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DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE

Electronic Tax Administration Advisory
Committee (ETAAC) Public Meeting

Internal Revenue Service
1111 Constitution Avenue
N.W., Washington, D.C.
Thursday
June 25, 2015

The above-entitled meeting was called to order at
1:42 p.m.

Chairperson:

James L. Buttonow

David Parrish

Director, Strategic Analytical Services
for Online Services

1 COMMITTEE MEMBERS IN ATTENDANCE:

2

Jim Buttonow
2015 ETAAC Chairman

10

Troy J. Thibodeau
2015 ETAAC Vice Chairman

11

12

Kelli Wooten
E-FILE Progress Coordinator

13

14

Shaun Barry
ETA Progress Coordinator

16

Stephanie Salavejus
Chair Adopt Subgroup

Mark Castro

Everard Davenport

Steve Lewis

Kevin Richards

IRS ATTENDEES:

John A. Koskinen
Commissioner of the Internal Revenue Service

David Alito
Deputy Commissioner Wage and Investment

Terry Lemons
Chief, Communications and Liaison

Mark Gillen
Senior Advisor on Risk

Rajive Mathur
Director
Office of Online Services

David Parrish
Director
Strategic and Analytic Services for Online Services

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William Parman
Online Services

Brian Heyman
Online Services

Rose Smith
Online services

Matt Leas
National Media Relations

PUBLIC ATTENDEES:

William Hoffman
Tax Notes/Tax Analyst

Jerry Trina
Vice President
Van Scoyoc Associates

Jayne White
H&R Block

Bob Faber
Committee Program
U.S. Department of the
Treasury

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

2 (1:54 p.m.)

3 MR. PARRISH:

4 Good afternoon, everybody.

5 My name is David Parrish. I would like to
6 call the meeting to order. I work here at IRS in the
7 office of Online Services.

8 Welcome, everyone, to the annual public
9 meeting. I do want to ask that if anyone with
10 questions or comments can please hold them off until
11 the end, and then we can work through them. But
12 those in the direction of office of Online Services
13 we will now do.

14 MR. MATHUR:

15 Thank you, David.

16 Good afternoon everyone and welcome to the
17 ETAAC Public Meeting. We are here today to hear
18 recommendations from the Committee.

19 Before we get started, I'd like to highlight
20 a few of the IRS' successes in electronic tax
21 administration and offer a few observations about the
22 committee's work.

23 2015 has been one of the best filing seasons

1 we've had in many years with minimal tax law changes.
2 And as of May 15, we successfully processed more than
3 133 million individual income tax returns.

4 Thanks to the support from our industry
5 partners who offer free tax preparation and tax
6 software services, we continue to see an increase in
7 the electronic filing of tax returns.

8 More than 49 million people have
9 self-prepared and e-filed their tax returns from home;

10 More than 71 million e-filed returns came
11 from tax professionals;

12 More than 120 million tax returns came
13 through e-file this year up from 117 million at this
14 same point last year;

15 The IRS issued more than 102 million refunds
16 worth almost \$274 billion this filing season.

17 On IRS.GOV, IRS continues to make it easier
18 for taxpayers to find the right information or download
19 the right form or publication. There are numerous
20 "Content Upgrade Projects" or CUPs, on IRS.GOV which
21 are cleaning up and streamlining the content experience
22 on the site in a methodical and deliberate process.
23 There are also new and improved self-service tools
24 including apps like Direct Pay and Online Payment
25 Agreement.

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1 For example, since the launch of Direct Pay
2 in November 2013, more than 4.8 million payments have
3 been settled to collect more than \$16.1 billion.

4 With IRS Direct Pay:

5 Taxpayers receive instant confirmation that
6 the payment has been submitted;

7 System is available 24 hours a day, 7 days a
8 week;

9 Offer a 30-day advance payment scheduling,
10 payment rescheduling or cancellations, and a payment
11 status search;

12 Taxpayers can pay easily and securely access,
13 via any device, using the new responsively-designed
14 Direct Pay app.

15 I'd like to recognize the fantastic work that
16 ETAAC performs. We applaud you for your hard work and
17 commitment.

18 On behalf of the service, I want to
19 personally thank each of you for volunteering to serve
20 on the ETAAC. We appreciate the valuable and
21 professional services offered, and we honor you for
22 your commitment. We know that you have spent countless
23 hours researching and analyzing issues in electronic
24 tax administration. This helps us to improve
25 electronic and digital services that we offer to

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1 individuals, businesses, and the tax preparation
2 community.

3 Usually, we ask ETAAC members to commit to
4 approximately 150 hours of volunteer service each year.
5 I know that you must have exceeded those hours many
6 times over. And I know that the focus by the Service
7 to reduce our costs, including ETAAC travel expenses,
8 has introduced additional challenges to the committee
9 in pulling together as a team and meeting tight
10 deadlines.

11 So thank you. Thank you for providing
12 recommendations for our consideration.

13 In an effort to serve taxpayers, you provide
14 your best ideas and recommendations in the Annual
15 Report to Congress. I have read your report and I will
16 give you a chance to explain all of your
17 recommendations before I share a few preliminary
18 comments.

19 But first, it is my pleasure to introduce the
20 Commissioner of the Internal Revenue Service, John
21 Koskinen.

22 MR. KOSKINEN:

23 I am thankful for the exemplary work that the
24 ETAAC has done during 2015 for the IRS. It is because
25 of you, a talented volunteer, that the IRS gets great

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1 ideas and recommendations from the industry to help
2 make us successful. It's the work you do and your
3 commitment to the service that makes the IRS better.

4 As you know, sometimes we may fully, or
5 partially, implement recommendations and other times we
6 may not, and sometimes it may take years to see the
7 recommendations implemented. Regardless of whether IRS
8 agrees or disagrees with your recommendations, please
9 know that we value the partnership and input and we
10 share the same mission: To improve our electronic
11 service options to help taxpayers.

12 I will now provide preliminary observations
13 on the recommendations. Please note that IRS's formal
14 written response will be issued later this year.

15 Congress should work with the IRS to
16 accelerate a more strategic, long-term approach to
17 investing in the enterprise wide IRS strategy to
18 improve taxpayer service and compliance.

19 The IRS should create, use, and publish
20 meaningful metrics that illustrate the effect of its
21 investment in digital-first strategies and projects on
22 the overall taxpayer service and compliance.

23 In its investment decisions, the IRS should
24 focus on development and delivery of digital tools and
25 service through one secure online account.

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1 The IRS should make public it's digital
2 blueprint to all stakeholders to gain frequent back,
3 support, and investment for accelerating digital
4 taxpayer service projects.

5 First of all, let me again say that IRS
6 appreciates the recommendations of the ETAAC and
7 recognizes the need for more digital services for
8 taxpayers and third parties.

9 Before I comment on specific recommended
10 outcomes, it is important to acknowledge that IRS
11 continues to advertise budget and resource challenges
12 in meeting its important tax administration mission for
13 the nation's taxpayers. Over the past 5 years, IRS has
14 seen a decline of \$1.2 billion in real funding while
15 overall demand has increased, both organically as well
16 as legislative mandates such as FATCA and ACA.
17 Implementation of a digital-first strategy is
18 contingent on finding the right balance of resources
19 that allow IRS to meet its core mission while also
20 investing in its future.

21 The IRS fully recognizes the importance of an
22 overarching strategy and plan to implement a digital-
23 first taxpayer service approach. As evidenced by the
24 CONOPS and SOD efforts, IRS has identified a number of
25 pillar projects and quick wins that are foundational to

1 the digital future and set the stage for future online
2 initiatives.

3 The three pillar projects include the
4 creation of an online taxpayer account, taxpayer
5 digital communications, and eAuthentication. The IRS
6 recognizes the need to evolve its methods to
7 iteratively design, prototype, build, test, launch and
8 improve the services it delivers to a diverse base of
9 taxpayers. To this end, it is considering ways to
10 streamline its governance processes to accelerate the
11 planning and delivery of the digital-first taxpayer
12 service approach which was developed in 2014.

13 Analytics and data are core to the success
14 of digital and IRS recognizes the needs for
15 establishing measurable and long-term metrics. The
16 IRS sees the journey to a digital IRS as long-term
17 multi-phased journey where measures of success will
18 evolve as key milestones are achieved.

19 In the early phases of the transformation to
20 digital, IRS may focus metrics on the initial build and
21 adoption of digital tools whereas in later phasing, the
22 measurement may be based on scaling user adoption and
23 operational excellence across service members.

24 For example, when new digital products
25 launch, IRS tracks the application success rate which

1 tracks the number of attempts against the number of
2 successful completions. A separate measure is called
3 service interactions processed electronically, which
4 respects the percent of electronic interactions
5 conducted by taxpayers relatively to the total number
6 of service interactions conducted by taxpayers across
7 all channels or essentially customer adoption and
8 migration. These new measures are early examples that
9 are being used to assess IRS progress driving consumer
10 adoption for large-scale digital services, one
11 of the recommendations concerned with publication of
12 the digital blueprint for stakeholder review and
13 monitoring.

14 Without getting into mechanics, IRS continues
15 to have collaborative conversations with stake holders
16 on its digital roadmap to gain feedback for refinement
17 and relevance.

18 The IRS should continue developing a single
19 comprehensive online account that encourages long-term
20 adoption of a digital first approach for taxpayer
21 service.

22 The IRS should customize the online account
23 based on taxpayer's profile.

24 The IRS should accelerate digital solutions
25 for businesses.

1 The IRS should establish, track, and publish
2 meaningful metrics that measure adoption rates and set
3 adoption goals for digital taxpayer service tools.

4 The IRS should implement digital first
5 adoption techniques proven successful by industry and
6 state agencies.

7 The IRS acknowledges the importance of
8 designing products and services based on taxpayer
9 preferences as such, the IRS is moving towards a design-
10 thinking approach based on industry best practices and
11 utilizing techniques for customer insight, user
12 research and analytics.

13 The Wage & Investment research analysis
14 group, for instance, conducted a taxpayer choice mold
15 to identity-preferred products and features for the
16 online account and taxpayer digital communications, for
17 example: secure e-mail, document upload, and state.
18 The results of which will drive the customer experience
19 approach.

20 IRS has started to develop a more
21 comprehensive understanding of the customer by
22 generating various personas, conducting accelerated
23 conjoint studies to determine customer's wants, needs,
24 and preferences, and actively monitoring the
25 awareness adoption, and use of services across

1 channels as new digital services are
2 launched.

3 The online interest account, an SOD pillar
4 project, is one important example of where the product
5 roadmap has inspected user needs and taxpayer
6 preference research. A prototype version of the IRS
7 online account for taxpayers is being developed for
8 further tests and assessment. The early version of an
9 IRS online account envisions to be a single destination
10 for taxpayers to safely and securely check the status
11 of their account, pay a bill, or enter into an online
12 installment agreement.

13 User research and preference analysis has
14 also helped provide insight into the needs of business
15 users and how those taxpayers would benefit from their
16 own version of a business IRS online account.

17 In addition to designing products and
18 services based on customer understanding, the IRS
19 implemented an analytics in alignment with the
20 government-wide digital analytics program using Google
21 analytics to establish, track, and publish key
22 performance indicators for digital taxpayer tools as
23 they are launched and improved.

24 The IRS digital first strategy was advanced
25 across the industry, through tax software providers and
26 tax professionals to decrease IRS and interest burden

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1 and increase overall compliance.

2 The IRS should develop a comprehensive online
3 account for tax professionals, in conjunction with the
4 taxpayer online account. The IRS should make it easier
5 for taxpayers to authorize their tax professionals to
6 help with compliance.

7 The IRS should provide software companies
8 with secure and timely access to certain taxpayer
9 information within tax software.

10 The IRS should work with tax software
11 providers to encourage taxpayers to set up their secure
12 online account during the return preparation process,
13 and maintain access to that account through their tax
14 preparation software.

15 As has been said previously, IRS recognizes
16 the need for such capabilities but continues to face
17 budget and resource challenges in meeting this
18 important strategic need. The partnership between
19 IRS and industry in advancing the E-file mandate was
20 and continues to be a great example of how taxpayers
21 were better served through such a collaboration.

22 The digital first approach is another great
23 opportunity for industry/IRS partnership to provide
24 better electronic service options to the taxpayer. We
25 expect that the digital-first strategy can reduce

1 taxpayer burden in both service and compliance by
2 providing tax providers and tax professionals with the
3 right set of digital services to best represent our
4 common customer, for example, the taxpayer.

5 The IRS views tax professionals and tax
6 software companies as critical partners in delivering a
7 successful filing season every year. The IRS
8 identified several opportunities to expand services
9 provided to third parties beyond E-file. Given the
10 predominant use of tax preparation and E-file services
11 offered by the third parties to taxpayers, it is clear
12 that specific services for third parties for pre-and
13 post-filing developments may be of value.

14 Through close collaboration and coordination
15 with CERCA, which represents many tax software
16 providers,
17 the IRS successfully executed a pilot until the 2014
18 filing season to test refund information sharing via
19 APIs and looks forward to applying lessons learned from
20 the exercise to future endeavors.

21 Additional APIs and next generation tools for
22 third parties may be considered; but significant
23 authentication, authorization capability, and other
24 technical and budgetary constraints remain to deliver
25 in this area.

26 Additionally, it is important to note that

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1 46103 and 7216 rules guide IRS's actions when it comes
2 to disclosing taxpayer information to third parties.
3 In order to provide digital tools for taxpayers and
4 third parties, IRS needs to ensure that a secure and
5 robust digital authorize and authentication capability
6 is in place as a foundation, similar to the DAPOA
7 application which previously existed in E services.
8 Such a digital authorize and authentication
9 capabilities and supporting business processes do not
10 yet exist and need to be developed.

11 IRS recognizes the needs for such
12 capabilities, but again, budget and resource challenges
13 are hurdles in meeting this important strategic need.
14 The IRS should improve search and navigation
15 functionality to provide taxpayers with self service on
16 the IRS.GOV website.

17 The IRS should improve IRS.GOV content to
18 maximize its value to users.

19 Taxpayers come to the IRS.GOV to conduct
20 secure service transactions or to learn about tax
21 information and how that relates to
22 them.

23 Examples of secure service transactions
24 include checking refund status or making a payment.

25 Examples of information interactions include
26 doing a search of tax law, downloading a form or

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1 publication. Every such interaction needs to be
2 secure, easy, actionable with the goal of providing an
3 online customer experience that meets or exceeds
4 taxpayer's expectations and does not require them to
5 step out of the digital channel.

6 The IRS fully realizes and agrees that an
7 improved website is foundational to a digital-first
8 taxpayer service strategy. The IRS.GOV website is in
9 its eventual state, with service as a one stop
10 destination for taxpayers to conduct all of their
11 business online -- a digital taxpayer assistance
12 center.

13 Over the past two years, IRS has made much
14 progress in approving the content experience on
15 IRS.GOV but much work remains to be done. A new
16 "Content Upgrade Projects" (CUPs) process has been
17 instituted and many new CUPs have been launched on
18 IRS.GOV improving the experience of many high traffic
19 areas. Examples of CUPs include a new individual
20 credits and deductions, individual E-filing, forms and
21 pubs, and ACA.

22 More recently, in anticipation of the
23 increased focus on digital service delivery, IRS
24 commenced the creation of an information
25 architecture/taxonomy for IRS.GOV that will better

1 organize the information on the sight and make search
2 and navigation easier. IRS is also in the process of
3 introducing a new cross division digital publishing
4 model which will standardize the quality of long-term
5 maintenance of online content on IRS.GOV.

6 In support of the publishing model, IRS is
7 also considering approaches to content management and
8 how the entire IRS.GOV sight content can be
9 significantly improved. Central to a better IRS.GOV is
10 a world class user experience and the IRS recognizes
11 this need. IRS in the process of standing up a UXD
12 function that will design products and experiences that
13 people will find valuable, easy to use, engaging and
14 accessible. UX includes a number of disciplines that
15 include research, experience, architecture,
16 prototyping, usability testing, and design.
17 The next iteration of IRS.GOV will see improvements in
18 content, the publishing model, taxonomy, and web
19 products in addition to an evolution of the website's
20 user experience.

21 These online alternatives will
22 professionally impact IRS's current ability to
23 communicate and reach out to taxpayers to raise
24 awareness of changes in their filing environment and
25 online digital service options.

1 And I will now turn the meeting over to Jim
2 Buttonow.

3 MR. BUTTONOW:

4 Thank you, Commissioner Koskinen, for your
5 comments.

6 Good afternoon, and welcome to 2015 ETAAC
7 public meeting. Thanks for joining us today. My name
8 is Jim Buttonow. I am this year's ETAAC chairperson.
9 Joining me today are the 8 members from the Committee.
10 You will hear from most of them today as we present our
11 2015 Report to Congress.

12 The purpose of today's public meeting is to
13 provide this year's recommendations to Congress on how
14 to improve electronic tax administration.

15 First, before we begin with the
16 recommendations, I want to thank and acknowledge four
17 groups of people who were important contributors to
18 this year's report and to advancing electronic tax
19 administration.

20 First, we want to thank the dedicated,
21 professional, and innovative IRS Office of Online
22 Services, or OLS, team. That includes David Parrish,
23 Sean Parman, Rose Smith, Brian Heyman, and Debbie
24 Marshall -- and their leader Rajive Mathur. This year
25 marked a big change for OLS and ETAAC when the IRS

1 shifted ownership of this committee from Submission
2 Processing to OLS. This was a forward-thinking move by
3 the IRS, so ETAAC and OLS can focus together on
4 addressing new and emerging problems facing the IRS
5 that can be solved by electronic tax administration
6 strategies.

7 I want to applaud OLS for the steps it has
8 taken over the past year to refine the IRS' digital
9 strategies. Also, we want to thank many other
10 dedicated IRS employees who provided valuable research
11 and insight into many specific issue areas for this
12 year's report.

13 The second group we want to thank is the IRS
14 Oversight Board. This group helps the IRS in many ways
15 to improve our complex tax system by providing valuable
16 information on big challenges at the IRS, including
17 many challenges that ETAAC addresses in this year's
18 report.

19 Next, we want to thank members of Congress
20 and their staff, who met with us earlier this year to
21 discuss our recommendations to improve taxpayer service
22 and compliance through digital tools. ETAAC is
23 committed to continuing the conversation and working
24 with Congress on the important matters surrounding tax
25 administration. We wish to partner with Congress to

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1 find effective solutions to service and compliance
2 challenges at the IRS.

3 Lastly, I want to thank the eight other
4 members of ETAAC -- all of whom are industry leaders
5 who bring diverse skill sets, insight, and strategic
6 thought leadership to improving tax administration.

7 In the interest of time, I want to quickly
8 thank the three departing members of this year's
9 committee: Shaun Barry, Mark Castro, and Steve Lewis.
10 Gentlemen, your experience, knowledge, and strategic
11 thinking have been invaluable to improving electronic
12 tax administration through your participation in this
13 committee. Thank you for your hard work and dedication
14 to improving our tax system.

15 Now, let's focus on this year's report.

16 First, I'll provide some background to set
17 context for this year's report. When ETAAC was formed
18 in 1998, the IRS' big challenge was getting taxpayers
19 and their professionals to e-file their tax return
20 types.

21 ETAAC recognized that there is still work to
22 be done, especially for the Form 94x series of
23 employment tax returns. In future reports, ETAAC will
24 continue to advocate our past recommendations for
25 tackling the employment tax e-file challenge, such as

1 streamlining the 94x e-file process. What's true now
2 is that the "big problems" facing the IRS have changed.

3 One of these big problems is tax identity
4 theft. We cannot overstate the importance of solving
5 tax identity theft because it erodes the integrity of
6 our tax system. We are encouraged that the IRS already
7 started urgently addressing this issue earlier this
8 year.

9 In March, Commissioner Koskinen assembled a
10 Security Summit that includes representatives from
11 state tax agencies and private industries, such as
12 software vendors, to work on collaborative solutions to
13 combat fraud schemes. We are committed to working
14 closely with his new consortium on long-term strategies
15 to address tax identity theft. We will also continue
16 to report to Congress on long-term strategies to best
17 fight this growing urgent problem.

18 Before I leave the subject of tax identity
19 theft, I want to address the recent incident of fraud
20 involving over 100,000 taxpayer's information on the
21 IRS's system. First and foremost, ETAAC can't stress
22 enough the importance of securing taxpayer
23 information. However, this setback should not deter
24 the IRS from pushing forward on its digital plans.
25 This unfortunate event is even stronger evidence that

1 the IRS needs to accelerate its digital strategies,
2 including bolstering authentication, which is already
3 an important part of the IRS's current
4 digital road map.

5 In this year's ETAAC report, we focus
6 primarily on two other major opportunities:

7 How can the IRS provide quality service and
8 enforce compliance with fewer resources? The simple
9 fact is, the IRS faces reduced staffing and budgets,
10 and has more demands on the current tax system.

11 At the same time, the IRS is grappling with
12 sweeping changes in how taxpayers and tax professionals
13 choose to be served. Data consistently shows that
14 these groups prefer digital commerce service, much like
15 online customer service provided in private industry.

16 The IRS operational model is still mostly
17 paper and phone based. As a result, this manual,
18 costly and antiquated service model has had a
19 detrimental effect on two pillars of tax administration
20 providing customer service and enforces compliance. As
21 ETAAC has reported for the past couple years, the
22 answer to these problems is to enable more effective
23 electronic interaction among taxpayers, their tax
24 professionals, and the IRS.

25 Last year, the ETAAC report made important
26 recommendations to improve electronic service

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1 capabilities. This year, we are squarely focussing on
2 how the IRS can address declining levels of taxpayer
3 service. We are advocating that the IRS accelerate its
4 digital taxpayer service strategy in a manner that
5 taxpayers and tax professionals will adopt. We also
6 believe that, much like the IRS accomplished in its
7 challenge to improve E-file rates, the IRS should work
8 with third parties to accelerate development and
9 adoption of digital tools.

10 Finally, we address how the IRS can improve
11 IRS.GOV as an information resource. In a little while,
12 the committee will dive into specifics of the report.
13 Before we get into our four key outcomes and 15
14 recommendations, we will take a look at two important
15 measures of electronic tax administration.

16 First, we will talk about the IRS progress
17 toward the 80 percent E-file goal. Then we will
18 introduce a new important section that ETAAC has
19 developed for the report this year. This section
20 measures how the IRS is making progress toward a
21 digital taxpayer service strategy.

22 Let me turn it over to Kelli Wooten who will
23 be providing the progress report on the 80
24 percent E-file goal.

25 MS. WOOTEN:

26 There are several major takeaways
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27 related to the 80 percent E-file goal for this year.

1 First, the IRS has far surpassed the
2 80-percent goal for individual returns. We also report
3 that, for the first time, three other major return
4 categories have surpassed an 80-percent E-file rate.

5 For all major tax return types, ETAAC
6 projects an E-file rate slightly under 80 percent for
7 2015. The overall rate is slightly below the goal
8 because of the low E-file rate for the 29 million
9 employment tax returns filed each year. These forms,
10 called the Form 94X series, have reached a 33 percent
11 E-file rate, but taxpayers filing these returns
12 continue to be hammered by a clumsy signature process.

13 This process makes it easier for these
14 taxpayers to paper file. Last year, ETAAC recommended
15 improvements to the signature process that we believe
16 will increase the E-file rate for these returns. The
17 IRS formed a working group to address this problem, and
18 ETAAC will continue to push for simplification of the
19 signature process for E-file.

20 With that, I will turn it over to Shawn Barry
21 to discuss our new section in this year's report, the
22 electronic tax administration progress section.

23 MR. BARRY:

24 Good afternoon, everyone. I am Shaun Barry.
25 I chaired the subgroup responsible for creating the new

1 ETA progress section.

2 As we've touched on in this discussion, the
3 IRS has faced many challenges in recent years related
4 To providing excellent service to all taxpayers who
5 ask for it. From our viewpoint, the IRS can't continue
6 it's current taxpayer service delivery model without
7 further sacrifices to service levels and taxpayer
8 voluntary compliance.

9 The IRS is at a crossroads, and it has great
10 opportunity to create efficiencies through electronic
11 interactions, which will enable it to meet the high
12 expectations of taxpayers within the fiscal constraints
13 imposed by Congress. With this in mind, we've changed
14 our approach this year.

15 Previously, ETAAC has focused almost
16 exclusively on electronic filing of tax returns. But
17 tax administration is about much more than just filing
18 a tax return. It includes providing assistance to
19 individual, businesses, and specialty taxpayers, and
20 tax professionals who serve them. It includes
21 receiving and processing bills and payments. It
22 includes dissemination of forms and publications,
23 issuance of EINS, assistance in resolving identity theft
24 cases, various forms of enforced compliance and
25 numerous other functions.

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1 Yet until now, ETAAC has been almost
2 silent on how the IRS is using electronic methods to
3 transform these key aspects of tax administration.
4 Recognizing this gap, we've expanded our 2015 report to
5 provide measurements and recommendations for how the
6 IRS can use digital tools to address reduced levels of
7 taxpayer service and compliance.

8 We've created a new index, called the
9 Electronic Tax Administration, or ETA, Index to measure
10 the IRS's progress in tackling these challenges through
11 more cost effective digital tools.

12 The ETA index measures the ratio of IRS
13 taxpayer service provided through digital methods
14 verses manual methods. For example, this is the
15 difference between a letter mailed or a phone call
16 answered by a person, and a taxpayer's question
17 answered simply by visiting IRS.GOV.

18 The cost data is striking. For the fiscal
19 year ending September, 30, 2014, the IRS reported that
20 each live-assistance call costs \$42.33 and handling each
21 piece of inbound correspondence costs \$53.64. In
22 contrast, each digital transaction costs the IRS \$0.22.
23 That is half the cost of a postage stamp.

24 As we present in this year's ETA index
25 section, of the more than 710 million taxpayer service

1 interactions quantified by the IRS, 66 percent are
2 performed through digital tools. This number, however,
3 is substantially skewed by the disproportionate share
4 of individual refund status inquiries submitted through
5 the "where's my refund" tool. If we exclude that
6 individual measure, the ETA index drops to 43 percent.

7 The optimal percentage goal isn't defined
8 yet, because the IRS is still analyzing data on
9 taxpayer preferences. There's clearly room for
10 improvement for the IRS to increase this percentage.
11 That's what we addressed in this year's report. Now
12 I'll turn this back over to Jim to introduce the rest
13 of the report.

14 MR. BUTTONOV:

15 Thank you, Shaun. Before we dive into the
16 specific recommendations of this year's report, I want
17 to give the commissioner an opportunity to thank our
18 outgoing members.

19 (Presentation of certificates by Mr.
20 Commissioner Koskinen)

21 MR. BUTTONOV:

22 Thank you, Commissioner Koskinen.

23 Now, we will discuss our four key outcomes
24 and specific recommendations in this year's report.
25 Let me start with our first key outcome.

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1 Key outcome number one is all about the IRS
2 accelerating a digital-first strategy to meet growing
3 taxpayer and tax professional demand for digital
4 interaction. The committee believes it is critically
5 important that the IRS accelerate its digital first
6 strategy now. A simple definition of "digital-first"
7 is that taxpayers would go online first to get customer
8 service -- before calling, writing, or walking into an
9 IRS office.

10 Because customers increasingly prefer
11 online service, a digital-first option would allow
12 the IRS to meet taxpayers where and how they want to be
13 served. The IRS must change with the times. Even
14 though these development needs require short-term
15 investment or budget reallocation, the long-term
16 benefits of pursuing a digital-first approach are
17 clear, as heard from Shaun. There would be substantial
18 cost-savings and reduced taxpayer burden.

19 We recognize that the IRS is well on its way
20 to planning for and developing digital tools to improve
21 taxpayer service and compliance, as part of its
22 enterprise strategy. Our first recommendation is that
23 Congress work with the IRS to accelerate this more
24 strategic, long-term approach.

25 Currently, the delivery of the IRS

1 enterprise strategy is complicated by unpredictable
2 funding and resources. That's why we are specifically
3 recommending that Congress work closely with the IRS to
4 remedy this situation in a couple ways:

5 First, Congress and the IRS should agree on a
6 three to five year plan to implement and invest in IRS
7 digital-first strategies.

8 Second, Congress and the IRS should consider
9 appropriations changes.

10 Let me be clear. This doesn't necessarily
11 require increased funding. But Congress and the IRS
12 need to create dedicated resources and budgeting
13 flexibility to support IRS digital plans. We provide
14 several tactics detailing how this can be accomplished
15 in the report.

16 In return for Congressional investment in
17 digital strategies, Congress should hold the IRS
18 accountable through measurable goals. To increase
19 internal accountability, the IRS should empower and
20 commission a dedicated team to accelerate the IRS
21 digital roadmap.

22 Our second recommendation for this key
23 outcome involves the fact that, for any organization to
24 understand the return on investment of a project, it
25 needs to measure the project's package benefit.

1 The IRS doesn't currently have a clear
2 measurable goal of the projected impact of it's
3 digital strategies on overall taxpayer service levels
4 and compliance. To that end, we're recommending that
5 the IRS create, use, and publish meaningful metrics
6 that would allow the IRS, Congress, and other
7 stakeholders to evaluate and make informed investment
8 decisions based on projected benefits.

9 Consistent with last year's report, our third
10 recommendation is, the IRS should invest resources in
11 developing one online account. ETAAC is not
12 recommending that the IRS abandon its use of standalone
13 tools, such as the "where's my refund" application.
14 These focused tools are suitable for some specific
15 high-volume transactions. However, ETAAC is
16 recommending that the IRS focus most of its efforts
17 and resources on developing a secure, single,
18 comprehensive, online account available on IRS.GOV for
19 taxpayers and tax professionals.

20 As Stephanie will detail further on this in a
21 moment, we believe that one online account is critical
22 to the IRS's long-term digit-first strategy. The IRS
23 needs to provide taxpayers and tax professionals with
24 one point of entry, one instance of identity
25 authentication, and comprehensive capabilities for all

1 of their IRS information and service needs.

2 This approach will also make the most of
3 IRS's limited development and support resources.

4 Lastly, under this key outcome, we are
5 recommending greater transparency which promotes trust
6 and accountability. Building on this simple truth, we
7 believe that the IRS should publish information on
8 IRS.GOV about its planned projects, roadmap for
9 delivery, and measurable targeted impact of each
10 project.

11 Because the IRS is in the early stages of
12 promoting its digital service strategies, providing
13 more information will improve buy-in and adoption from
14 key stakeholders.

15 Congress, in particular, would be able to
16 make more informed decisions, based on investment and
17 projected result, on where to invest and improve
18 taxpayer service and compliance.

19 All of these recommendations seek to help the
20 IRS solve the big problems it faces. The IRS has
21 already committed to a digital-first future. Now, it
22 needs to accelerate its digital-first strategy with a
23 focus on one comprehensive account. It needs to work
24 closely with Congress. And, as part of these efforts,
25 the IRS needs to create greater internal accountability

1 and external transparency for stakeholders to
2 successfully accelerate its digital plans.

3 Now Stephanie Salavejus will outline our
4 Second key outcome, which provides strategies and
5 Tactics to encourage adoption of a digital-first
6 approach.

7 MS. SALAVEJUS:

8 Good afternoon, everyone. I am Stephanie
9 Salavejus. I chair the committee's adoption subgroup.

10 As we note in the report, digital customer
11 service tools can reach large numbers of customers and
12 reduce costs. Industries across all markets have
13 increasingly invested in digital solutions for
14 customers. This shift has been driven by advancements
15 in technology, customer demand for self service tools,
16 and customer's expanded access to technology.

17 The IRS has been subject to the same shifts
18 in preference. In fact last year, the IRS
19 oversight board reported that taxpayers increasingly
20 prefer digital self-service tools to interact with the
21 IRS. The IRS has committed to developing more of these
22 tools. We encourage the IRS to do so in a way that
23 taxpayers are likely to adopt. That means the IRS
24 should develop easy-to-use, value-added, and
25 comprehensive tools, and promote these digital
26 capabilities to taxpayers.

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1 In our first recommendation for this outcome,
2 we urge the IRS to continue developing a single,
3 comprehensive online account. Besides being effective
4 from a development resource perspective, as Jim
5 mentioned, this approach encourages long-term adoption
6 of digital service tools by providing users with abroad
7 capabilities in one place, with one authentication
8 process.

9 With a comprehensive online account,
10 taxpayers could obtain tax and account information,
11 manage their tax accounts, and interact with the IRS
12 on account-related and compliance issues. This
13 experience would look a lot like broadly adopted online
14 accounts provided by private financial institutions.

15 While the IRS develops online account
16 features, it should balance ease of use with
17 comprehensive functionality which would widen the
18 appeal. Taxpayers won't adopt online accounts if user
19 interfaces are cumbersome or authentication
20 requirements are ineffective. The IRS should improve the
21 authentication and sign-up process to encourage
22 adoption.

23 To drive taxpayer adoption, our second
24 recommendation is that the IRS should customize the
25 online account based on the taxpayer's profile.
26 Taxpayers are more likely to use online tools if the

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1 tools provide relevant and personalized information.

2 Here are just a couple examples of things the
3 IRS can do to provide a customized experience for
4 taxpayers:

5 The IRS could provide tax law tools and a tax
6 calendar specific to the taxpayer's profile. For
7 example, small business taxpayers could get information
8 on payroll obligations for new employees.

9 The IRS could also provide alerts to remind
10 taxpayers of important compliance deadlines such as
11 making estimated tax payments.

12 In our next recommendation, we think the IRS
13 should accelerate digital solutions for businesses.
14 The simple reason is that business taxpayers are
15 responsible for a disproportionately large volume of
16 transactions with the IRS. Many businesses file
17 multiple returns, make estimated tax payments, and make
18 federal tax deposits because all of these
19 transactions, businesses are more likely to be early
20 adopters of online accounts. In fact, New York State
21 has seen this trend, with a much higher percentage of
22 business taxpayers adopting its online accounts.

23 Business owners who adopt an online account
24 are more likely to adopt an individual account, driving
25 taxpayers with higher-volume service needs to a

1 digital-first approach. Because of these high-volume
2 business needs, it would be a good strategic move for
3 the IRS to accelerate the development of an end-to-end
4 digital service solution for businesses.

5 Next, echoing our earlier recommendation, we
6 urge the IRS to create and accomplish metrics and goals
7 for adoption of digital taxpayer service tools. For
8 each proposed digital initiative, the IRS could develop
9 metrics that estimate the adoption potential and set
10 interim adoption goals in defined timelines. Again,
11 this data will allow the IRS to make informed
12 development priority decisions and identify
13 improvements. It will also help the IRS identify and
14 adapt to shifts in taxpayer profiles and preferences.

15 Our next recommendation encourages the IRS to
16 learn from the adoption successes of other industry
17 organizations and state agencies. This area is full of
18 lessons learned about and examples of best practices.
19 In our report, we take a close look at New York State's
20 experience developing and implementing taxpayer online
21 accounts.

22 We encourage the IRS to use several adoption
23 techniques that were successful in New York. Just a
24 few examples of these are:

25 Developing a comprehensive online account;

1 Permitting targeted outreach to educate and
2 encourage taxpayers to sign up for an account;
3 Proactively engaging tax professionals;
4 Driving traffic to online accounts through
5 notices and call center scripts.

6 One big take away from New York was the
7 importance of account comprehensiveness -- that is, the
8 more digital tools offered to the taxpayer, the higher
9 the taxpayer's digital interaction.

10 New York has also taken a long-term approach
11 to it's digital strategy, and consistently applies
12 usability study learnings to new applications. As
13 we've touched on throughout this discussion, the IRS
14 should emulate digital-first strategies within private
15 industry. Financial institutions employ many
16 successful adoption techniques, such as offering value
17 and comprehensiveness inside of one online account,
18 marketing the benefits of online interactions verses
19 paper, and providing financial incentives for
20 customers to adopt online accounts.

21 The IRS could market similar value points for
22 its taxpayer online account. A few ideas include
23 offering faster or guaranteed resolution times for
24 certain issues, documented audit trails, and more
25 streamlined processes without the possibility of lost

1 mail and missed calls. The IRS could also offer
2 financial incentives to taxpayers, such as proactively
3 offering first-time penalty abatement in an online
4 account.

5 Much like other industries and states have
6 done, if the IRS focuses on creating value and ease of
7 use for stakeholders, it will encourage adoption of
8 online accounts and shift taxpayers toward a
9 digital-first approach.

10 Now, Mark Castro will talk about our next
11 key outcome which discusses how the IRS can leverage
12 third parties to help with digital-first approach.

13 MR. CASTRO:

14 Good afternoon, everyone. I am mark Castro.
15 This year, I chaired the committee's third party
16 subgroup.

17 Every year, millions of taxpayers trust tax
18 prep software and tax professionals with one of their
19 most important yearly financial transactions.
20 Taxpayers rely on these third parties to help them
21 understand their tax obligations before, during, and
22 after filing. Tax professionals and software providers
23 also filter client questions and troubleshoot tax
24 issues before many taxpayers contact the IRS.

25 These tax relationships are essential to

1 tax administration. In this key outcome, we urge the
2 IRS to leverage its partnerships with tax software
3 providers and tax professionals to dramatically
4 accelerate its digital strategies. Our first
5 recommendation as part of this key outcome centers on
6 the crucial role of tax professionals who prepare and
7 file the majority of taxpayer returns every year. To
8 drive forward this critical partnership, the IRS must
9 develop a comprehensive online account for tax
10 professionals, at the same time as the taxpayer online
11 account.

12 There are practical reasons why doing this
13 makes sense for taxpayers, tax professionals, and the
14 IRS:

15 Enabling tax professionals to interact
16 electronically with the IRS to immediate their client's
17 expectations.

18 As IRS levels of service decline,
19 prioritizing tools for tax professionals at the same
20 time as their clients avoids disenfranchising tax
21 professionals, who bolster taxpayer voluntary
22 compliance.

23 With authorized access to client information,
24 tax professionals streamline, and reduce expensive
25 phones and paper interactions with IRS.

26 With their

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27 trusted client relationships, tax professionals can
1 drive adoption of online accounts.

2 Consistent with last year's report, we
3 strongly recommend that the IRS commit to concurrently
4 enabling tax professionals with digital capabilities
5 similar to individual taxpayer online accounts.

6 We also recommend that the IRS reflect this
7 commitment in its development roadmap and establish a
8 delivery timeframe. Any gaps in delivery between
9 taxpayer and tax professional tools could alienate tax
10 professionals, effect client service, and impede
11 taxpayer adoption of an online account.

12 Along these lines, we will are also
13 recommending that the IRS make it easier for taxpayers
14 to electronically authorize their tax professionals to
15 interact with the IRS on their behalf.

16 Electronic authorization management between
17 taxpayer and tax professional online accounts is
18 important. It will reduce IRS service burden, help
19 maintain taxpayer compliance, and be critical to
20 adoption of the IRS digital-first taxpayer service
21 model. The IRS tentatively plans to deliver electronic
22 authorization capabilities in 2016.

23 We recognize that commitment and we also
24 recommend that the IRS accelerate the implementation of
25 this functionality.

1 Our next recommendation looks at the critical
2 role of tax software providers in electronic tax
3 administration. Tax software is used for over 90
4 percent of all returns filed every year.

5 It's natural that this channel would provide
6 a seamless experience for taxpayers to obtain
7 information related to their federal tax return.
8 Therefore, we recommend that the IRS enable tax
9 software companies to securely access certain
10 taxpayer information within tax
11 software.

12 We recognize that the IRS has started moving
13 in this direction. In 2015, the IRS conducted a
14 limited pilot to deliver taxpayers' refund status
15 through an application programming interface, or API,
16 in tax preparation software.

17 ETAAC endorses IRS expansion of these types
18 of capabilities. We also recommend that the IRS
19 accelerate its activities in this direction. For
20 example, taxpayers could use tax software to review
21 their prior-year tax return or to set up an installment
22 agreement.

23 It's important to note that we realize and
24 encourage the IRS and tax software providers to
25 collaborate in order to accomplish these objectives in
26 a way that will assure the public and federal oversight

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1 groups that the information is being shared with
2 appropriate levels of taxpayer authentication and
3 consent.

4 Our last recommendation in this area
5 recognizes the role that tax software providers can play
6 in the success of IRS taxpayer online accounts. We
7 recommend that the IRS work with tax software
8 providers to encourage taxpayers to set up their
9 secure online account during the return prep process.
10 Taxpayers should also be able to maintain access to
11 that account through their tax preparation software.
12 Partnering with software providers to promote set up
13 and use of IRS online accounts would make adoption easy
14 for taxpayers and ultimately encourage more electronic
15 interaction.

16 All of our recommendations in this area
17 support the need for the IRS to closely partner with
18 the industry and tax professionals to provide
19 high-quality digital service and serve taxpayers how
20 and where they want to be served.

21 With that, I will hand this off to Kelli, who
22 will discuss our last key outcome on the ways to
23 improve IRS.GOV as an information resource.

24 MS. WOOTEN:

25 Thanks, Jim. Kelli Wooten, again. I also

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1 chaired the committee's subgroup that looked for
2 improvements to IRS.GOV.

3 IRS.GOV is the most frequently used channel
4 for taxpayers to get tax information and interact with
5 the IRS. In our report, we offer two recommendations
6 for how the IRS can improve this widely used resource
7 to reduce service burden and improve taxpayers's access
8 to information.

9 First, we recommend that the IRS should
10 improve search and navigation functionality to promote
11 taxpayers with self-service on the IRS.GOV. As of
12 December 2014, there were more than 100,000 pages of
13 content on the IRS.GOV. For site users, finding the
14 most relevant content to answer their questions is the
15 biggest challenge because the current platform for
16 IRS.GOV limits content organization. The IRS should:

17 Obtain more flexible publishing solutions;
18 Enable content owners, authorizes, and
19 publishers to optimize the website for search,
20 navigation, and content discovery;

21 And focus on making IRS.GOV mobile-friendly
22 with, solutions such as responsive design.

23 In our second recommendation under this key
24 outcome, we think the IRS should improve its content on
25 IRS.GOV. ETAAC supports current IRS initiatives to

1 establish an online content publishing model, editorial
2 standards, and style guidelines for website content.

3 In our report, we detail other ways the IRS
4 can improve content on IRS.GOV. High-level examples
5 include:

6 Consolidating governance and oversight of
7 IRS.GOV content;

8 Establishing a team of subject matter experts
9 across the IRS responsible for creating, editing,
10 producing, and publishing content;

11 And making content easier to understand by
12 writing in plain language.

13 Creating standardized content formats,
14 structures, and guidelines.

15 Given the need to complete an exhaustive
16 upgrade to online content, it may be easier and more
17 cost effective to combine these efforts into a new
18 IRS.GOV. As a result, IRS.GOV users will be more
19 likely to use IRS.GOV as their first and only
20 resource for tax information.

21 (Response given by Rajive Mathur to
ETAAC was not captured by the
transcriber.)

22 MR. BUTTONOW:

23 Thank you, Rajive.

24 We are thankful that the IRS sees the need to

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25 get to a digital-first taxpayer service strategy.

1 Let me close by reiterating the big taxpayer
2 service problem and solutions that we recommended
3 today.

4 The problem is the way the IRS is doing
5 business today. Primarily using paper and phones is
6 not sustainable for delivering taxpayer service.
7 It is also not acceptable to the taxpayers who expect
8 digital-first options. The solution is to
9 access the plan to move to a modern, digital-first
10 taxpayer service model.

11 The good news is that the IRS has a plan to
12 get there. To enable this solution, Congress
13 needs to work together with the IRS to improve its
14 digital capabilities to better meet the needs of
15 taxpayers. ETAAC will continue to help Congress and
16 the IRS achieve this essential objective. We look
17 forward to speaking directly with members of Congress
18 and their staff to meet this challenge.

19 Thank you for joining us today. I will now
20 turn it over to David, who will have some closing
21 remarks.

22 MR. PARRISH:

23 Each year, we acknowledge the ETAAC members
24 who are leaving the committee because their 3-year term
25 will expire. This year there are three members

1 completing their third and final year. We appreciate
2 you giving such an exceptional time commitment to the
3 Service. This year you met for the first time in
4 December and compressed your schedules to complete
5 the report on time. This is awesome because you were
6 also working your day time jobs. You are truly an
7 extraordinary group of people.

8 I want to acknowledge the chair, Jim
9 Buttonow, vice-chair, Troy Thibodeau, and the three
10 additional departing members, Shaun Barry, Mark Castro,
11 and Steve Lewis.

12 Lastly, later today, a news release with a
13 link to the report will be issued and the report will
14 also posted in General Services Administration's
15 Federal Advisory Committee Act (FACA) database under
16 ETAAC.

17 Thank you, everyone for joining us.

18 (IRS meeting concluded at 3:16 p.m.)

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