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3      ELECTRONIC TAX ADMINISTRATION ADVISORY COMMITTEE

4                          (ETAAC)

5

6              Department of the Treasury - IRS

7           1111 Constitution Avenue, Room 3327A

8                    Washington, D.C.

9

10              Tuesday, June 21, 2016

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 1                    A T T E N D A N C E

 2   Paul Mamo

 3   Vicki Price

 4   Julia Caldwell

 5   John M. Dalrymple

 6   David Alito

 7   Mark Gillen

 8   Troy Thibodeau

 9   Stephanie Salavejus

10   Jim Buttonow

11   Kelli Wooten

12   Kevin Richards

13   Lee Davenport

14   Jamie Hammond

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16   Mel Hardy, esq.

17   Michael Deneroff

18   John Lipold

19   John Ams

20   Alcora Walden

21   Anthony Burke

22   Tommy Simoneau
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 1  Terry Lemons

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 3              P R O C E E D I N G S

 4          MS. PRICE:  Good morning.  My name is

 5  Vicki Price, and I'm the Acting Director of the

 6  Strategic and Analytic Services Organization, the

 7  Office of Online Services.  Welcome to the 2016 ETAAC

 8  Public Meeting.

 9          It's my pleasure today to introduce Paul

10  Mamo, our Acting Director of Office of Online

11  Services.  And prior to joining OLS, Paul was the

12  Director of Submission Processing with

13  responsibilities for processing 202 million individual

14  and business returns.  Paul's extensive background and

15  his time in the service makes him a great asset to our

16  organization.  So, we welcome Paul to Online Services.

17  And we will take questions at the end of the

18  presentation or the discussion.

19          And turn it over to you.

20          MR. MAMO:  Thanks, Vicki.  Speak into the

21  mic.  I'm teasing.

22          First of all, welcome, everybody.  Thank you

1   all for attending this public session.

2           You know, I will say, you know, many of you

3   know ETAAC, the Electronic Tax Administration Advisory

4   Committee, was born out of the Restructuring Act of

5   1998.  And I had the pleasure and the opportunity to

6   actually stand up the committee, some 16 or 17 years

7   ago.  In fact, I coauthored the charter.  So, for me,

8   coming back is -- this is very serendipitous, in a

9   sense, that I'm -- being able to work with the

10  Advisory Committee again.  And I'm very impressed with

11  the work that you all did this past year, and looking

12  forward to hearing from you all and the specific

13  recommendations that each one of you are going to be

14  providing us today.

15          And I will tell you, just generally

16  speaking, that, you know, the history that we have

17  with our industry partners overall is quite extensive,

18  even prior to the standup of the ETAAC Committee

19  itself.  You know, we've worked a lot through the

20  Federal Advisory Committee Act, having worked with a

21  lot of partners throughout the years, but I'm

22  particularly fond of the work that this Committee has

1   done over the years because of the association to the

2   Electronic Tax Administration Office that I've been a

3   part of for at least 6 or 7 years of my career.

4           So, you know, the original foundation of

5   this Committee was to increase the growth and adoption

6   for E-File.  The original focus was 80 percent

7   individual.  That goal was set for 2007.  And I think

8   today we're standing around 86-87 percent, in total.

9   I'm very proud of those numbers.  I know Kelli's going

10  to be talking a little about that later today.  So,

11  that's still -- that's still a tangential focus of the

12  Committee's.

13          But, just like anything, like tax

14  administration, things change, things evolve.  And

15  over the last few or -- few years or so, that focus

16  has moved a little bit to the digital realm and

17  digital interactions and trying to create more digital

18  experiences for both our customers and for our tax

19  professionals community.  So -- and I think a lot of

20  the recommendations that are reflected in today's

21  report shows that sort of renewed focus.

22          So, I want to, for some of the visitors here

1  and -- I just want to recognize -- and I know there's

2  name tags, which some of you can't see -- recognize

3  each one of the members.

4          Lee Davenport, who hails from D.C., who's

5  local, was able to get here plenty enough time.

6          [Laughter.]

7          MR. MAMO:  Kevin Richards, who's from

8  Springfield, Illinois.  Rick -- Kevin and I worked

9  together some years ago in another Federal advisory

10 committee.

11          Stephanie Salavejus -- how'd I do?

12          MS. SALAVEJUS:  You did great.

13          [Laughter.]

14          MR. MAMO:  -- Newport News, Virginia.

15          Troy Thibodeau, Minneapolis, Minnesota.

16          Our vice chair, Kelli Wooten.

17          And, of course, our chairman, Jim Buttonow,

18 who hails from Greensboro, North Carolina.

19          So, as you can see, we have a very diverse

20 group of folks.  Their information or bios, you can

21 actually get access to it on the Web site.  So, you --

22 they have extensive background.  I think that lended

1  itself very nicely to the report.  And I know, for a

2  lot of you, you're rotating off, and we'll have a

3  little ceremony.

4          John Dalrymple actually will be presiding.

5  The Commissioner is actually on leave this week.  He

6  sends his thanks and regards.  And I'm sure John will

7  convey that, as well, when he comes into the room.

8          So, I want to mention there are some other

9  folks, some other -- I think David Alito will be

10  showing up for the Deputy Commission from Wage

11  Investment.  I know a big part of your all's report

12  impacts the Wage Investment Division.  They tend to be

13  a big player, in terms of the business.  And, of

14  course, in Online Services, you know, we work very

15  closely with the business and with our information

16  technology folks to develop and institute a lot of

17  these practices and these new digital services that

18  we've been working over the last several years.

19          What I wanted to do is take a -- just a

20  quick sneak peek, in terms of what's happened since

21  the last report.  I do want to highlight -- as most of

22  you know, I came from Submission Processing.  I've

1  been there -- oh, I've been there 5 or 6 years.  Prior

2  to that, I was in ETA.  And so, I have a very close

3  kinships to the filing season.  As most of you know,

4  that is a good part of why we're here in the services

5  -- filing season and make sure that folks have --

6  develop an infrastructure and develop a season that

7  folks can file their tax return, get a  -- you know,

8  get a refund in a reasonable amount of time, and make

9  sure any post activity, including notices and other

10  activities, is readily available to the taxpayer and

11  to the tax professional community.

12        You know, this past year, we had a very

13  successful filing season, if I may say so myself.

14        [Laughter.]

15        MR. MAMO:  I did leave in the middle of

16  March, so, you know, a lot of the work, as most of you

17  know, in the tax industry, really happens this time of

18  year, leading up to the filing season.  And there's

19  tremendous amount of work that you all do to prepare

20  for that.  And I know a lot of it starts with the

21  software community folks that -- as tax legislation is

22  passed, and converting that into information.

1          We took in about 134 million individual tax

2    returns.  As I said, about 87 percent of those came in

3    electronically.  I do want to thank the support of the

4    industry partners for offering free tax preparation

5    and tax software services, as part of the VITA, to

6    increase our e-filing overall.  That's been a very,

7    very successful partnership over the years, and we've

8    been very pleased with that relationship over the

9    course of the last two decades.

10          Fifty-two million people have self-prepared

11   and e-filed their tax returns from home, which is

12   obviously an increase over the prior year, about 8 or

13   9 percent.  Seventy-one million e-filed returns came

14   from tax professionals.  As we all know, about 60

15   percent of all of our returns come from the tax

16   professional community.  So, the third-party industry

17   is a very, very important and integral part, in terms

18   of our delivering the -- any tax filing season.  If

19   you look over the course of the last 10 years, and I

20   can say words like "stimulus" and "extenders," even

21   things like the "cash for clunkers" activity -- I

22   mean, there's things that we've done -- we've

1  partnered very closely with -- over the last 10 years.

2  And so, very, very proud of that.  Okay, issued about

3  102 million refunds worth $280 billion to individual

4  taxpayers.  As most of you know, the bulk of taxpayers

5  receive refunds.  This year, that number was somewhere

6  around 75 or 78 percent of all taxpayers.

7           Specific to the actual IRS -- moving now

8  sort of the -- to the digital side, you know, we've

9  done a lot in -- within Online Services in working

10 with the businesses to develop a lot of practices and

11 digital solutions.  One of the things that we've done

12 is, we've developed a -- some new search capabilities,

13 some new search engines on IRS.gov.  Jamie Hammond,

14 who's to my right, is the Director of our Office of

15 OAOM, which is the Office of Electronic Media, and so

16 he's basically -- I sort of finally refer to him as

17 the webmaster, so he's over everything IRS.gov

18 related, which is basically our canvas, everything

19 that we do within the service that is hosted on

20 IRS.gov in some form, in some fashion.  So, we need --

21 we've been able to make some changes that have really

22 been impactful from the standpoint of the user.  We're

1  looking at it from a user's perspective, a user's

2  experience, forms.  People are able to actually find

3  their information in less than half the time as they

4  usually did.  So, clearly that's -- from a user

5  experience, that's a much better experience than we

6  had in previous years.

7           The other thing that we're doing is, we

8  other -- we have Web content specialists.  We have

9  over 130,000 active Web pages on IRS.gov.  As you an

10  imagine, that's a lot of pages to keep up with.  We're

11  constantly working with the business to revamp those

12  and get those pages more, sort of, user-friendly.

13  Some of our recent data shows that a lot of users are

14  finding their end product within -- about 50 percent

15  of the time.  So, that is our -- sort of a marked

16  improvement over what we've seen over the last couple

17  of years.  And, you know, the IRS Future State

18  dictates a lot of what we've been able to do from a

19  customer's perspective and the customer expectations.

20  And so, I think a lot of the recommendations which you

21  guys have outlined today really speaks to the

22  customer's experience and taking that expectation to

1   the -- or, raising that expectation to the taxpayer.

2   So, for that, we thank you very much.

3           I do want to thank the members again for

4   your due diligence and all the hard work that went

5   into this.  I know -- you know, in speaking to you

6   guys over the last several weeks, I know this is not a

7   -- not an easy chore to get all this work and put it

8   together, and put it in a way that really is -- is

9   really helpful and thoughtful.  And so, I know -- I

10  just want to thank you all.  Before you get into the

11  actual recommendations themselves, I want to thank you

12  guys very much for your hard work.

13          I do want to note -- those of you have had a

14  chance to, maybe, take -- preview the report, this

15  particular Committee, as it's comprised today, will be

16  refocused for next year.  We're going to be taking a

17  lot of the Committee members, as we kind of add new

18  folks, to refocus, to look at our identity theft and

19  fraud prevention activities mainly around the Security

20  Summit.  So, again, last 16 or 17 years -- so what

21  this Committee has done for the Electronic Tax

22  Administration, and, of course, moving forward in the

1   digital realm has been tremendous.  And I think all

2   that is sort of reflective in the recommendations

3   themselves.

4           So, with that, I'm going to introduce our

5   Deputy Commissioner, Mr. John Dalrymple, which -- John

6   is -- been with the service over 30- -- 32 years.  And

7   that does not include 8 years that he spent in a

8   hiatus as -- when he was a director outside of -- at a

9   major consulting firm.  So, he's been back with the

10  service for almost 3 years now.  He's got --

11  incredible wealth of experience and knowledge within

12  the service.  And it's my pleasure to introduce Mr.

13  John Dalrymple, the Executive Commissioner of Services

14  in --

15          MR. DALRYMPLE:  Thanks, Paul.

16          Good morning, everyone.

17          So, I was at the very first ETAAC meeting

18  with -- anybody else -- I don't think there's anybody

19  else who was at the very first ETAAC meeting.  And I

20  can remember Bob Barr, who was Director of Electronic

21  Tax Administration at the time, encouraging the

22  members to help us reach a goal of 80 percent E-File.

1    And I don't believe that, without the help of the

2    ETAAC, that we would have ever gotten there, to be

3    honest.  The -- was a really, really high hill to

4    climb at the time.  It was really more of a mountain

5    than a hill.  But, with the help of the ETAAC and a

6    congressional mandate, we did reach 80 percent

7    electronic filing.  And, because of that, it allowed

8    ETAAC actually to start looking at not just helping us

9    reach e-filing goals, but also look more broadly at

10   the digital environment that the IRS is in, the rest

11   of the consumer world is in, et cetera.

12           And I was very impressed, actually, with the

13   report and the recommendations and the things that you

14   focused attention on this year, because, in essence,

15   we know -- and it appears you know -- that, in order

16   to provide better service to taxpayers, and, frankly,

17   more service to taxpayers, we have to move on to other

18   channels, other than just the telephones and just

19   walk-in services and, frankly, just the Web site, that

20   there have to be other opportunities for taxpayers to

21   establish accounts online to be able to deal with us

22   on a more proactive basis, et cetera.  So, I was very

1  encouraged by your acknowledgment of that and,

2  frankly, the suggestions that you had.  I think they -

3  - they're right on target with where we see the future

4  also.  So, it's always nice when your advisory

5  committees are lined up with your future vision.

6          Future State for us is a really big deal.

7  The truth is that a lot of work has already gone on in

8  the service that sort of are taking steps towards

9  that.  But, what the Future State vision has really

10  done for us is taken all of that, plus, frankly,

11  feedback from folks like yourselves, and given us a

12  way to look at how we should be interacting with

13  taxpayers in the future and, frankly, what the

14  experience of taxpayers should be in an environment

15  where they're dealing with, you know, a regulatory

16  agency like the IRS or the State tax agency, et

17  cetera.  So, a kudos on the report this year.  I

18  really thought it was thoughtful, well done, and helps

19  move the ball forward in that arena.

20          And I'm really very much looking forward, as

21  we evolve the ETAAC into an organization that helps us

22  with thinking through what our -- I think, the biggest

1  challenge is to the whole tax ecosystem, which is this

2  whole concept of refund fraud through identity theft

3  and, frankly, other means.  And, you know, it is an

4  incredible challenge and one, if we don't rise to meet

5  it, I think will give taxpayers a lot of doubt about

6  our capabilities.  And once doubt starts to seep into

7  tax administration, then you're talking about the

8  whole foundational structure.  And so, that's not good

9  for the country, in the long run.  So, we're -- and we

10  -- and, frankly, we need a lot of help there.  It is

11  really a -- an ecosystem; it's not just the IRS.  And

12  you all represent companies and software companies --

13  tax preparer companies, software companies, the

14  preparer industry, et cetera, so you know that it's

15  much more than just an agency, here, that provides tax

16  administration to the public.  So, we appreciate that.

17          So, with that, I'm going to be quiet and let

18  -- and let us get on with talking through your

19  recommendations in the report.  I think that's next up

20  on the agenda.  And I'm interested to hear more.

21          MR. BUTTONOW:  Sure.  Thanks for your

22  comments.  Appreciate it.  Thanks for the kudos.

1          I think we're back on schedule.

2          [Laughter.]

3          MR. BUTTONOW:  So, we made up for some lost

4  time on the interstate, so appreciate that.  Thanks,

5  everyone, for coming.

6          Welcome.  This is the 2016 public meeting.

7  We -- we're hear to read the ETAAC's recommendations.

8  My name is Jim Buttonow.  I'm this year's ETAAC

9  chairperson.  Joining me today are the five other

10  members of the Committee here.  You're going to hear

11  from each one of us today as we bring you our report

12  to Congress.

13          Now, the purpose of today's public meeting

14  is to provide this year's recommendations to Congress

15  on how to improve overall electronic tax

16  administration.  We're going to give you the -- kind

17  of a summary, and the highlights of a lot of the

18  recommendations.  But, if you want to read the full

19  report, it's on IRS.gov now, right, Shawn?

20          VOICE:  Yes, sir.

21          MR. BUTTONOW:  Correct?  It's on IRS.gov.

22  So, if you just want to key search it or -- do you

1  have any extra copies for anyone who wants -- yeah.

2  So -- but, you could read -- we're electronic, so we'd

3  like you to read it online.

4          [Laughter.]

5          MR. BUTTONOW:  All right.  So -- but, before

6  we begin, I wanted to also extend some thanks and some

7  appreciation to those who helped ETAAC shape the

8  future of tax administration.  And so, let me first

9  start by thanking some members of the Committee.  All

10  these members are, in fact, industry leaders that --

11  they're -- we have diverse skill sites, insight, and

12  strategic thought leadership here.  We bring all that

13  to the table here to improve overall tax

14  administration.

15          We also represent a -- many different

16  taxpayer profiles, needs, and tax administration

17  challenges.  Individually in the Committee, we have

18  expertise in international information returns, State

19  tax administration, filing and post-filing tax

20  services, and, very importantly, low-income and under-

21  resourced taxpayers.  So, this entire group, I thank

22  each one of you.  Your experience, your knowledge and

1    strategic thinking have been invaluable to improving

2    electronic tax administration.  And, through your

3    participation in this Committee, you have -- we've

4    done some good things in the last couple of years.

5    And so, thanks for all your hard work and dedication.

6    I know the resume said it was 150 hours, you know, on

7    the --

8          [Laughter.]

9          MR. BUTTONOW:  -- in the job description

10   there.  I know it wasn't 150 hours.  So, thanks --

11   thank you guys for all your hard work.

12          And so, secondly, I wanted to thank,

13   acknowledge the IRS for supporting ETAAC's purpose and

14   for taking, really, a lot of important steps in the

15   last few years to advance electronic tax

16   administration.  During my 3 years on the Committee,

17   we've seen the IRS make some very significant

18   strategic advancements and collaborative efforts to

19   improve the tax system.

20          But, specifically, I wanted to call out and

21   thank the IRS Office of Online Services.  This team

22   has led much of the effort, the modernization effort,

1   for taxpayer service.  ETAAC recognizes that the OLS

2   team had to face many challenges in doing this, both

3   internal and external, in -- to pursue a more modern

4   digitally enabled IRS.  OLS's efforts and partnerships

5   with ETAAC have driven many of the digital service

6   strategies in the IRS's Future State initiative.  So,

7   Paul, Vicki, Shawn, Rose, Alcora, Jamie -- I know I'm

8   forgetting faces -- Brian -- but, thanks very much.

9   You guys were a good partner to work with, especially

10  for me in the last 2 years.

11          So, let me kind of turn it a little bit more

12  towards the report and the recommendations.  So, as

13  Paul mentioned, when Congress was formed -- formed

14  ETAAC, back in 1998, the big challenge in tax

15  administration was the adoption of e-filing.  And

16  Congress set the E-File goal to 80 percent for all

17  major return types.  And so, in the past, ETAAC's

18  primary focus was providing strategic recommendations

19  to get that E-File rate to 80 percent.  And so, with

20  this goal essentially achieved -- kudos to everyone --

21  the IRS continues to implement further refinements to

22  reach even higher e-filing rates.  Kelli's going to

1  talk about, in a minute, the -- some of those

2  highlights of the e-filing rates.

3        The IRS now faces other major electronic tax

4  administration challenges, including, really, two

5  significant challenges directly related to its digital

6  capabilities.  The first that we talked about, and

7  kind of the focus of the Committee for next year, is

8  the proliferation of tax refund fraud through identity

9  theft.  And that really threatens  -- I echo your --

10  that really threatens to affect and erode the tax

11  ecosystem, the integrity of the tax system.  So,

12  that's something that really needs to be addressed

13  head-on.

14        The second challenge is the inadequate

15  levels of taxpayer service at the IRS.  And this

16  challenge has really been the main focus of ETAAC in

17  the past 3 years.  And we believe the root of this

18  problem -- you know, we're an electronic tax

19  administration, we believe everything is just a matter

20  of simple programming, but the root of the problem, we

21  believe, is the customer service model that doesn't

22  adequately leverage digital service models.

1          And so, we believe that the IRS can make

2     both -- great strides to solving both of these two

3     challenges, that -- the stolen identity refund fraud,

4     the inadequate levels of service.  They can meet these

5     challenges through innovation.  And so, as I

6     mentioned, especially in the past 3 years, ETAAC has

7     kind of shifted its focus to provide more

8     recommendations that address these big challenges.

9          In our past two reports, the Committee

10    provided recommendations on how the IRS can modernize

11    its taxpayer service model by incorporating digital

12    capabilities.  The Committee made kind of foundational

13    recommendations on removing barriers for taxpayers to

14    authenticate their identities with the IRS in an

15    effort to combat the abuses of tax identity theft and

16    stolen identity refund fraud.

17         In our 2014 report, we also provided some

18    fundamental and foundational recommendations in

19    developing taxpayer and tax professional online

20    accounts.  And we suggested features that would help

21    the IRS enhance its taxpayer service capabilities.

22         In 2015, IRS taxpayer service suffered

 1    greatly because of -- its current approach, its paper-

 2    and phone-based model, didn't hold up under diminished

 3    staffing.  The IRS service -- taxpayer service lines

 4    answered less than 38 percent of its phone calls.  So,

 5    in the 2015 report, we advocating for -- we advocated

 6    for accelerating an adoptable comprehensive online

 7    account and improving the digital experience on

 8    IRS.gov to urgently improve taxpayer service levels.

 9              In 2015, the IRS made pivotal changes to

10    start addressing these two big challenges in tax

11    administration.  First, in June 2015, the Security

12    Summit, which was a coalition between the IRS and the

13    tax industry and State tax administrators, they

14    released their first recommendations on how to combat

15    stolen identity refund fraud.  Separately, in 2016,

16    the IRS introduced its vision of the future, called

17    the Future State Initiative, and committed to

18    modernizing and improving taxpayer service and

19    compliance strategies.  Both of these milestones

20    marked the beginning of solutions, many of which are

21    electronic, that will better serve taxpayers and

22    protect the integrity of the tax system.

1          Now that the IRS's Future State -- has a

2    Future State strategy, ETAAC's 2016 report is going to

3    focus on additional strategic initiatives and

4    enhancements to solve these two big challenges that I

5    discussed about -- in tax administration.

6          So -- but, before we get into our two key

7    outcomes -- this year, we have two key outcomes, 16

8    recommendations -- I wanted to give our annual

9    reporting around the e-filing rate that we talked

10   about.  So, let me turn over to Kelli to do that.

11         MS. WOOTEN:  Thank you, Jim.

12         Good morning, everyone.  My name is Kelli

13   Wooten, and I will be providing the update on the 80-

14   percent E-File goal.  The results and takeaways this

15   year are very similar to what was reported last year.

16         First, the IRS has again far surpassed

17   Congress's initial 80-percent goal for individual

18   returns.  The IRS should be congratulated, as the rate

19   for individual returns now sits at 86.6 percent.  This

20   also helps the overall E-File percentage, as

21   individual returns make up over 76 percent of the

22   major return filing volume.

1          Corporate, partnership, and fiduciary return

2    e-filing rates are all hovering close to the 80-

3    percent rate.  For all major tax returns, the E-File

4    rate is 78 percent.  That is one-half of 1 percent

5    higher than last year.

6          The major obstacle to reaching an overall

7    80-percent E-File rate is the Form 94x Employment Tax

8    series.  These returns represent the second-highest

9    volumes of returns, yet e-filing rates lagged far

10   behind other returns, at only 37 percent.  While the

11   Form 94x E-File rate continues to gradually increase,

12   it is far short of that 80-percent goal.  As we have

13   reported in prior years, taxpayers filing these

14   returns tend to be hampered by a cumbersome signature

15   process that makes it easier for them to file via

16   paper.  The IRS has established a working group to

17   address this problem, and, as a result, they are

18   exploring a Form 94x Online Signature PIN, which they

19   would hope to roll out in fiscal year 2018.

20         The E-File rate for information returns

21   continues to be in excess of 80 percent, with the

22   exception of the Form 1099-MISC, which has a 65.2-

1  percent E-File rate.  You will hear more from the

2  Committee later on today regarding recommendations to

3  increase this, to bring it more in line with the 80-

4  percent goal.

5          Last year, ETAAC began reporting on IRS

6  progress to serve taxpayers through digital channels.

7  It is ETAAC's intention to continue to report on the

8  level of digital taxpayer service.  However, the IRS

9  is continuing to evolve its thinking on how it

10  measures and sets goals for digital taxpayer service,

11  so we are not reporting on progress this year.

12          As IRS continues to finalize its Future

13  State plans and develop goals for taxpayer service and

14  compliance interactions, ETAAC would encourage the IRS

15  to publicly share these goals and metrics to gain buy-

16  in from key stakeholders.

17          Now Jim will introduce the rest of the

18  report.

19          MR. BUTTONOW:  Yeah, thanks, Kelli.  And  --

20  but, before we kind of dive into the specific

21  recommendations, I just wanted to turn it back over to

22  you to see if you wanted to go ahead and congratulate

1    some of these members here.

2            MR. DALRYMPLE:  I absolutely do.

3            First of all, as I said earlier, we wouldn't

4    be where we are today if -- number one, Jim, your

5    leadership over the last 2 years is much appreciated.

6    These things don't just happen.  I mean, there -- as

7    you mentioned, the number of hours put in always is --

8    always exceeds what the requirement is.  So, I know

9    that all of you have spent a significant amount of

10   time on your own, outside of what you were expected to

11   spend on this.  And because of that, you actually know

12   a lot more about the IRS than anybody outside of the

13   ETAAC can appreciate, actually.  And, in fact, I know

14   some of you have actually been called to testify on

15   the Hill, partly because of the knowledge that you

16   have.  And we appreciate the fact that you go up there

17   knowledgeable about what we do, as opposed to not.

18           But, I believe we have certificates for

19   everyone today.  And I'd like to hand those out.

20           First one is for Lee Davenport, who I think

21   will be gracing the Small Business Committee tomorrow.

22           [Presentation of certificates, pictures

1    being taken.]

2          MR. MAMO:  I think, at this point, we're

3    going to take a small break before we dive into the

4    actual recommendations themselves, allow folks to kind

5    of readjust, and then we'll come back.  Yeah, five

6    minutes.

7          [Brief recess.]

8          MR. MAMO:  So, we're going to go ahead and

9    get started again.

10          So, before Jim gets into the actual

11    recommendations themselves, I wanted to -- I mentioned

12    David Alito before he got in the room, so I'll mention

13    him while he's in the room.  David Alito, who's the

14    Deputy Commissioner of Wage Investment Division, which

15    primarily, if you look at a lot of your

16    recommendations, they really kind of fall -- they

17    swing in his direction.  And obviously, I've got a

18    long working relationship with Dave, and a lot of

19    respect for him and, of course, the entire Wage

20    leadership.  I spent the last 10 years of my career in

21    the Wage Investment Division.  And really from --

22    moving over to Online Services is sort of a -- is a

1  nice progression, because a lot of what we do -- our

2  chief partner really is the Wage Investment Division.

3  I mean, we really work hand-in-glove in all the

4  solutions and services that we talked about, and that

5  -- one of the chief things, I know, is the -- I mean,

6  we talked about the Security Summit, and a lot of that

7  stuff resides in David.  So, I want to introduce him.

8  And if you have any comments before David jumps in.

9            MR. ALITO:  Well, thank you.  Good morning.

10  I'll keep these brief, because I don't want to mirror

11  everything that John just said.

12            I'm David Alito.  I'm the Deputy

13  Commissioner of Wage Investment.  And I also want to

14  send regards from Deborah Holland, who's our Wage

15  Commissioner, who couldn't be here today.

16            But, absolutely, I agree with John, as far

17  as -- thank you for the report, thank you for the

18  recommendations.  As Paul said, you know, as -- on the

19  wage side of the house, you know, we have

20  responsibility for the telephones, for the walk-in

21  offices, for the return processing and much of the ID

22  theft that goes on.  So, of course, we take these near

1   and dear to heart.  And, you know, I like what he

2   said, too, about the -- you're looking at the -- at

3   our Future State and how we see things, very much

4   similar as to you all.  You know, we don't see the

5   organization growing in the future.  You know, our

6   budget changes every year.  But, yet we still want to

7   try to continue to deliver the best service that we

8   can, and even more service.  And taxpayers want those

9   choices.  We try to continue to educate them on, you

10  know, different ways to get service, more service, and

11  how they can get things done.  And a lot of these

12  efforts that we're doing -- you talk about things like

13  account, it's not just as simple as a Web site, it's

14  how can people that want to self-serve, self-serve,

15  because we're limited resources, of course.  You know,

16  is it better to answer five calls about the status of

17  my refund or help the taxpayer that has an identity

18  theft account that really has no other place to go?

19  So, it's about, How do we continue to help the

20  taxpayer morph at the same time?  And, you know,

21  people are different change agents.

22          But, very excited about the items that you

1   recommended here.  And so, without -- and also want to

2   thank you all, because you put a lot of time into

3   this.  You know, your dedication, your involvement,

4   and just your passion to try to help to make things

5   better is really no small thing for us, and we want to

6   recognize all that you put into this.  And we thank

7   you for very much for it.

8           So, without further ado --

9           MR. MAMO:  Jim, I'll let you guys dive in.

10          MR. BUTTONOW:  Sure.  With -- again, ETAAC

11  doesn't just stand for "electronic," it stands for

12  "efficiency."  We're 45 minutes ahead of schedule.

13  Well done, everyone.

14          [Laughter.]

15          MR. BUTTONOW:  So, before we get into our

16  two key outcomes and 16 recommendations, I just want

17  to make sure everybody has some context of what we're

18  going to be talking about.

19          So, this year, our Committee broke itself

20  down into, really, two subgroups.  There was only six

21  of us, so we broke it down into three and three.  And

22  we saw -- kind of what we saw were some -- two big

1    problems in here, and we're going to talk about those

2    two key outcomes and the 16 recommendations.

3            The first key outcome -- and it has, I

4    think, 11 recommendations, right?  And that's going to

5    be covered by our first, kind of, subgroup, which was

6    Stephanie Salavejus, Kevin Richards, and Kelli Wooten,

7    again, also.

8            So, let -- with that, let me just turn it

9    over to Stephanie to cover key outcome number one.

10            MS. SALAVEJUS:  Good morning, and thank you.

11            Before I get started, I would like to thank

12    Jim Buttonow for his leadership on this Committee and

13    the opportunity to work with such esteemed colleagues

14    and professionals.  It's been a great honor for me and

15    a wonderful opportunity to expand my understanding of

16    the IRS, as well as industry in a broader scope.  So,

17    thank you for the opportunity.

18            I want to dive into key outcome one.  It's

19    all about the IRS making fundamental improvements to

20    the tax ecosystem to improve overall compliance and

21    tax collection.  This year, we focused on 11

22    recommendations for changes in the tax ecosystem to

1   improve tax compliance and better detect and prevent

2   fraud.

3        The fundamental problem is this.  We have a

4   reactive tax system that cannot authenticate

5   taxpayers.  And this system does not use information

6   available to verify the accuracy of the tax return

7   filings at the time of filing.  This reactive system

8   has certain adverse consequences.  One is that our tax

9   system has become vulnerable to refund fraud.  Second,

10  taxpayers and the IRS must navigate a burdensome post-

11  filing compliance system to correct noncompliance.

12       The tax ecosystem has to change to allow the

13  IRS to authenticate taxpayers before it accepts a

14  return and to leverage third-party tax information to

15  verify the accuracy of the returns it receives.  We

16  recognize that Congress has provided some remedies in

17  this area.  Last year, Congress approved moving up

18  information return filing deadlines and delaying

19  refunds for recipients of earned income tax credit.

20  These are important first steps in reengineering of

21  our tax system, but they not provide a holistic answer

22  to changing the tax system to promote compliance

 1   proactively verse reactively.

 2              Our first recommendation is the IRS to

 3   provide a voluntary registration process for tax

 4   filers that authenticates their identities.  Similar

 5   to how businesses authenticate their customers before

 6   conducting electronic transactions, the IRS should

 7   provide a registration process, incentivize taxpayers

 8   to register.  The report details several potential

 9   registration methods, including registration with an

10   online account.  The incentive for taxpayers to

11   register is a quicker refund, because IRS would have

12   greater confidence in confirming the identity of the

13   taxpayer.

14              In addition to combating tax identity theft,

15   a registration process would produce additional

16   benefits.  It would encourage adoption of online

17   accounts for taxpayers who choose to register online

18   with the IRS.  As part of the registration process,

19   taxpayers could also benefit from the opportunity to

20   be educated on their tax obligations.

21              The second recommendation to this key

22   outcome is for the IRS to release refunds only after

1   it can reasonably verify taxpayers and their

2   withholdings.  Right now, our tax system essentially

3   allows taxpayers to receive their refunds before the

4   IRS can verify the taxpayers' identities and their

5   payments.  This year, several States took steps to

6   combat refund fraud by delaying refunds to provide

7   time to validate taxpayers' identities and their

8   withholding.  ETAAC recommends a similar practice for

9   the IRS.  While there are positive and negative

10  consequences to this plan, ETAAC views such a process

11  as a critical aspect in guarding against fraud.

12          In this key outcome, ETAAC also made five

13  recommendations related to getting more accurate

14  information returns.  Kelli Wooten will provide you

15  with a summary of these recommendations.

16          Kelli?

17          MS. WOOTEN:  Thank you, Stephanie.

18          Information returns are a critical component

19  of tax compliance.  These filings both increase

20  voluntary compliance and assist the IRS in verifying

21  the accuracy of tax returns.  As such, the integrity

22  of the information received on these returns and the

 1  timing at which these returns are received are

 2  essential to the current and future tax ecosystems.

 3          ETAAC has five recommendations on how to

 4  improve the accuracy of information returns.  The

 5  first four relate to perfecting taxpayer

 6  identification numbers, or TINs, used on information

 7  returns.

 8          First, the IRS should require payers to

 9  collect certified TINs, meaning a Form W-9 signed

10  under the penalties of perjury, from all contractors

11  receiving payments subject to Form 1099-MISC reporting

12  for nonemployee compensation.  Currently, the IRS

13  doesn't require vendor payment TINs to be certified.

14  Name-TIN combinations can be accepted over the phone,

15  they can be accepted on invoices, or through any other

16  number of means.  The lack of a structured requirement

17  for obtaining these TINs results in data integrity

18  issues and prevents the IRS from timely and accurately

19  matching Forms 1099-MISC against income.  This also

20  increases the risk that these information returns

21  could be used for fraud or identify theft.  Requiring

22  a certified TIN for Form 1099-MISC payments would

1  minimize this risk and increase compliance.

2          Second, the IRS should expand access to IRS

3  TIN-matching functionality beyond information returns

4  which are subject to backup withholding.  The IRS TIN-

5  matching platform allows withholding agents to

6  proactively validate the name and TIN combination in

7  their records against information in IRS systems.

8  With an accurate TIN, the IRS has the right taxpayer

9  identified and can therefore help ensure compliance.

10          Current regulations limit access to the TIN-

11  matching system to information return filers issuing

12  Forms 1099 that are subject to backup withholding

13  under Internal Revenue Code Section 3406.  This is

14  only a small fraction of the Form 1099 series.

15          Increasing access to this functionality will

16  increase the accuracy of information return data to

17  the IRS.  It should be pointed out that this is not

18  the first time an advisory committee has made this

19  recommendation.  IRPAC, the Information Reporting

20  Program Advisory Committee, has made this

21  recommendation a number of times, most recently in

22  2015.

1         Next, the IRS should remove barriers to

2    adoption of TIN-matching functionality to facilitate

3    increased use of the application.  The existing

4    authentication scheme is cumbersome and functions as a

5    considerable barrier to adoption, as it requires the

6    adjusted gross income of the employee that is

7    registering to use the system on behalf of the

8    employer.  Simplifying and coordinating TIN-matching

9    functionality with the online account authentication

10   process will improve adoption of this very important

11   tool.

12        Finally, to provide an incentive to use TIN-

13   matching, the IRS should automatically issue penalty

14   notices for all missing or incorrect TINs and require

15   proof that the payee was TIN-matched as part of any

16   reasonable cause rationale for penalty abatement.

17   ETAAC also recommends that the IRS add an indicator to

18   Forms 1099 allowing payers to flag payments made to

19   those individuals presumed to be U.S. persons when

20   they have failed to provide complete or accurate

21   documentation and are, thus, subject to backup

22   withholding.  Adding this flag will eliminate a

1 potentially significant amount of missing and

2 incorrect TIN notifications, referred to as B Notices,

3 thus removing a significant amount of noise from the

4 system and reducing burden from both the IRS and

5 taxpayers.

6          Those are the first seven recommendations

7 for this key outcome.  I will now turn it over to

8 Kevin Richards.  He will explain the remaining tax

9 ecosystem recommendations.

10          Kevin?

11          MR. RICHARDS:  Thank you, Kelli.

12          ETAAC has four additional recommendations to

13 improve the tax ecosystem to combat fraud and improve

14 compliance.  These recommendations all help the IRS

15 better leverage information returns for compliance.

16          The 2015 PATH Act accelerates the filing

17 deadline for Forms W-2 and 1099-MISC to January 31st,

18 starting in 2017.  This change will mean that the IRS

19 will receive a significant amount of information

20 earlier in the tax season.  However, the IRS must be

21 able to effectively process and use this information

22 to help prevent refund fraud.  To meet this earlier

1   peak, ETAAC recommends that the IRS open its Filing

2   Information Returns Electronically, or FIRE, system 1

3   week earlier to help effectively manage the earlier

4   concentrated volume of filed return statements.

5   Furthermore, future information return filing systems

6   deployed by the IRS must ensure that the IRS can

7   adequately process and use the earlier volume of

8   information returns filed by payers.

9           Increasing the e-filing of information

10  returns is essential for the IRS to quickly use data

11  to identify potential fraud.  In 2014, taxpayers

12  electronically filed only 65.2 percent of Forms 1099-

13  MISC, which is used to record, among other things,

14  self-employment earnings.  ETAAC recommends,

15  consistent with past legislative proposals, that the

16  IRS phase in a reduction of the mandatory e-filing

17  threshold for Forms 1099-MISC from 250 returns to 20.

18  To help with possible burden to small business, ETAAC

19  also recommends that small filers be able to use an

20  online account to fill in and file small volumes of

21  Forms 1099-MISC.  These changes would help increase

22  the ability for the IRS to use this information

 1  earlier and help prevent fraud.

 2          With all this information filed earlier,

 3  systems at the IRS must be modernized to allow the IRS

 4  to compile and match information returns to filed tax

 5  returns at the time of filing.  As such,

 6  recommendation 10 in our report is a cornerstone to

 7  minimizing tax identity theft, refund fraud, and

 8  noncompliance.  Congress should -- we recommend

 9  Congress should fund the IRS specifically to upgrade

10  both systems to compile third-party information

11  returns earlier.  This would allow for the IRS to

12  match third-party information to returns at the time

13  of filing.  Without this fundamental capability, the

14  IRS will continue to be hampered in fighting refund

15  fraud and will have to rely on post-filing compliance

16  programs to correct returns.

17          Lastly, for this key outcome to achieve a

18  true proactive compliance tax system, ETAAC recommends

19  that Congress give the IRS authority to question and

20  correct tax returns that do not match information

21  returns.  ETAAC recognizes the potential for abuse of

22  taxpayer due-process rights.  As such, we recommend

1    that the IRS use the filing process to match and

2    identify potential errors to prompt taxpayers for a

3    response.  If taxpayers do not correct or adequately

4    explain the discrepancy, the IRS would be allowed to

5    adjust the return based on the information reported to

6    the IRS.  When the IRS can perform upfront matching of

7    tax returns against information returns, it only makes

8    sense that the IRS should also be able to provide

9    taxpayers with the opportunity to actually comply and

10   avoid unnecessary post-filing compliance interactions.

11            Those are our 11 recommendations to improve

12   the tax ecosystem to better combat fraud and improve

13   overall compliance and tax collections.

14            Let me turn it over to Troy and Lee to

15   discuss our second key outcome.

16            MR. THIBODEAU:  Thank you, Kevin.

17            Our second key outcome and its five

18   recommendations build on our 2014 and 2015 reports to

19   Congress.

20            In 2014, we provided recommendations on

21   components of the online account.  In 2015, we

22   provided strategic recommendations to accelerate the

1    delivery and adoption of online accounts to improve

2    taxpayer service.  This year, we provide more depth to

3    our previous recommendations.

4              In our second key outcome, we provide

5    recommendations so taxpayers can leverage online tools

6    and information to better understand and comply with

7    their tax responsibilities before, during, and after

8    filing.  The IRS can leverage online accounts to

9    provide taxpayers with a complete picture of their tax

10   information.  This will increase taxpayers'

11   understanding about their compliance obligations and

12   status with the IRS.

13             The IRS can also use online accounts to

14   prevent fraud and noncompliance and to streamline

15   taxpayer interactions with the IRS after filing.  This

16   includes responding to a notice, responding to an

17   audit, or setting up an installment agreement for

18   taxes owed.  Most of ETAAC's past recommendations on

19   increasing access to tax information through online

20   accounts have been adopted and incorporated into the

21   IRS's Future State Initiative.

22             In this year's report, our first two

1   recommendations in this key outcome require the IRS to

2   provide taxpayers with secure online access to view

3   and understand their tax information obligations and

4   compliance status with the IRS.  When the IRS fully

5   stands up taxpayer online accounts, the result should

6   be that taxpayers have clarity to their tax

7   information and what it takes to comply.  Furthermore,

8   within their online account, taxpayers should

9   understand their status with the IRS and, if

10  applicable, how to get back in good standing.

11          The IRS should supplement this basic

12  information with event-driven notifications that can

13  alert taxpayers about recent account activities.  This

14  core component is found in most digital accounts that

15  consumers have today.  Notifications can alert

16  taxpayers to deadlines, notices issues, returns filed,

17  and refunds delivered.  Notifications can also alert

18  taxpayers to suspicious activity that can be used to

19  detect tax identity theft.

20          Our third recommendation in this key outcome

21  is for the IRS to add capabilities within taxpayer

22  online accounts that would allow taxpayers to interact

1   with the IRS electronically for post-filing activity.

2   Currently, interacting with the IRS by paper and phone

3   for an audit, notice, penalty, or collection matter is

4   confusing.  It can take months, if not years, to

5   complete.  Providing comprehensive information,

6   specific tools, and response capabilities related to

7   common post-filing interactions would streamline the

8   process and reduce the burden for the IRS and

9   taxpayers.  These capabilities would be more than a

10  one-size-fits-all digital communication tools to

11  speak, chat, or message with the IRS.  These tools

12  would include specific formats and guidance, such as

13  guided work flows for penalty abatement.

14          Providing taxpayers with pre- and post-

15  filing information and digital capabilities to

16  interact with the IRS through an online account would

17  be a giant step forward in modernizing and improving

18  taxpayer service and reducing burden.  But, more can

19  be done to increase the use of digital channels to get

20  tax account information.

21          With that, I'm going to turn it over to Lee

22  Davenport for our final two recommendations related to

 1    this income -- or key outcome.

 2            MR. DAVENPORT:  Thank you, Troy.

 3            In past reports, ETAAC has emphasized the

 4    importance of third parties in helping accelerate its

 5    digital service strategy.  Taxpayers continue to

 6    substantially rely on professional assistance and

 7    software to understand and meet their tax obligations.

 8    As such, third parties play an important role in the

 9    Future State Initiative.

10            Right now, third parties are limited in

11    helping with compliance, as they don't have digital

12    access to taxpayer information.  Taxpayers and their

13    tax software or tax professionals should be able to

14    access account information when they are most likely

15    to interact with the IRS, at tax filing.

16            Also, if the IRS continues its policy of

17    restricting future tax professional accounts to only

18    circular security providers -- those are the --

19    primarily CPAs, enrolled agents, and attorneys -- the

20    IRS will miss most of the tax professional market.  It

21    will also miss the opportunity to fully realize the

22    benefits of giving tax professionals authorized

1   electronic access to their clients' tax information.

2          Our last two recommendations seek to remedy

3   the situations.  ETAAC recommends that the IRS allow

4   taxpayers to authorize third parties, such as tax

5   professionals, IRS-certified volunteer tax preparers,

6   or VITA volunteers, and tax software providers to

7   electronically receive tax account information as part

8   of this tax preparation process.  There are

9   authentication and authorization obstacles for the IRS

10  to overcome to enable third parties to receive access

11  to this information.  The authentication and

12  authorization solutions being developed should

13  contemplate the need for tax professionals, IRS-

14  certified volunteer tax preparers, and tax software to

15  gain access to this important information at the time

16  of filing.

17         Our last recommendation is that the IRS

18  should provide tax professionals to complete an

19  enhanced annual filing season program and certified

20  VITA volunteers with the same level of authorized

21  access to taxpayers' online tax information that Circ.

22  230 tax professionals receive.  Limiting this access

1    to Circular 230 professionals will miss the majority

2    of tax professionals from having the information and

3    online accounts to help their clients.  Adding IRS-

4    certified, VITA preparers, and AFSP professionals with

5    more stringent qualification requirements will provide

6    a broader base of authorized individuals to receive

7    tax information and an incentive to achieve these

8    designations.

9            Those are ETAAC's two key outcomes and 16

10   recommendations for 2016.

11           Let me turn it back to Paul to provide the

12   response to these recommendations.

13           MR. MAMO:  Just 16?  The sweet 16, is that

14   what you're telling me?

15           [Laughter.]

16           MR. MAMO:  You know, I -- obviously, now

17   that I've had a chance to go through the report, I

18   think John and David and I have both commented about a

19   lot of these recommendations really sort of validate a

20   lot of the thinking that we've been having.  So, this

21   is -- from that perspective, it's very good.

22           I will say, around the first 11, and it's --

1   those of you who are not familiar with the process,

2   the recommendations will go forward, and then we, as

3   the IRS, will have an opportunity to respond in

4   writing.  We will do so.  And -- in kind.  So, that'll

5   be subsequent to this conversation or our meeting.

6   But, for this actual conversation, just a couple of

7   words, and I'll invite my other colleagues from the

8   Service to add anything.

9           But, you know, the first 11 recommendations

10  really center around authentication, advancing the --

11  providing more information around TIN-matching and

12  advancing all the information returns and sort of

13  making them up, front end.  So, if you look at what

14  we've done over the last couple of years, last year

15  was the first year that we actually were using the

16  information return to do validation at the point of

17  filing in the form of the ACA, or through our ABS

18  system or the ACA verification system.  So, that was -

19  - you know, that was a new area.  Clearly, that's an

20  area of -- that we need to continue to move down.

21  But, as was noted, you guys said that the information

22  returns need to be brought into the system much more

1  earlier so we can make sure, at the point of filing,

2  at that early point, that we can make sure that that

3  validation can occur.

4         So, we've had some success in that area, and

5  have done quite well.  As you know, there's -- you

6  mentioned the refunds being -- holding the refunds

7  til, I think it's February 17th.  And so, we're

8  working with our IT folks to give us a little bit more

9  time to kind of focus on those early returns, which

10  typically -- you know, if we're going to see the --

11  see any fraudulent activity, it's usually the early

12  part of the tax year.  And so, that makes a lot of

13  sense, to look at that.

14         So, a lot of those recommendations center

15  around that, so it's a lot of good information.  I

16  think, a lot of it, what we've been working on, we've

17  been focusing on.

18         I will say that one thing that probably

19  wasn't mentioned, we did stand up an office that

20  actually reports to John, who's the -- the Identify

21  Assurance Office is, actually, recently responsible

22  for the standup of the Get Transcripts that went live

1  May 23rd.  And most of you know that went down last

2  summer for, basically, some undisclosed access.  Folks

3  got information and then were mimicking themselves as

4  Kevin or Jim, and they went in and stole information.

5  So, we took that down immediately.  And there's a more

6  robust authentication process that requires folks to -

7  - if they're going to do it online, they have to have

8  a  -- you know, there's a physical verification to the

9  phone, that they have to provide a code.  So, I don't

10  know if you've tried that, but -- obviously, we

11  recognize that not everyone, for any number of reasons

12  -- there may be certain conditions that folks may not

13  be able to get through, but it's the kind of -- it's

14  the kind of process and rigor that we're trying to put

15  around the authentication that really is going to put

16  us in a good position when we get to -- which is your

17  other five recommendations, which is the online

18  account activity.

19          But, really the -- we actually see that Get

20  Transcripts as the start of an -- as an online

21  account.  You establish a password, you establish --

22  of course, each time you go in for that verification,

1   you'll get that -- you'll get that requirement to your

2   phone.  So, it's only been open a little while.  We've

3   had a lot of success with it.  We expect those -- the

4   access rate to continue to climb as we get more

5   experience with both the user and the users get more

6   experience.  But, you all have been instrumental, at

7   least in that initial part of being able to stand up a

8   lot of that activity.

9              And, of course, authorization, that's the

10  other thing -- you know, once -- authenticating you as

11  an individual is one thing, but then authenticating

12  you as an entity and then deciding whose information

13  you have access to can sometimes be a little tricker,

14  based on the -- what you describe as the CAP file.

15             So, those are things that we're working on

16  very strongly right now, and spending a lot of time in

17  working in -- working across the business, and IT is

18  trying to figure out what that looks like.  And so,

19  our -- all of our attention and energy has been around

20  getting this -- the authentication framework, and then

21  being able to put something out there in the form of

22  Get Transcripts.  And we think that that's been

1    successful.  And there's -- as the Commissioner

2    stated, they're -- we're not compromising on -- it's

3    not necessarily a balance and letting in some bad guys

4    for the -- lieu or -- you know, in letting in all the

5    good folks.  It's really matting of creating a secure

6    and safe environment for folks to come in so people

7    can feel safe and we're giving them information in a

8    very secure environment.

9              So, I'm going to pause and see if anybody

10   else wants to comment on my thoughts with regards to

11   the first 11.

12             MR. ALITO:  You know, I think Paul's -- you

13   know, and so much of it, as you know, it's -- it's a

14   constant, constant rebalance and recalibration.  You

15   know, we want things absolutely secure, but we also

16   want taxpayers to be able to get in and get service.

17   We want, you know, interaction with third party, but

18   we also want to respect the privacy of the taxpayer

19   under law.  And so, it's that constant, constant

20   recalibration of all our initiatives.  And, as Paul

21   said, we're very excited about -- you know, this is

22   just the initial steps into account, but, you know,

1    the future of the things that you mentioned here, of

2    being able to interact with the taxpayer in a safe and

3    secure way, to be able to message the message

4    taxpayer, where they know it's the IRS, it's not a --

5    an errant email come out of the sky, or a phone call

6    coming out of the blue; it's an interaction of being

7    able to push out notifications, being able to push out

8    different information that a taxpayer in the future

9    may sign up for, things like that.  It truly is going

10   to be a different way of doing business for us, which

11   will allow a lot more interaction.

12            MR. MAMO:  The -- your remaining five --

13   and, by the way, I did like recommendations 10 and 11,

14   which said we recommend the Congress fund the IRS for

15   --

16            [Laughter.]

17            MR. MAMO:  A few more of those will be

18   helpful, anything we can do to shift the dollars to

19   come our way, because, you know, a lot of this -- it

20   is a bit of -- there are limited budgets that we're

21   dealing with.

22            And so, you mentioned the Future State.

1 Future State is a big initiative.  We have literally

2 several executives.  There's seven groups in all.

3 They're looking at a variety of venues or forms to

4 kind of -- everything from the compliance to internal

5 optimization.  The one that would probably resonate

6 most with you all is -- there's a group called

7 Taxpayer Experience and -- where -- actually in a

8 point -- we've gone through the visioning point of it,

9 and it really focuses, really, on four areas.  All --

10 they'd be very familiar -- do taxpayer outreach,

11 channel optimization, online account, and looking at

12 third parties in -- through a variety -- you know,

13 looking at developing a strategy around that.  And I

14 think a lot of your recommendations -- you know,

15 you're validating a lot of what we're wanting to do.

16 And this isn't being done in a vacuum.  We have had

17 conversations with folks, not just within the Service,

18 but outside.  So, those are the -- you know, within

19 the Future State framework, it's not a matter of

20 taking things away and forcing folks to a particular

21 channel.  It's a -- it's a matter of meeting the

22 expectations of the taxpayer and providing those

1   experiences that they're used to.  You all cited that,

2   you know, if it's an online banking experience that

3   you're used to, and you're used to seeing your account

4   -- a lot of folks will want to have account access to

5   their information.  So, that's what we're striving

6   for.

7           So, we're -- we think online account is sort

8   of the -- or the Get Transcripts is the first tranche

9   of that.  We're looking at taxpayer digital

10  communications, being able to go in, in a secure

11  environment, go in and get an email, respond to an

12  email, you know, as David alluded to, that that's --

13  those are experiences and capabilities that we're

14  working on.

15          But, a lot of this -- it's not a matter of

16  just taking it and throwing it out on the Web.  It's

17  huge business transformation.  I mean, you can imagine

18  the amount of -- any -- you pick any line of activity,

19  it's -- it takes a lot of work.  It's not just a --

20  you know, as simple as flipping a switch and having

21  the folks -- you know, point them to -- pointing to

22  the Web site.  We've had a lot of success over the

1  years with things like Direct Pay, which has only been

2  out a couple of years.  You know, we've -- still

3  receive a lot of checks.  Having just left the

4  organization that was responsible processing them, we

5  still get, you know, something -- somewhere in the

6  range of 20-plus-million checks.  And so, it's -- some

7  of it's awareness, some of it's marketing, some of

8  it's working with the third-party folks to direct them

9  to the right channels.

10         So, we know it's going to be a bit of a

11  journey, and we think the Future State will really set

12  us up nicely with the framework, because, you know,

13  beyond these themes I just identified, you know, we'll

14  put together an -- basically, an implementation

15  roadmap, if you will, and then look at that from an

16  end-to-end perspective with all those different

17  perspectives.  And then, at the end, being able to

18  prioritize those and look at the budget and try and

19  decide where our opportunities lie.

20         I mean, there are some -- there are some

21  fairly big return on investments.  If you look at --

22  like, if I don't have to send out a notice and worry

1   about somebody opts-in to receiving in, like, --  much

2   like you do in your normal public -- your private

3   interactions -- it makes a lot of sense.

4            So, these are very thoughtful

5   recommendations, and we can't thank you guys enough,

6   and -- because I think this really speaks to what

7   we're -- where we're trying to move and where we're

8   trying to kind of take the, well, future of the IRS.

9   But, really try to meet the -- meet the customer needs

10  and really try to live up to those expectations that

11  folks have come to learn and love, based on their

12  other experiences.

13           So, with that, I'll stop and see if anybody

14  else has any more additional comments.

15           Mark?

16           MR. GILLEN:  I appreciated Paul's comments,

17  particularly with regard to the way you've treated the

18  Future State.  I think you've laid out a very cogent

19  description of what we're trying to do and where we're

20  trying to go with it.  I would characterize the

21  recommendations as aspirational.  We certainly agree

22  with the direction and agree with what it is you're

1   advocating we do.  Some of the recommendations with

2   the budget resources, that's going to dictate how far

3   and how fast we can go.  Some of the challenges that

4   you also alluded to with authentication and

5   authorization are things we need to be able to

6   overcome in order to be able to pave the way for some

7   of those recommendations.  But, the way you've laid it

8   out, I think we can all agree, is where we're trying

9   to go.  And appreciate your capturing that in such a

10  cogent manner.

11            MR. HAMMOND:  I was just going to add that,

12  you know, when we build all these things, we try to do

13  it with a consistent approach, in terms of the look,

14  the feel, the words we use.  It's really important.

15  It goes to security, actually.  It doesn't just go to

16  clarity and ease of use.  It actually has to go to

17  security.  People need to know that this is from the

18  IRS.  It needs to look like that.  It needs to feel

19  like that.

20            So, one of the things that's key to that,

21  and it's key to developing a good approach to any of

22  these things, is what we call user-centered design.

1   What does that taxpayer want?  What do their

2   representatives want?  And so, with a report like

3   this, some of the finer points actually helps.  It's -

4   - it doesn't just serve as, you know, helping us

5   validate and figure out where we should go, but also

6   some of the finer points about, you know, how this

7   should be set up can actually help us say, this is

8   actually a representation of what a very smart set of

9   users want.  And that actually is another big item in

10  getting a report like this.

11          Thank you.

12          MR. BUTTONOW:  So -- you know, so -- I mean,

13  we appreciate -- I mean, big kudos to you guys to

14  start kicking off a lot of the digital plans.  And

15  we're really looking forward to seeing where the --

16  what the -- that brings to the future for the IRS.  We

17  would encourage you to continue to iterate -- I think

18  you're talking about, here, that -- that form of

19  iteration, right?  Let's get started, let's move,

20  let's learn, let's move on, right?  Let's -- and, you

21  know, 30-percent adoption of the online account is a

22  start, right?  It's a start.  Let's figure out the

1   balance, right?  What does it need to be -- proper

2   level of authentication to get there?  So, we

3   appreciate the IRS start and, you know, making

4   strides, moving in that direction, right?  We look

5   forward to see the rest of it, also.  So --

6           MR. MAMO:  Did I share that 30-percent?  Oh,

7   wait, I guess you --

8           [Laughter.]

9           MR. MAMO:  No, but that -- yeah, it is --

10  yeah, I mean, that's just a start, as you said.  I

11  mean, there's -- you know, we're only -- we're less

12  than a month into it in our experiences.  And, you

13  know, even tweaking the edges, in terms of how -- why

14  reasons -- you know, from experience -- why people are

15  falling out, why they may be erroring out, they're --

16  you know -- and, plus, you know, we recognize there's

17  a certain community of folks that may be -- not be

18  interested in even going down this path.  So, we

19  recognize that 100 percent's not the goal here.  So,

20  it's really a matter of providing an opportunity and

21  allowing folks to have that convenience.

22          Mark Gillen, who's the Senior Advisor to

1    John Dalrymple, thank you for joining us.  I

2    appreciate it.  He's really kind of been the core

3    centerpiece for us and keeping the Future State.  So,

4    he has a huge job, in terms of keeping all the balls

5    and all that activity going.  So, thanks, Mark, for

6    your comments and joining --

7              MR. GILLEN:  No pressure there.

8              [Laughter.]

9              MR. MAMO:  Yeah, no pressure.

10              [Laughter.]

11              MR. BUTTONOW:  So, let me kind of summarize

12    our report, and then -- you mentioned you want to take

13    -- see if you want to take some questions afterwards.

14    And I'll just turn over to Vicki afterwards.

15              So, let me give you some key points from our

16    2016 report.  So, we -- ETAAC recognizes there's many

17    challenges in administering today's tax laws.  The two

18    big challenges that we really think are probably the

19    primary challenges in tax administration today are

20    modernizing the IRS's taxpayer service platform and

21    combating stolen identity refund fraud.  We believe

22    both of these challenges -- again, we believe

1 everything can be solved by a simple matter of

2 programming.  But, no, I mean innovation, right?  Both

3 of these problems can be improved through innovation.

4          So, in the past 3 years, ETAAC's advocated

5 for solutions to these problems, including accelerated

6 development of adoptable online accounts, namely third

7 parties, with digital tools to help with the

8 compliance, new authentication methods to verify

9 taxpayers and their return information, and, like you

10 heard today, important strategic changes to the tax

11 ecosystem, making it more proactive than reactive.

12          The digital service component to the IRS's

13 Future State mission have -- are an important first

14 step towards modernizing filing service and compliance

15 at the IRS.  The Future State of the IRS leverages

16 technology as part of a holistic taxpayer service and

17 compliance strategy.  The Future State embraces

18 digital solutions to allow the IRS to maximize

19 taxpayer service with its limited staffing.  It

20 creates targeted capacity to serve all taxpayers in

21 the way that they want to be served.

22          ETAAC endorses this digital -- the IRS's

1   digital service component to the IRS Future State

2   plans.  We actually took it a step further in the last

3   few years.  Many of you know we've advocated very

4   closely with Congress that the IRS actually accelerate

5   these plans.  We said, "Give them the funding, give

6   them the tools to go ahead and get it done."

7          But, we know it's not going to be easy.  The

8   IRS will need to overcome a lot of obstacles.  And

9   that includes the continuous -- continuous focus on

10  satisfying all of us that the security of taxpayer

11  information comes first.

12         And so, with the security piece, let me just

13  kind of say, we're happy to hand off this committee to

14  solve the security of taxpayer information in

15  combating tax identity theft.  Next year, the efforts

16  of the Security Summit are going to be folded into

17  ETAAC, much like Paul mentioned.

18         But, one final word before we kind of sign

19  off and go to Vicki, here.  In the past 2 years, we've

20  seen some unprecedented collaboration between the IRS

21  and the tax industry to solve the new challenges to

22  improve tax administration.  However, we believe

1   that's only half of the collaboration equation.  To be

2   successful in meeting the needs of taxpayers, Congress

3   and the IRS are going to need to work together to

4   enable the Future State Initiative and future

5   recommendations to protect taxpayer information and

6   reduce stolen identity refund fraud.  ETAAC will

7   continue to make recommendations to Congress and the

8   IRS to achieve these essential objectives.

9          And so, that's basically all we have today

10  on our report.

11          Let me just turn back over to Vicki.

12          MS. PRICE:  I was going to say, anybody have

13  any additional questions --

14          MR. BUTTONOW:  Any questions?

15          MS. PRICE:  -- to the committee or anything

16  that needs to be discussed before we wrap up?

17          [No response.]

18          MS. PRICE:  All right.  Well, I want to say

19  thank you.  Everybody said thank you.  I'll say thank

20  you, again.  And all six members are -- I guess three

21  of you guys are leaving for your final year of the

22  term.  And then three are joining other committees

1  here..

2          MR. MAMO:  Free agents.

3          MS. PRICE:  Yeah.

4          [Laughter.]

5          MS. PRICE:  So, we appreciate everything

6  you've done and you will continue to do for the

7  Service.  And we look forward to the future.

8          MR. MAMO:  Yeah, you're in good hands with

9  the folks over in NPL.  I've been over there, as well.

10  So, good folks.  And Mallory's behind you.  And any

11  other folks from NPL.

12          MS. PRICE:  To make sure I'm clear, Shawn

13  and Rosa will be in -- that'll be put on the -- there

14  will be some information that's out there for them to

15  --

16          MR. MAMO:  WE did get wind that -- I was

17  sure -- the posting -- is the posting up yet?

18          MR. HAMMOND:  There was an issue with it.

19  We'll check.

20          MR. MAMO:  So, the press release will be

21  issued shortly.

22          MS. PRICE:  This afternoon, hopefully.

1          MR. MAMO:  And again, thank you guys very

2     much.

3          [Whereupon, at 11:07 a.m., the meeting was

4     adjourned.]

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