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UNITED STATE TREASURY  
INTERNAL REVENUE SERVICE

ELECTRONIC TAX ADMINISTRATION ADVISORY  
Committee (ETAAC)

PUBLIC MEETING

9:00 a.m.

Wednesday, June 28, 2023

Internal Revenue Service

1111 Constitution Avenue, NW

Washington, DC 20224

1                                   ETAAC MEMBERS PRESENT

2    Jared Ballew, ETAAC Chair

3    Timur Taluy, ETAAC Vice Chair

4    Vernon Barnett, ETAAC Vice Chair

5    Peter Barca

6    Austin Emeagwai

7    Jerry Gaddis

8    Robert Gettemy

9    Mark Godfrey

10   Eric Inkrott

11   Jihan Jude

12   Carlos Lopez

13   Jonathan Lunardini

14   Sherice McCarthy-Hill

15   Argi O'Leary

16   James Paille

17   Hallie Parchman

18   Andy Phillips

19   Keith Richardson

20   Terri Steenblock

21

22

23

24

ALSO PRESENT

1

2 Daniel Werfel, Commissioner of the IRS

3 Mel Hardy, Director, National Public Liaison

4 Jim Clifford, Director, Return Integrity and

5 Compliance Services

6 John A. Lipold, Designated Federal Official

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Thank You to Members

Daniel Werfel, IRS Commissioner

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Closing Remarks

Jared Ballew, ETAAC Chair

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Mel Hardy, Director,

National Public Liaison

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

2 (9:03 a.m. EST)

3 (Welcome statements by ETAAC Chairman Mr.  
4 Jared Ballew, and Vice Chairs Mr. Vernon Barnett  
5 and Timur Taluy were given, and the transcript  
6 begins with the Remarks of the Director of the  
7 National Public Liaison Office, Mr. Mel Hardy.)

8 MR. HARDY: Good morning. How is everybody?  
9 Come on, you can do better than that. Is this  
10 thing on?

11 (Laughter.)

12 MR. HARDY: Good morning and welcome to the  
13 2023 ETAAC public meeting. My name is Mel Hardy.  
14 I'm the Director of National Public Liaison, and  
15 I'm so happy to welcome each and every one of you  
16 here today.

17 We have an exciting agenda for you. And I am  
18 very, very happy to say that this ETAAC team really  
19 set a high bar for the next one. Under the  
20 leadership of Jared, Vernon, and that other guy,  
21 Timur, you really did an excellent job.

22 Got this in in record time, and you all are to  
23 be commended. So, I am now going to turn the mic  
24 over to the chair of the ETAAC, Mr. Jared Ballew.

1 Jared.

2 (Applause.)

3 CHAIRMAN BALLEW: All right. Good morning.  
4 Good morning. Thank you, Mel. Always a pleasure  
5 to precede you. I think we all subscribe to the  
6 Mel Hardy school, so we are glad to be here. And I  
7 want to just first say thank you to all that have  
8 decided to attend today, both in-person and online.

9 Thank you for joining us. We're excited to  
10 deliver these recommendations to you this morning.  
11 A couple of things I do want to talk about real  
12 quick is that, you know, through this past year, as  
13 we began looking at the report, looking at what we  
14 should do, there's really a lot that happened from  
15 2022 to 2023.

16 For ETAAC, we only met in person one time the  
17 previous year, or the previous ETAAC, and that was  
18 in our final report in June. You know, we had the  
19 same issues and struggles of having to work through  
20 the pandemic and work remote and figure out how we  
21 can collaborate even better remotely.

22 But we persevered with that report. I'm glad  
23 to have the prior ETAAC chair with us this morning,  
24 Ms. Kay-Decker. We're also -- you know, going

1 through the year, had a couple of different issues  
2 that arose that we had to consider. One of those  
3 is, you know, we had an outgoing Commissioner that  
4 was leaving. We had underfunded IRS. No, we  
5 didn't have the IRA passed.

6 We did -- we had paper backlogs that we were  
7 still dealing with. The IRS was still grappling  
8 with how they would deliver customer service in  
9 their phone lines, staffing issues. You know,  
10 during the year, we came to a point where we had to  
11 face a 1099-K issue, where the IRS had to make a  
12 decision on the best -- on the behalf of the  
13 taxpayer, really in the best interest of the  
14 taxpayers, to be able to delay that.

15 We had new strategic plans, you know. We had  
16 the old strategic plan and a new one was being  
17 created and formed, all while this ETAAC was trying  
18 to find what we were going to write about -- what  
19 were some of the issues and topics. You know, in  
20 tax administration, we kind of have gotten used to  
21 the fact that nothing is static. It's always  
22 moving. It's always changing.

23 There's always something new that needs to be  
24 integrated on behalf of the taxpayer. You know,



1 kind of makes me laugh a little bit. You know, we  
2 were actually hammering away on our report the very  
3 end of June, or very end of May, first part of  
4 June, right before it was supposed to be due. As  
5 you guys all know, many new things came out in  
6 legislation. Many things came out through  
7 directives. And so there were a lot of things that  
8 we had to consider this past year, which is a good  
9 thing for ETAAC, right, because it gives us a lot  
10 of recommendations and an ability to give some of  
11 our perspectives on the issues.

12 But right before we left, submitted the  
13 report, I was leaving on vacation. I said, you  
14 know guys, we got to get this thing done early,  
15 early, early. I need to go on vacation. I got to  
16 get out of here. And my ETAAC rose to the  
17 challenge, I know to the vanity of myself. You  
18 know, they rose to the challenge.

19 They got it out earlier than ever, and we got  
20 it submitted off. You know, and day one is like,  
21 all right, you know, this thing is done. It's in  
22 the books. I go on vacation with my family, I get  
23 down, we leave the country, and we go through  
24 immigration. And just at that point, I go through

1 immigration, the officer looks at me and he says, I  
2 need your son.

3 And I said, what are you talking about? I  
4 need your son. All right, come over here. So,  
5 they took his passport, walked away, guy goes away.  
6 We come back and he said, he looks at me and he  
7 said, does your son owe back taxes? And I said,  
8 no, he's -- his passport has been revoked.

9 And I said, you are kidding? He is like, the  
10 number one reason is the IRS has revoked his  
11 passport. At that moment, I considered, was my son  
12 in the gig economy. He's four, by the way. But,  
13 you know, you never know what they're doing on  
14 their devices. Luckily, it was a mistake. They  
15 missed keyed the numbers.

16 But for a moment, I thought my ETAAC members  
17 were getting back at me for having to deliver the  
18 report early and somehow got my four-year old's  
19 passport revoked. That was not the case. Well, I  
20 can happily say that. But, you know, there is  
21 always excitement. There is always change that's  
22 happening.

23 You know, what I want to do real quick is  
24 introduce you really to the leadership team. I

1 want to introduce you to the members. And  
2 ultimately, I want to thank you guys for your hard  
3 work and dedication this year. We are a volunteer  
4 group. We give of our time, of our expertise to be  
5 able to help both Congress, and the IRS, and  
6 ultimately the American taxpayer file their  
7 returns.

8       That is the primary goal for us. And so  
9 today, each of our members, as they make  
10 recommendations, have brought their own diverse  
11 perspectives on the topics and issues. We came to  
12 gather in a room. We sit down and we give spirited  
13 debate. We bring a topic or an issue, and we all  
14 come together from all of our walks of life, all of  
15 our experiences, and we're able to actually  
16 collaborate as stakeholders and come to a point of  
17 agreement.

18       For the most part, I don't think there was any  
19 issue we had an impasse on, and that's something  
20 said for the ability of this ETAAC, and ultimately  
21 for the tax administration as a whole. Let me tell  
22 you a little about who we are. The members of  
23 ETAAC here today, and we made up -- I think we did  
24 -- Terri, correct me if I'm wrong. We did a count

1 of how many years of experience we had. It was in  
2 the hundreds years of experience.

3 I won't point out those that carry the bulk of  
4 those numbers, but there are a few of us here that,  
5 you know, have been in tax administration a long  
6 time, which is great. We even have those that are  
7 brand new. And so, building those networks and  
8 relationships is important. The committee is  
9 comprised primarily of three volunteers.

10 This year, we have our current and prior State  
11 tax administrators that are on the committee. We  
12 have the industry or software developers. Again,  
13 that can go anywhere from income tax information  
14 returns into project management software, and it  
15 can go into, our final one is our practitioners or  
16 business owners.

17 This year we had 23 members on our ETAAC, and  
18 that is a fantastic number to have. We had 5 State  
19 members, 10 industry members, and 8 practitioners.  
20 And I will simply say this, this ETAAC is a shining  
21 example of the success of a Federal advisory  
22 committee and demonstrates how successful tax  
23 administration requires high amounts of  
24 collaboration. What I want to move into now is,

1 what was our mission, what's our function as a  
2 committee.

3 Many of you today, I want to say thank you.  
4 You know, we have family in here. You brought your  
5 family to understand and see the hard work that we  
6 do, the hours that we put in. Many of you brought  
7 your colleagues. Many of your colleagues have  
8 called in today and are listening for this report.

9 So, I think it is important that we cover what  
10 our purpose and our scope is, so that when you  
11 start hearing these recommendations, you can better  
12 understand the perspective and the way in which we  
13 approached our report this year. The purpose of  
14 the ETAAC committee is to provide continuing input  
15 into the development and implementation of our  
16 strategy for electronic tax administration.

17 ETAAC members, with their own personal  
18 experiences, convey the public's perception of IRS  
19 electronic administration activities. We offer  
20 constructive observations about current proposed  
21 policies, programs, procedures, and we suggest  
22 improvements to them. Members serve on the  
23 committee as a volunteer, and ultimately they are  
24 public servants. ETAAC is unique in that we serve

1 Congress as an advisory committee, which we will be  
2 advising today and over the coming weeks with our  
3 report.

4 The ETAAC also provides an organized forum for  
5 discussion of electronic tax administration issues  
6 with stakeholders throughout the year. So, it's  
7 not a static, one-time interaction. One of the  
8 other focus areas that we do is in the prevention  
9 of identity theft and tax refund fraud, and in  
10 support of the overarching goal that paperless  
11 filing should be the preferred and most convenient  
12 method of filing in income tax and information  
13 returns. That is our mission and our scope for  
14 this ETAAC.

15 Many of the duties are going to be categorized  
16 as researching, analyzing, considering, again,  
17 ultimately making recommendations on a wide range  
18 of tax administration issues and topics. And to  
19 provide input into development, and how the IRS and  
20 Congress can implement them. The ETAAC report to  
21 Congress annually. So, each year before June 30th,  
22 we deliver a report to Congress, as well as to the  
23 IRS Commissioner.

24 So, with that, I want to jump into the report

1 and explain to you a little bit about our approach.  
2 This year we took a different line in how we wanted  
3 to deliver our recommendations and how we wanted to  
4 look at tax administration as a whole.

5 The ETAAC started getting to work earlier than  
6 ever before this year. We actually, at the  
7 conclusion of our report in June, rolled over into  
8 the new ETAAC and started right away. What we did  
9 is that we began looking at what is the ETAAC  
10 really, and the answer is we're a collective group  
11 of stakeholders, right.

12 And what we wanted to do was reach out beyond  
13 just the small group that do bring a diverse amount  
14 of perspectives. But ultimately, there's larger  
15 stakeholder groups out there that have ideas, that  
16 have direction. What should the IRS do? Where  
17 should they be going? What prioritization should  
18 the IRS be putting on certain topics and issues?

19 So, in August, we developed some surveys for  
20 our stakeholders, and we issued those stakeholders  
21 this survey. Some of those stakeholders today,  
22 we've invited you. We want to thank you for  
23 joining us today. We have the FTA, we have CERCA,  
24 NACTP, ACTR, and various others in here today that

1 we issued the survey to, and they provided us their  
2 comments and their priorities.

3       What they saw was a necessity for tax  
4 administration. So, we took that feedback early on  
5 and we were able to parlay that into somewhat of  
6 the floor for our discussion point of how we wanted  
7 to shape our report, what areas do we want to look  
8 at. After that, the stakeholder surveys, I  
9 encouraged each member to engage and to draw from  
10 their own personal experiences and journeys.

11       It's very important for us to make  
12 recommendations that are really close and personal  
13 to ourselves. And so today, I'm actually going to  
14 give you just a quick story of one way that tax  
15 administration touched my life at a very young age.  
16 When I was little, I can always remember tax  
17 season.

18       And that may sound weird, but I was probably  
19 ten or in my teens, low teens, and I can remember  
20 it would be getting close to the April 15th  
21 deadline and I would come out at night. My mom  
22 would be behind the table, papers everywhere,  
23 publications, formed instructions, going line by  
24 line, putting things in and trying to figure out --



1 doing the math. Do I qualify for this duction?  
2 Can I do that? And the stress and the worry, and  
3 ultimately tears of worrying of how am I going to  
4 do this tax --?

5 How am I going to -- am I doing it right? Is  
6 something going to happen if I get it wrong? The  
7 true impact on a taxpayer is real. Taxpayers all  
8 over the world, even now some more than we have  
9 digital stuff -- digital means to filing, are  
10 impacted and there's an emotional experience when  
11 it comes to filing taxes.

12 And so, with that, it has provided me a  
13 perspective. It encouraged me to go into tax  
14 administration. And it formulates the basis for  
15 one of our reports, is emotional words. We believe  
16 that tax administration can be very emotional for a  
17 taxpayer when we start throwing out the words like  
18 tax policy, tax compliance. The ETAAC considered,  
19 why do taxpayers even care?

20 You know, it's easy for some of us, maybe  
21 ETAAC members, tax professionals, members of  
22 Congress, the IRS, to get lost in the lingo. You  
23 know, we can debate ways to close the tax gap,  
24 increase voluntary compliance, and improve return

1 filing statistics. However, what we have to do is  
2 step back and look at things from the taxpayer's  
3 perspective.

4       The real question is, why do taxpayers care  
5 about filing their return? In a voluntary tax  
6 compliance system, tax administrators must consider  
7 why and how taxpayers choose to interact and  
8 cooperate with the Government, and to file an  
9 accurate and timely return. Interacting with the  
10 Government to file a return can be sometimes scary,  
11 can be daunting, boring, confusing, frustrating.

12       Simply put, there's a lot of emotions that go  
13 directly in to filing a tax return. And as tax  
14 experts, we must consider those emotions to achieve  
15 the primary goal of voluntary tax compliance and  
16 ensure taxpayers receive the benefits that they're  
17 entitled to. Choosing how to file your tax return  
18 is a sensitive and private topic very similar to  
19 interacting with your doctor. Disclosing those  
20 details are on the same level of filing your tax  
21 return.

22       Although we continued our research, we started  
23 running across a few words that begin to build the  
24 foundation of this report. One of those was

1 choice. What we understood about choice is that  
2 only choice and only caring about choice only  
3 represents one piece of the puzzle to bring  
4 taxpayers into voluntary compliance.

5 Bridging the gap between tax policy and  
6 voluntary compliance is where tax administration  
7 comes in. ETAAC adopted the premise this year that  
8 taxpayers' trust and confidence in the tax  
9 administration system is the core of voluntary tax  
10 compliance. Thank you, Courtney. I'd like to  
11 refer you real quick to page 12 of the ETAAC  
12 report, if you have that with you today.

13 Those joining us online, it will be available  
14 to you shortly. On page 12 of the report, the  
15 ETAAC developed the core model for successful tax  
16 administration, and we call it the taxpayer trust  
17 model, which I will briefly walk through now. The  
18 taxpayer trust model starts at the bottom, and that  
19 is with Congress and the Treasury and policymakers  
20 who make up the tax code and the tax system.

21 As tax administrators, we are tasked with  
22 bridging the gap from the bottom of tax policy to  
23 the end of the line where taxpayers voluntarily  
24 comply. We built this model as a roadmap for all

1 in tax administration, whether you're a  
2 practitioner, whether you're a software provider,  
3 whether you're the IRS, the State administrator, or  
4 you are Congress making decisions on how to  
5 implement a policy that we believe if followed, and  
6 if you test your methods through, you can either  
7 understand how to better deliver tax administration  
8 or understand where flaws and failures may have  
9 occurred.

10 At the base, once policy is passed, is a  
11 priority that guidance, communication, and  
12 education be created and set in place as a firm  
13 foundation for taxpayers to understand the complex  
14 tax code. We have to be proactive in our  
15 communications so that they hear the correct  
16 messaging, and we have to provide education at all  
17 levels so that taxpayers can understand in a  
18 language, or in a terminology, or in a format that  
19 meets them where they are. Moreover, the pillars  
20 that sat on top of the foundation are choice,  
21 access, transparency, and security.

22 As I mentioned before, choice alone will not  
23 provide trust, which leads to voluntary compliance.  
24 Any one of these pillars that are violated will

1 cause a collapse of the taxpayers' trust and  
2 ultimately affect taxpayer compliance.

3 We encourage all to take some time and look at  
4 this model. To run your ideas, your business  
5 models, your proposals through this model, and to  
6 see if what you are considering truly respects  
7 guidance, education, communication, choice, access,  
8 transparency, security. Without those pillars and  
9 that foundation, trust will collapse, and you will  
10 erode voluntary compliance.

11 With that, I do want to turn over the next  
12 section of our report to my esteemed colleague and  
13 Vice Chair, Vernon Barnett.

14 (Applause.)

15 MR. BARNETT: Thank you so much, Jared. To  
16 improve the intricate United States tax system, we  
17 must first understand who the tax administration  
18 stakeholders are and what is critical for  
19 delivering a successful filing season. So, I will  
20 concentrate my remarks on the roles played by  
21 Congressional policymakers, and those at Treasury,  
22 the IRS, and State agencies that are responsible  
23 for administering our tax systems.

24 Tax administration in the United States has

1 many key stakeholders who work collaboratively to  
2 ensure access, choice, transparency, and security  
3 are maintained throughout the entire tax ecosystem.  
4 The American tax system does not operate as a  
5 collection of silos, but instead relies upon the  
6 many interworking parts to deliver an effective and  
7 efficient tax system the taxpayers expect and  
8 deserve.

9 Tax administrators must work collaboratively  
10 to provide accountability and transparency to drive  
11 taxpayers' trust and to ensure that legislative  
12 policies are accurately implemented. Congress  
13 arguably has the most significant impact on the  
14 taxpayer journey. The decision made by Congress  
15 and the laws that are passed have a direct impact  
16 on the entire tax administration cycle and the  
17 taxpayer compliance journey.

18 The tax laws, the laws, guidance, and  
19 oversight that Congress provides is the foundation  
20 used by tax administrators to administer the tax  
21 system. The critical role of Congress comes with  
22 significant responsibility as each decision has a  
23 measurable impact on the taxpayer. In certain  
24 situations, the way in which legislation is passed

1 may negatively impact or frustrate the intended  
2 policy outcomes.

3       For example, as I've experienced personally  
4 this year, legislation that happens to be passed  
5 late in the session or is retroactive or both in  
6 the best of all worlds, can have a dramatic impact  
7 on the -- on how it's administered, if it's even  
8 able to be administered, and this in turn erodes  
9 the taxpayer's confidence in the work that we do.

10       The complexity of the Federal tax law rests on  
11 Congress's shoulders. Congress writes the tax laws  
12 that tax administrators are tasked with  
13 implementing. For example, as one of the world's  
14 largest tax organizations, the IRS must decipher  
15 more than 6,000 pages and approximately 3.8 million  
16 words within Title 26 of the Internal Revenue Code.

17       They must take that information and then turn  
18 it into understandable forms, publications, and  
19 applications that allow taxpayers to accurately and  
20 timely file their tax returns. Obviously, this is  
21 no small feat. Every year the IRS is managing 750  
22 tax forms, 400 separate instructions, and 150 tax  
23 publications.

24       This is complex work that must be done with

1 accurate precision to avoid eroding taxpayer  
2 confidence and broadening the tax gap. In addition  
3 to Federal returns, many taxpayers must follow  
4 State returns as well. State revenue agencies play  
5 a pivotal role in tax administration.

6 As State taxing agencies, we are sovereign  
7 entities and independently determine how our taxes  
8 are administered. And even though we are sovereign  
9 entities, Federal tax laws and policies and the  
10 actions, of course, of the IRS have a dramatic  
11 impact on our abilities to administer our taxes and  
12 oftentimes determine how we approach State tax  
13 administration. And for this reason, it is  
14 critical that the IRS and we in the States have a  
15 collaborative working relationship with each other.

16 The ability of State tax administrators to  
17 deliver timely guidance, communication, and  
18 education to taxpayers and stakeholders directly  
19 affects taxpayer confidence in the tax system.  
20 Taxpayer trust and confidence in the administration  
21 system is the foundation of voluntary tax  
22 compliance for the United States system.

23 As we all know, trust is earned and cannot be  
24 taken for granted. And to earn and maintain this



1 trust, Congress, the tax administrators, and  
2 stakeholders must be efficient in their decision  
3 making and produce accurate products, while acting  
4 with the highest levels of integrity and  
5 transparency. State tax administrators,  
6 stakeholders, and taxpayers must know in advance of  
7 a filing season how the tax code applies to each  
8 tax situation. Timely, dependable guidance,  
9 communication, and education are the foundation of  
10 the IRS mission, which is to administer the  
11 nation's tax laws fairly, efficiently, and as  
12 prescribed by law.

13       The IRS must communicate with State tax  
14 administrators, other stakeholders, and taxpayers  
15 in clear, accurate, and timely manner to ensure  
16 that they understand the relevant tax laws,  
17 taxpayer rights, and tax administration options.

18       Effective communication is critical to revenue  
19 voluntary compliance while reducing the number of  
20 tax compliance fraud and enforcement issues that  
21 the IRS is forced to deal with each and every  
22 season. Tax administration in the United States  
23 has many critical stakeholders who work  
24 collaboratively to ensure success.

1           And I've only named a few of these  
2 stakeholders. The American tax system does not  
3 operate, as I previously stated, in collection of  
4 silos. We have to work together in a collaborative  
5 manner in order to make it work. So, in closing,  
6 tax administration can achieve greater efficiency  
7 and better serve taxpayers when it engages,  
8 considers, and leverages the expertise and  
9 resources of all stakeholders involved.

10           By working collaboratively, Congress, the IRS,  
11 and the States can build and implement a tax system  
12 that is easy for taxpayers and promotes a culture  
13 of voluntary compliance, transparency, and greater  
14 trust in Government.

15           So, with that, I'll turn it over to my  
16 esteemed colleague, Mr. Timur Taluy.

17           (Applause.)

18           MR. TALUY: Well, thank you, Commissioner.  
19 You know, I have prepared remarks, if you believe  
20 that. Sorry -- but I don't know if you saw, but I  
21 brought my suitcase here today. And everybody  
22 says, Timur, why did you bring your suitcase? You  
23 have till 5:30 p.m. to get on your flight home  
24 back to Los Angeles.

1           And I said, well, I saw a letter from Senator  
2 Warren to the Commissioner signed by a bunch of  
3 other members of Congress and Senators. And it  
4 says, as you know, the U.S. tax filing system is  
5 not working as well as it should be. Well, my  
6 member of Congress signed that letter.

7           So, I said, I'm going to go see him today.  
8 And so, my suitcase is here because I'm going to go  
9 to the Hill right after this and sit down with my  
10 Congressmen and tell him, like Vernon said today,  
11 we have an effective, efficient tax system, and it  
12 is a testament to the public servants at the IRS  
13 and the States who work tirelessly to bring this  
14 system forward and make it work.

15           (Applause.)

16           MR. TALUY: So, I hope I can convince him --  
17 well, his staff, but that's true. So, we're going  
18 to talk about the States and the IRS. And again,  
19 IRS is an important stakeholder, and obviously the  
20 States are key. I mean, without the States, you  
21 know, we wouldn't have effective American  
22 Government, so there you go.

23           (Laughter.)

24           MR. TALUY: But Jared asked me to talk today

1 about the stakeholders. He said that, you know,  
2 ETAAC is a collective group of stakeholders. And  
3 so, I'll start from the beginning. My dad, who a  
4 lot of you know, was a tax preparer. And Jared  
5 talked about being a kid and knowing about taxes.  
6 I was a kid -- that kid hanging door hangers on  
7 people's doors all around town talking about taxes.

8 My dad owned a dry cleaner's. And so, I  
9 always joked, he did taxes and dry cleaning,  
10 cleaning out one way or the other. But we, every  
11 year we do taxes and sometimes we get paid in bags  
12 of fish because we're doing fishermen's taxes.  
13 Other times, you know, obviously if we get paid  
14 appropriately, and we always report the barter and  
15 trades that we had just to IRS, for the record.

16 (Laughter.)

17 MR. TALUY: And but, you know, practitioners  
18 are one of the most key elements of the tax  
19 ecosystem. A lot of times that's how information  
20 gets to taxpayers. My dad was a Turkish immigrant  
21 and there is a flood of Turkish people that flew  
22 through our home and our office every year on tax  
23 time because he was able to meet taxpayers where  
24 they are. He was able to translate the tax laws

1 and code into a way they could understand. And  
2 because of that, that brought trust.

3       You know, Carlos is one of our ETAAC members,  
4 and he's a practitioner in a rural area up in  
5 Salinas, California. And he has an organization  
6 that helps Spanish speaking taxpayers do that same  
7 thing. It's so important. And to say the tax  
8 system doesn't work like the letter, I don't  
9 believe it because practitioners and people are out  
10 there meeting taxpayers where they are, helping  
11 taxpayers comply, and achieve the voluntary  
12 compliance that our founding fathers and this  
13 nation established.

14       Another thing, another stakeholder is software  
15 developers. I'm a software developer, in addition  
16 to being a tax preparer. I actually do people's  
17 taxes. I develop tax software. It's really  
18 confusing. But software developers are another key  
19 constituent because while just over half of the  
20 taxpayers go to a practitioner, the other half of  
21 people go online and file their taxes themselves.

22       They achieve -- they do their American duty  
23 every year on their own, like Jared's mother, but  
24 this time they do with a computer and hopefully

1 less crying. But we -- so software developers, we  
2 also play a pivotal role in actually delivering  
3 information, educating taxpayers, even educating  
4 tax practitioners sometimes about the changes in  
5 tax law and how to best benefit for taxpayers.

6       The other group I want to mention, financial  
7 institutions, right. So once that taxpayer files  
8 that return and the refund goes out, that's the  
9 most important part of the filing process for most  
10 Americans is getting a hold of that refund, it  
11 lands in a financial institution. And we have  
12 financial institutions on ETAAC that help influence  
13 our recommendations and -- our thoughts. And those  
14 financial institutions help prevent fraud. They  
15 find fraudulent payments from the IRS, return that  
16 money to IRS and States.

17       The financial solutions are a key constituent.  
18 And, you know, as you'll learn, this is an  
19 interactive presentation. So, if you want to learn  
20 more, I'm on page 9 here, just reading out of here,  
21 but you'll see some more out there. You know,  
22 ETAAC, like Jared said it in a stakeholder  
23 engagement survey -- so all those stakeholders we  
24 talked about and the Congressional authorities that

1 gave ETAAC its power, we reached out to them and  
2 got their feedback, and that was the genesis of  
3 some of this piece here.

4       What is most important to our stakeholders and  
5 Congress that we talk to. As you know, ETAAC sends  
6 its report to the Ways and Means, House  
7 Appropriations in the House, Government Reform and  
8 Oversight, Small Business.

9       In the Senate, we get the Finance Committee,  
10 the Appropriations, Government Affairs, and Small  
11 Business as well. And so, one of the great things  
12 about our stakeholders is we have associations,  
13 like we have ACTR, we've CERCA, we have NACTP. I  
14 happen to serve as Vice President -- Vice Chair of  
15 the CERCA, which is a group of TAC, which was  
16 established by the IRS to help achieve an 80  
17 percent e-file goal, just like ETAAC was.

18       So, within these groups, these constituents  
19 and stakeholders will interact and help influence  
20 policy and help the IRS and States achieve their  
21 goals too. And I just want to bring up one other  
22 group, which is the Security Summit.

23       Security Summit is a group within the IRS that  
24 brings these stakeholders together and allow us to

1 help fight at anti-theft, refund fraud. We have a  
2 number of working groups that actually support the  
3 IRS and support the taxpayer, and we're really  
4 lucky to have on the phone Jim Clifford.

5 So, Jim Clifford is the internal IRS lead for  
6 the Security Summit, and he has some remarks today.  
7 But I just want to say one thing about Jim  
8 Clifford. Oh, Mel's laughing.

9 (Laughter.)

10 MR. TALUY: So --

11 MR. CLIFFORD: -- I go next --

12 (Laughter.)

13 MR. TALUY: Okay, so -- didn't we lock him out  
14 mute? I thought you said he was -- but, you know,  
15 one of the things ETAAC hounded for so many years  
16 was let's e-file the 1040X, the amended tax return.

17 The way it worked was you file your return.  
18 If you had to make a change, we had to print, sign,  
19 mail. This 1040X was this big, and you send it to  
20 the IRS, and it would go into this hole, and you  
21 never knew when it was coming out. ETAAC hammered,  
22 CERCA hammered, industry hammered, every  
23 opportunity.

24 One day, Jim Clifford was at a CERCA meeting,



1 and we're standing out in the hall. And he says,  
2 you know, this would be a good idea. I can write a  
3 business case for this. And guess what he did?  
4 And he took that paper process that so many  
5 millions of Americans struggle through and made it  
6 so you can file a 1040X. So, Jim, thank you for  
7 that.

8 And with that, I'd like to introduce you to  
9 speak and say a few words to that committee and the  
10 group.

11 (Applause.)

12 MR. CLIFFORD: Well, good morning. Good  
13 morning. Thank you so much for such a kind welcome  
14 and for giving me credit for something that truly,  
15 like everything else in tax administration, takes a  
16 village.

17 So, I certainly was not alone. But it is  
18 through gatherings that CERCA provides and ETAAC  
19 provides where we come together to share ideas and  
20 kick things like that around and become stronger as  
21 tax administrators.

22 And I will pick up on some of your comments  
23 from earlier and say, I'm proud to be a part of the  
24 strongest tax administration on earth. And I

1 believe that truly and I salute you in your march  
2 to the Hill to share that message. Let me pause  
3 just for a second and do a sound check and make  
4 sure the auditorium is hearing me okay.

5 CHAIRMAN BALLEW: We've got you, Jim.

6 MR. CLIFFORD: Great. Very well. Thanks for  
7 the opportunity to participate, and I sure do wish  
8 I could be there in person. In my mind's eye, I  
9 imagine the auditorium at 1111 is filled with the  
10 most austere dignitaries from across tax  
11 administration, and you were kind enough to let  
12 Timur and Jared in, too --

13 (Laughter.)

14 MR. CLIFFORD: And Jared, I just wanted to let  
15 you know, despite some popular opinion, we will not  
16 ask for your firstborn in our attempts to collect  
17 your tax.

18 CHAIRMAN BALLEW: That's a relief. I've got  
19 the national taxpayer advocate here just in case.  
20 I know she's happy to take up the case.

21 MR. CLIFFORD: All right. For many years,  
22 I've had the opportunity to engage with ETAAC in  
23 many different roles. And I've witnessed how ETAAC  
24 plays a critical role in the way that we deliver

1 tax administration by informing the IRS, the  
2 Congress, the States, the various industry partners  
3 across the various segments, and most importantly,  
4 the American people on the ways in which we can  
5 improve tax administration through the responsible  
6 use of electronic technology.

7 I'm proud to work with the ETAAC members in my  
8 many roles, but probably most proud in my role as  
9 the Chair of the Security Summit. And as  
10 referenced in the report, you know the Security  
11 Summit is a consummate example of how tax  
12 administration can work when we come together. And  
13 I've always said it is a tantamount example of how  
14 a public, private partnership can work and can make  
15 Government more -- stronger and more effective in  
16 the way that we serve the needs of our citizenry.

17 In this case, in the Security Summit, we bring  
18 these partners together from all the segments that  
19 have been mentioned in our efforts to combat  
20 identity theft, refund fraud. Digital technology  
21 is a powerful tool for us in this fight, but it is  
22 also a powerful tool for the perpetrators who seek  
23 to raid our public coffers through illicit means,  
24 and in doing so, in stealing money from the United

1 States Treasury, and from the State Treasuries  
2 across the country, they're able to fund illegal  
3 and dangerous activities.

4 So, it is important that we bring to bear all  
5 of our strengths in this fight. Digital technology  
6 is a powerful tool for us, but we have a tool  
7 that's even more powerful, and it's our willingness  
8 and ability to join together, to collaborate, to  
9 share, and to combine efforts in this fight. And  
10 that is the way that we have a one up on those who  
11 seek to commit this heinous crime.

12 In the report, I love the fact that you quote  
13 from one of my favorite childhood books, The Three  
14 Musketeers, all for one and one for all. There's  
15 another phrase that I use that's very similar in  
16 spirit, we are only as strong as the weakest link  
17 in our chain.

18 So, I commend the ETAAC, the board, and your  
19 members, not only on coming together to form one of  
20 the strongest links in our chain, but in doing the  
21 hard work to ensure that all the other links remain  
22 strong and get stronger.

23 Thank you for your report, for your thoughtful  
24 recommendations, but more importantly, thank you

1 for your willingness to serve shoulder to shoulder  
2 with us in this fight. Timur, back to you.

3 CHAIRMAN BALLEW: Thank you, Jim. We've made  
4 Timur sit down talking, so you got me. You're  
5 stuck with me, Jim. But thank you so much, Jim,  
6 for your comments. We appreciate them.

7 (Applause.)

8 CHAIRMAN BALLEW: And I will just echo that.  
9 You know, this year working through our  
10 recommendations, working with your staff and your  
11 team at the IRS, Jim, we were able to deliver some  
12 recommendations for the Security Summit, and we  
13 look forward to working with you in the future as  
14 well.

15 Now, as for the main event, I want to  
16 introduce our ETAAC members as they begin to  
17 deliver the report. In studying the stakeholder  
18 feedback and establishing our report's overreaching  
19 vision based on the current tax administration  
20 landscape, we broke into three working groups that  
21 follow the taxpayer journey. This year, we had the  
22 Information Reporting Modernization, Digitization,  
23 Standardization, Information Reporting Group. We  
24 had the Filing and Income Tax Return Group.

1           And the Digitization, Business, and Human  
2 Capital Modernization Group. The reason why we  
3 broke into these three groups is our natural flow  
4 of the report is from the taxpayer's perspective.  
5 We wanted to start from the beginning when the  
6 taxpayer is starting a job, when they're applying  
7 and filling out all their benefits paperwork, when  
8 their payroll information returns are being sent in  
9 on a weekly, monthly, quarterly basis, right.

10           That's truly when the journey begins for a  
11 taxpayer, whether they realize it or not. We then  
12 move into the year when they start to collect their  
13 documents, when they start to file and prepare  
14 their returns, when they have issues after filing,  
15 or if they have questions post filing. And then we  
16 finalize it with maybe the modernization efforts,  
17 what should the IRS be looking at as far as  
18 business systems, IT infrastructure, and human  
19 capital.

20           Each group worked on recommendations that  
21 ultimately were approved by the consensus of the  
22 full committee. We will begin with three  
23 foundational recommendations as we travel along the  
24 taxpayer journey.

1           You can reference each of the recommendations  
2 on page 7 and 8 as that is the summary of our  
3 recommendations. So, with that, our first  
4 presenter today I would like to introduce Mr. Peter  
5 Barca who will be delivering recommendation one.  
6 Peter.

7           (Applause.)

8           MR. BARCA: Thank you, Mr. Chairman. And good  
9 morning. I'm Peter Barca, Secretary of Revenue for  
10 the great State of Wisconsin, and I am honored to  
11 present the first recommendation of our  
12 comprehensive ETAAC report. It's on page 18, for  
13 those of you following at home or from your office.  
14 You can follow along with all the comprehensive  
15 recommendations that we have.

16           The first one is that ETAAC recommends that  
17 Congress pass timely tax legislation and engage the  
18 IRS and key stakeholders prior to passing tax  
19 legislation. As my good colleague, Governor  
20 Barnett indicated, the foundation of the American  
21 and State tax system is voluntary compliance.  
22 However, it's very difficult for taxpayers to  
23 comply when Congress passes legislation just before  
24 the start of tax season, or worse, as has many

1 times been the case, in the middle of tax season.

2 As a former member of Congress and as a State  
3 Legislator, I know policymakers are genuinely  
4 concerned with trying to solve societal problems,  
5 and often they use the tax system, appropriately  
6 so, to accomplish these objectives. However, too  
7 often there is not the needed outreach to those  
8 involved in administering the tax system.

9 The tax ecosystem has a wide array of key  
10 stakeholders that work together very closely, from  
11 tax administrators, tax preparation specialists,  
12 software developers, financial institutions. And  
13 when this group is consulted, there's no doubt tax  
14 laws will be administered and put forward in a much  
15 more coherent fashion, and more importantly, in a  
16 timely manner, which provides a stronger chance for  
17 compliance. Throughout our ETAAC report, we have a  
18 number of important recommendations.

19 You have better collaboration between the IRS  
20 and State tax agencies. Taxpayers often do not  
21 differentiate between the two -- except in  
22 Wisconsin. They're very clued into these things.  
23 But seriously speaking, the taxpayer's goal is to  
24 comply with all tax laws to file annually in a



1 manner that does not cause them unnecessary  
2 confusion and stress. State policymakers generally  
3 like to have State tax deductions and credits match  
4 the Federal Government whenever it's not too costly  
5 or in line with State values. This is to ensure  
6 ease of compliance for taxpayers.

7       However, unlike Congress, more State  
8 Legislatures are not in session nearly as  
9 frequently, so therefore that can mean months or  
10 years in order to have IRCs being brought forward  
11 and enact their State version of the Internal  
12 Revenue codes. In Wisconsin, which is one of the  
13 more active Legislatures in the country, we're even  
14 three years behind in enacting many of the IRC  
15 codes.

16       Therefore, the degree to which Congress is  
17 mindful of State tax administration in enacting new  
18 laws on a schedule that enhances compliance, that  
19 would be vitally important. Many taxpayers,  
20 including small business owners, depend on these  
21 tax refunds each year to cover family and business  
22 expenses.

23       With late breaking tax code changes, it can  
24 delay their filing and cause a greater chance for

1 errors, which delay significantly the IRS or State  
2 agencies from processing their returns while these  
3 errors are being reconciled and the tax agency  
4 communicates with the taxpayer to finalize their  
5 filing. But the other major casualty that occurs  
6 with all of this is less trust in the tax system,  
7 which clearly affects compliance over time. That's  
8 why this recommendation is absolutely so vital.

9       Finally, there's a diminished security when  
10 you have last minute changes. Why is that the  
11 case? Because we know fraudsters are on constant  
12 alert, attempting to intercept each and every  
13 communication between tax agencies and taxpayers.  
14 Securing taxpayer information is by far one of the  
15 most important elements of tax administration.

16       Therefore, having more timely and predictable  
17 tax legislation provides all the partners in the  
18 tax ecosystem with the guidance, clarity, and  
19 certainty they need to plan and prepare for tax  
20 obligations in the most efficient and effective  
21 manner.

22       So next, I'll turn over the program to our  
23 distinguished Vice Chair, Timur Taluy, who will  
24 present recommendation number two. Timur, take it

1 away.

2 (Applause.)

3 MR. TALUY: I bet you guys thought you were  
4 done with me. For those of you following along on  
5 page 20. Okay, so this is interactive. We hope  
6 you all are doing that. Recommendation two States  
7 ETAAC recommends the IRS prioritize and allocate  
8 funding to irs.gov modernization and search engine  
9 optimization.

10 The other night I was having dinner with  
11 somebody, and they said, you know what, to find  
12 something at the IRS website, just Google it.  
13 Well, that doesn't make sense. You should be able  
14 to go to the IRS website, search on the IRS  
15 website, and find what you need.

16 Guess what? Go to the IRS website. Try to  
17 file your taxes for free with VITA. Find a VITA  
18 site. Find the free file program. Interact with  
19 the free file program. Look for an LITC center.  
20 And get help from the taxpayer advocate. You know  
21 where you have to look on the IRS website to get  
22 help from the taxpayer advocate? Under know your  
23 rights. I mean, do we have a lot of rights? I  
24 don't know.

1           But, you know, I just think that the IRS  
2 website is phenomenal. It's a wealth of  
3 information, forms, publications, access to  
4 services, the ITC assistant. It's got a wealth of  
5 resources that can help taxpayers comply and do  
6 what they need to do, but I think we need to invest  
7 -- the committee believes we need to invest in that  
8 irs.gov, improve it, make it better, and find  
9 better ways to deliver that information to  
10 taxpayers who want to voluntarily comply and do  
11 their best to get their taxes completed, and for  
12 those getting refunds, get those refunds deposited  
13 quickly to their bank accounts.

14           So, you thought you were going to lose me  
15 again, but you don't. I take recommendation three,  
16 also. Recommendation three. Mel said this is a  
17 bad idea to keep me on stage, but Jared didn't  
18 listen because he got suspended in customs. ETAAC  
19 recommends the IRS prioritize online account  
20 toolset expansion.

21           Well, as I told you, I'm a tax practitioner  
22 and a software developer. Every single person that  
23 walks in my office to get their taxes done, the  
24 first thing we do is we go online, and we get them

1 an online account.

2 (Applause.)

3 MR. TALUY: Thank you. You have the -- from  
4 front there. And we do that because you can get a  
5 transcript. You can see what's going in that  
6 person's tax history, right. As a practitioner, I  
7 have a practitioner account.

8 So given the taxpayer's consent in their  
9 online account, I can access their transcript in my  
10 practitioner account. This is amazing. Five years  
11 ago, you wouldn't think that could ever possibly  
12 happen. We need greater adoption of taxpayers to  
13 adopt taxpayer accounts, and we need to educate the  
14 practitioner community more about what that  
15 practitioner account can do.

16 And other things we do, we need that online  
17 account to provide more services. Sure, paying  
18 your taxes. See how much you owe. Getting your  
19 transcripts. These are all great things, but those  
20 accounts need to be embellished and added services  
21 to them. So, we have greater adoption, greater  
22 access to the practitioner community, and one more  
23 thing. I told you I was a software developer, too.

24 As software developers, we provide services

1 directly to the practitioners and directly to the  
2 taxpayers. The taxpayers should be able to  
3 authorize software developers to have access to  
4 those services too. Those services that are made  
5 through the online accounts, whether it's a  
6 practitioner or -- a taxpayer, should be made  
7 available computer to computer, they love it when I  
8 say API, so that we can interact with those  
9 services and deliver those services to more  
10 taxpayers.

11 Remember I talked earlier, half those  
12 taxpayers go to practitioners, half those taxpayers  
13 go online. If IRS were to enable those services,  
14 computer to computer, software developers, so we  
15 could make them available to tax preparers and  
16 taxpayers directly as a multiplicative effect of  
17 just like expanding that reach quickly and fast.

18 So, if we want adoption of services -- thanks,  
19 Courtney, for your clapping -- we enable more  
20 through the channels that touch taxpayers. And  
21 with that, I move on to my esteemed colleague, Argi  
22 O'Leary, who is out of her chair. There she is.  
23 Thanks, Argi. Come on up.

24 (Applause.)

1 MS. O'LEARY: All right. Good morning. I'm  
2 Argi O'Leary. I'm formerly a Deputy Commissioner  
3 with the New York State Department of Taxation and  
4 Finance, and currently a Principal with Ryan, LLC,  
5 which is a global tax consulting and software firm.  
6 This is my first year on ETAAC, and I want to  
7 certainly thank my fellow ETAAC members and the IRS  
8 staff. I've learned so much from all of you this  
9 past year.

10 I'll be kicking off the information reporting  
11 portion of the report in part one, and starting  
12 with recommendations four and five, which are  
13 located at pages 25 and 26 in our report. Our  
14 fourth recommendation is that the IRS provide  
15 properly authenticated third parties the ability to  
16 pull information return data on demand.

17 Information returns are the foundational  
18 documents that taxpayers need to file accurate tax  
19 returns, and that the IRS and other Government  
20 partners need to ensure timely processing and  
21 distribution of refunds. The IRS's current  
22 processes do not allow for properly authenticated  
23 third parties to access information return data in  
24 a timely manner.

1           Thus, ETAAC recommends that information return  
2 data should be retrievable via an application  
3 programing interface, or API, as Timur said, and  
4 that should be a pull on demand by the authorized  
5 user or a real time flow through process, rather  
6 than being incumbent upon an IRS push schedule.

7           The benefits of allowing for a pull on demand  
8 of information return data include allowing  
9 authorized parties, including taxpayers and their  
10 tax preparers, to schedule and retrieve information  
11 on returns and associated data in a real time  
12 fashion, which will dramatically enhance the  
13 taxpayer experience, return processing, and refund  
14 distribution. In addition, this will allow States  
15 to be in the same position as the IRS in  
16 identifying erroneous and fraudulent returns early  
17 in the filing season.

18           A pull on demand also may eliminate the need  
19 for the current combined Federal and State program,  
20 and relatedly, the need for IRS employees in  
21 multiple areas to manually produce files for State  
22 tax agency partners multiple times per year. In  
23 addition, this could eliminate redundancies for  
24 information return processors who currently use one



1 system to submit information returns to the IRS,  
2 and another system for every State, or multiple  
3 system per State in which they file information  
4 returns.

5         ETAAC recommends the IRS work in partnership  
6 with State and industry stakeholders to create a  
7 road map for future functionality. Improving  
8 access to information return data for all  
9 stakeholders will serve to enhance the taxpayer  
10 experience, improve fraud and error detection,  
11 ensure timely return processing, and reduce the  
12 burdens of compliance. Now, I'll move on to  
13 recommendation number five.

14         ETAAC recommends the IRS provide Form 1099-NEC  
15 data to the States on an expedited basis. If the  
16 IRS were unable to deliver all information return  
17 data to State tax agency partners via a pull on  
18 demand as we recommended in recommendation number  
19 four, State tax agency partners would benefit  
20 greatly from receiving electronically filed Form  
21 1099-NEC data in real time or near real time during  
22 the filing season.

23         In 2021, the IRS received nearly 70 million  
24 Form 1099-NEC filings. The recipient and the IRS

1 copy of these forms are both due on January 31st of  
2 the year following the tax year at issue. During  
3 our research, we held anecdotal meetings and  
4 discussions with State representatives to confirm  
5 the importance of receiving that 1099-NEC data in  
6 as near real time as possible.

7         ETAAC recommends the IRS work with State and  
8 industry stakeholders to establish an interim  
9 process for providing the Form 1099-NEC data to the  
10 States.

11         This would ensure the States receive the  
12 information at the same time the IRS does by the  
13 January 31st due date, and thereby reduce taxpayer  
14 burden, expedite return processing, and eliminate  
15 those manual IRS processes that entail gathering  
16 all the information and sending reports to the  
17 States after filing season has concluded.

18         That concludes recommendation five. I'll turn  
19 it over to my colleague, Jim Paille, for six.

20         (Applause.)

21         MR. PAILLE: Good morning. I'm Jim Paille.  
22 Jared made a comment about some of us being around  
23 a little bit. I'll just have to say this, that  
24 electronic when I started was a slide rule. I know

1 a few people don't even know what that even is.  
2 But that's how we used to do math. So anyways,  
3 okay.

4 I'm privilege to present recommendation number  
5 six. ETAAC recommends the IRS prioritize e-filing  
6 of all 94 series returns and enhancing duplicate 94  
7 series return processing, and this is on page 27.  
8 The IRS has a significant backlog of 94 series  
9 returns. The goal of the IRS is to reduce or  
10 eliminate all paper filings.

11 ETAAC wholeheartedly agrees with this goal.  
12 The reported highest percentage of paper returns  
13 are 94 series returns, especially 941s. Today,  
14 there is little incentive for businesses to file 94  
15 series returns electronically.

16 So, number one, ETAAC recommends that Congress  
17 introduce a regulation 94 returns consistent with  
18 the new electronic filing threshold of 10 returns,  
19 which includes W-2s, 1095s, and 1099s series,  
20 specifically the form 941, to increase electronic  
21 filings and reduce processing backlog.

22 Number two, ETAAC is pleased to see IRS tax  
23 tip that came out recently, 2023-72. That includes  
24 a mobile friendly way to file 940, 941, and 944

1 returns. ETAAC commends the IRS plan to have an  
2 easier mobile upload starting in 2024. That's  
3 right around the corner. And we look forward to  
4 engaging with the IRS on this project.

5         Number three, ETAAC recommends IRS provide a  
6 simple way for businesses to upload 94 series  
7 returns either by portal line by line input or  
8 possibly PDF upload. Number four, ETAAC recommends  
9 further a seamless electronic option for filing  
10 amended 94 series returns, especially 941s.

11         Amended 941s are very difficult to file  
12 amended electronically, but it needs to be done  
13 that way. Additionally, today there are many  
14 instances where multiple 94 series returns are  
15 filed for a single business for the same period.  
16 Tracking of these duplicate filings can be  
17 difficult for the business and the IRS.

18         ETAAC understands the IRS has a process to  
19 review duplicate submissions to determine taxpayer  
20 intent, and accordingly updates the taxpayer's  
21 account. However, the IRS might be able to  
22 eliminate human intervention by implementing  
23 automated business rules to determine which return  
24 to process.

1           ETAAC recommends the IRS enhance and automate  
2 its current mechanism for determining which return  
3 to process when duplicate, quarterly 94 series  
4 forms are submitted, especially 941. That's it.  
5 And I want to thank you. And I will present Hallie  
6 Parchman.

7           (Applause.)

8           MS. PARCHMAN: Hi, everyone. Can you all hear  
9 me? All right. If I'm too loud, just give me the  
10 word. Okay, my name is Hallie Parchman, and I'm a  
11 Senior Manager at Amazon, focused on the  
12 information reporting and withholding customer  
13 experience. Thanks for having me.

14           The first recommendation I'm going to present  
15 is recommendation number seven on page 28, which  
16 takes into consideration the IRS's constant  
17 challenge of balancing security and efficiency.  
18 User access to taxpayer account information is  
19 accomplished through power of attorney forms, of  
20 which there are several depending on what the user  
21 is getting access to.

22           These forms must be completed at the taxpayer  
23 entity level, meaning a large multinational will  
24 have to submit hundreds, if not thousands, of these

1 forms and update them as authorized users leave the  
2 company or switch roles.

3       Large businesses find it increasingly  
4 difficult to manage user access with existing  
5 tools, especially as tax departments grow. ETAAC  
6 recommends the IRS create a secure user access  
7 utility within the business online account for  
8 authenticated super users to grant and revoke role-  
9 based access to specific types of taxes by taxpayer  
10 entity with the click of a button without the need  
11 to upload a form and without requiring a signature.

12       To ensure online accounts are up to date with  
13 current authorized users, the IRS can include  
14 mandatory regular reviews whereby super users must  
15 log in and where you access permissions to confirm  
16 authorized users. Companies will no longer have to  
17 send stacks of paper for an authorized third party  
18 to sign, which is often easier said than done.

19       This will also eliminate the processing effort  
20 on the IRS side, freeing up capacity to focus on  
21 high value-added activities aimed at enforcement.  
22 We understand that some taxpayers may still prefer  
23 paper or uploading a PDF.

24       In order to ease these concerns, you can

1 implement thresholds or a sunset provision. We  
2 understand that moving to online access without  
3 signature creates some security concern. But with  
4 robust multi-factor authentication, we are  
5 confident the IRS can accomplish both efficiency  
6 and security.

7 Creating a secure user access utility within  
8 the business online account to grant or revoke  
9 access will improve both taxpayer and IRS  
10 efficiency and enhance taxpayer trust within the  
11 large business community.

12 (Applause.)

13 CHAIRMAN BALLEW: All right. We're going to  
14 go ahead and take just one break. We do have our  
15 special guest -- has arrived -- we get the words  
16 right. Commissioner Danny Werfel, I'd like to  
17 invite him to the stage, has joined us today. So,  
18 thank -- if you'll welcome the Commissioner today.

19 (Applause.)

20 CHAIRMAN BALLEW: Commissioner Werfel, we're  
21 pleased to have you today. I'll just do a quick  
22 introduction for you. All right. So, I am pleased  
23 to present today the 2023 ETAAC report to you,  
24 which provides 26 recommendations, 2 which are to

1 Congress, 3 are to Congress and the IRS, and 21 to  
2 the IRS.

3 Commissioner Werfel is the 50th Commissioner  
4 of the Internal Revenue Service, and as  
5 Commissioner, he presides over the nation's tax  
6 system, which collects approximately \$4.1 trillion  
7 in tax revenue each year, representing about 96  
8 percent of the total gross receipts of the United  
9 States.

10 Commissioner Werfel oversees an agency of  
11 about 85,000 employees and an annual budget of more  
12 than \$12 billion. Prior to becoming the  
13 Commissioner, he was the Global Leader of Boston  
14 Consulting Group, BCG, a public sector practice  
15 where he worked with the Government agencies  
16 worldwide on finance, service delivery,  
17 transformation plans, and risk assessment  
18 initiatives.

19 Before joining BCG in 2014, Commissioner  
20 Werfel served in the Federal Government for more  
21 than 15 years, including seven months as Acting  
22 Commissioner of the IRS from May to December 2013.  
23 Prior to his appointment as Acting Commissioner, he  
24 was a Controller of the Office of Management and



1 Budget, where he led the efforts across the Federal  
2 Government to improve program integrity, including  
3 all areas of financial management, financial  
4 reporting, and accounting standards.

5       During his tenure as the Controller,  
6 Commissioner Werfel assumed the responsibility of  
7 Deputy Director of Management, where he oversaw the  
8 Government wide efforts to reform and improve  
9 personnel, IT acquisition, and performance  
10 management.

11       During his OMB career, he served under nine  
12 different directors in both Republican and  
13 Democratic Administrations and held various other  
14 positions. Commissioner Werfel, I thank you for  
15 joining us today and I turn the floor over to you.

16       COMMISSIONER WERFEL: Thank you.

17       (Applause.)

18       COMMISSIONER WERFEL: Thank you, everyone. I  
19 want to welcome all the members of ETAAC and thank  
20 everyone, including the members of the public, for  
21 being here at today's meeting. This is one of what  
22 I expect to be many opportunities as IRS  
23 Commissioner to express my appreciation for the  
24 important work that ETAAC members do.

1           Of course, special thanks to Jared Ballew,  
2   Committee Chair, Vernon Barnett, and Timmer Taluy,  
3   our Co-Vice Chairs. As you're walking through my  
4   Government bio reflecting on my years in Government  
5   both here and at the Office of Management and  
6   Budget, I learned the importance that Federal  
7   Advisory Committee Act, or FACA, panels like this  
8   one play in helping drive better Government.

9           And here for the IRS, ETAAC brings such a  
10   critical perspective, both in the traditional areas  
11   of focus, electronic filing and online services,  
12   but also and importantly in the security issues  
13   that you have supported in the work related to our  
14   ongoing Security Summit effort. This today is a  
15   very exciting time to be working at the Internal  
16   Revenue Service.

17           We have an opportunity to transform the IRS as  
18   a result of the funding that has been provided by  
19   the Inflation Reduction Act. And it is not an  
20   endeavor that we can do alone. We will need  
21   collaboration, advice, feedback, and I think we are  
22   going to rely heavily on ETAAC and our other  
23   advisory panels to partner with us on this  
24   critically important moment for this critically

1 important organization.

2 As I think many of you know, we are already  
3 off and running in terms of making the types of  
4 improvements that the Inflation Reduction Act  
5 opened up for us to do. In particular the filing  
6 season that we had in 2023 was starkly different  
7 and much improved from the filing season that  
8 predated the Inflation Reduction Act.

9 Using the Inflation Reduction Act funding, we  
10 hired more than 5,000 additional phone assisters,  
11 which helped lead us to a full level of service of  
12 85 percent during the filing season with a wait  
13 time, an average wait time of under 3 minutes.

14 We answered 7 million calls to taxpayers  
15 through last filing season, which is 2.7 million  
16 more than the previous filing season. We had our  
17 taxpayer assistance centers or walk in centers up  
18 and running, more open, more fully staffed, and as  
19 a result, we had more than 500,000, more in-person  
20 contacts this past filing season than the previous  
21 one. That's a 30 percent increase.

22 And we have expanded our digital scanning  
23 efforts, which helped us speed up the processing of  
24 our paper returns. So bottom line is, we're using

1 the Inflation Reduction Act funds to make immediate  
2 and meaningful differences in how we serve  
3 Americans that are working through meeting their  
4 tax obligations. And we're doing this on the  
5 phone, online, and in person.

6 And it was a great start, but we have so much  
7 more to do. There are numerous improvements that  
8 are long overdue, that we are making to IRS  
9 operations that the Inflation Reduction Act  
10 positions us to be able to do. And I've been  
11 getting questions about the recent legislation that  
12 scaled back some of the Inflation Reduction Act  
13 funds.

14 Even with the reduction, the IRS still has  
15 significant resources, new resources available, to  
16 make lasting improvements. And so, I remain  
17 energized and optimistic and focused on driving the  
18 improvements that taxpayers need to navigate the  
19 very complicated tax code that we have and the  
20 various complicated tax system that they operate,  
21 and we all operate within.

22 Now, while we're working to transform the  
23 agency, we also have other things to do to run the  
24 day, daily train schedules, and that means

1 protecting one of the things we need to do and not  
2 take our eye off the ball on is protecting  
3 taxpayers and the tax system from the crime of  
4 identity theft.

5         And as ETAAC members well know, the Security  
6 Summit and the Information Sharing and Analysis  
7 Center, or ISAC, are initiatives that have been  
8 tremendously successful and impactful due to the  
9 collaboration among the partners representing State  
10 tax administrators, as well as the private sector  
11 tax industry and tax professionals.

12         And over the past several years, Summit  
13 partners have made great and important strides in  
14 detecting and preventing tax fraud related to  
15 identity theft. And there are numerous  
16 accomplishments of the Security Summit.

17         In fact, the Treasury Inspector General for  
18 Tax Administration, or TIGTA, recently noted the  
19 progress that IRS is making. In May, TIGTA  
20 released a report saying that the IRS, "continues  
21 to increase the number of fraudulent tax returns  
22 detected and stopped from entering the tax  
23 processing system, and that prevents the issuance  
24 of fraudulent refunds associated with those

1 returns."

2       And yet, while we've made progress, just like  
3 we did in the last filing season, there is many,  
4 many challenges ahead and those challenges are  
5 emerging quickly. We have to stay current. We  
6 have to find new ways to thwart identity thieves.  
7 Even now, there are too many individuals, business  
8 and tax professionals, who are victimized by scams  
9 and schemes related to identity theft.

10       Identity thieves are evolving, and we must as  
11 well. And I want to go back to the importance of  
12 the Inflation Reduction Act, providing much needed  
13 funding for the IRS after years of underfunding.  
14 The types of things that we want to do with those  
15 funds is not only to improve service for taxpayers  
16 at our walk-in centers, on the phone, and online,  
17 but also to lean in more and more to help prevent  
18 the tax scams that are out there that are resulting  
19 in victims across the U.S.

20       We want ETAAC ideas for how to strengthen our  
21 work here on security, on cybersecurity, on  
22 combating artificial intelligence as it's used  
23 offensively by unscrupulous individuals to defraud  
24 the tax system or to victimize taxpayers. And I

1 look forward to hearing the recommendations you are  
2 presenting today. I appreciate the hard work  
3 throughout the year by ETAAC members to develop  
4 this important report.

5 I deeply, on behalf of the IRS, appreciate  
6 ETAAC service to our tax system and to America's  
7 taxpayers, and I am very much looking forward to  
8 working with you throughout my tenure as the IRS  
9 Commissioner.

10 And with that, I look forward to hearing more  
11 about the report. Thank you.

12 (Applause.)

13 CHAIRMAN BALLEW: Thank you, Commissioner.  
14 It's heartening to hear the IRS's commitment and  
15 dedication to not only the taxpayers, but to  
16 strengthening the bonds of these stakeholders which  
17 deliver the tax system, or season, to each and  
18 every taxpayer throughout the year.

19 So, it's heartening to hear that, and we look  
20 forward to delivering these recommendations to you  
21 today. With that, we're going to continue our  
22 recommendations. And next, I would like to bring  
23 up Sherice McCarthy Hill. She'll be delivering our  
24 next recommendation. Oh, Hallie -- Hallie's got

1 another one, I take that back. Hallie Parchman.

2 MS. PARCHMAN: Sorry, y'all. I'm back. You  
3 all thought you were done with me. All right, mic  
4 is good. Okay, so the next recommendation I'm  
5 going to be making is recommendation number eight,  
6 which is on page 29, which is on everyone's  
7 favorite topic, the Form 1099-K.

8 The 1099-K is challenging for a number of  
9 reasons, the most recent of which has been solved  
10 by reducing the threshold to \$600 to better aid in  
11 enforcement and to help close the tax gap.  
12 However, by solving this problem, an entire host of  
13 others will arise. And we recognize the IRS is  
14 currently trying to preempt the problems with  
15 proactive solutions. The 1099-K continues to be  
16 problematic for two main reasons.

17 The first is it applies to a broad range of  
18 payment card and third-party network transactions.  
19 And second, it requires information return filers  
20 report on adjusted gross sales without regard to  
21 any adjustments. This makes it difficult for  
22 taxpayers to accurately report amounts on their  
23 return and difficult for the IRS to reconcile  
24 amounts reported versus the income on the return.



1           The threshold reduction and associated  
2 increase in the number of forms filed will only  
3 exacerbate the administrative burden on the IRS and  
4 enforcing compliance. Thus, ETAAC proposes the IRS  
5 update Form 1099-K to add transaction type codes  
6 similar to the W-2 to accurately reflect what the  
7 amounts represent.

8           Examples might include online marketplace  
9 sales of goods and services, fees paid in relation  
10 to online marketplace sales of goods or services,  
11 refunds paid in relationship to online marketplace  
12 sales of goods and services, reimbursements, and  
13 the list goes on. Additionally, for each code, the  
14 IRS can provide explicit instructions to taxpayers  
15 on where to report this information on the return.

16           You might be thinking that adding codes to the  
17 1099-K might have the opposite result than that  
18 intended, that it might make the filing process  
19 more complex. Given the success and ease of W-2  
20 compliance, if stakeholders are given time to  
21 prepare, we are confident you will see success as  
22 well.

23           Save for changing what does and does not get  
24 reported on the 1099-K or creating separate forms

1 for different transaction types, we believe this is  
2 the best option. Adding codes to the 1099-K will  
3 enable taxpayers to easily and accurately file  
4 their returns, improving the taxpayer experience,  
5 enable software providers to automate the ingestion  
6 of Form 1099-K, and enable the IRS to automate the  
7 reconciliation of 1099-Ks to income tax returns by  
8 deploying cutting edge technology aimed at  
9 enforcement.

10 And with that, I will pass it to Austin to  
11 present recommendation number nine. Thank you.

12 (Applause.)

13 MR. EMEAGWAI: Thank you, Hallie. My name is  
14 Austin Emeagwai. I'm a CPA from the great State of  
15 Tennessee. I want to first of all, thank the chair  
16 of this committee, vice chairs, subcommittee chairs  
17 for the wonderful job that you all have done. I  
18 have not worked with a group of professionals who  
19 are so dedicated to doing the business of the  
20 country.

21 (Applause.)

22 MR. EMEAGWAI: They are so passionate. And  
23 what I can take out of these is efficiency and  
24 effectiveness. You've got to have a balance. As

1 an accountant, it is very important in auditing  
2 because you can audit too much or audit too little.

3         These people have a wonderful balance, and I'm  
4 not saying this because the Commissioner is here.  
5 I did not write my speech, so you all think I'm  
6 trying to brownose. Also, the support staff, they  
7 have been wonderful. I mean because getting around  
8 this building alone, sometimes you need an escort.  
9 One time, you have to go to -- I was told that we  
10 have a big cafeteria. I head South with the Census  
11 Bureau as an Adviser. I used to enjoy just going  
12 to the meeting because of the food.

13         So, I was so happy when I was nominated, and I  
14 said, where is the cafeteria? They said, the  
15 cafeteria is closed. I said, what do you mean the  
16 cafeteria closed, right. You have to put money to  
17 get your coffee and scanning them like -- but they  
18 were very helpful, so that's -- and I'm going to  
19 make, my recommendation is number nine, from page  
20 31 to 32 of your book.

21         And it says that ETAAC recommends the IRS  
22 educate taxpayers and payers on the information  
23 reporting and filing obligation to increase  
24 compliance and aid enforcement. So, the U.S. tax

1 landscape has changed as to W-2.

2       It used to be you get a job, you get a W-2,  
3 you file, your taxes will be so easy. You do get  
4 your mortgage interest, but that's not that  
5 anymore. Most people are now working for other  
6 companies that give them a 1099 because they are  
7 contractors, and they do not deduct taxes from  
8 their earnings, so they have to be responsible of  
9 filing their own taxes.

10       So, this gives rise to a lot of 1099 in the  
11 system, which is a good thing because it expanded  
12 the tax base. 20 years ago, we didn't have  
13 companies like Uber, Uber Eats, Instacart,  
14 DoorDash, GrubHub. These guys are -- because -- we  
15 tell you what they do, but they are making a lot of  
16 money doing it. And I always enjoy when people  
17 say, I started my business in the basement of my  
18 parents' home. That's just so wonderful. That  
19 means you're going to have less costs.

20       But this has also presented some challenges.  
21 Also, COVID-19, which was so sudden. I'm also in  
22 academia. I would remember when -- I remember when  
23 I received an email that says, go home, don't talk  
24 to any student, don't meet student anywhere. You

1 are going to be teaching with Teams. I never heard  
2 of Teams, if I'm being honest with you -- Microsoft  
3 Teams. But we went through that. But this also  
4 gave rise to some more people being very ingenuous  
5 in doing whatever they do.

6 So, we have people who make a lot of money  
7 today as content creators. They get a 1099. So,  
8 it's a good thing that we have the 1099-K. It's a  
9 very good thing. Most of these companies are  
10 raking in billions.

11 The issue with it is that the amount reported  
12 on a schedule C by a taxpayer may be less than the  
13 amount of a 1099-K, and this might trigger a  
14 compare and prepare, which is CP notice to  
15 taxpayers. It brings undue burden on taxpayers,  
16 and ETAAC anticipates the complexity associated  
17 with the 1099-K to lead to an increased number of  
18 CP notices to taxpayers, an unnecessary taxpayer  
19 burden that is likely to disproportionately impact  
20 the low-income taxpayers, okay.

21 Knowing this group, this is a concern for them  
22 because I know -- well, I'm from Tennessee. We do  
23 not have a State income tax. We have franchise and  
24 excise tax for corporations. When my clients get a

1 CP notice, they get scared. I mean, it's sometimes  
2 like ten pages and they get a duplicate, and  
3 somehow they will make a mistake and say, well, I  
4 got something from the State. It's not from the  
5 State, but I have to help them. So let me give you  
6 an example.

7 A beautician received a 1099-K, which include  
8 gross income from her sales, which is taxable, but  
9 she also received proceeds from the sale of  
10 furniture at a loss, which is a non-taxable event.  
11 She gets a 1099, did not include which it shouldn't  
12 include, the proceeds from the sell of furniture.  
13 Now, she's going to receive a CP -- whatever number  
14 she receives, and she's going to be scared.

15 So that is what we are trying here to prevent.  
16 We -- ETAAC anticipates that the complexity  
17 associated with 1099-K will lead to increased -- I  
18 already talked about that. So now, where do we go  
19 from here? We have a few suggestions. We already  
20 talked about education. Now, we want the IRS,  
21 Treasury Department, and Congress to come together,  
22 if it's possible. Come together and design a  
23 comprehensive way to back out nontaxable proceeds,  
24 gross proceeds from 1099-K.

1           Either on a manual return they have a line or  
2 a schedule to do that. Because taxpayers are very,  
3 very terrified about this discrepancy. So, to go  
4 through my recommendation again, ETAAC recommends  
5 the IRS educate taxpayers and payers on their  
6 information filing obligation and reporting  
7 requirement, because this will increase compliance  
8 and will also aid enforcement.

9           Now, I will introduce Ms. Sherice who will  
10 come next. Thank you all for your time.

11           (Applause.)

12           MS. MCCARTHY-HILL: Hello, everyone. Thanks,  
13 Austin. I am Sherice McCarthy-Hill, and I'm here  
14 today to go over recommendations 10 and 11.  
15 Despite the fact that many of the third-party  
16 platforms available to gig economy workers are  
17 available to nonresidents of the United States,  
18 many information return filers are unaware of their  
19 1042-S filing obligations to nonresidents.

20           The requirements to withhold on U.S. source  
21 payments -- sorry, I need my glasses. Made to  
22 nonresidents and most importantly, the need to  
23 collect IRS W-8 series forms from all nonresidents.  
24 Given most nonresidents do not file U.S. tax

1 returns, and the information returns are the  
2 mechanism for enforcement, this results in a tax  
3 gap. Recommendation number 10, which is listed on  
4 page 33.

5       ETAAC recommends the Internal Revenue Service  
6 prioritize educating payers and nonresidents  
7 withholding and 1042-S filing obligations. The IRS  
8 should broaden and continue its campaign to  
9 identify 1042-S filers to inform them of their  
10 obligation and to add these educational materials  
11 to the small business pages on the IRS website.

12       This will enable information return filers to  
13 be compliant, thereby preventing 1042 audit.  
14 Enable nonresidents to have a record of their U.S.  
15 sourced income to claim a foreign tax credit or  
16 receive a tax refund, and work to reduce the  
17 overall tax gap, while increasing voluntary tax  
18 compliance.

19       As the economy becomes more and more digital,  
20 identity theft fraud continues to rise.  
21 Recommendation number 11, which can be found on  
22 page 34. ETAAC recommends the Internal Revenue  
23 Service should continue to reduce identity theft  
24 fraud by increasing transparency between



1 information return stakeholders and the IRS.

2 Many taxpayers are unaware of their stolen  
3 identity until they receive a CP notice from the  
4 IRS, often the results of an information return  
5 file under taxpayer's name or tax ID for amounts  
6 not earned. First, enable bilateral communication  
7 and notification of identity theft between payers  
8 and IRS by enhancing the free IRS TIN matching  
9 services, API, and one time, to include an identity  
10 theft flag or name or TIN combinations to enable  
11 payers to stop identity fraud before it starts.

12 Secondly, the IRS should specify additional  
13 KYC procedures for payers to implement a vendor  
14 onboarding when a name or TIN combination has a  
15 flag for identity theft, such as the collection of  
16 additional substantiating documents proving  
17 identity.

18 With that being said, enabling an electronic  
19 submission could pave the way for electronic  
20 processing time. This will minimize the risk of  
21 identity theft from being a multi-year tax issue,  
22 reduce the tax gap, and improve identity theft  
23 process by reducing necessary investments. Thank  
24 you. Next, I have my fellow committee member, Rob.

1 (Applause.)

2 MR. GETTEMY: Good morning. Thank you,  
3 Sherice. I'm Rob Gettemy from the great State of  
4 Iowa. I spent several years in the tax software  
5 industry and am now in academics as an instructor  
6 at the University of Iowa, where I teach  
7 entrepreneurship and capitalism. So, my  
8 recommendation is recommendation number 12 on page  
9 35.

10 The ETAAC recommends the IRS make tax  
11 information documents digitally available in real  
12 time, empowering taxpayers to easily export their  
13 tax data into their third-party tax software. The  
14 IRS has all the data that is required for the tax  
15 return, all of the sourced documents, all of the  
16 information returns.

17 And the problem is they don't make it  
18 available to the taxpayer in their IRS account  
19 until sometime after the tax season. They also  
20 don't make it available in a way that the  
21 taxpayer's software or tax preparer can ingest that  
22 data into the tax return.

23 And so, it makes it -- it creates a problem in  
24 terms of time to file, in terms of accuracy, in

1 terms of enabling fraud, and really in terms of the  
2 overall tax filer experience, which is diminished  
3 because of this challenge. So, the solution is  
4 pretty straightforward. I think everybody  
5 understands it.

6 All tax documents created by information  
7 returns should be made immediately available in the  
8 IRS account, and they should be available in a way  
9 that can be ingested into the tax filer's software  
10 of choice or tax preparation method of choice. The  
11 benefits are clear. It would result in increased  
12 accuracy. It is pretty easy to miss type something  
13 when you're completing your tax return by hand. If  
14 it's ingested, it's always accurate.

15 Streamlined processing for the IRS. Far fewer  
16 returns would have problems, which means there  
17 would just be simply less processing time related  
18 to errors. Certainly, a higher tax filer  
19 confidence in the filing process.

20 One thing I saw over the years in the tax  
21 software industry is many tax filers who are  
22 capable of understanding the tax process at some  
23 point lose confidence because of the difficulty of  
24 going through the process. This would eliminate or

1 at least minimize that. And of course, we talked  
2 earlier about the IRS handling more calls.

3 I think you mentioned 85 percent. Well, if we  
4 could reduce those calls instead of simply add more  
5 people, it would make the IRS much more efficient  
6 and much more cost friendly to the American  
7 taxpayers.

8 Tax filing companies, as well as financial  
9 institutions, have developed tools to quickly move  
10 and share data appropriately and securely to make  
11 their customers' daily interactions much easier.  
12 The IRS and the tax filing ecosystem need to do the  
13 same thing.

14 Thank you so much. I'm going to now turn it  
15 over to Eric Inkrott.

16 (Applause.)

17 MR. INKROTT: All right. Good morning,  
18 everybody. My name is Eric, and this is my third  
19 year on ETAAC. And as my final report, I want to  
20 take a quick minute to say some thank you's. I  
21 know ETAAC gets thanked a lot for our volunteer  
22 work, our time and commitment, but it goes without  
23 saying that the IRS and stakeholders that we  
24 interact with throughout our tenure here are

1 unbelievable.

2       The passion, the commitment to what they do,  
3 answering our very stupid questions most of the  
4 time, right, to try and understand what is  
5 happening so we can make these recommendations.  
6 So, thank you to John, Alec, Mel, thank you so much  
7 for your leadership as well, and really appreciate  
8 everybody's help.

9       All right, with that said, we're going to move  
10 on to recommendation number 13, which is on page  
11 37, if you're following along here. And this one  
12 is -- kind of goes with the same flow we've been  
13 talking about here. ETAAC recommends increasing  
14 electronic filing rates and enhancing paper  
15 processing -- duh, right.

16       So really what we're talking about here, if  
17 you remember what Timur said earlier, when CERCA  
18 and ETAAC were originally started up, the baseline  
19 for e-filing was 80 percent. The latest report  
20 from the IRS for individual filing is we've blown  
21 through 95 percent now, which is outstanding. So  
22 first of all, congratulations to the IRS and the  
23 tax industry for such a great milestone and  
24 commitment to those efforts.

1           Now with that -- so why are we talking about  
2 this today? The reason is we all know there's a  
3 small percentage of tax filers that will always  
4 want to file by paper. That's not who we're  
5 talking about here. We're talking about everybody  
6 who wants to file electronically but still cannot.

7           And as you we know, right, and Rob just  
8 mentioned it too, higher accuracy when you e-file,  
9 quicker processing time, less frustration, but also  
10 think about it from an expense standpoint, right.  
11 As you'll see in our report, paper filing costs  
12 over \$7 to process. E-filing is \$0.28. Huge  
13 difference, right.

14           So, as we think about cost savings to our  
15 country and the impact to our revenue, that's what  
16 we're talking about here. So, the recommendation  
17 from ETAAC here is simply to figure out what are  
18 the barriers that still not allow people to fully  
19 e-file. A lot of times somebody e-files, it gets  
20 rejected, and the only way to correct that error is  
21 you have to now paper file, right. We need to  
22 solve for those.

23           We also know there are several forms still not  
24 available that cannot be e-filed. We need to solve

1 for that. So, the first recommendation is, let's  
2 figure out what those barriers are and let's put a  
3 team together to figure out how do we resolve for  
4 those. Secondly, we need to continue investing in  
5 scanning, right.

6 For those that do file by paper or those that  
7 can't file electronics for whatever reason, we have  
8 to continue with digitizing that information to  
9 improve the accuracy and timeliness as well. And  
10 then Jim mentioned also business returns. Business  
11 returns actually have a higher degree of barriers  
12 than individual returns, right.

13 So, we need to start focusing and putting some  
14 effort around that scope of the issue as well. All  
15 right, moving on. Jared mentioned earlier today  
16 that transparency was one of the key pillars to  
17 taxpayer trust, right. You've heard the word  
18 transparency a lot today. This recommendation goes  
19 exactly to the core of that and is really a  
20 continuation from prior year reports as well and  
21 continues to build on that theme.

22 So, if you're following along on page 38,  
23 ETAAC recommends the IRS enhance transparency in  
24 tax return processing and tax issue resolution,

1 okay. So, the IRS made great strides in getting  
2 more information out to the taxpayers.

3 If you think about where's my refund, the  
4 online account we've been talking about, there's a  
5 lot of great information out there, but there's  
6 still a lot of information that's missing,  
7 especially around the status of your return, where  
8 it is in the processing, and were you notified of  
9 this? You got a letter?

10 So, the recommendation here is to increase  
11 transparency even more than we have today,  
12 improving taxpayer trust. Also, part of this is,  
13 and Timur mentioned it as well and a couple others,  
14 how do we get more information to the tax  
15 professionals and the tax software so they too can  
16 better serve their client and the taxpayer, right.  
17 So, the taxpayers first call is not to the IRS, but  
18 it's to their tax professional or whoever else can  
19 help them because they have now all the  
20 information.

21 So, the recommendation is to enhance where's  
22 my refund to expand on the information that's  
23 provided there. Same thing with the IRS online  
24 accounts, provide additional information in regards



1 to the processing status, refunds, timing,  
2 communications, and so forth. If you think about -  
3 - I'm from the financial industry, so I love using  
4 banks as an example, right. Think about all the  
5 information your bank provides you. Every time you  
6 swipe your credit card, you get a notification.

7 Every time you deposit a check, you get a  
8 notification, right. There's no reason that from  
9 an IRS standpoint, we cannot have that same  
10 transparency, okay. All right, moving on.

11 Recommendation number 15 on page 42.

12 And Terri. We're did Terri go? Terri left.  
13 Oh, you moved on me. I got you. You'll love this  
14 one, Terri. ETAAC recommends the IRS deploy a  
15 public facing dashboard with key customer service  
16 and processing metrics. So, as we all know, and  
17 even the Commissioner said it this morning, the IRS  
18 has had a fantastic filing year, between the call  
19 center metrics, the processing metrics, right, but  
20 too often, social media is the one that's telling  
21 the story, right.

22 A lot of times the story's not even correct.  
23 So, the thought here is for the IRS to have a  
24 dashboard that all taxpayers can view that would

1 have some of the key metrics around call center  
2 stats, processing time, maybe what the best time to  
3 call would be, right.

4       So again, being proactive with our outreach  
5 communication so taxpayers know what to expect.  
6 The beginning of this year, if a tax professional  
7 had to call the IRS, I guarantee you they went into  
8 a thing, I'm going to be on hold for at least 2  
9 hours, right. Guess what, they weren't, and they  
10 were very surprised about that, which is fantastic,  
11 but again, what can we do to proactively send those  
12 messages forward, okay.

13       And with that said, I'm going to turn it over  
14 to my great friend and colleague from California,  
15 MR. Carlos Lopez.

16       (Applause.)

17       MR. LOPEZ: Good morning, everyone. Let me  
18 pull up my document here. So, I will be presenting  
19 recommendation number 16, third party designee,  
20 which you will find on page 42. ETAAC supports the  
21 IRS's decision to automate taxpayer contact with  
22 the service through online applications.

23       This process will take a few years to  
24 accomplish since the current culture is to call the

1 IRS for problem solving, copies of tax returns,  
2 etcetera. What we are recommending is a transition  
3 process to accomplish this goal. The third party  
4 designee on the 1040 allows the taxpayer to  
5 designate anyone or any entity to be able to  
6 contact the IRS on behalf of the taxpayer and  
7 discuss how the tax return was prepared. There are  
8 no representation rights, and the designee has a  
9 limited time to contact the IRS, which is one year  
10 from the due date of the tax return with no  
11 extensions.

12 Our members, as well as practitioners in our  
13 own offices, have had many personal experiences  
14 with IRS employees who do not understand that the  
15 date the return was processed does not terminate  
16 the third party designee.

17 The IRS needs to review their policy and  
18 define what is part of the processing of the tax  
19 return. What happens to a tax return when the IRS  
20 issues a CP2000? In most cases, the tax return  
21 needs to be reprocessed. The CP2000 is usually  
22 issued a year or two after the original due date of  
23 the tax return.

24 The third party designee authority does not

1 permit the tax pro or the designee to speak to the  
2 IRS on the taxpayer's behalf without a power of  
3 attorney Form 2848 being on file because the IRS  
4 considers the tax return processed. The third  
5 party designees ability to assist is unnecessarily  
6 limited by an IRS policy that needs to be updated.

7       In this scenario, the taxpayer will need to  
8 have to file a paper power of attorney and wait for  
9 the IRS to process it, when a simple phone call  
10 could solve the issue. We recommend when a tax  
11 return needs to be reprocessed, the one-year clock  
12 for the third party designee starts again. Also,  
13 ETAAC recommends adding a new box on the 1040 with  
14 a line for the CAF, the centralized authorization  
15 file number to be entered.

16       This will indicate to the IRS the third party  
17 designee is a credentialed tax practitioner and can  
18 be allowed to have a limited representation rights  
19 during the one year period only. The IRS also --  
20 and I've been to several meetings where the IRS has  
21 asked industry to help them market the taxpayer  
22 online account.

23       How about we recommend the IRS add a single  
24 line on the 1040, which States or has a message,

1 click or go to this URL to safely create an online  
2 account that will go out to 130 million taxpayers.  
3 So, in summary, these recommendations from ETAAC  
4 could Segway a process for the IRS to integrate  
5 Form 2848, power of attorney, and Form 8821, tax  
6 information authorization, into the electronic  
7 filing process through the modernized e-file  
8 platform.

9       Currently, these forms are great tools to  
10 assist the taxpayer. However, they need to be  
11 either mailed, faxed, or submitted through an  
12 online account separate from the tax return. Our  
13 next recommendation, number 17, I will share with  
14 my esteemed colleague Jerry Gaddis, an enrolled  
15 agent.

16       I'll start the presentation and Jerry will  
17 take over. I've been preparing tax returns since  
18 1983 in Salinas, California. We are a heavily  
19 agriculturally based business community, which  
20 means we have many immigrants and Spanish speaking  
21 fieldworkers.

22       Many of these workers have no idea of the tax  
23 system, speak very little, if any, English, and  
24 leaves them vulnerable to bad actors. How does

1 Congress and the IRS regulate non credentialed paid  
2 tax return preparers who are not bound to ethical  
3 standards set forth in Circular 230? The IRS  
4 started to regulate not credentialed paid tax  
5 preparers in 2010 and 2011 with a program called  
6 the Registered Tax Return Preparer.

7       This was suspended with the Loving case in  
8 January of 2013. It was determined that only  
9 Congress has the authority to authorize the IRS to  
10 regulate paid tax return preparers. The IRS does  
11 see the need for consistency, ethical behavior, and  
12 regular updates. We began Latino Tax Pro in 2009  
13 to represent Spanish speaking tax return preparers  
14 before the IRS, who were audited for preparing  
15 large number of tax returns with questionable  
16 earned income tax credit, other refundable credits,  
17 and misclassification of head of household  
18 statuses.

19       We quickly discovered that many of these  
20 prepares were not intentionally preparing  
21 fraudulent returns. They simply were not trained.  
22 Many of them had no more training than the short  
23 time they spent working at a tax preparation firm  
24 for a single tax season. They could then buy a

1 computer system, software, get a business license  
2 most of the time, and start preparing tax returns.

3 To get a haircut, your barber or beautician  
4 needs to be licensed by their State. There are  
5 currently only seven States that regulate paid tax  
6 return preparers. The IRS has started a voluntary  
7 annual filing season program, which consists of 10  
8 hours of tax law, 2 hours of updates, and a 6-hour  
9 annual Federal tax refresher open book test with  
10 100 questions and a 3-hour time limit. In our  
11 surveys amongst our members, we have discovered  
12 that the vast majority of tax preparers want to do  
13 the right thing.

14 They want to complete continuing education.  
15 However, they feel that once they have successfully  
16 completed the 12 hours of continuing education,  
17 there is no need for a test. The IRS estimates  
18 that only 8 percent, or 68,000, of the over 752,000  
19 active preparer tax identification number PTIN  
20 holders have completed the IRS AFSP.

21 ETAAC believes that most non-credentialed paid  
22 tax return preparers do not understand the  
23 importance or value of the IRS AFSP program. I am  
24 now going to turn the balance of this

1 recommendation over to my esteemed colleague, Jerry  
2 Gaddis. Thank you.

3 (Applause.)

4 MR. GADDIS: Good morning. As Carlos said, my  
5 name is Jerry Gaddis. I'm an enrolled agent in  
6 private practice in Florida, and we are here to  
7 talk about return prepare oversight. It is  
8 honestly a nightmare out there for consumers who  
9 want to find a qualified tax professional.

10 There's very little knowledge of the fact that  
11 the industry is unregulated and that when you walk  
12 in somewhere to get your taxes done, you assume the  
13 person behind the desk knows what they're doing,  
14 and that's not necessarily the case.

15 As Carlos mentioned earlier, your barber  
16 probably has a license to practice. Depending on  
17 where you live, your manicurist. Your florist,  
18 maybe your pool boy, all require licenses to  
19 practice. For tax repair, probably not. Not  
20 necessarily the best thing for consumers.

21 That means no barriers to entry, no competency  
22 testing, no continuing education, no ethical  
23 requirements, all from a person you give all your  
24 personal financial information to. Doesn't really



1 make sense. With more than half of the tax returns  
2 filed each year submitted by paid preparers, this  
3 lack of regulation complete -- creates confusion in  
4 the marketplace.

5 A recent report by the National Taxpayer  
6 Advocate suggests that uncredentialed preparers may  
7 make more errors on returns than those with  
8 credentials. And at the moment, the IRS lacks the  
9 authority to do anything about that.

10 Therefore, ETAAC recommends Congress grant IRS  
11 the legal authority to regulate all paid tax return  
12 preparers by establishing minimum competency  
13 standards and having the ability to remove  
14 incompetent and unscrupulous tax return preparers  
15 from the system.

16 On page 45 of our report, specific methodology  
17 is laid out to accomplish these goals. And one  
18 thing to consider here is that because voluntary  
19 competency testing does exist, if the Congress gave  
20 the IRS the right to do this, they wouldn't be  
21 starting from scratch, through things like the old  
22 RTRP exam, the special enrollment exam, even the  
23 VITA exam.

24 There are things in place to test competency,

1 so this was a recommendation that would not  
2 necessarily be hard for the IRS to get up and  
3 running since so many of the tools are already in  
4 place. And with that, I'd like to turn the  
5 microphone over to my friend Andy Phillips.

6 (Applause.)

7 MR. PHILLIPS: Hello, everyone. My name is  
8 Andy Phillips. I work for H&R Block, but here  
9 today I'll be representing ETAAC, like every other  
10 member who has spoken or will speak later. You  
11 know, I have the pleasure of covering the next  
12 three recommendations, all of which deal with free  
13 tax return filing options, both do it yourself and  
14 assisted. These recommendations start on page 46.

15 You may look at these recommendations and say,  
16 these are some pretty hot ones. You know, how did  
17 Andy get the opportunity to get to speak on these?  
18 And yes, you are correct that I drew the short  
19 straw. And here I am today covering these topics.  
20 Just kidding -- just kidding. So just dive in and,  
21 you know, I'll try to catch us up. I'm a fast  
22 talker, but hopefully you all will follow me.

23 So, with the Inflation Reduction Act that was  
24 passed last year, the IRS received \$15 million to

1 fund a task force to study the feasibility, cost,  
2 and taxpayer attitudes towards a free direct file  
3 system with the IRS.

4 The IRS was to create a report based on that  
5 study. That report was released in mid-May. And  
6 what that report found was, yes, there is some --  
7 there is taxpayer interest in this option. There  
8 are also operational challenges and meaningful  
9 complexity to overcome to make it work.

10 Ultimately, the report did not necessarily  
11 reach a conclusion on whether or not the IRS should  
12 move forward. However, coinciding with the release  
13 of that report was a request from Treasury  
14 Secretary Yellen for the IRS to pursue a limited  
15 pilot ahead of next tax season. So that's kind of  
16 the context before I dive into that more deeply in  
17 the associated recommendations.

18 And I just want to take a minute, a few  
19 minutes to discuss the free filing options that  
20 exist today, and a specific recommendation related  
21 to one of those. So, the free file alliance is the  
22 existing free tracks preparation program that most  
23 closely resembles the direct file concept that's  
24 being envisioned today. It's DIY and it's free.

1           The Free File Alliance is a coalition, a  
2 nonprofit coalition of -- let me catch up -- of  
3 several tax software companies who have partnered  
4 with the IRS to provide eligible taxpayers with the  
5 ability to file a DIY tax return for free. While  
6 the program is available to taxpayers of all  
7 complexity levels, there is a limitation based on  
8 income. It's adjusted for inflation each year.  
9 But the goal is that up to -- you know that 70  
10 percent of taxpayers will be eligible to file with  
11 that program.

12           So, in addition to offering the ability to  
13 file a Federal tax return, the existing free file  
14 program offers the ability to file all State  
15 returns as well. You know, ETAAC concluded in our  
16 report is that State tax filing integration is a  
17 key component of any successful filing system. It  
18 helps simplify the filing experience for taxpayers.

19           It also helps reduce or prevent unintentional  
20 noncompliance by taxpayers who are not able to, you  
21 know, easily and naturally distinguish between  
22 their Federal and State tax filing obligations or  
23 the filing experience. And so, as the ETAAC report  
24 lays out, the primary criticism leveled at the free

1 file program today is the lack of uptake. For  
2 example -- I should say lack of uptake compared to  
3 the eligible population.

4 So, for example, in 2018, just under 3 million  
5 taxpayers used the program. That's out of 104  
6 million eligible taxpayers. While the ETAAC  
7 believes that viewing this figure in isolation, you  
8 know, without more analysis included of taxpayer  
9 preference or choice in the manner they choose to  
10 file, may lead to an inaccurate conclusion on the  
11 success of the program, ETAAC also believes there's  
12 opportunity to better promote the availability of  
13 this program.

14 Therefore, ETAAC recommends that Congress  
15 appropriate funds to IRS, to market the  
16 availability of the free file program, and ETAAC  
17 encourages the IRS to use those funds and any other  
18 avenues they have available to bring more awareness  
19 to more taxpayers of this valuable free filing  
20 option. And so now we'll move forward to the next  
21 section of the ETAAC report dealing specifically  
22 with direct file, when you start focusing on the  
23 potential cost of such a program.

24 So as the recently published Direct File

1 Report indicates, developing and supporting a new  
2 direct file program will cost millions of dollars  
3 annually, ranging from \$64 million to \$249 million,  
4 with the amount varying based on complexity and  
5 number of taxpayer supported. Costs include the  
6 development in annual updates to the program, and  
7 the most substantial costs, not surprisingly, is  
8 the customer support that goes into supporting  
9 these tax filers. You can see further details on  
10 the costs on page 49 of our report.

11 And then of course, within the direct file  
12 report itself, which is available on [irs.gov](http://irs.gov). It  
13 is worth noting that these cost projections are  
14 rough estimates, and the ultimate cost may vary  
15 considerably. But the high-level point here is  
16 there are considerable costs associated with  
17 developing and releasing such a program.

18 Financial costs, I should say. In addition to  
19 the financial, uncertain financial cost of  
20 developing and supporting such a program, pursuing  
21 the development of direct file program may shift  
22 the IRS's focus away from other pressing priorities  
23 identified in their recently released Strategic  
24 Operating Plan, which I'm sure it was 151 pages.

1           There's a bit of filler in there, but I'm sure  
2 most everyone in here has read it cover to cover.  
3 I can see one person wearing a pink dress that I  
4 know has read it multiple times, cover to cover,  
5 because she never misses the opportunity to tell us  
6 that, and so now I'm going to tell everyone on her  
7 behalf.

8           You know, so let me catch up. Courtney, once  
9 again, getting me distracted. Yes, so the IRS,  
10 like any other public or private organization, must  
11 constantly prioritize and reprioritize and make  
12 tough decisions on where to invest their time and  
13 money to ensure they're making the most efficient  
14 use of their limited resources to have the greatest  
15 impact on the largest number of taxpayers.

16           The recently released Strategic Operating Plan  
17 includes 42 initiatives to enhance the taxpayer  
18 experience. In fact, you'll see several current or  
19 recent ETAAC recommendations included in the  
20 Strategic Operating Plan, including ones I've  
21 worked on in prior years. Some of those  
22 initiatives will greatly enhance the taxpayer  
23 experience. Others will help reduce the tax gap.  
24 And others will help ensure the IRS has a

1 sustainable workforce both today and for years to  
2 come.

3       Ensuring there is ample availability of free  
4 tax filing options to taxpayers is an incredibly  
5 important goal. There's no doubt about that.  
6 However, on balance, the IRS -- or ETAAC recommends  
7 that the IRS take steps to better market the  
8 availability of the existing free file program,  
9 determine the outcome and impact of that investment  
10 on the take rate for this existing free tax  
11 preparation option, before dedicating substantial  
12 resources to building a direct file platform.

13       In addition, ETAAC recommends that the IRS use  
14 the remaining IRA funds on executing the most  
15 broadly impactful initiatives envisioned in the  
16 2023 Strategic Operating Plan. Of course, putting  
17 first priority on those initiatives that are  
18 included in the current or last two ETAAC reports  
19 they had a personal hand in. The final  
20 recommendation or point on direct file as it  
21 relates to security standards. You know, identity  
22 theft in the tax filing space is a very prevalent  
23 problem today.

24       And while there are great strides that have



1 been made, the importance of systemic security and  
2 a constant vigilance on security cannot be  
3 overstated. You know, accordingly, should the IRS  
4 pursue a direct file program for the coming tax  
5 season, ETAAC recommends that the IRS ensure that  
6 the program adheres to the security standards that  
7 are in place from the Security Summit that apply to  
8 the existing free file program.

9 I think we heard in both Mr. Clifford's  
10 comments earlier in the day and from the  
11 Commissioner, about not just the Government, you  
12 know, the impacts to the Treasury of tax related  
13 identity theft, but there's also the individual  
14 impact, right.

15 Every single case of successful tax filing  
16 that's related to an identity theft is a victim.  
17 That takes months to remediate. It can have other  
18 reverberating impacts. And it means that  
19 individuals not able to electronically file their  
20 return. If they're due a refund, around four of  
21 five taxpayers are, they may financially rely on  
22 that. Their refund will be delayed. And so,  
23 helping protect taxpayers and our Government from  
24 bad actors who are intent on using stolen

1 identities to perpetuate tax refund fraud is  
2 crucial.

3 And so, the final recommendation I'm going to  
4 cover today, switching lanes a little bit, relates  
5 to the volunteer income tax assistance, or VITA  
6 program, and the tax counseling for the elderly, or  
7 TCE program. VITA and TCE sites offer free  
8 assisted tax preparation to taxpayers with a  
9 variety of filing situations.

10 They particularly offer a free assisted, which  
11 means they have a person who helps them file that  
12 return on their behalf -- filing options for a  
13 variety of underserved communities. An oft cited  
14 best practice for engaging underserved community --  
15 underserved taxpayers is through their communities,  
16 and VITA and TCE sites are located in local  
17 communities can help meet an important need.  
18 Additional funding for these two programs may help  
19 provide greater geographic coverage across the  
20 country, meaning more taxpayers will have a local  
21 VITA and, or TCE site within a reasonable distance.

22 So, to that end, ETAAC supports the creation  
23 of two new grants to assist in growing the VITA and  
24 TCE programs. Specifically, ETAAC recommends the

1 establishment of an incubator grant, which provides  
2 support for organizations that have not yet started  
3 operating and preparing returns. And while most  
4 VITA related grants require, you know, require  
5 matching funds, ETAAC recommends that this  
6 particular grant for these startup type VITA sites  
7 not require matching funds.

8         The second recommendation here is that ETAAC  
9 recommends the establishment of an outreach grant  
10 which would target VITA and TCE partners that  
11 primarily deliver outreach services. This will  
12 help bring more localized awareness to these  
13 valuable programs and may fund other important  
14 community outreach services that educate taxpayers  
15 on financial well-being and healthy wealth building  
16 habits.

17         So, with that, I thank you for your time. I  
18 will just briefly reiterate the thank you that  
19 everyone else has said to both our IRS partners,  
20 our leadership team, and my ETAAC colleagues. It's  
21 been an absolute pleasure. And with that, I'm  
22 passing it to Mel. Thank you.

23         (Applause.)

24         MR. HARDY: Ladies and gentlemen, we have to

1 take a short pause. And the Commissioner is on a  
2 very tight schedule, so the three individuals who  
3 know they're rolling off, could you quickly stand  
4 and come up front so that the Commissioner can  
5 shake your hand, get your picture, and we can  
6 continue with our program. First person rolling  
7 off is Mr. Eric Inkrott. Eric.

8 COMMISSIONER WERFEL: Thank you for your  
9 service.

10 MR. INKROTT: Thank you, sir.

11 MR. HARDY: Our next person is Mr. Carlos  
12 Lopez.

13 COMMISSIONER WERFEL: Thank you for your  
14 service.

15 MR. LOPEZ: Yes, sir.

16 MR. HARDY: And last but definitely not least,  
17 Ms. Sherice McCarthy-Hill.

18 COMMISSIONER WERFEL: Thank you. Thank you,  
19 everyone. I really appreciate it.

20 (Applause.)

21 MR. HARDY: Thank you, Commissioner. And now  
22 back to our regularly scheduled programming.

23 MS. STEENBLOCK: All right. I am Terri  
24 Steenblock, and we -- I have affectionately dubbed

1 us the caboose of the ETAAC report. So, I'm proud  
2 to tell you we are on the last leg of the ETAAC  
3 report, and we have a few recommendations left to  
4 share with you, and then we'll turn it back to our  
5 chair.

6 So, we are now going to discuss part three of  
7 our report, which is related to the business system  
8 modernization and human capital investments. If  
9 you're following along in the ETAAC report, this  
10 does begin on page 53. As you'll see throughout  
11 this report, the journey to tax compliance can be  
12 complex and difficult.

13 And while taxes are complex and the taxpayer  
14 journey is somewhat complex, it doesn't always have  
15 to be that way. And the theme within this section  
16 of ETAAC report is focused on the need to  
17 holistically evaluate and modernize the journey in  
18 a taxpayer centric way. We hope that you see  
19 throughout the recommendations in the report that  
20 these are not only recommendations and investments  
21 in one agency, but they are investments for the  
22 taxpayers as a whole.

23 In recommendation 21, which begins on page 53,  
24 ETAAC is recommending that Congress maintain

1 stable, consistent, multiyear funding, and provide  
2 the IRS with adequate discretionary annual  
3 appropriations that enable greater flexibility,  
4 which allows the IRS to align funding between the  
5 IRS appropriations to meet their business needs.

6 So, as you think about the primary source of  
7 revenue for U.S. Government, things that come to  
8 mind are the individual income taxes and the  
9 corporate taxes. And this revenue is used to fund  
10 many different things, such as goods, programs, and  
11 services that support the American public.

12 The vast majority of the funds that are used  
13 to support the American public come from those  
14 taxes, individual income tax and corporate taxes.  
15 And in order to have a sustained impact on taxpayer  
16 experience, the revenue system and overall  
17 voluntary tax compliance, the IRS must have the  
18 funding that they can rely on in order to modernize  
19 tax systems and processes while meeting taxpayers'  
20 needs.

21 And so, for those reasons, ETAAC recommends  
22 that Congress ensure the IRS has appropriate  
23 funding and hold the IRS accountable for the use of  
24 those funds. And with that, I will turn it over to

1 Keith Richardson, who will discuss recommendation  
2 number 22.

3 (Applause.)

4 MR. RICHARDSON: Good morning. I'm Keith  
5 Richardson. First, let me say welcome to the  
6 District of Columbia. I'm the Deputy CFO and Tax  
7 Commissioner for the District here. This is my  
8 first year on ETAAC, and I want to thank the IRS  
9 for allowing me to serve as a volunteer for ETAAC.

10 So, I'm not representing the District at this  
11 time. Recommendation 22, if you're following me,  
12 in the report is on page 55. The recommendation is  
13 that ETAAC recommends technology modernization that  
14 are not lifting shift and leverage commercial off  
15 the shelf solutions whenever possible.

16 The IRS is the most front facing public  
17 service agency in the United States. In order to  
18 provide exceptional customer service to your  
19 internal and external stakeholders, change is  
20 needed with your tax system.

21 The IRS is in dire need of a 21st century  
22 integrated tax system that shouldn't be transferred  
23 from its current platform to a new one, a lift and  
24 a shift. The IRS should have a strategic

1 discussion and, or meetings with some of the best  
2 in class 40 plus State and local jurisdictions who  
3 have implemented new integrated tax systems from  
4 various technology companies who have stood up new  
5 tax systems over the last two decades.

6       The State and local jurisdictions are today's  
7 subject matter experts who can provide a wealth of  
8 knowledge as the IRS makes the right once in a  
9 generation decision that their staff and clients  
10 rightfully deserve.

11       Implementing a modernized system should  
12 include change management component, along with an  
13 independent verification and validation program, or  
14 IV&V. Change management will help evaluate the  
15 current State and help supporting change and  
16 capability of stakeholders to successfully  
17 transition to a new system.

18       Change management will afford the IRS to  
19 evaluate best in class metrics to determine KPIs  
20 and performance metrics when a system goes live.  
21 This will allow for training for the entire IRS  
22 footprint over the implementation.

23       Change management will help with communicating  
24 the changes to staff during the multiphase buildout



1 of a tax system. Bringing on board an independent  
2 IV&V group will provide you comfort in knowing the  
3 team will identify, plan for, and mitigate major  
4 programs -- program risk by implementing risk  
5 management best practices.

6 Now, for recommendation 23, I would like to  
7 introduce you all to Jihan Jude to make the  
8 presentation.

9 (Applause.)

10 MS. JUDE: Hello, everyone. My name is Jihan  
11 Jude, and I just want to thank the Commissioner for  
12 having been here today, and to thank all of you for  
13 being here today. I am an attorney and tax  
14 professional, but as a member of ETAAC, I'm here to  
15 present our recommendation number 23.

16 ETAAC recommends system modernization, general  
17 master file, legacy system retirement, and  
18 leveraging stakeholders for feedback and  
19 experience. Information technology plays a  
20 critical role in the IRS's annual mission of  
21 serving taxpayers and collecting trillions of  
22 dollars in taxes for the nation's revenue.

23 The problem is that the IRS has relied on  
24 grossly outdated systems for far too long. These

1 systems include applications, software, and  
2 hardware that are outdated. The IRS's technology  
3 problem has only magnified since the COVID-19  
4 pandemic. It's no secret that the IRS's ability to  
5 do its job is hampered by the use of outdated  
6 technology systems such as the individual master  
7 file called IMF for short.

8       The individual master file is actually an  
9 application that affects all of us as taxpayers  
10 because it is a source data on all of our account  
11 information. Looking at the landscape of  
12 information technology at the IRS's disposal today,  
13 33 percent of its applications are more than 25  
14 years old.

15       Some are even more than 60 years old,  
16 including the individual master file, IMF. When we  
17 look at their outdated applications, many are in an  
18 obsolete programming language that's untrainable to  
19 new employees, and they require specialized skill  
20 to use. When we look at software, 23 percent of  
21 its most frequently used software is two or more  
22 versions of what is commercially available today.

23       So, we -- as ETAAC, we applaud the IRS for  
24 recognizing its technology problem. You know, it's

1 time to put IMF out to pasture. It's time to  
2 retire these outdated legacy systems and move on to  
3 something fresh and new. The IRS has stated that  
4 it is creating initiatives to retire its legacy  
5 systems within the next decade, and we applaud  
6 that.

7 And they are prioritizing and paying attention  
8 to the sequence of those initiatives in order to  
9 deliver value incrementally to taxpayers. Last but  
10 not least, the IRS should leverage stakeholders  
11 such as State tax administrators, industry software  
12 developers, and tax practitioners who have all  
13 grappled with modernization from different  
14 perspectives and who have developed nimble  
15 approaches to this problem.

16 So, I want to thank you all, and I pass it on  
17 to my esteemed colleague, Jon.

18 (Applause.)

19 MR. LUNARDINI: Good morning. I know it's  
20 around 11:00 a.m., so but I'm still on California  
21 time, so I'm using good morning. I'm Jon  
22 Lunardini. I'm here to discuss recommendation 24,  
23 which you can find on page 58. ETAAC is  
24 recommending the IRS consider new human capital

1 strategies and explore leveraging modernized  
2 technologies to compensate for higher attrition and  
3 customer service demands.

4       Within the IRS's Strategic Plan is a goal  
5 centered around people. Highlighted in that plan  
6 narrative is the fact that the IRS has an aging  
7 workforce. An estimated 52,000 of the  
8 approximately 85,000 employees are eligible to  
9 retire within the next six years. The average  
10 attrition rate for Federal agencies is around 5.8  
11 percent and the IRS is slightly higher at 7.3  
12 percent.

13       The attrition rate in the processing areas of  
14 IRS is significantly higher at almost 30 percent.  
15 While this kind of attrition rate may be common for  
16 the jobs of this nature, the IRS needs to  
17 proactively identify measures to address and  
18 prepare for this attrition to remain ahead of it.

19       So, the return processing and taxpayer  
20 services aren't negatively impacted, we recommend  
21 the IRS continue to over-hire based on anticipated  
22 attrition and utilizing salary savings, allowing  
23 them to avoid customer service and processing  
24 backlogs. We also recommend the IRS develop an

1 appropriate succession plan and have strategies in  
2 place to ensure continuity and work while  
3 maximizing the taxpayer experience.

4       Lastly, ETAAC recommends the IRS look at  
5 downstream modernizations that leverage technology,  
6 speed up processing, and allow for the staff to be  
7 reallocated to other added value initiatives. And  
8 I'm going to bring up Mark Godfrey to bring us  
9 home. Thank you.

10       (Applause.)

11       MR. GODFREY: Home stretch. My name is Mark  
12 Godfrey. I'm going to be presenting on the final  
13 two recommendations that we have on pages 60 and  
14 61. That's developing key metrics to measure  
15 customer service and timely legal guidance. When  
16 it comes to taxes, Americans want to set  
17 expectations. This is our heritage. Our  
18 Government derives its just powers from the consent  
19 of the governed.

20       As a tax collector for the Federal Government,  
21 the IRS is charged with meeting and exceeding those  
22 expectations. Clear markers of success determined  
23 by the customer help the IRS to meet those charges.

24       Fortunately, the IRS has allies in these

1 efforts. There are more than 50 State and local  
2 jurisdictions that serve as laboratories of  
3 innovation for similar efforts. Part of this  
4 exchange is the free flow of information,  
5 specifically timely legal guidance affecting State  
6 and Federal tax issues.

7 Part of this exchange is the process to define  
8 success and lead the team into the future. There  
9 are three ways to be able to do this. First, a  
10 consensus must be reached on how to measure  
11 success. This may be different than the past, but  
12 our customers are not owed the past, they are owed  
13 the best of the present and the future. These  
14 measurements can include a consensus on what  
15 constitutes an answered call, a processed return,  
16 or replied correspondence.

17 Next, the team can decide on the metrics,  
18 answering the question, what does success look  
19 like. From the front line to the front office, the  
20 team can decide on which KPIs will serve as North  
21 Stars to guide future action. And the good news is  
22 that the customers will call to tell you when  
23 expectations are not being met.

24 Finally, the team can decide on its methods,

1 answering the question, what will it take to get  
2 from the present to the future. Clarity in goals,  
3 clarity in status, and clarity in the ability to  
4 make impact can lead to an engaged and innovative  
5 workforce. Material data is not always readily  
6 available.

7       Perfection should not impede progress. This  
8 is an evergreen initiative, and one that should be  
9 publicized so that customers and stakeholders can  
10 monitor status.

11       Clear markers of success based on customer  
12 expectations developed by the team, can build trust  
13 within all parties and provide a better overall  
14 customer experience.

15       And with that, we hand things back to Jared,  
16 our chairman, to wrap things up.

17       (Applause.)

18       CHAIRMAN BALLEW: All right. And, you know,  
19 as we come into our final moments today, it's  
20 apparent to see the passion that's on each and  
21 every one of these ETAAC members -- hearts for the  
22 American taxpayer, American tax system. I want to  
23 take a moment today to do a little presentation.

24       Throughout this past year, there's been many

1 challenges, as I've highlighted and as you've  
2 heard, and to commemorate our time together as in  
3 ETAAC, I actually had something done. I had a coin  
4 struck for this committee. This is a challenge  
5 coin that I want to present to you guys.

6 Let me tell you a bit about it, though,  
7 because it has significance. The center of this  
8 coin is the Capitol, or Congress, which represents  
9 the body of this community and the purpose of our  
10 report and who we deliver it to. The stars and  
11 stripes represent all the collective voices of the  
12 nation and our States and the taxpayers.

13 The stars are lined in gold to signify the  
14 taxpayers are the most important part. The outside  
15 is jagged. That's to represent you as ETAAC  
16 members and as stakeholders. When you look at this  
17 coin in the light, it's different. It shines  
18 different, it reflects different, just as our ideas  
19 and our perspectives.

20 On the back of the coin is the taxpayer trust  
21 model. This is our creed. It's to remind us that  
22 always the taxpayer comes first, and we can  
23 reference that. But this first coin that I want to  
24 give away to someone very special. I would like to



1 invite Alec Johnston to the stage.

2 (Applause.)

3 CHAIRMAN BALLEW: Mr. Alec Johnston is the  
4 Program Manager for ETAAC. This is his very first  
5 year managing ETAAC. I can say I've never seen a  
6 man sweat so much in an air conditioned building on  
7 the very first meeting we ever had, and I do  
8 apologize for that. You know, it was -- we are a  
9 lot, we are a handful, but you handled it with  
10 grace, with ease. You made yourself available to  
11 this body. And with that, we thank you.

12 (Applause.)

13 CHAIRMAN BALLEW: The number two coin that I  
14 would like to give away is to Mr. Mel Hardy. Mr.  
15 Mel Hardy is over NPL. Mel, your leadership, we  
16 couldn't do without you and your staff and your  
17 team.

18 The tone they get set is set at the top. And  
19 what you do to translate the tax policy, the  
20 voluntary tax compliance goes beyond just ETAAC and  
21 the members. It goes into the practitioner world  
22 through the trade forums.

23 You are the voice for education and guidance  
24 and communication, and for that, I'd like to give

1 you the second one.

2 (Applause.)

3 CHAIRMAN BALLEW: To the rest of NPL, you  
4 know, we love you guys as well. I have coins for  
5 each of you. To my chairs, my vice chairs, I  
6 couldn't have done this year without you. You both  
7 gave sage advice, wise counsel, and were leaders to  
8 not only myself, but all the committee. So, with  
9 that, I want to give you --

10 (Applause.)

11 CHAIRMAN BALLEW: All right. I have some  
12 closing comments. I don't want to go off the  
13 script, so I'm going to read my closing remarks  
14 today. Today marks a significant moment for me  
15 personally as ETAAC Chair. I complete my term and  
16 pass the baton to the next leader who will guide  
17 this exceptional group forward.

18 Over the past three years, I've had the  
19 privilege of working alongside some of the most  
20 talented and dedicated individuals in the field of  
21 taxation. Together, we have faced numerous  
22 challenges, navigated complex tax landscapes, and  
23 contributed to our expertise to shape policies that  
24 affect millions of taxpayers.

1           It has been an honor to serve as the Chair of  
2   ETAAC, and I am incredibly proud of what we've  
3   accomplished over the past year together. As a  
4   collective force, we worked tirelessly to bridge  
5   the gap between tax policy and voluntary  
6   compliance.

7           We've provided valuable insights and  
8   recommendations and feedback to both Congress and  
9   the IRS, helping to shape digital transformation,  
10  tax processes, and ultimately improve taxpayer  
11  experiences. Through our collaborative efforts,  
12  we've strived to create a more accessible,  
13  efficient, and equitable tax system for all.

14          I would express my deepest gratitude to each  
15  and every one of the members of ETAAC and the ETAAC  
16  community. Your expertise, passion, and commitment  
17  have been instrumental in helping taxpayers and  
18  will have lasting impacts for generations to come.  
19  Together, we have fostered an environment of  
20  collaboration, innovation, and thought leadership  
21  that paves the way for meaningful change in the tax  
22  landscape.

23          I would also like to extend my appreciation to  
24  the IRS leadership and staff who have worked

1 closely with us throughout the journey. Your  
2 receptiveness, open dialog, and partnership have  
3 been invaluable in our pursuit of enhancing tax  
4 administration and serving the best interest of  
5 taxpayers.

6 I know that ETAAC will continue to drive  
7 forward the mission of embracing technological  
8 advancement, championing taxpayer trust, and  
9 shaping the future of electronic tax  
10 administration.

11 In conclusion, it has been my honor and  
12 privilege to serve as the ETAAC Chair. I leave  
13 this role with a sense of fulfillment, knowing that  
14 together we've made a positive impact on the lives  
15 of taxpayers. I encourage all of us to continue  
16 pushing the boundaries, embrace innovation, and  
17 strive for excellence in all that we do.

18 So today, I will close the same way that I  
19 started my term as chair in that, this probably is  
20 not to my ETAAC members' surprise, you probably  
21 know this is coming, but I want to close by saying  
22 this, from this day forward, this group of  
23 individuals, this ETAAC, we are more than just  
24 connected, we're stuck together. Thank you.

1 (Applause.)

2 MR. HARDY: So, I first took over as the  
3 Director of National Public Liaison in 2017. And I  
4 remember the first ETAAC group, and subsequent  
5 groups afterwards. And I have to tell you, today  
6 was different.

7 Today was truly unique. I heard from these  
8 three gentlemen that started off, actually tax  
9 homilies. I mean, each one was a passionate short  
10 sermon about this report. So, I do not want to  
11 step over all the great things that have been said.  
12 I just want to say, on behalf of myself, my  
13 wonderful staff, I thought it was very apropos,  
14 Jared, that the first coin was given to Alec, who  
15 stepped up.

16 And yes, he does sweat a lot, but he sweats  
17 because he does a great job, so, yes. And I would  
18 be remiss if I didn't say, for those of you who are  
19 rolling off, I will miss you dearly. For new  
20 people coming on, you see what we got ahead of us.  
21 And also thank you, Jared, for your leadership and  
22 your vision.

23 This is the first time that we invited family  
24 and friends and colleagues to this. It added such

1 a specialness to this event. So that's why I say  
2 this was truly a special ETAAC public meeting.

3 So, with that, ladies and gentlemen, this  
4 concludes the 20 -- no, it does not. And that's my  
5 leader, John Lipold who is like, no, no. It would  
6 be unfortunate to close without letting you know  
7 that next year we have Mr. Vernon Barnett that will  
8 be our vice chair. Ladies and gentlemen, please  
9 put your hands together for Vernon.

10 (Applause.)

11 And our chair is actually, I believe, and I'll  
12 do research, I'll ask Alec to help me with this,  
13 but our chair is a legacy. Yes, I said that this  
14 was like three homilies, but you heard Timur talk  
15 passionately about his dad.

16 Attila was actually a member of ETAAC, and  
17 that was my first ETAAC and I grew quite fond of  
18 him. So, it's really, really special to know that  
19 Timur will be on the ETAAC as the chair. I'm sure  
20 his dad would be very proud.

21 (Applause.)

22 Okay now, John?

23 (Laughter.)

24 MR. HARDY: So, with that, ladies and

1 gentlemen, this concludes the 2023 ETAAC public  
2 meeting. Thank you.

3 (Applause.)

4 (Whereupon, at 11:22 a.m., the Electronic Tax  
5 Administration Advisory Committee meeting was  
6 adjourned.)

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