reviewed in both LB&I and SB/SE, and we can empathize with the desire to coordinate and aggregate review processes and training across those exam divisions for similar issues and processes.

On the flip side, when we talk about the benefits of a segregated division, so, for example, we know that debtors understand that there are fundamental differences with how the IRS interfaces with, say, a mom and pop hardware store versus, say, a large multinational corporation and it is desirable for taxpayers to have specialized resources available for specialized issues.

So again, to recap, the goal is to aggregate the processes that should be aggregated and leave segregated those that need to be less segregated.

The IRSAC appreciates the complexity of this undertaking and the thoughtfulness needed to balance those costs and benefits.

In that spirit, the IRSAC provided five broad recommendations that we hope the IRS considers as it evaluates the details of its reorganization.

Number 1, to continue to carefully balance the operational efficiencies and a level of specialized customer service.

Number 2, continue to listen and receive feedback from taxpayers throughout the TFA reorganization planning process to ensure that they have the taxpayer perspective of the proposed changes.

Number 3, consider maintaining a substructure or segmentation within the new exam office that mimics the taxpayer-specific expertise that the different operating divisions provide today.

Number 4, consider retaining the infrastructure people, processes, and funding that supports special programs tailored to taxpayer needs.

And, finally, Number 5, carefully consider the interdependencies between the IT modernization and reorganization work streams to minimize the disruption to the very important modernization project and its timeline.

Thank you for the time, Commissioner, and I'll pass it over to Steve to deal with IOA.

MR. KLITZNER: All right. Good morning, Commissioner Rettig. I'm Steve Klitzner. I'm a tax attorney in Miami. My practice is limited to taking care of IRS problems, tax resolution, and IRS controversy.

So it's my pleasure this morning to present the report on the Independent Office of Appeals, and Appeals asked the IRSAC to provide report recommendations based on Section 10.01 of the Taxpayer First Act (TFA).

Appeals is interested in whether it is fully meeting the spirit of the TFA in setting up the Independent Office of Appeals and functioning as a forum for resolving federal tax controversies in an impartial manner and whether there are aspects of its policies, procedures, or operations that should be revisited to ensure that they reflect the intent and the goals of the TFA.

Appeals also requests our view on whether taxpayers with a federal tax controversy have appropriate and adequate access to Appeals and awareness of that access, and we had a great deal of cooperation from Appeals and Chief Keyso. We met with them a couple of times on Zoom. They answered a series of questions, I think three times, to help us prepare for this. They were very agreeable to some of the things we brought up.

As a matter of fact, I'll mention it in a minute, there was an IRM change that they've already made and a recommendation that we had, and we've tried to listen to them, too, and tried to accommodate what they really believe that they need to take care of the two aspects that we're presenting on, which is, Number 1, independence, and, Number 2, access.

So here are our recommendations. We have 10 of them.

First, continue the current pilot testing leading to a full implementation of the taxpayer digital communication internet portal, allowing taxpayers and representatives to communicate and exchange documents with Appeals electronically instead of through the mail.

Number 2, fully implement the Enterprise Case Management software and Paperless Case Files throughout Appeals and the IRS so that cases can seamlessly travel from Exam and Collection databases into the Appeals database which will greatly speed up the time a taxpayer's case can move to Appeals.

Next, utilize various platforms to allow real-time participation and feedback during the training of Appeals officers by trusted, experienced practitioners from outside the IRS who are experienced in Appeals.

Number 4, allow taxpayers to request to receive all non-privileged documents and information in their case file, including documents provided by the taxpayer to the IRS.

Five, ensure that IRS counsel and Examination participation is limited during Appeals hearings to that non-settlement portion with strict adherence to the settlement portion of the hearing being decided on the hazards of litigation.

Six, allow taxpayers to have a meaningful opportunity to respond to communications between Appeals and the Examination Team while the communications are occurring rather than waiting till after engagement between Appeals and the examination has ended at which point negative inferences without informed clarifications may have tainted Appeals' impartiality.

Number 7, continue to offer training and review materials to Appeals officers which spotlight the September 2021 Updated IRM provisions relating to the collection of Appeals Program, the CAP Procedures, with extra attention given to installment agreement issues.

Next, assess all current avenues of access to Appeals and work with corresponding offering divisions to ensure correspondence and taxpayer-facing resources clearly articulate necessary actions that taxpayers must take to request to preserve their right to appeal.

Number 9, establish policy, procedure, and guidance to allow for the resending of Notices of Determination and for remand requests in Tax Court cases when Appeals and the taxpayer agree that there is a clear abuse of discretion.

Finally, our 10th recommendation, implement to Appeals taxpayer service strategy that will: (a) provide transparency to taxpayers and their authorized representatives regarding their Appeals case status, who their assigned case officer is, and the status of requested case files by leveraging self-help options or proactive communications; and (b) improved communication efficiency between Appeals and taxpayers or their authorized representatives by leveraging secure communications, digital mail boxes, and customer callback.

Thank you very much for your time, Commissioner.

I want to pass it now to our next presenter, Wendy Walker.

MS. WALKER: Good afternoon, Commissioner.

Thank you for your time and thank you to the members of IRSAC and to the IRS. This has been a wonderful year of collaboration. I'm honored to participate.

My name is Wendy Walker, and I am a Solution Principal at Sovos. Sovos is a tax withholding and information reporting solution provider filing hundreds of millions of Forms 1099 and other returns with the IRS and states on behalf of our clients.

Additionally, I have an industry background working in global financial institutions where I led Tax Operations and Tax Compliance teams focused on information reporting and withholding.

I'm here today to present recommendations for the reduction and electronic filing thresholds for information return filers.

The IRS Wage & Investment division asked the IRSAC to consider the impacts of the proposed changes in Section 2301 of the Taxpayer First Act. Specifically, Section 2301 reduced the threshold for required electronic filing of information returns in a step-down approach.

The threshold for required filing of

information returns electronically would be reduced from 250 to 100 for returns filed for 2021 and then to 10 for returns filed for 2022. However, the IRS has not yet released final regulations.

IRSAC was able to meet with members of W&I related to the Taxpayer First Act details and discussed the types of impacted filers and had a brainstorming conversation about ways to get communication to the broader group of filers impacted by these changes.

Subsequently, in late summer, the IRS released proposed regulations that included more changes than the proposal to just reduce the e-file threshold, including changes to how a filer determines that they meet that new required threshold.

Specifically, the threshold is now applied to all information returns filed by a business rather than applied to each information return separately which will require businesses to electronically file significantly more returns than was initially perhaps taken into consideration.

For example, a small business filer could easily meet the 100-form and next year the 10-form filing threshold between their payroll W-2, their ACA Forms 1095, and their business reporting obligations for Form 1099-EZ or Miscellaneous.

These forms would be required to be filed in separate government portals, creating a significant burden for small businesses and self-employed filers especially.

Following are some reporting recommendations that we've proposed to the IRS to take into consideration as they move to publish the final regulations and implement the changes.

First, include safe harbor language in the final regulations to provide penalty relief to filers who make good faith efforts to comply with the new requirements during the transition period for both the 2021 and 2022 filing seasons.

For obvious reasons, filers may not even know that they have this requirement coming for '21 as it's now November and we don't have the final requirements. So, it is really important that safe harbor language be included during the transition.

Also, Recommendation 2, consider aligning the timing of the change in electronic filing thresholds from 250 to 100 with the launch of the new Form 1099 portal in early 2023.

This was something previously recommended in last year's IRSAC report. We believe that this change will be much more successful if the IRS provides the small business community with an IRS solution rather than having to build something or hire a third party to do this for them.

Third, leverage the IRS internet pages and social media as well as government and industry partners who provide tax guidance to small business and self-employed taxpayers to deliver targeted communications to reach those filers.

Here, we focus not only on sites, such as the EFTPS Payroll Deposit System where filers frequently traffic that site throughout the year, but also suggested that the IRS partner with partners like the SBA to reach as many small business taxpayers as possible.

We also recommended that the IRS broadcast the change and requirement at annual conferences that they regularly attend to provide updates to the industry, including the IRS Nationwide Tax Forums.

We believe that these recommendations will result in an effective and smoother transition for both the IRS and the industry.

Thank you again and now I'd like to pass it to our next presenter, which is Kelly Myers.

MR. MYERS: Good day. Good day, Commissioner, Fellow IRSAC Members, IRS staff, and the public.

I'm Kelly Myers. After a 30+ year career with the IRS, most of that at SB/SE Headquarters, I'm a consultant to tax practitioners and taxpayers across the country.

We've had a successful year, as you've already heard, resulting in an extensive report that we're really proud to deliver. So, part of that report is our collaboration on Updating Circular 230 which I'll speak briefly about.

Circular 230 defines practice and who may practice before the IRS, describes professional duties and obligations while practicing before the IRS, authorizes specific sanctions for violations of the duties and obligations, and describes the procedures that apply to administrative proceedings for discipline.

This document was last updated in 2014, and we know there's just been a continuing evolution of practice before the IRS and changes in laws that impact this.

I want to simply thank Sharyn Fisk and her staff at the Office of Professional Responsibility, OPR, actively engaged, held meetings, really open-handedly back and forth on discussions on what's being updated with that.

This open dialogue provided opportunity to make meaningful updates to the documents and allowed the IRSAC to speak into that.

This is a critical document for both taxpayers and those in tax administration. The IRSAC has included a recommendation to update Circular 230 and several recent annual reports and it's included again in this year's report.

We're optimistic that OPR will be successful in completing the update in the coming months, and we appreciate OPR's and Sharyn's leadership and investment into issuing this guidance. This is critical information for taxpayers, practitioners, and the IRS to ensure effective tax administration, and again we just thank you for your leadership in this and leading the IRS, Commissioner.

Thank you for your time. I will turn this over to Carol Lew. Thank you.

MS. LEW: Good afternoon. I would like to present the issue of Postponing Deadlines under Revenue Procedure 2018-58, and I would like to give due credit to Ben Deneka and Wendy Walker for their contributions to this report.

The IRS requested that the IRSAC review and recommend modifications to Revenue Procedure 2018-58. This Revenue Procedure provides a list of time-sensitive acts, the performance of which may be postponed under Code Section 7508 and 7508(a).

7508(a) permits the postponement of the time to perform specified acts for taxpayers affected by a federally-declared disaster or a terrorist or military action.

In response to the COVID-19 pandemic, President Trump declared a nationwide emergency. The IRS in turn extended the federal income tax filing deadlines for taxpayers from April 15th, 2020, to July 15th, 2020, under Notice 2020-18.

The IRS also extended the deadline for taxpayers to contribute or recharacterize contribution amounts of IRAs until July 15th, 2020.

However, deadlines for more than 30 corresponding information returns were not extended. Many of these information returns are due to be filed with the IRS by mid to late March and with a 30-day extension many businesses do not file the information returns until April 30th.

As a result of stay-at-home and social distancing, many businesses shut down in-person operations prior to filing the information returns and prior to the April 30th extended deadline.

These shutdowns imposed operational and logistical constraints on the businesses that impeded their ability to timely file the information returns.

However, the IRS did not initially postpone the filing deadlines for the information returns.

IRSAC notes that postponing deadlines would not only be equitable for businesses, but it would also improve information reporting accuracy and thus improve tax administration efficiency. By extending some deadlines but not for information return filers, there may be inaccurate data on the information returns.

We'd also like to note that there are differences between nationwide emergencies and localized disasters that the IRS should consider when assessing the scope of relief.

In a nationwide emergency where filing and payment deadlines are postponed for all taxpayers, providing similar relief to information return filers would be equitable. However, when assessing the scope of relief for localized disaster, the IRS should account for the burden on information return filers caused by the disaster and whether those filers need information from taxpayers in the appropriate zone.

Our recommendations are as follows: expand Revenue Procedure 2018-58 to include all information returns that businesses may be required to furnish and file rather than limiting the relief to just certain information returns.

Secondly, businesses filing deadlines for all information returns should be taken into consideration when the IRS providing filing relief to taxpayers under Section 7508(a).

Thank you very much, and I'd like to turn it back over to Ben Deneka.

MR. DENEKA: Thank you, Carol.

This concludes our presentation of the general report issues and we will now present a selection of topics from our subgroup reports.

I'll pass it forward to Alexandra Cruz.

MS. CRUZ: Thanks, Ben.

Good afternoon, everyone. My name is Alexandra Cruz, and I am the Chair for the Information Reporting Subgroup. I am also a VP with BNY Mellon's Corporate Tax Group.

On behalf of the Information Reporting Subgroup, we'd like to take this opportunity to thank the IRS and Commissioner Rettig for the opportunity to highlight issues related to information reporting impacting various industries and practitioners.

In its inaugural year, the Information Reporting Subgroup is addressing four topics within the report, the first addressing the need for information reporting guidance as it relates to digital assets, the second relates to Social Security and Medicare exemptions for foreign students and scholars, the third asking the IRS to provide clearer guidance for Section 1446(f), and, lastly, negative rates.

I would like to introduce the members of the Information Reporting Subgroup whom I have had the pleasure to work with this past year.

First is Deborah Fox, who's a Certified Scrum Product Owner out of Boca Raton; Seth Poloner, an Executive Director and Global Head of Operational Tax Advisory Group at Morgan Stanley; Paul Sterbenz, who's the Director of Information Reporting with Fifth Third Bank; Kevin Valuet, who is the Director of Payroll for IPS Enterprises; and, finally, Wendy Walker, who presented earlier this morning, the Solution Principal with Sovos.

Addressing the topic of payers of income related to digital assets need information reporting and withholding guidance, I will turn it over to Wendy Walker who will present and speak to IRSAC's recommendations. Wendy?

MS. WALKER: Thank you, Alex, and thank you again, Commissioner Rettig, and to the IRS for taking the time to discuss and listen to the issues related to this important topic, and thanks to everyone who participated in helping us finalize the recommendations for this issue.

I'm here to present recommendations for payers of income related to digital assets needing information reporting and withholding guidance.

Exchanges and other hosted wallet providers require comprehensive guidance to successfully report tax information related to digital asset transactions. Without clarity on key tax issues involving digital assets, the information gleaned from third party filers will not provide the transparency that the IRS needs to efficiently enforce tax compliance.

The IRS publicly indicated last fall that they were working with Treasury to draft changes to Section 6045 to require brokers to report information returns related to digital asset transactions. However, in IRSAC conversations with the IRS, we were unable to ascertain when the industry could expect that long-awaited guidance.

With the recent passing of the Infrastructure Bill, payers and taxpayers alike are even more anxious for the IRS to release that guidance.

The recommendations in this report are around key areas for which the IRSAC would like to ensure the IRS contemplates when preparing the proposed regulations as well as some longer-term issues to consider around information reporting and digital assets.

One, we recommend to expedite the release of the modifications to C-45 in order to minimize ongoing taxpayer issues with digital asset transactions. In addition to confusion around how to report their income related to digital assets, businesses desire the guidance to help their customers comply with their tax obligations.

However, the new reporting requirements should also include sufficient time for the industry to prepare for and implement the proposed changes and it should contemplate fundamental information reporting issues, including who is a broker, what digital assets are in scope for reporting, and how to account for details related to this specific transaction for purposes of basis reporting.

Two, develop a strategic plan for analyzing and providing the industry with applicable withholding and information reporting guidance for other digital asset-related transactions.

The trading income and details that are described in the detailed recommendations in this report are just the tip of the iceberg in digital assets. There are a variety of products producing taxable income that should receive more specific reporting and withholding guidance, including staking rewards, income from lending crypto, NFTs, and even retirement products invested in crypto.

There are a variety of implications outside of IRC-6445 to consider, and we encourage the IRS to strategically plan to provide guidance to prevent further tax gap issues in this area.

And last but certainly not least, we recommend that the IRS update existing publications and Form 1099 Instructions with examples of digital asset transactions that are subject to the requirements. Filers of information returns expect IRS guidance to be delivered in a variety of existing mediums, including form instructions and related information return publications.

The current Virtual Currency FAQs include some information reporting tips at a high level but generally those FAQs are geared towards individual taxpayers.

We also encourage the IRS to leverage traditional communications, like Revenue Procedures and Internal Revenue Bulletins, to help articulate guidance for more specific application of details.

Again, thank you for the opportunity to present these important recommendations, and I would like to pass it over now to Joe Novak from LB&I.

MR. NOVAK: Thanks, Wendy, and good afternoon again, Mr. Commissioner.

The LB&I IRSAC Subgroup was pleased to engage with the LB&I Division of the IRS this year. We had interesting and engaging conversations and we hope the IRS will find the report and the collaboration during 2021 to be helpful.

The subgroup was represented by Ms. Katrina Welch, Head of Tax for Gordon Food Service, Katie Sunderland, Tax Counsel for Investment Company Institute, Dawn Rhea of Arias Finance Group, Charles Parr of ABIP CPAs Advisors, Robert Howren, Head of Tax of Aveanna Healthcare, Jeremiah Coder, most recently of PWC, and myself, Joe Novak, Head of Tax at Abbott Laboratories.

Today, I would like to highlight one subgroup report topic dealing with the retention of Revenue Procedure 9469. In 2019, the IRS proposed to eliminate Rev. Proc. 9469.

This procedure currently allows large corporate compliance taxpayers to avoid accuracy-related penalties if they provide the IRS with affirmative adjustments at the beginning of the audit process and this procedure is in lieu of having to file an amended return.

Large corporate taxpayers found this procedure as pretty valuable and practical for three general reasons. One, the complexity of these taxpayers often contributed to unintentional errors and led to unavoidable changes to the initial filing.

Number 2, many returns are cumbersome obviously for both taxpayer and the IRS resources to process, and in our case sometimes processes multiple times. And, thirdly, many returns trigger significant state filings which are expensive and inefficient for state governments, as well.

Because of the popularity of this procedure, there has been a long stream of comment letters requesting the continuity of the program.

The IRS also cited three reasons for the proposed elimination of this procedure. One, they noted the disparate treatment across taxpayer groups. Some get to use the procedure and some don't. Two, they cited the desire to have an exam policy that best encourages accurate initial filings, and, three, and this is perhaps unwritten, but that there was some frustration with the Revenue Procedure taxpayer statements that were so vague and incomplete that they represented an abuse of the procedure.

During the course of the year, the LB&I IRSAC Subgroup has generally lent its voice to the broad taxpayer community in support of retaining the Rev. Proc., and this report restates the request to preserve that procedure.

However, we have also engaged in discussions regarding how new processes could help address the real concerns expressed by the IRS. Specifically, this report starts the conversation of defining the scope of taxpayers that are best suited to remain within the procedure, and it also starts the conversation of defining procedures to ensure that taxpayers only retain the benefits of the procedure when they submit affirmative adjustments that are reasonably complete and accurate and, therefore, meet the spirit of the procedure.

We understand the IRS is still considering the retention and scope of the procedure and we greatly appreciate the IRS listening and considering the comments of the IRSAC and the taxpayer community.

Thank you again, and I'll pass off to Bob Panoff of SB/SE.

MR. PANOFF: Thank you, Joseph.

Good afternoon, East Coasters. Good morning, Central and Pacific people. I'm Bob Panoff. I'm the Chair of the Small Business/Self-Employed Subgroup.

Our subgroup is a collaborative group of six highly-skilled professionals, including Kathleen Lach, Partner at the Law Firm of Saul, Ewing, Arnstein, and Lehr in Chicago, whose practice focuses on tax litigation and controversy matters; Mary Jo Werner, a Wisconsin-based CPA and attorney who's a partner in a national CPA firm, whose practice focuses on IRS tax matters, including tax return preparation and serving as an expert witness; Kelly Myers, a tax consultant and national speaker with more than 40 years of tax experience based out of Huntsville, Alabama; Steven Klitzner, Miami tax attorney who limits his practice to tax controversy and problem resolution; Ted Afield, a member of the Faculty of Georgia State University

College of Law in Atlanta, where he directs the Law School's Low-Income Taxpayer Clinic; and me, a tax attorney and tax litigator based in Miami, Florida.

For further biographical detail, please review Appendix B of this year's IRSAC report.

During the year our subgroup gave real-time input to the Form 944. We're primarily responsible for the all-IRSAC issue reports regarding the Independent Office of Appeals and Circular 230. But I wish to comment that LB&I Subgroup materially participated to the report on the Independent Office of Appeals and thank Joe Novak and his team for doing so. Our subgroup also authored reports regarding the IRS response to COVID-19 and the IRS's compliance efforts against abusive promoters and preparers.

This afternoon, we will cover the Anti-Abuse Report. This report concerns the IRS's compliance effort around abusive promoters and preparers and aiders and abettors.

The IRS has an ongoing compliance effort addressing abusive tax preparers and promoters and their aiders and abettors who facilitate the creation, promotion, and/or reporting of abusive transactions and/or false items that reduce the proper amount of tax due in a return. The IRS views the issue of stopping this behavior as a consumer protection program.

The IRS requested IRSAC's assistance to (1) improve the detection of abusers and their enablers; (2) identify additional methods of ensuring compliance; (3) explore further collaboration and partnering with state and local taxing and regulatory authorities to increase compliance; (4) help the IRS to more effectively communicate abusive transaction compliance actions in a manner that provides a greater deterrent to others; and (5) help the IRS better communicate with and educate taxpayers about abusive activity.

The members of the IRSAC spent a significant amount of time communicating with a knowledgeable, hard-working, and dedicated group of IRS personnel. They do an extraordinary job with limited staff and funding and just a shout-out that I hope they get more of both; hard-working and dedicated group of IRS personnel and have worked together with them to formulate the recommendations set forth below. Some of the recommendations may already be underway.

There are nine recommendations.

One, upgrade technology assistance to provide the IRS capable tools to address complex noncompliance by implementing enhanced share drive capability, the ability to upload documents, and making improvements that automate manual processes to free up time for investigative support roles.

Two, implement continuous training for existing anti-abuser IRS employees.

Three, create a well-staffed and equipped specialized independent function which we are tentatively naming the "Abusive Promotion Termination Task Force" (or APTTF) with dedicated attached revenue agents, revenue officers, special agents, tax analysts, data analysts, and Chief Counsel attorneys assigned to the same management team.

Four, develop a unified database of information (similar to the one done by the Offshore Voluntary Disclosure Program), obtained from the various civil and criminal enforcement efforts regarding who, what, when, where, and how a scam was promoted that can be accessed through a search by all APTTF personnel. Utilize data scientists to explore the database for common terms and phrases used by abusers and use those terms and phrases to do internet searches to locate abusers and their aiders and abettors.

Five, increase the sharing of information on abuser penalty investigations with state and local law enforcement and professional regulators to leverage enforcement, subject to my comment concerning legislation that I'll make soon.

Six, inform and educate Congress and its staffers on the importance of and the need for enhanced legal authority to more expeditiously penalize abusers. The current law needs to be tweaked to allow a quicker pursuit of these people. It's a constantly-moving target. They're smart. They develop new means and methods and substantive approaches all the time.

Seven, establish a dedicated specialized rapid reward program, tips leading to abusers by creating a new Form 211-P, Application for Reward, and widely publicize it. It should be a simple application to give small cash rewards, sort of like you see in procedural crime shows on TV when the policeman is giving out cash for a tip.

Eight, work with Treasury to inform Congress and its staffers of the need to broaden Code Section 6103 authority to allow more sharing of information on abuser penalty investigations with state and local law enforcement and professional regulators.

Nine, create a soft layer that includes a Form 211-P as an enclosure to send to taxpayers with abnormal refunds whose cases cannot be worked due to staffing levels or relatively low dollar amounts.

Thank you for your time, and I pass it on now to Nancy Ruoff.

MS. RUOFF: Good morning, Commissioner Rettig, and all attendees.

My name is Nancy Ruoff, and I'm the Deputy Director of the Office of Accounts and Reports for the State of Kansas.

I want to acknowledge April Goff for her efforts on the Tax Exempt and Government Entities Subgroup as our chairperson. She is unable to be attending today's meeting and has been instrumental to the work that has been accomplished by our subcommittee under her leadership.

The subgroup has worked very hard this year in collaboration with the TE/GE Division regarding a broad range of issues, including employee plans, exempt organizations, Indian Tribal Governments, state and local government entities, and tax advantaged bonds.

Our subgroup members include accomplished and seasoned attorneys, certified public accountants, and financial and benefit advisors.

The additional TE/GE members are Sharon Brown, Sam Cohen, Jodi Kessler, Carol Lew, Dan Welytok, and Charles Yovino.

We have been incredibly grateful for the cooperation that we've received from members of the Tax Exempt and Government Entities Division in consideration and guidance of our topic.

We present three issues in the report. First, consider researching and providing feedback on the thresholds associated with filing the 990-N Notice and the 990-EZ return.

Second, reduce the Private Letter Ruling fee applicable for tax advantage bonds for government issuers and, third, update, expand, and promote online IRS guidance for public sector and governmental entities which I will address now in more detail.

Like any employer in the business community, federal, state, and local governments, also referred to as FSLG entities, are subject to tax withholding and reporting requirements based on the Code, regulations, and rulings.

However, as public sector entities, federal legislation can mandate unique requirements, limitations, and exclusions that are specific to the FSLG community.

The Family First Coronavirus Relief Act, which contains unique requirements for FSLG entities, is just one example of legislation that highlights the importance of clear, direct guidance by the IRS to the public sector community in order to ensure accurate interpretation and timely implementation.

Due to the vast volume of guidance to be developed by the IRS throughout the pandemic, at times further clarity was required than was immediately available to the FSLG community.

In addition, FSLG-specific information was included among general and employer FAQs, making it challenging for impacted governmental employers to locate.

The IRSAC applauds the IRS for continuing to identify and advance opportunities for improvement. In particular, the FSLG community will benefit greatly from the recent launch in September 2021 of the redesigned Tax Information for Federal, State, and Local Governments Web page on irs.gov.

The IRSAC recognizes the efforts of the IRS in this area and encourages additional enhancements that will further benefit the FSLG community by recommending that the IRS do the following: (1) develop a timely stand-alone FSLG Q&A section to provide information about legislative requirements that are unique to the FSLG community.

Number 2, enhance the updated FSLG website through the addition of a “Recent Development Section,” which will provide direct access from the FSLG landing page to additional resources required to ensure compliance with new and developing requirements, for example, COVID-19 resources.

Number 3, review and update existing resources to ensure the unique FSLG guidance is included, and, Number 4, promote existing resources and the newly-updated FSLG website through partnership with industry groups that serve FSLG entities.

Thank you for allowing me to present these recommendations on behalf of the IRSAC, and I now welcome Martin Armstrong, Chairperson of the Wage and Investment Subgroup.

MR. DENEKA: I'm sorry to jump in here, Martin, and I apologize, but we are going to have the Commissioner drop off in a minute. So, I just wanted to give him one more opportunity for any closing remarks before he departs.

COMMISSIONER RETTIG: That's exceptional because I got people standing in my doorway. I'm looking at them and I'm looking at you guys and let me just tell you, you know, I won't repeat everything I said, but I want you to know that that's from the heart. I don't work off of notes. I don't work off of a script, and I like to be in person with all of you.

The comments throughout are spot on. We don't use IRSAC to pat us on the back. We use IRSAC to actually direct us into areas with an independent view where we need to focus attention; and it's easy inside to look through our eyes, but it's important for us to see, hear, and work with each of you through your eyes and obviously your clients and industry and whatnot to get us to a better place, and I think that the topics that you have selected are outstanding and, you know, what's ringing in my ears is you guys singing to me.

I don't know if that's good, bad, or indifferent, but it is much appreciated. You know, I tend to like to operate more off screen in some of those kinds of things.

Bob, you know, I didn't call you out. You know, I see a whole bunch of familiar names on here. You know, Jeremiah, nice haircut, you know, and miss you, you know, and we came close to getting Jeremiah onboard one day. So, I'm going to continue those efforts throughout, and, you know, others.

We're all in this together and, you know, your efforts here do not go unnoticed by anyone at the IRS and those efforts are significant. I am hoping we'll be able to show you some results during our next fiscal year of how we did take these things into account.

So, you know, to everyone, appreciate and, Ben, you know, thank you for giving me this follow-up opportunity. I'm not the guy who's comfortable just clicking off the screen. As a matter of fact, I'm more often than not the last guy off one of these screens, but thank you all, and continue to interact with us, those of you who are rotating off. You can help us make a difference by participating on matters like IRSAC but, as well, participating directly with us and when you hear something, be there, and to IRSAC, and I will say also to IRS employees, the ability to make real-time changes in what we're doing based on recommendations that you have, that's different than when I was on IRSAC, you know, back 10-12 years ago where everybody waited for the report to come out and then things got there and sort of IRSAC held on to the report.

So, a lot of advances in our ability to make things happen. I know on the outside those things sound obvious, like why wouldn't, you know, the organization that you're helping make those changes immediately, but, trust me, it didn't happen.

So, there are things that wind through everything that you have. The personal aspects, you know, for those of you who know on the outside, that's really what kept me going, very passionate about my colleagues and friends and getting us all to a better place.

So, you know, stay in touch with us and, you know, stay in touch with me. So, thank you very much and be well.

MR. DENEKA: Thank you very much, Commissioner. Safe travels.

Martin Armstrong, apologies again for the slight change in plans there, but I will turn the floor over to you now.

MR. ARMSTRONG: Well, good afternoon, everyone. My name is Martin Armstrong. I'm the Vice President for Charter Communications, which owns 100 telecommunications and mass media companies with services branded Spectrum TV, internet, mobile.

I also serve as the Chair of the Wage and Investment Subgroup that specializes in employment, tax pro administration, mergers and acquisitions, and information reporting.

The W&I Subgroup worked through a wide variety of issues with a central theme of providing efficient and effective tax administration. The W&I Subgroup consisted of the following expert practitioners: Ben Deneka, Program Manager, Agency and Industry Relations with the Tax Institute of H&R Block, and also serves as our 2021 IRSAC Chair; Antonio Gonzalez, Co-Founder of Sydel Corporation, an accounting and information technology consulting firm specializing in the financial services industry; Denise Jackson, Vice President of Taxpayer Development for North Carolina State Employees Credit Union, where she manages the training programs for over 3,000 tax preparers for the Credit Union's 267 branches; Phil Poirier, Senior Fellow with the Social Policy Institute at Washington University in St. Louis, a former Chair of the IRS Electronic Tax Administration Advisory Committee (or ETAAC); Martin Rule, Senior Manager at EY, specializing in tax and accounting systems management, payroll processing, employment tax, and information reporting; and, finally, Kathryn Tracy, the former IRS Revenue Agent and current Managing Partner with Kat & Bud Enterprises, LLC, a full-service accounting and tax preparation firm.

I'll be discussing our W&I Report, Issue Number 5, Improving the Taxpayer Experience with the Taxpayer Digital Communication Outbound Notification or TDC-ON Application, recently renamed Digital Notices and Letters.

The Taxpayer Digital Communication Outbound Notification or TDC-ON is a web-based application that allows individual taxpayers access to specific IRS notifications via their online account management center.

Launching an online account management center offering in November of 2020, the IRS has strategically expanded the number of computer paragraphs, or CP Notice, types from six to 11. These 11 CP Notices represent approximately 53 percent of the total CP Notice volume.

The IRS asked for IRSAC's assistance in encouraging taxpayers to go paperless, improving the taxpayers' experience with reporting errors, increasing the number of taxpayer online accounts, and to increase the number of online account users that choose to opt out of receiving paper-based correspondence.

Certainly the IRS has relied on the United States Postal Service to send paper-based letters that include over 200 different types of outbound CP Notices to taxpayers that explain the reason for the contact and instructions on how to handle the inquiry or the problem.

TDC-ON Message Center was first released to taxpayers in November 2020 and allowed online account users to navigate to their Message Center tax, view a list of selected notices they received from the IRS, and access those CP Notices.

July 20th, 2021, the IRS Governance Board approved the renaming of TDC-ON to Digital Notices and Letters. Digital Notices and Letters released two outputs targeted for Fiscal 2022, Quarter 1, and will enable taxpayers to opt out of select paper-based notices, opt-in to select paper-based notices, sign up for email notifications, and report an error by using an online account message center form.

Next year, DN&L releases include receiving text message notifications that a new message has been delivered to Notices and Letters, read and unread visual indicators of the number of unread messages, and the ability to set a language preference for notices received.

IRSAC supports the DN&L strategy roadmap as the planned focused areas are an effective and efficient means to reduce internal costs while simultaneously enhancing the taxpayer experience.

IRSAC offers the following Digital Notices and Letters recommendations.

Number 1, encourage the Taxpayer Advocate Office to help promote the creation of online accounts for taxpayers, (2) solicit tax professionals, TCE professionals, trade associations, and other stakeholders to promote awareness of online accounts to taxpayers, (3) simplify the content of the available DN&L so that the average taxpayer can understand what is being communicated, including any actions to be taken, (4) continue to increase the number of IRS CP Notices that are available on the online account system from the current 11 notices out of the existing 200+ CP Notices, (5) pursuant to the Taxpayer Experience Objective of expanding online account access, provide online account capability to be used by businesses and employers to manage issues for Tax Forms 1120, 1120F, and 65, 42, and 41, 90, 945, 941, and 940, and, finally, establish a dedicated team to develop mobile features to work with DN&L capabilities to securely access the remote mobile application.

This concludes our W&I topic summary. I'd like to now pass the portion back to our IRSAC Chair Ben Deneka.

MR. DENEKA: Thank you very much, Martin.

At this point we have now presented 11 of our 24 issues of the public report. We'll now take a break to 12:45 Eastern Time, at which point we will present the remaining 13 issues from our Subgroup Reports.

So, I will see you all back here at 12:45 Eastern Time. Thank you.

(Break.)

MR. DENEKA: All right. Welcome back, everyone.

In the first half of our public meeting, we presented 11 issues to the Commissioner of Internal Revenue, and we will now present the remaining subgroup report issues to IRS Business Operating Division leaders and members of Chief Counsel.

We will present in the following order: Large Business and International Subgroup followed by Small Business and Self-Employed, then the Wage and Investment Subgroup, followed by the Tax Exempt and Government Entities, and finally the Information Reporting Subgroup.

I will now turn the floor over to Joe Novak.

Large Business and International Subgroup Report

MR. NOVAK: Okay. Thanks, Ben.

I've already introduced our team. Nikole, I saw you are on. We'd like to say thank you to you and to Doug as the current and former LB&I Commissioner and your broader LB&I Team for the engagement over the course of the year.

We've included in the IRSAC Report four topics. We covered 94-69 earlier in the day. We are also asking IRS to consider three other topics which we'll briefly cover here.

Those topics are going to be the reasonable cause statements, protecting the personal identifiable information of responsible parties, and, finally, ensuring the timely insurance of Certificate of Residency forms.

Charles Parr is taking the first topic. So, Charles, the floor or the screen is yours.

MR. PARR: Well, thank you, Joe, and good afternoon.

I am going to be addressing Issue 1 for LB&I which is consideration of reasonable cause prior to assessing penalties on certain international information reporting forms.

Before I begin, I would like to commend the IRS personnel I've been privileged to work with this year for your dedication, your professionalism, and your thoughtful comments.

In certain cases, taxpayers who are trying to file timely certain foreign or international information reporting forms were unable to obtain the information prior to the filing deadline. It's not uncommon that they may receive the information after the filing deadline and in some cases even receive significantly modified changed information from what they were previously provided, necessitating filing amended returns.

In recent years, the Service has been automatically assessing penalties on these delinquent filings, even though the taxpayers may have included reasonable cause statements, and the Internal Revenue Code does provide reasonable cause standards for abatement of penalties.

In the instance where the penalties have been assessed, taxpayers nevertheless have to seek abatement through a time-consuming and burdensome process. This also imposes a burden on Internal Revenue Service personnel across the Service lines; and it's important to note that the failure to file these information reporting forms, although some do contain information pertaining to income related to certain foreign assets, the failure does not lead inherently to an under-reporting of income and associated tax the income and the tax reported on the appropriate income tax forms the tax bearer would be filing.

The penalties in these circumstances are significant and can range from $10,000 to upwards of a few million dollars in certain cases. And so, the National Taxpayer Advocate, in their 2020 Annual Report to the Congress, specifically addressed penalties assessed under Sections 6038 and 6038A and in 2018 9,089 penalties aggregating over $253 million were assessed. Of that, ultimately 5,468 penalties aggregating over $179.5 million were abated.

During the four-year period between 2014 and 2018, the ultimate abatement percentages ranged from 71 to 88 percent.

So, the IRSAC believes that the current process undermines the taxpayer experience, it increases the IRS workflow, and it discourages voluntary compliance, and we would respectfully request that you consider two recommendations.

First, consider reasonable cause statements issued and submitted by the taxpayer before penalties are automatically assessed and, in conjunction with that, impose a 90-day moratorium on collection activity to allow the Service to consider the abatement request and, in certain cases, obtain additional information necessary to make the appropriate determination.

Second, in addition to the foregoing, we recommend that the IRS consider developing a standardized reasonable cause statement format with information that can be provided by the taxpayers and their advisors that will facilitate IRS review and consideration of the abatement for the penalties.

Thank you.

MR. NOVAK: Thanks, Charles.

Katie, you're up.

MS. SUNDERLAND: Thank you.

The third recommendation concerns the application for an Employer Identification Number (or EIN) that employees obtain on behalf of entities controlled by their employer.

So, specifically on Line 7 of the Form SS-4, the Application to Obtain an EIN, requires that a responsible party provide personally identifiable information, such as a Social Security number, and this is required even in cases where the employer in its corporate capacity and not the individual employee has effective control of assets and authority to act on behalf of the EIN applicant.

The rationale for this requirement is to enhance the security of the application system and to provide a beating heart individual contact for the EIN applicant.

The IRSAC understands this concern and believes that this objective can be achieved without compromising the security of an individual employee's PII, which is typically going to pass through many hands, such as the employer's tax department, legal counsel, outside advisors, really anyone that’s involved in the structuring of an entity, before being submitted to the IRS.

So, to address these privacy concerns, we recommend that the IRS identify any existing proxy IDs that a responsible party could use in lieu of PII for these purposes.

I know some of the proxy ID systems that are out there may not require Social Security numbers, but we would encourage the IRS to explore whether they could be modified for this purpose.

Alternatively, the IRS could create a new proxy tax ID number that can be used for this purpose.

So, the next recommendation has to do with Certificates of Residency. These are the IRS Forms 6166 that many treaty partner countries require taxpayers to submit in order to obtain treaty benefits to which they are entitled.

So, the application process is entirely paper-based and this causes significant delays and often results in certificates that contain typos or other human errors. Because it's a paper application, these problems with delays were significantly exacerbated due to the work-at-home environment from the pandemic.

These delays can cause a permanent loss of treaty benefits for income from countries that require the certificate to be furnished to withholding agents prior to a payment. So, this is a significant issue for many taxpayers, such as U.S. mutual funds and other investment funds, that do not receive their certificate before first corporate dividends are paid.

This cost of lost treaty relief is borne by the U.S. Treasury to the extent U.S. investors claim foreign tax credits for the foreign tax withheld that is not recoverable and for tax-exempt investors or other taxpayers that may not be able to claim tax credits, the cost is borne by reduced and lowered returns.

To address these concerns, IRSAC recommends that the application for a Certificate of Residency be moved to an electronic filing platform. In the meantime, we would recommend that the IRS begin accepting applications for Form 6166 prior to the current December 1 date so that they can be processed earlier and are able to be issued as soon as possible after January 1st.

`And, finally, we recommend that the IRS competent authority continue to proactively engage and educate other foreign competent tax authorities so they are aware of the IRS timeline and potential administrative delays for issuing CORs, Certificates of Residency.

Thank you.

MR. NOVAK: Thanks, Katie.

Nikole, did you want to say anything at this time?

MS. FLAX: Yeah, sure. I'll just address these briefly for the benefit of the group. I know we've spoken a lot about them.

First of all, thank you all for your work on this. I think we had a good partnership and, you know, I think these are all good topics and I think agree with the policy outcomes that you all are recommending for all of them. In fact, they're not all in LB&I's control, and we're working with the other parts of the IRS and on 94-69 with Counsel and Treasury in terms of what the long-term approach may be. So, we will continue to do that and pursue what is possible.

For some of the processing challenges,

obviously, you know, the agency is dealing with some of those, and we have been working in particular on the Certificates of Residency issue and know, especially as we get closer to the end of the year, you know, really important to improve how things are going, and we are actively working that.

With respect to 94-69, as we talked about before, it is on the guidance plan and we expect that we will have more clarity on that in the coming months. So, hopefully that is something that we'll be able to address pretty quickly.

And then with respect to the penalty assessment, obviously a big issue, I think there's some stuff in the press today about comments that were made yesterday by the Taxpayer Advocate with respect to that issue and, you know, one that we worked with the Office of Servicewide Penalties and Small Business and Wage, as well, for the processing of the forms that come in.

So, I think that one in particular is trying to marry the policy goals with what's actually possible with respect to our current operations and how things work, but we'll continue to push on all of these.

I know, and just so I address them all, on the identification number, you know, it's a hard one. I think we definitely understand the issue and why it's challenging for individuals to give their numbers, especially when it's not their personal issue they're dealing with, it's just part of their job, and there have been challenges with all of the options that we have looked at, but we'll continue to push to see what is possible, and, as you guys know, we're working with other parts of the IRS to see what we can do there.

So, as I said, I think all good issues that we'll have to continue to push forward on and hopefully can make progress on some of them.

MR. NOVAK: Thanks, Nikole.

I know I speak for us that we all find pleasure in working with you and the team this year. So, thanks.

MS. FLAX: Oh, yeah. Thanks a lot. Yeah. I thought it was great. Thank you.

MR. NOVAK: Yeah. Ben, back to you.

MR. DENEKA: Next up, we'll have the Small Business and Self-Employed Group Readout. So, I'll turn the floor over to Bob Panoff.

SB/SE Subgroup Report

MR. PANOFF: Thank you, Ben.

Just mentioning the names of the subgroup again, Kathy Lach, Mary Jo Werner, Kelly Myers, Steve Klitzner, Professor Ted Afield, and myself.

We wish to thank now retired SB/SE Commissioner Eric Hylton, current SB/SE Co-Commissioners Darren Guillot and De Lon Harris, Chief Andrew J. Keyso of the Independent Office of Appeals, and all the other IRS personnel who we communicated with during the year for their dedication, cooperation, and assistance.

We especially thank NPL and our NPL liaisons Tanya Barbosa, Stephanie Burch, and Victoria White for their guidance and their facilitation of our advisory activities by providing information, advice, and access to knowledgeable IRS personnel.

Lastly, thank you, Ben and Carol, for your leadership this year.

I previously mentioned the issues that our subgroup has worked on this year and read out a summary of the report regarding abusive behaviors.

A summary of the issue concerning the IRS's response to COVID-19 will now be presented. The principal drafters of this issue report were Kathleen Lach and Mary Jo Werner. We also want to thank Ben for his keen observations.

Mary Jo, you're on, Issue 1.

MS. WERNER: Thank you, and thanks to the IRSAC members and IRSAC employees who assisted us with our Issue 1, the IRS COVID-19 response.

In response to the pandemic, in March of 2020, the Collection and Exam functions of the IRS took action to protect the health of their employees and of taxpayers and practitioners by shutting down IRS Service Centers and implementing the People First Initiative which initially was planned to run only through July 15th, 2020.

This thoughtful shift by the IRS to deal with the unforeseen and rapid onset of a worldwide pandemic lasting much longer than originally projected quickly served to limit face-to-face contacts and promoted alternative means of communications, telephone, mail, and in some cases e-mail.

At the onset of the pandemic and to provide a safe environment, the IRS sent its employees home and closed its Mail Centers. As of June 2020, the estimated backlog of unopened mail at the IRS Mail Centers was 11 million pieces of mail.

By the end of 2020, the IRS had 13 million returns to process and four million pieces of taxpayer correspondence to respond to, including 2019 tax returns.

The IRSAC Committee focused its research and response in the following areas: to have a dedicated COVID-19 IRS Web page with a dedicated COVID-19 IRS Web page covering businesses to be helpful to taxpayers adversely impacted by COVID-19.

There were two groups impacted, those still in existence but in arrears and businesses that were put out of business by COVID-19 closures. In each case, there would be how-to narratives, FAQs, and links to the forms necessary to respond to the IRS regarding tax arrearages.

The pandemic-related changes to collection, what pandemic-related changes to collections should be made permanent, responsive documents through a secure messaging system, responses to the IRS for notices in error. With respect to notices issued in error, for example, installment agreement, default notices, and notices sent to taxpayers saying their 2019 returns were not filed when, in fact, they were filed, taxpayers need to be able to communicate with the Internal Revenue Service quickly.

The next one was alternative communications with taxpayers. What alternatives to call centers are being tested and researched to increase and improve communications with the taxpayers?

We have several recommendations to facilitate Examination and Collection efforts in the pandemic environment.

Number 1, implement high-speed scanning solutions for SB/SE correspondence sites.

Number 2, expand secure digital communications and document upload between the IRS and taxpayers, particularly for Examination efforts.

Number 3, explore allowing and encouraging authorized representatives to engage in taxpayer digital communication correspondence exams.

Number 4, expand the Tax Pro Online Account functionality to provide authorized representatives with access to digital notices, particularly for collection notices.

Number 5, expand authenticated text chat.

Number 6, continue to provide deviations for employees to accept digital signatures and secure e-mail correspondence for Collections and Examinations use until viable alternatives are deployed.

Number 7, improve intranet connectivity and expand bandwidth for remote connectivity of IRS employees.

Number 8, enhance access to Collections and Examination correspondence and required actions for underserved communities by optimizing online accounts and related information for mobile devices and limited English proficiency taxpayers.

Number 9, establish the threshold at $150,000 for streamlined installment agreement relief and make it available to all taxpayers, whether the account is assigned to a revenue officer or ACS.

Number 10, raise the lien filing threshold at $250,000 in most cases, particularly if an installment agreement is in place.

Number 11, continue to delay defaulting installment agreements through at least December of 2022.

Number 12, increase time on collection holds to align with IRS correspondence processing time frames.

Number 13, empower Automated Collection System (ACS) and Practitioner Priority Service (PPS) assisters to move taxpayer payments or deposits that were clearly made by clerical error for the wrong tax period.

Number 14, allow ACS and PPS greater access to taxpayer notices and account notes to provide clarification to taxpayers as to why a particular notice was issued or inform them it was issued in error.

Number 15, delay collection of refund offsets through December 2022 at a minimum for low-income taxpayers as defined by IRS standards.

Thank you.

MR. PANOFF: Sorry for that. Thank you, Mary Jo, for your comments, and thank you for your four years of IRSAC service.

If Deputy Commissioners De Lon Harris and Darren Guillot want to make any comments, please do so now.

MR. GUILLOT: Good afternoon, everyone. Thank you for inviting us. It's nice to see everyone again. Sorry we can't be meeting with you in person. De Lon's with me and we both want to express our appreciation for all the work that you have done this year that touched on the Small Business and Self-Employed Division, whether it was in Collection or Exam, and whether it was entirely SB/SE-related or just in part, we really appreciate all the hard work that you all did.

Additionally, some of the work that was completed here is particularly a credit to the SB/SE Subgroup and there's also some by the Information Reporting Subgroup and the LB&I Subgroup. So, we don't want to forget to mention you, also.

Specifically, to the SB/SE Subgroup, and I just heard Mary Jo did a great job going through the recommendations and I did have a chance to read the report, we want to recognize the work that you all completed on the effectiveness of our COVID response.

This was something, I mean, no one expects this, right? I mean, I've been here for 34 years. Super Storm Sandy, Hurricane Katrina, we expect wildfires and storms and things, but a pandemic in my lifetime, we didn't see this coming.

Commissioner Rettig at the AICPA yesterday talked about being the first Commissioner in history to have to shut down the IRS and as a large part of the IRS and SB/SE, there was no playbook on this for us, and we are a big part of the civil enforcement apparatus in the Internal Revenue Service and we wanted to make sure that taxpayers were helped and not harmed during this period.

So, we appreciate in the report how you recognized those efforts that we took. In particular, we noted that you all wanted and support us expanding taxpayer digital communications, the secure messaging, the document upload tool I know is quite popular. This is something we hoped for years ago and, you know, during the pandemic, we had a chance to do some things that otherwise we were on our way to studying, doing pilots and looking at it, and there is no silver lining in a deadly pandemic.

But one of the outcomes that is going to be beneficial for taxpayers and you as representatives is the necessary TDC, as we call our Taxpayer Digital Communications.

Text chat for authorized third parties, we noted that you all really were positive about that, and the Tax Pro account, particularly access to collection notices, you want to be able to see them in a row, be able to go through them, that would help you represent your clients, and enhancement to correspondence that can help us with underserved communities.

Now we're already doing that. You probably have seen notices in Spanish, and I just had a chance to see some work we're doing that you will see shortly in 2022 where you'll be able to text chat with

Collection in both English and Spanish. So, we're pretty excited about that.

We're also going to review and consider some of your recommendations -- all of your recommendations, not just some of them, that focus on enhancing technology and as I just heard Mary Jo speaking about installment agreements, I saw in the recommendation, you know, looking at a $150,000 for streamline and $250,000 for whether we file a lien.

We're going to look at that closely. You all know that our first job in Collection is to protect the revenue of the United States and when you start talking about significant amounts of legally-perfected debt owed to government, without a Notice of Federal Tax Lien filed, our position as a secure creditor is at risk.

So, keep that in mind but, yes, we will take a closer look at that, but also we're going to take seriously your recommendations about empowering assisters to ACS to resolve taxpayer accounts more efficiently.

I saw your recommendation about the bots. I am so excited to tell you it runs into expected challenges. This is the first time in the history of the Internal Revenue Service that we're going to pursue authenticated use of natural language bots and also chat bots to help taxpayers resolve their account without having to wait on hold. You should see that in 2022, so hopefully by April or May or so.

So, we're headed in that direction and that will take care of millions of taxpayers allowing us to deal with other taxpayers who really need to talk to a human being.

De Lon, I'm going to take a breath and let you comment on some of the IRSAC's recommendations, as well.

MR. HARRIS: Thank you, Darren.

And, you know, first of all, thanks for having us here today. Thanks, Bob, for the invite and the introduction, and, Mary Jo, thank you for going over the subgroup that looked at what we've done as a COVID response and what we can continue doing.

I just want to echo what Darren said. You know, I was really excited to see some of the recommendations here just simply because we are already moving in that direction and have been during the pandemic.

You mentioned Eric. You know, when Eric was here when the pandemic first started and we all agreed that we needed to look for opportunities that we could get out of the pandemic that would increase efficiency and reduce burden for our employees but, most importantly, taxpayers and representatives, and I think we've been moving in that direction, but there's so much more we can do, and your recommendation reflects that.

You talked about TDC, which Darren talked about. He talked about a secure way of receiving information by e-mail. We have been moving in that direction. I'm happy to say that all of our Correspondence Exam units within the campus have the ability to offer and they do TDC to folks that we send letters out to on Correspondence Exam and now that Secure Access Digital Identity (SADI), the authentication process that is much easier to utilize than what we had used prior to on TDC, is now a part of

TDC, and so with that, we certainly expect to see an increase in the number of taxpayers and especially practitioners using TDC as a way of creating information with us in a secure manner.

I was glad to see that you talked about authenticated text chat and, you know, text chat is something on the Exam side of the house that we have not yet ventured into with TDC, not without wanting to, and we want to so bad, we even wrote it into our commitments this year, our performance commitments that we want to bring TDC chat into Correspondence Exam and Automated Underreporter (AUR) because we really feel like that would be a huge game changer.

It would probably reduce the paper and bring us more into more digital than paper in the campus which, as you know, with those two programs of AUR and Correspondence Exam, they are big paper generators and the key to working more effectively is to bring us more in line with digital across the board.

So, we are moving in those directions with some of these things that you have recommended and talking about digital signatures, you know. I think we continue to add forms to what we can accept as general signatures, from the first time we moved in this direction as not just SB/SE but across Enforcement and IRS since the beginning of the pandemic and continue to increase that.

You know, what I can safely say is that we have no intention of pulling that back but only expanding it more and more and making it more permanent as we hopefully come to the end of the pandemic.

But I also wanted to give a nod to the subgroup that worked on compliance efforts around abusive promoters and preparers. You know, I think maybe from what I've heard, maybe you briefed that out earlier today, maybe you didn't. I'm sorry.

MR. PANOFF: We did.

MR. HARRIS: Okay. Great, great. But I really want to mention that because as we suit up the new Office of Promoter Investigation, which right now reports directly to me, you know, and this has been very important to us and we will certainly review and consider the recommendations that you provided us on, you know, internal operations, including technology, training and personnel, partnering and collaboration with state and local law enforcement and professional regulators, and outreach and legislation.

I can tell you that the director has hit the ground running and she has already been reaching out for partnerships, whether internal or external, so that we can identify those themes that are abusive and modular even, so we can put a stop to them, and also focusing on things other than what we really call the Big 2, which is our microcap div and our syndicated conservation income.

So really glad and happy to see those recommendations and we hope that we're able to put a lot of them into play.

So, I know with the two of us, we've probably taken up more time, Bob, than you would like us to. So, in closing, we just want to thank you once again, to IRSAC, for your support. We will carefully review the recommendations contained with the report for implementation consideration and those not in process and additional support for those that have already started.

So, thank you again.

MR. PANOFF: Thank you.

MR. GUILLOT: Bob, if you don't mind, I just have --

MR. PANOFF: No, no, go ahead. Go ahead.

MR. GUILLOT: Everything De Lon and I talked about related to COVID and especially in the realm of bots, none of that and I mean none of it would have happened or happened as fast as it did without Nancy Seiger and Tommy Smith and the Information Technology Division. They have been heroic. They have overcome every obstacle, gone around it, over it, or through it to make sure that the barriers have been out of the way to help us with, you know, -- you think of all the things we did that were brand new, whether it was people working at home or stuff with the notices or it's the bots, it's all -- you know, IT has been a critical partner in every step of the way with that, and they could be the best IT in the whole federal government, bar none.

MR. HARRIS: I want to thank both of you and all of your staff for what you've done. Going to virtual was not the easiest transition for everybody, and I think we accomplished a great deal this year and the information provided by all of your people, I think on both of these particular issues, was extraordinary as they're deep issues and they're broad issues, and they're both very crucial issues.

So please accept our thanks again.

MR. PANOFF: You're quite welcome.

MR. GUILLOT: Thank you so much.

MR. PANOFF: You're welcome. And with that, I'll turn it over to Martin Armstrong of the W&I Subgroup.

W&I Subgroup Report

MR. ARMSTRONG: Thank you very much, Bob.

The Wage and Investment Subgroup greatly appreciated our collaboration with all of our IRSAC colleagues during this year.

Suffice it to say that the COVID-19 pandemic presented the IRS with many opportunities to assist American workers, families, businesses and industries with much-needed tax relief provided by the CARES Act, the Consolidated Appropriations Act, and the American

Rescue Plan of 2020.

For this year, our subgroup worked closely with our IRS W&I colleagues to provide feedback and recommendations to help improve taxpayer service, compliance, and administration.

We send a special thank you to our NPL Liaison Maria Jaramillo, the Wage and Investment Liaison Johnnie Beale, W&I Deputy Commissioner David Alito, and W&I Commissioner Ken Corbin, and all of our IRS collaborators and subject matter experts that are really just too numerous to name here.

I want to also personally thank Carol Lew and Ben Deneka for their expert leadership and support and guidance on the IRSAC for the 2021 Calendar Year.

I am pleased to re-introduce my W&I Subgroup colleagues, Ben Deneka, Antonio Gonzalez, Denise Jackson, Phil Poirier, Martin Rule, and Kat Tracy.

Earlier this morning, we presented Issue 5, Improving the Taxpayer Experience with the Digital Taxpayer Digital Communication of Outbound Notification or otherwise known as TDC-ON Application, recently renamed as the Digital Notices and Letters.

This afternoon, our subgroup members are pleased to present the following topics. Issue 1, Review of Preparer Due Diligence Training Module to be presented by Denise Jackson; Issue 2, Determining the Usefulness of Publication 535, will be presented by Martin Rule; Issue 3, Determining the Usefulness of Publication 938, will be presented by Antonio Gonzalez; and Issue Number 4, Encouraging Taxpayers to Maximize the Use of Electronic Filing for All Tax Return Forms and Payments, will be presented by Kat Tracy.

Denise, I will turn the meeting over to you so you can present our first W&I issue topic for this afternoon.

MS. JACKSON: Good afternoon, everyone, and thank you all so much for the opportunity to provide feedback on all of these relevant issues and for all the support that we've received from our colleagues at the IRS.

The IRS has asked IRSAC for feedback and suggestions for improving the Due Diligence Training Module that's available on the IRS website. This training module is used by paid preparers to help them better understand their responsibilities regarding certain tax credits and benefits for eligible taxpayers.

The IRS recognizes that this training is a bit outdated and they're interested in making it more interactive, engaging, and current, and they're also seeking ways to increase visibility of this course and encourage participation by more users.

To give a little bit of background, tax preparers who collect a fee in exchange for preparing a tax return that includes earned income credit, child tax credit, and the additional child tax credit, the credit for other dependents, the American Opportunity Tax Credit, or uses the head of household filing status are subject to due diligence requirements that must be met on every return that includes one or more of these credits or benefits.

Preparers who fail to meet the requirements are subject to a monetary penalty for each and every failure, and for returns filed in 2021 that penalty is $540 per occurrence, and those penalties can compound for multiple failures.

The IRS does track paid preparers by requiring them to register and use a preparer tax ID number, which is called a PTIN, on all returns completed for compensation.

The IRS cannot require this course. The IRSAC suggests increasing visibility of it by advising of its availability at the time of PTIN registration or renewal. Advising PTIN holders and registrants of due diligence requirements along with any penalties for subsequent failures and a link to this course at an appropriate point in the PTIN process could be helpful to increase awareness.

Many tax professionals with active PTINs must also obtain annual continuing education. And to help facilitate this, the IRS maintains a consolidated list of providers where return preparers can search for resources to meet their continuing education requirements.

While the IRS itself appears in this list, it has no distinction from any other provider and getting the IRS more prominence would keep the IRS continuing education resources from getting lost in the register of nearly 500 other providers.

During Calendar Year 2020, the IRS contacted approximately 16,000 return preparers via educational letters to advise that due diligence requirements may not have been met and that inaccurate returns, including one of those applicable due diligence credits or benefits, may have been prepared.

When the IRS reaches out to preparers using its predetermined contact algorithm, the IRSAC recommends including information about the availability of this course as a training and educational tool to modify and correct preparer compliance and performance going forward.

Initial feedback on making the course more interactive and engaging includes suggestions to collaborate with other IRS divisions who currently use more synergistic training platforms, such as the NTEC Program, to obtain ideas as well as to utilize audio or video tools as the current version of this course includes neither of these.

The IRSAC believes that evaluation of an additional investment in the refurbishment of the course may be necessary and appropriate. If guidance on the potential availability of additional funds to enhance this course is available, the IRSAC would be obliged to continue to offer feedback and suggestions to improve the Due Diligence Training Module.

So, in conclusion, the IRSAC's recommendations for the Due Diligence Training Course include the following four action items.

First, market the course's availability without making it a requirement during annual PTIN registration and renewal. Second, separate the continuing education resources available directly from the IRS from those accessible from other providers on the CE provider listing. Third, adjust wording the letters used to contact paid preparers about due diligence issues to advise of the availability of the course, and, finally, consider using a more interactive and engaging training platform, including audio or video, like the one used for NTEC training.

Thank you for this opportunity, and I'll now turn it over to Martin Rule to discuss the Usefulness of Pub. 535.

MR. RULE: Thank you, Denise.

Good morning and good afternoon to my IRSAC colleagues and Internal Revenue Service personnel and members of the public.

My name is Martin Rule. I've been a tax practitioner in the Chicago area for almost 30 years. I'm honored to serve this year on the IRSAC and work with the dedicated employees at the Internal Revenue Service. I thank you.

The IRS asked IRSAC to review several IRS forms and publications. Upon review, Publication 535, Business Expenses, was identified as a publication the IRS spent significant time and resources to compile with relatively small taxpayer usage.

In addition, questions have been raised regarding the clarity of content, the population of users, the redundancy of content which is contained in the IRS publications, and other products.

Although the publication has potentially broad taxpayer appeal for individual filing as well as business income tax returns, the relatively low usage rate and other resources that are available to taxpayers suggests the content of Publication 535 may be redundant.

The IRSAC was provided statistical data which supported the declining use and taxpayer appeal for the publication. For example, the 2018 and 2019 year over year publication orders declined from 13,600 requests to 6,400 requests, reflecting a decline of 50 percent.

In addition, the IRS has not received any public comments regarding the publication from the taxpayer community in the last three years.

As a result of the redundancy of content and the declining usage of Publication 535, IRSAC recommends the IRS consider, firstly, to phase out Publication 535 over the next two years and include guidance in the publication during that period to the taxpayer community on where to find alternate resources and methods to access information regarding business expenses and deductions.

Secondly, establish criteria to identify (audio glitch) with declining taxpayer appeal and utility. With that, I'll turn the floor over to my esteemed colleague Antonio Gonzalez.

MR. GONZALEZ: Thank you, Martin.

Good afternoon. My name is Antonio Gonzalez, and the topic I was asked to review for the W&I Subgroup revolves around Publication 938, which is essentially a Directory of Real Estate Mortgage Investment Conduits or REMIC or Other Collateralized Debt Obligation Issues.

As background, an issuer of a REMIC or CDO is required to file Form 8811. Publication 938 includes quarterly updates of additions, changes, and subtractions or voids of the Form 8811 filings and it is currently provided both in pdf and in HTML format.

You may ask or wonder why Publication 938 is useful. Well, REMICs and CDOs are not publicly traded. Therefore, information about them is not readily published by a neutral third party, such as the SEC.

It is the only way to find the representative and their contact information if you do have questions on the REMIC or CDO.

So initially as Martin mentioned, as part of a broader analysis of forms and pubs, the IRS requested IRSAC's assistance to determine the usefulness of

Publication 938 and to offer recommendations on either changing or discontinuing the way the publication is developed moving forward.

The suggestion came up because, much like what Martin mentioned, during the COVID shutdown, the publication was not updated and there was no public outcry for an update while downloads decreased substantially.

We have discussed this matter several times with our subject matter experts in W&I and it came to consensus that the recommendation from IRSAC should be to continue producing Publication 938, perhaps with some improvements.

The two reasons for this are, Number 1, regulatory. The IRS is required to collect REMIC/CDO information by regulation and must publish this information for public consumption in the publication.

And, 2, it is the only source for this basic information on REMIC and CDO. We did review other paid subscription services, such as Bloomberg, and they have some of the details, but they definitely didn't have the contact information which seems to be the most important to a significant segment of the population.

There are very defined steps in the regulation for how to request this information from an authorized representative before issuance.

So, given that, we do have two recommendations that we have forwarded to the IRS.

Number 1 is a new IT development to automate the publication to kind of act as a resourceful database that contains real-time information that would naturally eliminate the need to wait for a quarterly update of this information.

The IRS did a fantastic job with the tax-exempt organization search on irs.gov and we recommend using this as a blueprint for the REMIC/CDO search tool.

And, Number 2, recognizing it may take some time to develop this database, change the quarterly frequency for publishing the publication to semi-annual or annual since collecting Form 8811, updating, formatting, and publishing are very time-consuming tasks that are performed manually today.

Thank you very much. I will now ask Kathryn

Tracy to take control and talk to us about ways to encourage taxpayers to maximize the use of the electronic platform.

MS. TRACY: All right. Thank you, Antonio, and thank you to everyone that's been here today, and I'm very much enjoying this session.

As it's already been said, my name is Kat Tracy. I'm an enrolled agent and tax practitioner. Our small accounting and tax preparation firm works mainly with individual and small business taxpayers.

The IRS asked IRSAC via the Wage & Investment Group to identify ways to maximize the use of electronic filing of all tax forms and payments that are programmed for intake through the modernized e-file, or MEF, platform.

As we know, the COVID-19 pandemic's adverse impact on the 2020 and '21 filing seasons has highlighted the continuing exposure of our tax system to paper submissions and the adverse impact of paper processing on tax administration in general and taxpayers specifically.

The delays caused by the pandemic and the lack of employees to process paper tax returns has placed a severe burden on many taxpayers.

IRSAC highlights the IRS Taxpayer Experience Strategy that identifies the expansion of e-file options as one of the top 12 capabilities that will have the highest impact on the taxpayer experience.

We appreciate the IRS for its assessment of the impact on taxpayers of electronic filing of returns, forms, and payments.

In our review and consideration of this issue, IRSAC considered how the IRS might maximize electronic filing or submission of any IRS tax forms or payments, whether or not through the MEF system, as there are currently many avenues of getting information filed electronically with the IRS.

IRSAC agrees with and supports the electronic filing recommendations of the IRS Electronic Tax Administration Advisory Committee, ETAAC, in its 2021 Annual Report to Congress.

It is time to reset IRS electronic filing targets, prioritize electronic filing initiatives, create a transparent roadmap, and obtain dedicated multiyear funding for this purpose.

Speaking of funding, as previously discussed in IRSAC's general report, our first topic regarding funding is of utmost importance for the future of electronic filing.

I reiterate the IRS's need for sustained, dedicated, and multiyear funding to execute its electronic filing initiatives.

So with all of this being said, we offer the following recommendations for consideration and implementation.

First, develop common terminology relating to the electronic filing and submission across the IRS.

Number 2, set a long-term goal of achieving 100 percent electronic filing capability for all IRS forms, tax returns, and payments.

Number 3, develop, publish, and monitor, and report on a coordinated and transparent roadmap to achieve the capability to electronically file and submit all forms, returns, and payments.

And, lastly, design and implement an efficient process to identify, assess, scope, and prioritize electronic filing opportunities on a continuing basis, including regular engagement with people like us, the relevant external stakeholders.

Thank you, and I'll turn it back over to Martin.

MR. ARMSTRONG: Okay. I see that Deputy Commissioner David Alito is on the line.

Deputy Commissioner, do you have any questions or comments for us today?

MR. ALITO: Thank you, Martin.

Hi, I'm David Alito for those of you I haven't met in person or virtually. I'm the Deputy Commissioner of Wage & Investment, and Ken Corbin is our Commissioner of Wage & Investment, and I know he was having some technical difficulties but I'll give some remarks and then see if he's able to join us.

So, Martin, first, thank you. This is always a wonderful opportunity for us to hear all the report-outs, especially with folks on Wage & Investment. Of course, we always hear great things when our teams collaborate.

You know, this last year and a half, close to two years now, has just been incredibly challenging for all of us involved, and I always feel Ken's phrase as we work within the huge tax ecosystem, all the taxpayers in the nation surely rely on the solutions that we can help put together to make both Service and Compliance a lot easier for them. Your ideas are always well appreciated as we walk through these.

I especially want to recognize Martin Armstrong for the great leadership he's provided this year as our subgroup chair.

We asked a lot of you, as always, and we focused on our three big functional areas, our Customer Assistance Relationships and Education (CARE), our Customer Account Services (CAS), and our RICS, which is our Return Integrity and Compliance Services. We looked at big, big areas and always try to fill your plate.

We also appreciate the work that's been done with W&I and I was able to participate in the IRSAC, the Information Reporting Subgroup, the LB&I Subgroup, and your feedback on the Taxpayer Experience Roadmap was very valuable to us.

I think the things we appreciate the most are, you know, we always have very extensive and very rewarding professional discussions. Your perspectives are just very key to us and they help us color our thinking and help us think of things in a different way, and always in the workgroups and the subgroups we always have just an open exchange of ideas which helps us think of things again in a different perspective for us.

Ken and I both have had a chance to review the preliminary recommendations. I'm just going to touch on a couple because it's a very valuable report.

For the Publication 535, the Business Expenses, and the Publication 938, for Real Estate Mortgage Investment Conduits, based on your recommendations, we do plan to publish the 2021 version of the 535 in January 2022 and start notifying users of our plans to phase out the publication.

For Publication 938, we really do like the recommendation to develop a researchable database and reduce the publication frequency, so that is something we're going to be working on.

We also agree with the recommendations to simplify our notices and how we deliver them electronically and, more importantly, if we can continue to increase the number of notices available through our online account feature which we continue to see an increase in taxpayers working through.

Maximizing the electronic filing, as we saw in this last two years, it's such a key to more facilitated service for the taxpayers. We agree with the recommendation to set the electronic filing capabilities in our long-term goals and continue to partner with you and with others to make that a reality for us.

We also agree that with using the IRS government, when we use our social media as well as the support from our government and other industry partners, they increase the success in implementing these provisions, especially in the electronic filing threshold.

We absolutely appreciate you taking a look at the preparer due diligence training and we're going to continue to partner with our IRS Return Preparer Office to look at the recommendations, especially when it relates to marketing our course availability and getting it to the right people.

We agree with your recommendation for adjusting the wording of letters used in our contact to paid preparers about the due diligence issues and requirements, and our SPEC and RICS staff have made some initial collaboration efforts in updating the language in those.

I just wanted to give a high-level summary of where we are and, as I said, this is an interaction I wish we could do face-to-face because it is truly a group that we enjoy to get a chance to work with, and I always look at your comments, your recommendations. Our folks really look forward to the interactions we have with you.

I want to also thank Martin Armstrong for the outstanding leadership of our IRSAC subgroup and for our departing members, Antonio, Ben, and Martin Rule. We're absolutely going to miss you. You know, you've been a key component as we work through all things in IRS, and, as I said, just hearing not only gets your pieces of the other reports out but looking through the report and seeing the value that you bring. Ultimately, it's how we serve our taxpayers and our stakeholders, and you always help us think of things in different ways, and we appreciate it so much.

So, on behalf of both Ken and I and all the Wage & Investment partners, thank you so much for this. We appreciate it and we, of course, look forward to going through more of the recommendations with you, but I just wanted to give kind of a high-level summary and thank you for the time and dedication involved in this as well as all your time today.

Thank you.

MR. ARMSTRONG: Thank you very much, Deputy Commissioner. We appreciate your collaboration, Ken, the whole team because your partnership has really been invaluable for this year. We've done a lot of good things together. So, thank you very much for that.

You know, before I pass it on to the next group, I also wanted to express my sincere gratitude to really Martin Rule and Antonio Gonzalez for their service here on IRSAC. These guys are just top-notch practitioners.

So now I will turn it over to TE/GE Subgroup member Nancy Ruoff.

TE/GE Subgroup Report

MS. RUOFF: Good afternoon. As Martin said, I'm Nancy Ruoff, and I'm privileged to serve on the IRSAC TE/GE Subgroup. I am the Deputy Director with the Office of Accounts and Reports in the State of Kansas.

On behalf of the TE/GE Chairperson April Goff and the other subgroup members, Sharon Brown, Sam Cohen, Jodi Kessler, Carol Lew, Daniel Welytok, and Charles Yovino, I extend our deep appreciation to the IRS Office of National Public Liaison for their assistance, and Brian Ward in particular for his dedication and support throughout the year.

We would like to also recognize the contributions of Commissioner Sunita Lough and Deputy Commissioner Edward Killen, Eric Slack, the Director of Employee Plans, and Bob Malone, Director of Exempt Organizations and Government Entities, as well as the numerous business operating division leaders for their engagement, availability, transparency, and support.

In addition, we thank Ben and Carol for their incredible leadership of the overall IRSAC throughout this challenging year.

Earlier this morning, we presented our third issue regarding the recommendation for promotion of IRS guidance for public sector employers. Our subgroup members would like to follow up on that portion of the presentation and to discuss two additional topics this afternoon.

First, Jodi Kessler will address the recommendation to consider researching and providing feedback on the thresholds associated with filing the 990-N Notice and the 990-EZ Return.

Second, Sharon Brown will address the recommendations to reduce the Private Letter Ruling applicable for tax-advantaged bonds for government issuers.

Jodi, I will now turn it over to you.

MS. KESSLER: Thank you, Nancy.

Good afternoon. My name is Jodi Kessler. I'm the Assistant Director for Tax at MIT and also a

Tax Council Member on NACUBO.

I'm grateful for the opportunity to serve on IRSAC and work with this wonderful, dedicated group of individuals.

I'd also like to thank Dan Welytok and Bill Angner from the IRS for consulting on this issue.

The IRS has asked IRSAC to consider researching and providing feedback on the thresholds associated with filing the 990-N Notice and the 990-EZ Return.

For background, tax-exempt organizations, non-exempt charitable trusts, and Section 527 political organizations are required to file an annual return on a 990 Series form to provide the IRS with information required by the Code.

There are currently three forms in the 990 Series that use thresholds on gross receipts and assets in order to determine which form an organization should file. There's the 990-N, the 990-EZ, and the 990.

The 990-N is an electronic form containing only basic information, including the entity's name, address, EIN, and address of a principal officer.

The threshold for filing this has increased over time to the current threshold of $50,000 and that is now set forth in the Treasury Regulations.

The 990-EZ thresholds have also increased over time to their current amount of $200,000 in gross receipts and $500,000 in assets. These thresholds are set in the form instructions.

The Publication 6292, Fiscal Year Return Projections for the U.S. with reference to research, the total filers for each form and evaluate whether the current thresholds still make sense. While the 990-N filer group continues to be the largest group of filers, the 990-EZ and 990 have changed over time since the last threshold change.

After the last increase in thresholds for the 990-EZ, the EZ has the next largest group of filers and the 990 the least. Since then, the numbers have flipped and now the 990 filers are the largest group. So presumably fewer organizations are able to file the abbreviated EZ form, assuming, of course, that they're not voluntarily filing the longer form.

The IRSAC recommendation seeks to balance the administrative burdens of effective administration of tax laws. From a preparer's perspective, the ease and efficiency of filing a short form encourages compliance and timely reporting; and from the perspective of the IRS, the administrative burden must be balanced with collecting sufficient information to effectively administer the tax laws.

The recommendation made in the report is, of course, dependent on what level of noncompliance is being detected as the more detailed Forms 990 and 990-EZ and assuming that an adjustment tied to cost of living would not skew the current level of compliance.

The IRSAC offers the following recommendations. First, keep the exception for allowing the 990-N at $50,000 in gross receipts, and, second, to increase the threshold for the 990-EZ to account for increase in cost of living.

Thank you, and I will now pass it back to Sharon Brown.

MS. BROWN: Thank you, Jodi.

Good afternoon. I'm honored to make this presentation on behalf of the 2021 IRSAC TE/GE

Subgroup.

My name is Sharon Brown. I am a tax attorney at Barclay Damon in New York City. I am also specialized in tax-advantaged bonds.

IRSAC is recommending that the IRS reduce the user fee for Private Letter Ruling requests for local, state, and Indian Tribal governments related to tax-advantaged bonds.

Tax-advantaged bonds are a vital tool for state and local governments and Indian Tribal governments and bond holders generally receive tax-free interest.

Tax-advantaged bonds are generally subject to certain requirements under the Code in connection with the use and expenditure of proceeds and restrictions on the investment of such proceeds.

Compliance with such requirements and restrictions are crucial in maintaining certain tax advantages with respect to such bonds. The Private Letter Ruling request process allows issuers to comply with the Code, despite complex circumstances.

The recommendation to reduce the user fee is intended to make the Private Letter Ruling request process feasible for all issuers of tax-advantaged bonds and seeking clarification of the tax law, irrespective of the size of the issuer, thereby ensuring more frequent voluntary tax compliance.

In 2021, the standard user fee for a Private Letter Ruling increased from $30,000 to $38,000 from the previous year. This was a 26.7 percent increase. The continuing increase of the user fee discourages and inhibits voluntary tax compliance.

Tax compliance is critical for local, state, and Indian Tribal governments because of the standard for issuing unqualified opinions for tax-exempt bonds.

As reflected in our report, the number of Private Letter Rulings issued by the IRS related to tax-advantaged bonds has decreased as the user fee has increased. Since 2010, the average number of Private Letter Rulings issued per year has decreased from an average of 12 in Years 2006 to 2009 to six in Years 2010 to 2020.

The IRS has broad authority to set user fees for Private Letter Ruling requests.

IRSAC recommends that the IRS exercise this authority and reduce the user fee for Private Letter Rulings for local, state, and Indian Tribal governments related to tax-advantaged bonds and, in doing so, take into account the impact of the user fee on issuers with limited resources, the effect the user fee has on voluntary compliance, and the change in demand for Private Letter Rulings resulting from the continuing increase of the user fee.

Thank you. At this time, I will pass the mic back to Nancy.

MS. RUOFF: Thank you, Sharon.

Commissioner Lough and Deputy Commissioner Killen are on the line. Do you have anything that you would like to comment on at this time?

MS. LOUGH: Hi, everyone. It's really good to be back.

Looking at everybody, even though it is not in person and in the Hollywood Square -- those of you who are old enough to remember the game know what I'm talking about -- but it is really, really nice to be able to see everyone's face and to be able to address

IRSAC.

I'm Sunita Lough. I'm the Commissioner of TE/GE, and it is really good to be back in TE/GE. It is an exciting place to work.

Before I go on, I do have Edward Killen on the Zoom, as well. So, Edward, if you want to just pop in and say hi before we start into our short remarks.

MR. KILLEN: Sure. Thanks, Sunita.

I hope everybody is doing well and I certainly do appreciate the time, energy, and dedication that you all have provided to tax administration over the past year.

So, I'll give it back to Sunita, but again it is great to see everyone in this virtual environment that we have all become accustomed to over the last couple of years now.

MS. LOUGH: So, first of all, thank you everyone on IRSAC for all the hard work you do.

I know you all have regular day jobs that keep you more than fully occupied and the fact that you give your time to the IRS really means that we are all in together for tax administration, better tax administration, better outreach to the taxpayers wherever they are, whether they're individuals, business, exempt sector, employee plans, or exempt organizations plans, or even people as sophisticated as tax and bond lawyers. Some of you are on the phone.

We can all still use some education and outreach and help, and so I really appreciate the time everyone gives to this.

As far as TE/GE and our TE/GE subgroup here, as you heard from the couple presenters that already spoke, we are a very diverse business operating division. You know, patent and bonds and exempt organizations -- all of this overlaps with regard to the borrowings. The areas of the law are very, very diverse and when you add employee plans to the mix, it even becomes more diverse.

So, this is the fun part. Diversity is always good, whether it's in people or what you have to think about every day, what you have to work on every day.

Edward and I and our folks really are interested. For me, I'll just say it keeps me younger because one hour I'm looking at employee plans and the next I may be looking at exempt organizations; so it keeps your brain occupied really well.

I really enjoy being in TE/GE and I thank the very diverse group we have in TE/GE Subgroup. The work you've done really helps us serve our taxpayers as both of those recommendations have suggested, you know, changing the thresholds.

I will give a fuller response, but the quick response I do want to mention is: when we change thresholds on a form, we have to work with IT to do any process changes.

As you know, when we're working with IT and when we're doing filing season and the subgroup will understand, it is challenging. Plus, when you are not changing the amount to a set amount but it is to be changed every year, it becomes even more challenging because cost of living means you have to reprogram everything every year versus having a big jump one year.

But again this is something we will talk about internally and speak with our IT friends and definitely take that into consideration. You know, it is worth taking a look at because it's been a long time since we looked at that.

And, you know, Jodi, it's interesting. I knew that, but I never did realize that we have more 990s than 990-EZ. That should give us a little bit of pause and maybe people filed their 990 more because they know people read their return before they make contributions. So maybe they're using it as a PR tool, but still very interesting.

And with regard to PLR fees, being an ex-bond lawyer, I really sympathize with that, but again that's something we have to provide to Counsel because we don't do Private Letter Rulings. We will make sure we will address that and make sure Counsel is aware of your recommendation. These are very important recommendations.

I thank you very much for all the work you've done, and I'm going to pass it to Edward.

MR. KILLEN: I would echo much of that. I don’t have much to add by way of the substance on the recommendations, other than to, once again, thank you all because they are very thoughtful, and I know they represent your collective perspective. So, thank you for that.

I do want to acknowledge that we have three members rolling off, April Goff, Charlie Yovino, and Dan Welytok. Thank you so much for your service to tax administration and to the subgroup. I understand that you all will be rolling off after completing your three-year terms, and so, although I thank everyone collectively, I do want to extend a very special thank you for the three of you as you conclude your service.

Thank you very much, and again your recommendations are very thoughtful, and we will certainly, certainly consider them in that vein. Thanks so much.

MS. LOUGH: And everyone have a very happy and safe Thanksgiving.

MS. RUOFF: Thank you. Commissioner Lough, Deputy Commissioner Killen, thank you so much for your partnership and for that of your team. We look forward to continued collaboration in the future.

At this time, I'm going to turn it over to

Alexandra Cruz of the Information Reporting Group.

MS. CRUZ: Thank you.

MR. DENEKA: Alexandra, sorry to cut in here. I just wanted to check and see if we have both reps on or if we need to take a bit of a break since we have actually gotten ahead of schedule. So if I can just check and see if Nancy Erwin is on the line.

(NO response.)

MR. DENEKA: Okay. Maybe we'll take a quick 10-minute recess if that works for everyone. Okay. Seeing some nods, we'll return at a little before 2:10 Eastern Time.

(Break.)

MR. DENEKA: All right. Alexandra, I have got 10 after. Apologies again for jumping in there, but I will turn the floor over to you or if you want to check and see if our representatives are on the line first, feel free.

Information Reporting Subgroup Report

MS. CRUZ: Sure. Is Nancy Erwin on or Ashton Trice?

MR. TRICE: Yes, I'm Ashton Trice. I go by

Hap as a nickname. So you might see that on the screen. But hello.

MS. CRUZ: Hi, how are you?

MR. TRICE: I'm doing well. I hope everyone is doing the same.

MS. CRUZ: Great. All right. I guess I'll kick off.

All right. Well, again, everyone, my name's Alexandra Cruz, and on behalf of the Information Reporting Subgroup, we would like to take this opportunity to thank the National Public Liaison Office for contributing to the success of the subgroup's first year.

Specifically, we would like to thank Mel Hardy, John Lipold, Anna Brown, Stephanie Burch, the members of the IRS from the different BODs, and Chief Counsel who took time out of their busy schedules to meet with our subgroup, discuss various topics, and receive real-time feedback during the past year.

We would also like to thank our IRSAC Chair Ben Deneka and Vice Chair Carol Lew for their leadership and all of the guidance they have provided to our subgroup.

Lastly but definitely not least, the subgroup would like to extend a huge thank you to our NPL Liaison Peggy Martin who went above and beyond to help to ensure that our subgroup had such a successful first year.

I have had the pleasure to work with a dynamic group of professionals that have been engaged and have provided thoughtful feedback and insights with respect to the issues within the Information Reporting realm.

I would like to personally thank the subgroup's members Deborah Fox, Seth Poloner, Paul Sterbenz, Kevin Valuet, and Wendy Walker for all of their hard work and dedication throughout the past year.

The Information Reporting Subgroup has addressed four topics within the report, with Wendy Walker earlier presenting our first topic related to digital assets.

Kevin Valuet will speak to withholding and reporting challenges certain employers state with reconciling Social Security and Medicare exemptions, and Seth Poloner with close out the Information Reporting Section and discuss two topics, namely, additional guidance and clarification under Section 1446(f) which is set to take effect on January 1st, 2023, and, lastly, asking the IRS to consider providing guidance as to how withholding agents should treat the payment of negative interest and if withholding and reporting is required.

To kick things off, I will hand it over to Kevin. Kevin?

MR. VALUET: Thank you, Alexandra, and good afternoon, everyone.

Numbers of alien students and scholars present in the U.S. under F-1, J-1, M-1, or Q-1 visas may be eligible for Social Security and Medicare tax exemptions for work performed in the U.S. This exemption is generally limited to the first two calendar years for J-1 and Q-1 non-student visa holders and the first five calendar years for F-1, J-1, and M-1 students.

Visa holders must submit documentation to establish the right to work and the length of time present in the U.S. to verify eligibility for the exemption.

It should be noted that the exemption also covers the employer portion of these taxes.

The documentation needed to incur these exemptions may be presented when establishing the right to work in the U.S. through the U.S. Citizenship and Immigration Services Form I-9, Employment Eligibility Verification.

However, employers cannot require specific documents for Form 1-9 verification. This means that the visa holders must establish via right to work in the U.S. but are not required to provide length of time present in the U.S. as a condition of employment.

Time present is a critical component of establishing the exemption due to the time period limitations. This is voluntary information provided by the visa holder if not provided as part of right to work documentation.

Often, employers are notified of possible exemption eligibility only after the visa holder has reached out to the IRS for a refund. The IRS may advise the visa holder and employers to work together to exempt the wages and refund the taxes.

In most cases, visa holders have already left these organizations, rarely provide updated contact information, and are typically back in their country of origin making this process difficult at best.

If documentation is obtained, employers are required to amend their payroll records and any associated information returns, including the submission of Forms W-2C, Corrective Wage and Tax Statement, and Forms 941-X, Adjusted Employer's Quarterly Tax Return or Claim for Refund.

The administrative costs to the employer related to these exemptions are often greater than any refund they receive for the employer portion of these taxes.

In other cases, the visa holder provides all required documentation for the exemption as part of their personal tax return and the submission of Form 843, Claim for Refund and Request for Abatement.

In cases where the IRS does approve these refunds, the IRS applies approved exemptive taxable wages and taxes to the fourth quarter of the given tax year only, even though those wages are likely not earned in just the fourth quarter.

An IRS Notice then advises the employer to adjust their records accordingly and submit Forms W-2C and Forms 941-X for that tax year. This causes issues from the employer in attempting to determine how the IRS has handled this claim.

The submission of Forms 941-X requires employers to include the amount originally reported on the initial Forms 941 for the updated amount based upon previously submitted Forms 941-X.

The IRS will reject Forms 941-X submissions if these amounts do not match. This makes it tremendously difficult for employers as they do not know if the current Forms 941-X submissions have been processed or what the IRS reflects as current totals for inclusion on the Forms 941-X.

This does lead to rejected Forms 941-X adding to the employer's administrative burden and costs related to these exemptions.

To simplify this process, it is recommended that the IRS handle these exemptions directly with the visa holder instead of asking them to contact the employer. As such, the IRSAC recommends (1) eliminating the requirement for employers to refund visa holders and adjust the information returns for tax years after the Forms W-2 for that tax year have been issued by the employers.

(2) require employees to submit all required documentation substantiating the exemption and Form 843 to the IRS for a refund of taxes withheld.

(3) create a grid on the current IRS notices requiring employers to provide quarterly wage and tax information related to the adjustment and refund in lieu of Forms 941-X submission.

Number 4, permit but not require employers to submit 941-X and do so only if they are seeking a refund of the employer portion of the associated taxes.

Thank you, and I now will turn it over to Seth Poloner, who will provide information on two additional issues.

MR. POLONER: Thank you, Kevin.

Good afternoon and thank you all for your time today. I'm Seth Poloner, a tax attorney at Morgan Stanley in New York, and as Alexandra mentioned, I'll be discussing two topics. The first one relates to Section 1446(f) of the Internal Revenue Code.

Section 1446(f) was added to the Code in the Tax Cuts and Jobs Act in 2017 and provides rules for withholding on the transfer of certain partnership interests.

Final regulations published in November 2020 regarding broker withholding on transfers of interest in publicly-traded partnerships, or PTPs, are scheduled to go into effect with respect to transfers on or after January 1st, 2023.

It is crucial for withholding tax rules to be clear and administrable, but there are many items related to Section 1446(f) that remain unclear and that present implementation challenges and there is, therefore, risk that brokers will withhold inconsistently and will under- or over-withhold on clients.

The IRSAC has four recommendations related to

Section 1446(f).

First, it is common for market participants to loan PTPs or to post PTPs as collateral for various transactions. It is not clear, however, whether these transactions are subject to withholding under Section 1446(f), and there is no IRS guidance on point.

Our report provides legal arguments to support not withholding on such transactions. Imposing withholding on PTP loan transactions presents significant operational challenges for withholding agents, given that withholding has never been required on loans of securities.

In addition, it is not clear what policy objective is fulfilled by subjecting such transactions to withholding tax.

The IRS should publish guidance providing that PTP loan transactions are not subject to withholding under Section 1446(f).

Second, a literal reading of the Section 1446(f) regulations indicates that a short sale of a PTP interest is subject to withholding under Section 1446(f).

However, subjecting short sales to such withholding is not consistent with the policy underpinning that section. Section 1446(f) was enacted as a backstop withholding mechanism to facilitate collection of ECI tax under Section 864(c)(a), but a short seller of a PTP interest was never a partner in the PTP and therefore would never recognize ECI in connection with that PTP.

Therefore, the IRSAC's view is that the IRS should publish guidance providing that short sales are not subject to withholding under Section 1446(f). Because, however, the language in the final regulations appears to be broad enough to include short sales, absent guidance to the contrary, withholding agents who are jointly and severely liable for the tax may have no choice but to withhold on such transactions, even if such withholding does not make sense from a policy perspective.

Third, IRS officials have stated publicly at conferences and also in discussions with the IRSAC that if a PTP does not issue a qualified notice which specifies an amount of a distribution attributable to amounts in excess of cumulative net income, a broker by default should assume that the amount in excess of cumulative net income is zero and, therefore, not withhold under Section 1446(f).

This interpretation is not explicit in the final regulations or any other published IRS guidance and is arguably not clear. The IRS should, therefore, publish guidance providing that, consistent with public statements made by IRS officials at various conferences, a distribution by a PTP is subject to withholding under Section 1446(f) only if and to the extent that the PTP publishes a qualified notice explicitly stating the portion of the distribution that is attributable to amounts in excess of cumulative net income.

Our fourth recommendation is that various provisions in the NRA and backup withholding regulations provide that a withholding agent may apply a Form W-8 and accompanying withholding statement on a retroactive basis.

Withholding agents apply these provisions in practice on a regular basis. It is not clear, however, whether a Form W-8 and accompanying withholding statement may be applied retroactively with respect to Section 1446(f) withholding.

In fact, certain provisions in the final regulations may indicate that a retroactive Form W-8 is not effective for purposes of 1446(f).

The ability of a withholding agent to apply a retroactive Form W-8 and accompanying withholding statement will be particularly important with respect to this new withholding tax regime.

The regulation contains several new Form W-8-related requirements which will take time for taxpayers to understand and get used to. Therefore, as a practical matter, withholding agents expect that in many cases payees will provide retroactive Forms W-8 and withholding statements as they are accustomed to doing under existing NRA, FACA, and backup withholding rules.

The IRSAC is aware of no policy reason as to why retroactive Forms W-8 and accompanying withholding statements should not be permitted for purposes of Section 1446(f).

It would also be confusing for taxpayers and will put withholding agents in difficult client relationship positions if retroactive Forms W-8 and withholding statements are permitted for purposes of certain sections of the Code but not others.

The IRS, in the IRSAC's view, should provide that the rules applicable to withholding agent reliance on retroactive Forms W-8 and accompanying withholding statements under other sections apply in the same manner with respect to withholding tax under Section 1446(f), as well.

Finally, because the issue of authority is occasionally raised, I would close by noting that the statute in Section 1446(f)(6) provides very broad authority to the Secretary to prescribe guidance providing exceptions from the provisions of Section 1446(f).

I'll now move on to the second issue that I'm going to discuss, which relates to negative rates.

Since 2014, interest rates in several countries have been negative. There is no guidance, however, as to the treatment of the payment of a negative rate under U.S. tax law, and it is, therefore, unclear whether payment of a negative rate on a financial transaction is subject to U.S. withholding tax and also unclear how such a payment should be reported. Lack of guidance can result in uncertainty for and inconsistent treatment by withholding agents.

This issue was raised by the Information Reporting Program Advisory Committee (the IRPAC) in 2015, and the IRSAC is reiterating the need for IRS guidance with respect to this issue.

Negative rates significantly impact a number of routine cross-border financial transactions. The following examples were included in the 2015 IRPAC Report referenced earlier: (1), payments on cash deposits, (2) collateral on derivative transactions, and (3) margin levels.

There are other common financial transactions affected by negative rates. For example, sale and repurchase transactions, otherwise known as repos.

As I mentioned, there is no authority as to characterization and source of a negative rate payment for U.S. tax purposes. With no source rules provided by statute or regulation for an item of income, courts have typically sourced the item by analogy to categories of income the sources of which are specified by statute.

A number of analogies would suggest that a payment of a negative rate should be sourced to the residence of the recipient and therefore not subject to U.S. withholding tax.

For example, the use and the substance of the transaction, payment of a negative rate may be characterized as a payment for the service of holding and safeguarding the payer's tax and services income is generally sourced to the place where the services are performed which would be the location of the recipient or the payee in the case of payment of a negative rate.

Other applicable analogies that would result in no withholding tax are to qualified bail charges, no-show principal contract payments, bond premium and purchase price adjustments.

Consistent with the IRPAC recommendation in its 2015 report, the IRSAC's view is that a negative rate payment should be sourced to the residence of the recipient because of the analogies described above earlier because it would put U.S. and non-U.S. payers on an equal playing field and because it would avoid operational challenges for withholding agents.

We, therefore, recommend that the IRS publish guidance with respect to the source of a negative rate payment which guidance would be broad enough to cover payments on routine financial transactions, such as deposits, collateral on derivatives, margin loans, and repos.

If there are areas in which published guidance treats a negative rate payment as U.S. source for debt income, we would recommend that such guidance be effective only after an adequate transition period for withholding agents to modify systems to account for such guidance and that the IRS should not challenge taxpayers who have taken a reasonable position with respect to taxpayer characterization and source of a negative rate payment prior to the effective date of any such guidance.

I will now turn the floor back to the Information Reporting Subgroup Chair Alexandra Cruz.

MS. CRUZ: Thank you, Kevin and Seth, much appreciated.

So joining us today we have Nancy Erwin, Acting Deputy Associate Chief Counsel for International, and Hap Trice, the Deputy Associate Chief Counsel for Procedure and Administration.

So I'd like to open for any questions or comments.

MR. TRICE: This is Hap. Weren't you going to also speak on the digital assets and the information reporting with respect to them?

MS. CRUZ: We did. It was actually covered earlier when the Commissioner attended the session earlier.

MR. TRICE: Oh, oh, I didn't realize because in my role as one of the Deputies in Procedure Administration, the folks that are working under Section 6045 on regulations regarding information reporting of digital assets, that's what I was here to receive.

I've read your written report on that and I don't really have much to add to the other topics that you've talked with us more in the other areas, but so I'll speak to now, I guess.

MS. CRUZ: Absolutely.

MR. TRICE: Yeah, yeah. The digital assets aspect, but as you know, that was on our published guidance priority list and there's been active work in that area on the Hill recently, too. You know, just on Monday they passed Infrastructure Bill which, you know, affected Section 6045, and there's also in the news media reports that I've read that some Senators want to do some further legislation in that area to amend what just has been passed and signed into law.

So that's, you know, a very timely topic and something that we are, of course, actively working, as we've said in our priority guidance list, and it's very much welcome that, you know, we have the comments there for people in the real world who, you know, are facing the real world issue and propose some solutions.

So I'm not really at liberty to say exactly what is in the regulations that are not yet public, you know, but they will be proposed and then there will be an opportunity for the public to comment on them generally. Perhaps some people from this committee may want to comment on them as you've been invested in the issues already to the degree in preparing this report.

So we welcome that. We welcome the comments that you've made and it is a very timely subject and we continue to treat it as a priority.

So just want to say thanks and that those who are working on it have also read your report, as you know, and it will be in the mix of what we will be releasing in the future.

MS. CRUZ: All right. Thank you.

MR. TRICE: You're welcome.

MS. CRUZ: I know we also have Nancy on the line. Nancy Erwin.

MS. ERWIN: Yes. Hi. So the third and fourth issues would fall under the jurisdiction primarily of ATCI and I know the 1446(f) folks are very well acquainted with all of the comments and the people from the branch and the front office have attended the IRSAC meetings over the year and they have heard your comments and they're obviously considering them. So thank you for that.

On the fourth issue, I guess the only question I had, because I forgot to ask them, so it was originally raised in 2015 and I think they said that, you know, because it is a joint issue between ATCI and FIB because of negative interest and which would mean no interest, but has it been reviewed this year, as well, and do you -- because I don't -- I'm not aware of any guidance on this that would address that issue.

MS. CRUZ: I know that in the 2015 IRPAC Report, there was a similar recommendation that was made and, you know, so it is still an ongoing issue. It was brought up for this year's IRSAC report.

MR. DENEKA: We did have a meeting with representatives of the government during the year, you know, as an IRSAC subgroup to talk about the issue. I honestly can't remember exactly who was at that meeting, but at the meeting they did say that they thought it was a worthy topic to raise in the report again which is why we did.

MS. ERWIN: Great. Yeah, yeah. So I think I'll have to take that back with them and see between ATCI and FIB whether there's -- yeah. So I don't have any current status update on that either, but thank you for raising that.

MS. CRUZ: All right. Thank you.

All right. Well, thank you, Nancy. Thank you, Hap, for joining us for today's session, and just to kind of close out, just wanted to reiterate my thanks to the IRS, to the team at NPL. Thank you so much for all of your hard work throughout this past year, especially given, you know, the pandemic and us all working virtually, and again many thanks to Ben and Carol for your leadership as well as to all of the subgroup members. Thank you so much for all of your hard work.

So with that, I will hand it to back to Ben.

Closing Remarks/Adjourn

MR. DENEKA: Thank you, Alex. Thank you for the kind words. That now concludes our presentations for the 2021 IRSAC Report.

So before I hand this over to Carol and Mel, I'd like to once again express my gratitude first to the Office of National Public Liaison for the incredible partnership as we navigate more public meetings and the subgroups in the virtual platform this year.

Second, to my fellow IRSAC members. Commissioner Rettig mentioned that it's always the members, the other members and the interactions that you really miss and I can say that building relationships with so many incredible individuals dedicated to improving tax administration was one of my favorite parts of serving on the IRSAC.

I think back to four years ago when Antonio Gonzalez, Martin Rule, and I all started at the same time and the same subgroup and before you know it, you're at a Nationals baseball game after a working session and I'm learning about their families. Just a few weeks ago we were in the thick of report-writing season and we had notes of encouragement from a former IRSAC subgroup chair, Phyllis Kubey, to IRSAC; the relationships are really a nice perk.

I really hope that you are able to meet in person next year so that dimension of serving on the IRSAC can be present once again.

Thank you all for the opportunity to serve as the chair. It was an honor and a privilege and one that I am excited to pass on to my phenomenal Vice Chair Carol Lew.

Carol, you have been an absolute pleasure to work with this year. I know I'm passing the baton to someone who can really run with it. So, Carol, the floor is yours.

MS. LEW: Thank you, Ben.

I'd like to just say it has been a complete pleasure for me to work this year as Vice Chair. I can't say enough. I've been so impressed by the talent and the energy of the IRSAC members that have been working so hard on the report and their constant coming up with ideas and their participation in meetings and the Zoom platform just has been quite impressive.

I wanted to thank the NPL and all of the IRS leadership that has been helping us and the IRS employees throughout the year. They've gone above and beyond in a very difficult and stressful environment to address many issues.

Our report addresses some very tough topics, and I am continually impressed that the IRS is able to take the time out of dealing with what seems to me to be emergencies to channel this open feedback between the practitioner community and the IRS and take them in that spirit.

Ben is going to be an extremely hard act to follow. He has phenomenal organizational skills and always has a sense of humor and has boundless energy and has done such a phenomenal job this year and has been a complete pleasure to work with and so at this point, I would like to turn it over to Mel Hardy.

MR. HARDY: Thank you, Carol, and thank you, IRSAC, for another year of excellence, and, Ben, it's been a pleasure, sir. I know you've been praised all day, but it's well worth it.

As the leader of this group, you have done phenomenal under extremely difficult circumstances and your Vice Chair Carol Lew has stepped up. And, Carol, being married and having two daughters, I definitely know how to choose my words carefully with women. So, I won't say that those are big shoes and you will fill them because that would connote that you have big feet and I would not do that.

I'm quite sure --

MS. LEW: That's okay.

MR. HARDY: I'm quite sure you are going to step in and do phenomenally, as well, and myself and the rest of the NPL Team led by John Lipold, we will be there with you every step of the way at your front, your back, your side, everything, as well as the other members, and for those of you who are rolling off, it has been my extreme pleasure to not only work with you but to get to know you.

I just really, really enjoy working with the advisory groups. All of you bring such brilliance and talent to a very, very important part of the Internal Revenue Service, and this Commissioner -- he's a very gregarious and very charming man, but he does not dole out compliments easily. He might say good job, but his praise for this IRSAC is just phenomenal, and it's well deserved.

So with that, again my name is Mel Hardy. I'm the Director of National Public Liaison, and this concludes the 2021 IRS -- yes, John?

MR. LIPOLD: Mel, I hate to say it, but

you're forgetting something.

MR. HARDY: See, that's why you always want to have somebody that has your back. Go ahead, John. What am I forgetting?

MR. LIPOLD: So we were going to announce the Leadership Team for 2022.

MR. HARDY: Well, John, since you have stolen my thunder by interrupting me, you do that.

MR. LIPOLD: I'm sorry. Are you sure? Do you want to go ahead and do that?

MR. HARDY: Go ahead, please.

MR. LIPOLD: Okay. So in addition to the very able Carol Lew as Chair in 2022, we are going to have as Vice Chair Mr. Martin Armstrong who's performed this year as the W&I Subgroup Chair, Information Reporting Chair will be Wendy Walker, LB&I Chair will continue to be Joe Novak, SB/SE Chair will continue to be Bob Panoff, our TE/GE Chair will be Nancy Ruoff, and our W&I Chair, following up on Mr. Armstrong, will be Phil Poirier.

So, Mel, I'm going to, with those few words, I'm going to turn it back to you.

MR. HARDY: Well, I give you the old school congratulations.

Well, let me not tarry because I think you guys have a virtual happy hour that you're trying to get to with lots of libations, I hope.

So, again, thank you very much for all your hard work. Congratulations on the job well done.

This concludes our 2021 IRSAC Public Meeting. Take care, everybody.

(Whereupon, the 2021 IRSAC Public Meeting was concluded.)