INTERNAL REVENUE SERVICE

INTERNAL REVENUE SERVICE ADVISORY COUNCIL

PUBLIC MEETING

9:00 a.m.

Wednesday, January 14, 2026

7th Floor

Internal Revenue Service Headquarters

1111 Constitution Avenue, NW

Washington, D.C.

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P R O C E E D I N G S

(9:02 a.m. EST)

(Welcome statements by Director Mr. Derek Ganter, IRS CEO Mr. Frank Bisignano, IRSAC Chair Ms. Christine Freeland, and IRSAC Vice Chair Ms. Lucinda Weigel were given, and the transcript begins with the Remarks of the Director of Outreach and Education, Mr. Derek Ganter.)

MR. GANTER: Okay. Good morning, everyone. Can you guys hear me okay?

AUDIENCE: Yes.

MR. GANTER: All right. So welcome to the Internal Revenue Service Advisory Council Public Meeting. My name is Derek Ganter.

I'm the Director of Outreach and Education within the C&L organization. And this morning, the IRSAC will present its annual report for 2025 to the IRS leadership.

Before we begin, we'll have some opening remarks by the leadership, the senior leadership within the Internal Revenue Service, our Chief Executive Officer Mr. Frank Bisignano.

MR. BISIGNANO: Thank you. Good morning and thank you. Thank you for being here. It's my honor to be here with you today. I'm grateful to President Trump and Secretary Bessent to give me the opportunity to serve in this manner.

And most of all, I'm delighted to listen to the report today and be here. I'd like to thank, first of all, Luci, for what she's taking on here in the 2026 endeavor. I would like to also congratulate Christine for her fabulous work.

And I'd like to congratulate the vice chair, Kris. For me, this is very, very important to thank each and every one of the members. Is anybody here a three-year member? Is there a three-year member here? And are you staying on as a four-year member? I'd like to thank you all for that.

I'd like to thank you. I think it's special. I think it's important, and I think it'll make us better. The work that is done here is usually very important and heavy. But meaningful -- but meaningful, full of content, and is valuable to help us, us the Federal Government, us the IRS, and

us, the people who serve the taxpayers of America.

So, when you have an advisory group that does the work that's done here and on such a mission critical topic, it deserves all the recognition for each and every member. And I'm not sure I can articulate it well enough in a manner that really says, I plan on -- as I said yesterday, when I met the group, I plan on us having a very strong 2026 together.

I plan on us continuing to react to the issues that were in the report. I thought the report was all inclusive. Not often do you get something that covers every element.

Whether it's funding of the operations, education to the public, updating and improving our digital presence, which, you know, we believe we should be a digital-first agency, accounting method changes, simplifying -- and I think that is a huge endeavor forever, making it simpler, while still completely doing its job.

And of course, processing Form 730 on tax payments. So, that's a lot of content on over $5

trillion of payments. I think it's an honor for all of us to serve the country in this manner on one of the most important issues that affects really every American household.

We're in the midst of the kickoff of 2026 filing season. And I think, you know, there may be no more exciting tax year than this year, the One Big Beautiful Bill, and all that's being implemented there. And you can think about no tax on tips, on overtime, car loans.

All that's gone into what fundamentally -- well, give on 133 million households almost $1,000 each on average, tax cut. It's unprecedented, $220 billion to individuals. It is exciting and it is full of a lot of work that has been done by our, and "our" is all of us and the American public taxpayer servicing groups, including Form 4547 for the Trump Accounts.

So I think what we have going on, is somewhat unprecedented. We're driving a digital agenda, while implementing, one of the most robust tax bills ever, and going to do it with the objective

to have a higher level of service.

I think that's a mandate for the organization, for myself, that we will deliver a great experience for every taxpayer. And of course, I like to say, when you're doing over $100 billion, you're going to have one that may not be right but -- exactly.

But we will be staffed. We are ready. We're engineered. We cover it every week. And the people -- and they're working on it every day. We have an objective to have higher collections. I think that's something that you will find us maniacally focused on, on how to do a better job on service collections. And of course, we live a life of privacy. And so, it's an exciting time.

Hopefully it's exciting time for you all to be members here. As I said yesterday, I look forward to more than this 10-minute relationship we're having. And Luci and I shared a call, text and went back and forth, and I expect that type of relationship between us. We respect what you do tremendously, and we're grateful for what you do.

I'll tell you one or two things. I may have

said them yesterday, I feel blessed to be here. I feel honored. My father spent 44 plus years as a Treasury employee. And being able to work within Treasury for the IRS now is nothing I ever thought about in my life, but something that I feel blessed and honored to do.

And like I said before, I'm grateful to President Trump and Secretary Bessent, and I'm grateful for the leadership of the IRS Advisory Council. I think we're fortunate to have your dedication and time. I think it's fabulous that the third years are going to be fourth now, so I'm grateful for that, and look forward to the report. Thank you.

MS. FREELAND: Very good. Thank you so much.

(Applause.)

MR. BISIGNANO: My honor.

MS. FREELAND: Good morning, and welcome everybody. Project Perseverance, that is what I've named this past year. Last year, in January, we welcomed 17 new members and added a new Fairness Subgroup. By April, multiple acting Commissioners

had come and gone, and IRS personnel had decreased by 25 percent.

We met in April, and we decided we would do what we do, and we persevered. Our staff liaisons changed, and we said goodbye to old friends, and we welcomed new friends. The Fairness Subgroup was merged into Taxpayer Services.

And again, we persevered toward the goal of providing assistance in changing times and pushing on to the November annual report. By October, the government shutdown had derailed our November public report with no plan in sight, but again we persevered toward the goal of presenting our 2025 IRSAC report.

We are now in 2026, but our perseverance has finally paid off, and today we are going to present the culmination of our year. I'd like to thank John Lipold, who is our Designated Federal Officer, Anna, Maritza, Brian, Christine, Paul, and Tyonna for their assistance as they stepped up through the year working with all of us.

And our subgroup chairs, Susan, Brian, Andy,

Annette, Beth, and Brayan. And also, a special thanks to incoming chair, Luci, and last year's chair, Annette, for all of their valuable assistance. And now we present our general issues, followed by five issues, one each from each of the subgroups. Thank you.

MS. WEIGEL: So as you know, I'm Lucinda Weigel. I'm the 2025 vice chair of IRSAC, and I'll be talking about general issue one which begins on page 11 of the report. While the IRS received a windfall of funding to update its operations in 2022, much of that money has since been rescinded and reductions in staffing have left the IRS with fewer humans available to serve taxpayers.

Combined with the new tax law enacted in July of 2025, the IRS is left needing to do more with much, much less. IRSAC makes the following recommendations concerning IRS funding. First, build on early successes.

Expanded self-service options through individual online accounts and business tax accounts are helping taxpayers serve themselves.

Broader functionality of online accounts, including Tax Pro accounts, and expanding the types of payments that can be made through the Direct Pay system will provide further relief to taxpayers.

Next, remind lawmakers about the reality amid the rhetoric. Most IRS employees perform their jobs diligently, they comply with their own tax obligations, and they do difficult, often thankless work, in service to our nation. These are people that collect the funding for the projects that are prioritized by Congress and the President.

Leaving IRS employees caught in those rhetorical battles is often unhelpful to that goal. Third, emphasize customer service as a priority for modernization. Though 85 percent of federal tax is paid on time and in full by willing taxpayers, those taxpayers still need access to timely information, payment options, and self-service functionality to remain compliant.

And finally, focus on the tax gap which is approaching $700 billion. Given that stunning sum, investments in IRS operations, upgrading

technology, and improving customer service really seem modest. Thank you.

MR. BENDER: Good morning, everyone. Thank you for your time today. My name is Joe Bender and I'm a member of the Tax-Exempt Government Entities Subgroup of the IRSAC. I'm here to present general issue number two, which is our recommendation that the IRS conduct an educational campaign with two parts.

First, to inform the public of its critical role in government operations, and second, to combat misinformation about the IRS's operations. This is on page 21 of the report.

The members of IRSAC believe that the IRS has a public image issue. We note that the IRS is the face of tax collection activity, and when people are unhappy with their taxes, the IRS makes an easy target. However, this is a fundamental overlooking of the IRS's role of the government.

For example, the IRS is the agency that is responsible for collecting taxes, but we note that IRS is bound by the tax laws passed by Congress.

We have seen the IRS be the subject of negative spin. Before the passage of the Inflation Reduction Act, Treasury estimated an amount that would allow it to hire nearly 87,000 employees.

These 87,00 employees would have been replacements for retirees and vacant positions. However, this was promptly spun into the accusation that the IRS was going to hire 87,0000 new armed agents who were going to come after Americans. We've noticed that the IRS has long been criticized for telephone wait times.

However, critics fail to recognize that without adequate resources, longer wait times are inevitable. Finally, it is commonplace to hear critics mention the “IRS code,” whereas in reality, it's the tax code passed by Congress. These are just a few examples, but the impact on the Service is undeniable.

This across-the-board and unwarranted criticism affects IRS morale and recruiting efforts. Having a poor public image makes it easier to strip the IRS of much needed resources.

To combat this, the IRSAC suggests that the IRS conduct an active public education campaign. For example, we at the IRSAC are aware of all the steps the IRS proactively takes to assist taxpayers.

However, the public at large is likely unaware of the extensive outreach programs the IRS conducts, including the VITA sites, Tax Counseling for the Elderly, and Low-Income Tax Clinics. We also suggest, as Luci mentioned, that the IRS take public note of the tax gap shortfall and highlight its successful efforts to try to close that shortfall, thereby reducing the federal deficit.

The IRS could point out that dollars allocated to it that would allow full staffing will be more than recouped in tax collections. In other words, if you fund the IRS and you allow it to hire people to do its job, it will do its jobs and it will collect the tax dollars -- and tax dollars that are legally owed.

Finally, we also suggest that the IRS become more active on public and social media outlets to promote its role in the government operations and

contrast that with the role of other Government agencies such as Congress and the Executive.

We think that a successful campaign will result in the IRS having a much more positive public perception which will aid in recruiting, retention, and the IRS's ability to successfully conduct its operations. Thank you for your time this morning.

MS. NELLEN: Good morning. I'm Annette Nellen presenting general issue number three, updating and maximizing usefulness of IRS websites. You'll find that on page 25 of the report.

The IRS website is a significant tool and resource for the IRS and the public with over 300 million users annually. Given the vast array of functions that fall within tax administration, the IRS website is a key element for tax services and improved compliance. The IRSAC identified a few limitations that reduce the effectiveness of the IRS website. These issues include some webpages being out of date even though the update date at the bottom of the page is a current date.

Our recommendations for improving the IRS website include, first develop a system to ensure that webpages have current information. When new guidance is issued, it should have a responsible party to identify where existing webpages must be updated and where new webpages are needed.

A webpage should not be noted as updated without giving the page a substantive review. Two, develop and publicize a system for the use of news releases and tax tips that is appropriate for those categories of releases. That is, news releases should be about current developments, tax tips should be reminders, and tax savings tips.

Three, change website maintenance processes to ensure that any document constituting authority under Reg 1.6662-4, such as a news release, is permanently archived and accessible on the IRS website.

Four, improve search function on irs.gov so it produces results for all documents on the IRS website. Five, conduct periodic third-party usability testing of irs.gov to identify navigation

problems, outdated content, and gaps in taxpayer understanding that warrant new or revised webpages.

Six, add a link to the bottom of all pages to allow users to report errors. And seven, ensure irs.gov content is available in understandable terms, particularly for topics disproportionately affecting taxpayers who may not have assistance of a tax professional.

The IRSAC believes these changes will provide improved, updated information to users and enable greater functionality to the website, including, in the near future, use of appropriate AI tools to enable users to create a personalized, up to date IRS publication tied to their unique needs. Thank you.

MR. BOOMINATHAN: Good morning. My name is Selvan Boominathan, and I am a member of the LB&I subgroup. Today, I'm going to be talking about issue number four, accounting method change requests. This is located on page 33 of the report.

Accounting method changes apply to all

taxpayers. Every taxpayer has an accounting method whether or not they proactively elect the accounting method. And therefore, when they need to change that accounting method, they must request the approval of the IRS before they do that.

The IRS provides streamlined procedures for automatic consent for over 250 specified method changes listed in an annual revenue procedure. This revenue procedure is updated annually and is over 400 pages at latest count.

All other changes that are either non-automatic or advanced consent require a ruling from the IRS prior to implementation. It is a six month process where taxpayers must submit the request on a Form 3115 and pay a user fee and receive a ruling from the IRS prior to the implementation of the accounting method.

The IRSAC recommends to improve the 3115 process that the IRS takes several steps. One, enable electronic filing of the form. Two, capture its data in a machine-readable format. Three, simplify the form for small taxpayers.

Four, consolidate overlapping method changes. And five, consider expanding the automatic procedures once digital systems are in place. The IRSAC also recognizes that several steps may need to happen prior to making this completely electronic, and therefore, recommends that the IRS look at all steps to implement the electronic recommendations that are in the report. Thank you.

MR. MASSOUD: Good morning. My name is Anthony Massoud, and I'll be presenting general issue number five, which can be found on page 37 of the report, simplifying the use of IRS online tax services.

Over the past several years, the IRS has made meaningful progress in expanding digital tools. Online taxpayer accounts for individuals and businesses, the Tax Pro account, transcript delivery, Information Return Intake Systems, also known as IRIS, and improved identity verification are all positive developments. These efforts reflect a strong commitment to modernization.

However, the primary challenge is not the

availability of tools, but how these tools work together. Currently, IRS online services operate in silos. Taxpayers and practitioners must move between multiple platforms to pull necessary data, often entering duplicative information for the same issue. This lack of continuity creates inefficiency, errors, and frustration.

Practitioner tools are also not fully integrated. Key functions remain outside the Tax Pro account. As a result, there is no single centralized workspace for practitioners. The IRSAC recommends a more unified digital approach. This includes, number one, implementing true single sign-on access to all online services under one platform.

Two, developing a comprehensive practitioner dashboard. Three, improving system integration so data entered once flows across all platforms. And four, user-centered development and testing for online services. Thank you.

MR. ROBBINS: Good morning, all. My name is Adam Robbins, and I serve on the Information

Reporting subgroup of the IRSAC. I'll be covering general issue number six, Form 730 processing and excise tax payments, found on page 41 of the report.

Over 35 states and Washington, D.C., have legalized sports wagering during operations that are subject to the federal wagering excise tax in the seven years since the Supreme Court overturned the Professional and Sports Protection Act that previously prohibited such activities in most States.

This continuous jurisdiction-by-jurisdiction expansion of taxable sports wagering activities has led to a more than 1,000 percent increase in the wagering excise tax revenues collected, from only $30 million collected in 2018 to almost $375 million collected in 2024. However, despite this exponential revenue growth, taxpayers are still required to report their wagering during excise tax liabilities on a paper filed return.

Since at least 2020, these monthly paper file returns have been regularly misprocessed by the IRS

staff, resulting in over $500 million of valid tax payments being misclassified as overpayments. This has in turn resulted in the issuing of hundreds of erroneous refund checks and the transferring of misclassified overpayment to satisfy other Federal and State tax liabilities, the latter of which has ultimately resulted in excise tax payment shortfalls due to no fault of the taxpayers.

The IRSAC is recommending a working group be established and authorized to accomplish the following task. First, investigate the root causes of these systemic return processing errors and implement any measures necessary to eliminate them going forward.

Next, partner with the sports wagering industry as a whole to identify and correct all misclassified payments from past years. And finally, establish a process by which impacted taxpayers can repay excise tax shortfalls caused by the improper transferring of funds to satisfy other tax liabilities without being penalized for what would otherwise be classified as late payments.

Additionally, the IRSAC recommends that the IRS prioritize the creation of an electronic filing portal for Form 730 to modernize and streamline the processing of hundreds of millions of dollars of excise tax payments reported and remitted each year. Thank you very much.

MS. MARKARIAN: Good morning. I'm Manuela Markarian with the Information Reporting subgroup, and I am presenting issue number one in our report starting at page 49, address changes for large businesses.

This topic was identified by IRSAC based on industry feedback. Large businesses, particularly financial institutions, face increasing risks from unauthorized address changes processed by the IRS. These changes often result from fraudulent filings of Form 8822-B, Change of Address or Responsible Party, or from fraudulent tax return submissions.

When an address is altered without consent, IRS correspondence, including notices, refund checks, and sensitive client data, may be sent to unauthorized parties. This creates operational

disruptions and significant security risks.

The IRS has acknowledged this problem and introduced measures that help but not fully prevent fraud, such as notices CP148A and B that alert taxpayers of address changes. And also, IRS implemented account lock codes for suspicious activity. Current Internal Revenue Manual procedures accept address change requests at face value unless contradictory evidence exists.

This leaves gaps in authorization and authentication, allowing fraudulent address changes to occur. IRSAC's recommendations. First, we would like a holistic review to identify root causes and strengthen control points. The IRSAC found that separate IRS teams manage aspects of address changes, but these efforts, being separate, allow for inappropriate address changes to consistently not be detected or stopped.

Second, enhanced authentication. Modernized processes for Form 8822-B using stronger controls such as the ones anticipated for business tax accounts and prioritize eliminating paper

submissions. Third, strict validation. Flag anomalies in tax returns before processing address changes.

And last, public awareness and support. Communicate solutions broadly, including steps for corporations to join the IRS's large corporation program for dedicated technician support. And guidance on requesting account logs to prevent fraudulent changes. Thank you.

MR. WHEADON: Hello. My name is Thomas Wheadon. I'm from the LB&I subgroup, and I'll be presenting LB&I issue two on penalty administration under 6038 and 6038A, which can be found on page 99 of the report.

So, Section 6038 and 6038A impose penalties for late or incomplete international information filings. It's $10,000 per Form 5471, and $25,000 per Form 5472, which relate to interest in foreign corporations or foreign related party transactions respectively. There's some ongoing legal uncertainty as to whether the IRS has the statutory authority to assess these penalties, with the

jurisdictions ruling differently on this question, which has created some confusion for taxpayers.

The focus of this issue is on the actual penalty administration itself, which Taxpayer Advocate Service, or TAS, identified as a serious issue all the way back in 2020. These penalties are systematically assessed per form when attached to a late filed return without regard for reasonable cause or whether a tax deficiency exists or any of the contents of the actual forms themselves.

Consequently, these penalties can accumulate quickly and often feel disproportionate to the offense, especially for first time offenders or less sophisticated taxpayers. The prospect of these large penalties, in some instances, can actually deter voluntary compliance.

The majority of these penalties, by both dollar amount and affected taxpayer, do ultimately end up waived. TAS previously noted a year in which of the $365 million assessed under these sections, $322 million of the penalties, or 88

percent, were ultimately waived, but this only comes after a lengthy abatement process that can take in excess of a year.

So this begs the question, is the systematic assessment of these large penalties and lengthy abatement processes a good use of IRS resources and is it worth the burden to taxpayers? To address this, IRSAC recommends adopting a pre-assessment review for reasonable cause, like the IRS does with other forms, rather than automatically imposing these penalties.

Additionally, or alternatively, penalties could be kept based on the severity of delinquent information or be applied per tax return, as opposed to per international form. Thank you.

MR. GANNAWAY: Good morning, everyone. My name is David Gannaway, and I'm with the SB/SE subgroup, and we're discussing addressing the issues of broadening and promoting settlement programs beginning on page 109 of our report. We were asked to evaluate the use of settlement programs involving voluntary disclosure programs

and to identify barriers that discourage taxpayers from participating in the programs.

To begin our review, we ask the first question of what is the settlement program and what is its purpose? First, the settlement program allows a taxpayer to voluntarily disclose non-willful and willful non-compliant income tax filings and from legal source income.

Second, the purpose is to offer taxpayers an opportunity to voluntarily correct an error or mistake, determine and pay the correct amount of tax due, or enter into installment agreement and agree to remain in compliance going forward.

We expanded our research and considered programs offered by various state taxing authorities. And the state programs, as opposed to some IRS initiatives, are not based on a limited, specific Internal Revenue Code section. Instead, they cover all areas of non-compliance, willful and non-willful, and are submitted online.

Our recommendations are as follows and are included in Supplements A and B, beginning on page

117. Adopt a Federal program to provide domestic non-willful taxpayers a structured path back into compliance. Increase outreach and education efforts to raise awareness of settlement programs for taxpayers and practitioners. Clarify the definition of non-willfulness in the streamlined filing compliance procedures to provide taxpayers and practitioners with greater certainty.

Expand eligibility criteria across all settlement programs. Simplify filing obligations. Clearly define the penalty structure. Update Form 906 closing agreements so that it will enhance taxpayer confidence. Reform the delinquent international information return submission procedures to ensure that taxpayers that participate in the program are not assessed with automatic penalties.

Lastly, to improve transparency by publicizing participation rates and the amount of revenue collected for all settlement programs. Thank you very much.

MR. YACKER: Good morning. I am Brian Yacker,

Chair of the TE/GE Subgroup, and I will address TE/GE issue number two, the high cost for exempt organizations to use the private letter ruling process, which can be found starting on page 162 of the public report.

The IRSAC believes that private letter rulings are an essential tool that exempt organizations may use to better understand and comply with their tax responsibilities by seeking clarification in the tax law through the private letter ruling process.

PLRs provide a definitive conclusion for exempt organizations regarding the IRS's stance on a particular issue. Unfortunately, PLR user fees have significantly increased over the years, resulting in the fees being quite prohibitive for many exempt organizations, thus leading to much fewer PLR requests made by exempt organizations.

The IRS has little to no discretion in determining the user fees to be charged to exempt organizations requesting a private letter ruling. Such user fees need to be based upon the IRS's determination of the costs related to go through

the whole private letter ruling process with the IRS.

Effective February 2, 2025, the fee for a PLR request by an exempt organization increased from $38,000 to $43,700. While there is a reduced fee available for smaller exempt organizations, the great majority of exempt organizations cannot even come close to affording the cost of going through PLR process with the IRS.

There is an opportunity here in that exempt organizations going through the PLR process are usually offered the opportunity to have a pre-submission conference with the IRS, whereby they can receive non-binding feedback from the IRS regarding their thoughts about the substance of the exempt organization's request. We have the following two recommendations.

First off, the IRS should consider a different definition of cost when calculating the PLR submission user fee for exempt organizations other than the current methodology which they are currently using.

Second, the IRS should actively promote the availability of the pre-submission conference as an alternative for exempt organizations to consider so they can perhaps receive valuable feedback from the IRS without incurring the high cost of going through the PLR process and also the significantly elongated time it takes to get through the entire PLR process. Thank you very much.

MR. BARR: Good morning. My name is Bob Barr, and I'll be presenting Taxpayer Services subgroup issue number two found on page 182 of the public report. The title of this is Access to Entire Electronically Filed 1040 Tax Return Data.

The machine-readable format, referred to as Extensible Markup Language, or XML, is the file format used to electronically file a 1040 tax return. The format is generated by various tax return preparation computer software programs according to IRS specifications. The XML format contains all the information found on a 1040 tax return.

However, and conversely, a tax transcript

provided upon proper request by the taxpayer -- in other words, looking for a prior year return -- only includes a subset of the information on the return and it is actually delivered in PDF format. By providing the full computer processable XML format upon similar proper request, tax software used by the taxpayer, or their representative could receive then the entire return.

And this would simplify compliance, tax filing continuity when moving from one preparer to another, and income verification. The IRSAC, therefore, recommends that the IRS expand the transcript delivery system and, or individual online account to include an option to provide a complete copy of a prior electronically filed 1040 in machine readable processable XML format. Thank you.

MR. BISIGNANO: I am grateful for the updates. I'm grateful for their report. I'm grateful for leadership. And I think that what I heard today, and what the report reveals, are large pieces of the strategic plan and vision for IRS. Let me

expand on that for a minute or two.

First of all, we heard during the course of this morning about the number of opportunities to improve. The number of things that can be advanced, both for the taxpayers, the federal government, and for our economic system at large.

And we talked about how at one point there was an opportunity created to hire 87,000 or something like that employees, but if we fast-forward to today, it's really about a technology first agenda.

The advent of what we can do to serve the American public better, to drive greater collections which ultimately affects the tax gap, to give a better level of service in every way has to be technology driven. And that's why we'd like to drive a digital first agency. We'd like to use process engineering to get better outcomes.

We heard the phrase root cause analysis, and that's the precursor to process engineering, to understand what change must be made. And then I'd like to talk about a data-driven capital allocation model and methodology.

And what do I mean? For us, capital allocation is the utilization of our most valuable resource, people, and the utilization of our most leverageable resource, technology. And if we allocate our capital to both of those to get what you've all talked about done, we will be jointly successful.

So, I'm pleased with the report. I'm delighted by the voices I heard and the commitment I see. And I think we have deep alignment on a set of initiatives that will get a much better outcome. So, I thank you for the report. Great job. And I count on following up on all the issues. Appreciate the time.

(Applause.)

MR. GANTER: That will take us into our break until 10:15 a.m.

(Break.)

MS. FREELAND: All right, and we're back. We're going to continue on with our public report and move into our subgroup reports. And we will be starting with the LB&I subgroup. And I'd like to

introduce Mabeline Baldwin, who is the Commissioner of LB&I. And we have --

MS. KHOURY: And Mireille Khoury.

MS. FREELAND: And they're here to hear from LB&I, and so I'm going to turn it over to the LB&I subgroup.

(Applause.)

MR. WHEADON: Good morning. I'm Thomas Wheadon, member of the LB&I subgroup, filling in for Andy Bloom. I'm presenting LB&I subgroup issue one, recommendations for modernizing Form 1065, U.S. Return of Partnership Income, which appears on page 95 of the public report.

Form 1065 is one of the IRS's most widely used business tax forms. About 4.5 million partnership returns are filed each year, yet it hasn't been comprehensively modernized in decades. The result is outdated questions, disorganized reporting, and overly complex disclosures.

Today, the instructions for Form 1065 run over 70 pages, and the Schedule K-1 instructions exceed 35 pages. That complexity raises compliance costs,

increases errors, and makes it harder for the IRS to rely on the data that it receives. The IRSAC's recommendation is straightforward, modernize Form 1065 to focus on what matters.

First, streamline the form by eliminating duplicative or obsolete questions. Second, introduce a simplified Form 1065 option for small partnerships. Third, separate foreign related questions currently embedded in Schedule B into a dedicated schedule that is required only for entities with cross-border activities.

Fourth, rationalize the Schedule K-1 by consolidating the most common codes into page 1, and moving infrequently used codes to an optional second page. And finally, adopt a de minimis threshold so that small amounts of certain credits or deductions can be aggregated under a single code, reducing noise without sacrificing material information. Thank you.

MS. FREELAND: Thank you.

MS. BALDWIN: Yes, I mean, that is music to our ears. We agree that the Form 1065 could use an

overhaul. So, we really appreciate IRSAC taking that up. And it gives more credibility to this idea when we also try to advance it here, so.

MS. KHOURY: And I want to just piggyback on that about it giving us some leverage to further the emphasis on helping us to reform and redesign the form. We deal with that internally with our employees. We hear it from taxpayers.

We've been trying to make headway on that, again, on our own. And it's helpful and we're very grateful that you all see that as a need, and you've made that recommendation. I think we already have some discussions in the works where we're trying to look at how we can possibly try to redesign. We've done some things. We've gotten some feedback from our stakeholders and taxpayers and from you all.

And the good thing is we would continue that work and we have this report to help us to try to again further that. So, we do appreciate that. We know it's not easy always to try to figure out what we need to focus on, and it's very helpful when you

all and our employees, and us, we kind of align on what we'd need to do. Now, we just have to figure out a way to do it. We did lose resources, but these types of things are still a priority for us. Informed design is one of the things that we think we can do a lot with.

It may sound easy to some people, but it takes a long time to make that happen. But we, again, appreciate all the work that you all have done and the recommendation, because it's going to go a long way for us. So, thank you.

MS. FREELAND: Thank you.

MS. BALDWIN: Thank you.

MS. FREELAND: Okay, we're going to transition over now to Taxpayer Services Subgroup. And I believe that we are going to have Ken Corbin and Dietra Grant on Teams.

MR. CORBIN: Hey, good morning. Can you hear us in the room?

MS. FREELAND: Yes, we can.

MR. CORBIN: Okay.

MS. FREELAND: I thought we were going to see

them. Maybe they don't want to be seen. Oh, here we come. All right. All right. So, if we're ready to go, we'll just hand this off to Taxpayer Services Subgroup.

MS. BOONIN: Good morning, my name is Beth Boonin, and I have the honor of serving as the Taxpayer Services subgroup chairperson. Thank you for the opportunity to speak today.

I'm presenting issue one on page 176 of the public report related to delays and operational challenges processing Forms 2848 and 8821, authorizing representatives to obtain transcripts and communicate with the IRS on taxpayers' behalf. Although the IRS aims for a five-day turnaround, from November 2024 through April 2025, processing time averaged 30 calendar days.

These delays materially impact taxpayers because transcripts are oftentimes sensitive. They are critical for resolving IRS issues, supporting tax preparation, combating fraud, verifying income, and providing transparency for taxpayers regarding their filing and accounts. Delayed authorizations

directly slow or block these vital functions.

Without visibility into processing statuses, practitioners frequently submit duplicate forms adding even more strain. Many must rely on practitioner phone lines where hold times are often long, and call limits are prohibitive at any reasonable volume.

This creates a costly cycle, duplicated submissions, duplicated processing, and duplicated human effort across multiple IRS touch points. The IRS deserves recognition for its efforts to improve turn times as of late. By increasing staff and overtime, the agency reduced turn times mid-year, ranging from one to eight days, even throughout the shutdown, demonstrating a strong commitment to operational responsiveness. However, these improvements remain fragile.

With authorization backlogs exceeding half a million in Q1 of 2025 and daily volumes of over 40,000, the system is highly exposed to variability. Relying on human capital for repetitive rules-based validation work is

inherently inefficient, expensive, and prone to error. As long as these human processes remain manual, delays will re-emerge whenever demand spikes, staffing fluctuates, or new legislation programs increase transcript needs. The IRSAC recommends three key improvements.

First, automate form, validation, and registration using OCR and robotic process automation. Second, allow for taxpayers to initiate authorization requests for their tax pro directly from their online accounts. And lastly, enable bulk submissions and real-time status and error reporting through an API. Thank you.

MR. TARRAF: Good morning. My name is Hussein Tarraf. I'm a member of the Taxpayer Services subgroup of the IRSAC, and I'm presenting on amended return processing time, which could be found on page 185 of the report.

While the IRS has made real progress in eliminating the pandemic era backlog of original Forms 1040, amended returns tell a different story. The number of unprocessed amended individual

returns increased from about 500,000 in 2019 to nearly 1.9 million by late 2023.

In Fiscal Year 2024 alone, the IRS received over 3.2 million Forms 1040-X, with common issues including wage corrections, withholding, and refundable credits like Earned Income Tax Credit. A key contributor to this backlog is not a lack of effort but a misalignment of resources.

Treasury's mandate to maintain an 85 percent level of service on toll-free phone lines has required customer service representatives to remain idle for long periods to ensure call availability. In 2023, this resulted in 1.27 million idle hours, equivalent to more than 650 full-time staff years that could have been used to process amended returns. The impact is significant. Taxpayers face delayed refunds and financial uncertainty.

Practitioners deal with repeated follow-ups, client dissatisfaction, and planning challenges. Systemwide delays increase call volume, compliance risk, and erode public trust in tax administration. IRSAC recommends a practical, balanced response.

Expand e-filing and automation for amended returns.

Introduce AI driven case triage. Cross train staff to shift between phones and case work and reevaluate rigid level of service targets to allow smarter use of idle time. In short, by aligning technology, staffing flexibility, and service priorities, the IRS can restore timeliness, reduce burden, and strengthen voluntary compliance. IRSAC stands ready to support the IRS in turning these recommendations into action. Thank you.

MR. BARR: Good morning, again. My name is Bob Barr. Ken and Dietra, how are you? Before I present four, five and six, I would refer Ken and Dietra back to Taxpayer Services group number two, which was presented to the Commissioner this morning. So, we won't be reviewing that in this session.

So the first one, issue four, Taxpayer Services subgroup, page 189 -- Leveraging Social Media to Improve Service and Compliance. The IRS is seeking IRSAC's perspective on using external tax related social media data to assist in better

understanding taxpayer service expectations, combat misinformation floating among the various social media platforms, and to proactively identify tax scams and tax schemes. The IRSAC makes the following recommendations.

One, proceed expeditiously with formalizing the coalition against scam and scheme threats in a manner consistent with its investment in establishing and operating the IRS Security Summit.

Two, proceed with implementing a program to monitor various social media platforms for references to tax credits, in particular those for which it sees the most abuse. Three, employ the same social media monitoring to identify opportunities to improve taxpayer service.

Four, step up efforts in outreach to vulnerable communities through social media influencers in these communities. And five, investigate, appropriately establish, and authenticate your credit application, allowing taxpayers to confirm they qualify for various enacted credits prior to filing. Taxpayer Services

Subgroup issue number five on page 194 of the report titled Pre-Launch Testing and Post-Launch Support.

The IRS has been pursuing an aggressive program to digitalize self-service to improve its own efficiency and provide better and more expedient customer service to its various stakeholders. It has been using the internet to provide these services.

This includes applications such as, Where's My Refund, portals like Individual Online Account, Business Online Account, Tax Pro Account, and a tax return transcript delivery system among others. The IRS has a target to deliver digital services always available and easy to use. If these services are thoroughly tested and error free, the IRS believes that no post-launch technical support would be needed and, therefore, it does not provide such support.

And I underscore the word technical support. However, recent launches, in particular online accounts, have experienced issues post-launch,

suggesting that testing efforts have become inadequate. The IRSAC recommends that the IRS augment its current testing approach for digital applications to include the following.

One, leveraging the advisory committees, both IRSAC and ETAAC, to participate in testing. Those members who are active practitioners can actually test these applications using live data. These members are bound by non-disclosure agreements, which enhance their value as testers. Two, explore establishing a more formal program, soliciting participation through other professional accounting and tax associations.

Three, establish a limited release beta program with selected stakeholders. Four, consider establishing a technical support function, access through email and/or chat for tax preparers. Five, consider adding "report a problem" widget to select webpages and experiences. Limit this widget behind a login so as to prevent bots from overloading collection queues.

Six, consider a means to collect actual

taxpayer feedback through email or report an issue function in its various applications. Now, on Taxpayer Services issue six, page 198 of the report, Supporting Live Chat for Tax Professionals. And I'm standing in for a member of our group, Rolanda Watson, who did the work on this issue. Tax professionals consistently face prolonged wait times when contacting the IRS Practitioner Priority Service, or PPS, particularly during filing season.

Last summer, the IRSAC conducted a survey receiving feedback from over 115 tax professionals, including tax attorneys, CPAs, enrolled agents, and unenrolled preparers. Over 60 percent of the respondents waited more than 30 minutes to speak with an agent during tax season. These delays reduced practitioner efficiency, compromising client service and resolution time, frustrating tax professionals, and ultimately the professionals' clients themselves.

To address these issues, tax professionals overwhelmingly support the implementation of a live chat feature within the IRS PPS. Initially, this

service could handle simpler matters such as transcript requests or compliance verifications in a one-to-many manner, preserving the phone queues for more complex, sensitive matters. Later, as mechanisms are developed to assure sensitive information cannot accidentally be shared across various chats, the one-to-many model could be expanded.

The IRSAC, therefore, recommends that the IRS, one, strengthen the PPS phone service, cross-training tax assisters on a broader range of issues to increase first contact resolution. Two, implement chat permitting one tax assister to chat with multiple tax professionals handling common compliance issues, addressing balance due requests, new forms and tax law changes, tax notices, minor collection matters, and provide upload assistance.

Three, develop and leverage an AI workflow routing system to review all incoming chat requests. Based on information requested in advance from the tax professional, the system can route the request to the resource or tax assistor

best available to service the request.

And four, employ performance tools to analyze tax pro service interactions, including time allocated per assist, to identify bottlenecks for improvement. This analysis would be completed daily during the peak season. Thank you.

MS. FREELAND: Thank you to the TS group. If you guys would like to make your comments.

MR. CORBIN: Yes, yes. Good morning. I'm Ken Corbin, your Chief of Taxpayer Services. I am joined here this morning by the Deputy Chief, who really runs everything, Dietra Grant. Apologies for us not being there with you in D.C. this morning.

As you can imagine, we are here working very hard behind the curtain, if you know the Wizard of Oz, getting ready to get the filing season off for both our business, the individual, and the tax professional filers. So, we want that experience to be a good one for everyone in 2026.

It's a pleasure to speak with you this morning about all of the great work you all accomplished

last year, specifically supporting the work we do here in Taxpayer Services and the recommendations to help us improve the taxpayer experience. We both like to especially recognize our 2025 IRSAC TS subgroup chair and co-chair, so Beth and Brayan, for their great leadership they provided throughout this year. Thank you. Thank you for your service to the IRS, and particularly to Taxpayer Services.

Under your leadership, the IRSAC TS Subgroup has just been a tremendous resource, and a resource we needed in 2025. This year at our request, you helped by providing recommendations that will help improve IRS service and communication to taxpayers and their operations.

I think it is in full support of what you heard this morning from our CEO about a tech first agenda, while also giving us recommendations on how to balance our human in the loop, as we like to call them, with the technology piece of things that are happening.

As a result of your efforts, we have quite a few recommendations to evaluate for implementation.

I am going to turn it over to our Deputy Chief here, Dietra Grant, to kind of close us out and walk us through. So, Dietra, I'll turn the mic over to you.

MS. GRANT: Great. Thank you, Ken. And good morning, everyone. And once again, thank you for all of the work that you have done and your thoughtful recommendations. We've had a chance to do some preliminary reviews of the recommendations, and we will review them in detail over the next couple of months. But I thought I'd take just a couple of minutes to highlight a few of the recommendations.

So, we thank you for your recommendations to improve our Centralized Authorization File, or CAF, processing. While we leverage robotics to support certain CAF processing functions, we are still exploring a fully automated process. We continue to encourage our practitioners to explore the Tax Pro Account capabilities to assist with authorization requests as we explore other processing methods.

But thank you for those recommendations to improve our CAF processing. I also want to thank you for the suggestions to improve our amended return processing. We agree with your recommendations to leverage automation and technology to improve processing, and there are existing and planned projects to respond to those recommendations. We also agree with the other recommendations.

Specifically, we value the positive impact of the recommendations for optimizing resource allocations. So, we will continue to look at how we process our amended returns. And I also wanted to highlight your recommendations to implement live chat feature for our PPS line, our Practitioner Priority Service.

We agree with those recommendations as well, and they will help us deliver efficient, reliable, and effective service options for our tax professionals, while supporting the resources that promote accurate return preparation. So, thank you for those recommendations. As I mentioned, we will

review all of the recommendations in great detail over the coming months, but I did just want to take the opportunity to highlight those.

Again, I want to commend the Taxpayer Services IRSAC subgroup for all of their great work that they did in 2025 to help us look forward and look at what we can do for 2026. And we do look forward to the continued partnership in 2026. And Beth and Brayan, thank you again for your leadership, and many thanks to all of the IRSAC members for your service to the IRS, but also to the American taxpayers. So, thank you so much for all of your efforts.

MS. FREELAND: Thank you both.

(Applause.)

MS. FREELAND: All right, we're going to do our next switch. Thank you both for joining us. And off they go. All right, we're going to switch and now we're going to talk about TE/GE. Come on down. We're joined by Commissioner Killen and Robert Malone to join us today for TE/GE.

MR. GRIEB: Thanks, Christine. Good morning,

my name is Steven Grieb. I'll be reporting on TE/GE Subgroup issue number three, beginning on page 164 of the report. The Saver's Match will be a governmental matching contribution for qualifying taxpayers who make retirement savings contributions to a retirement plan or an IRA. The full achievement of the Saver's Match goals depends on two things.

First, minimizing the burdens of retirement plan and IRA providers, and incentivizing participation. And second, educating taxpayers, particularly low- and middle-income taxpayers, on how the Saver's Match can be claimed, as well as the benefits of the program. The IRSAC has several recommendations relating to both of these key imperatives. Encourage retirement plans and IRA providers to accept Saver's Match contributions by limiting burdens and maximizing flexibility.

Do not require the IRA plan or -- the retirement plan or IRA custodians to claim the Saver's Match on behalf of taxpayers. Claiming the Saver's Match requires information that the plan

administrator and IRA custodian do not have. If the retirement plan or IRA providers are permitted to claim the Saver's Match on behalf of taxpayers, it should be based on certifications provided by the participant regarding to their eligibility.

Provide a mechanism for plans and IRAs to reject or otherwise not accept contributions and return contributions that should not have been accepted. And also, educate taxpayers on the eligibility for the Saver's Match and the benefits of the program by providing public communications addressing the Saver's Match in plain language. Make the educational materials available in multiple languages.

Focus on reaching underserved communities including younger and lower income taxpayers. Use social media programs popular among younger taxpayers to provide information and increase the necessary public understanding.

Allow for multiple ways to claim the Saver's Match and provide a model notice that plan administrators and human resource representatives

can share with participants describing the applicable rules.

MR. BENDER: Mr. Killen, Director Malone, my name is Joe Bender, and I'm a member of the Tax-Exempt Government Entities subgroup of the IRSAC. I'm here to present TE/GE issue number four, Defining Identical Terms Identically for Purposes of the Unrelated Business Income Tax and Real Estate Investment Trust Rules. This is on page 169 of the report.

Tax-exempt organizations are subject to unrelated business income tax, commonly referred to as UBIT, on their income that is unrelated to their exempt purposes. However, exempt organizations do not pay UBIT on their investment income, including income that constitutes rent from real property.

Real Estate Investment Trusts, or REITs, are also eligible for an exemption from federal income tax on their rent from real property pursuant to Code Section 856. Accordingly, both the UBIT and REIT regimes provide special rules for rent from real property.

However, despite the identical use of the terms in the tax code, the term has not been interpreted identically in the rules applicable to REITs and tax-exempt organizations. Each of Code Sections 512 and 856 have their distinct Treasury regulations defining real property, and an asset may be treated as real property for one regime, but not real property for the other regime. Again, this is despite the identical use of the phrase in the tax code. This issue has led to confusion and difficulty in the administration of tax law.

For example, if UBIT sensitive investors invest in a project alongside a REIT, the different investors are subject to different roles. This creates an impediment for the two types of organizations to collaborate on an investment project and being able to take advantage of the Congressionally mandated rules applicable to each organization. Overall, the two different regimes cause confusion and can be a trap for the unwary.

Accordingly, the IRSAC recommends that the IRS harmonize the guidance governing the UBIT and REIT

regimes with regard to what constitutes rent from real property. And we've had conversations with the REIT branch, and the REIT branch would have no issue with the UBIT branch taking on this project.

Alternatively, the IRSAC suggests that the IRS address specific issues arising from the discrepancy in the guidance between the two terms. This way, again, you could harmonize the treatment of at least certain categories of income from the REIT side and the UBIT side and facilitate collaborative investments. Thank you again for your time and effort, and we appreciate it.

MS. FREELAND: Commissioner.

MR. KILLEN: Good morning. I think it's important each and every year, when we have this opportunity to hear the recommendations from the IRSAC, that we start on the IRS side with just an expression of appreciation for your time, energy, efforts, and talents that you provide to tax administration. It is critical, and it is very, very much appreciated.

I know my colleagues in the other operating

divisions have expressed similar sentiments, but I want to be intentional about doing that on my end also. I would like to pay particular recognition obviously to the TE/GE Subgroup, and just really note how much we do rely on your perspectives. You know, one of the things that I have consistently said because it is consistently true is that the exempt sector is very broad.

You know, when you think about the things that encompass the exempt sector or the things that are in the remit of tax-exempting government entities, it certainly is exempt organizations at large. But when you look at what that's composed of, in addition to the 501(c) family of entities, it’s also composed of employee plans, defined benefit plans, defined contribution plans, of which there are many.

It's also composed of government entities and all of the entities that fall in under that umbrella, whether it'd be the 575 federally recognized Indian Tribal Governments, whether it'd be federal, state, local governmental entities.

And we have responsibility for effectuating compliance, particularly with respect to employment tax with those entities. And it also entails tax exempt bonds, which essentially is municipal finances.

So when you think about all of those entities at large, you quickly recognize that it is a very, very broad and diverse spectrum of needs, of interests, of statutory and regulatory regimes. And so, we cannot do our job competently without the assistance and perspective of each and every one of you. So, that is just very critical to us. Here with me today, I have our Director of Exempt Organizations and Governmental Entities, Robert Malone, who is very, very much engaged in many of these issues as it relates to exempt organizations and governmental entities specifically.

And I would like to assure you all that when we receive the recommendations from the IRSAC each and every year, we take those recommendations very seriously. We track them and we look to see what can we do to honor either the recommendation with

specificity, or the spirit around the recommendation. And oftentimes, as will be the case this year, that is something that we will need to do in concert with our partners in both division counsel and in Chief Counsel.

Many of the things that have been identified have a regulatory nexus -- even the definitions around parity and congruity between UBIT and REITs -- but also in making sure that as we go about exploring whether and how to harmonize some of these things, to make sure that we do not inadvertently cause further complications or complexity.

And so, I appreciate that one in particular because I will say that's not one that was on my radar. And so, I appreciate understanding a bit more some of the challenges that community practitioners and taxpayers are facing with respect to that.

And so, I just really want to give that note of appreciation, but also give you all the assurance that we do take those recommendations

very seriously and we have very intentional discussions about those recommendations. And so, we just look forward to ongoing collaboration, engagement, and partnership.

Please know that you are extremely valued, and I am sincere when I say you are needed, and it's a vital necessity for us. So, thank you so much.

MS. FREELAND: Thank you.

(Applause.)

MR. GANTER: I think we're going to need to take a little break before our next --

MS. FREELAND: Yes, we're about 10 minutes ahead right now.

(Break.)

MS. FREELAND: All right, we're going to reconvene again and we're going to move on to SB/SE.

MS. COLBERT: Woohoo. We're going to do that? Yes, we'll do that, right.

MS. FREELAND: And we have Commissioner Lia Colbert with us -- ready to go. She's -- as you can see, she's all enthusiastic and ready to go.

MS. COLBERT: I am usually one of the more enthusiastic people. I try to purposely beat Edward or Ken's energy, and Mabeline. And so, I'm really looking to show that there's a winner here.

(Laughter.)

MS. FREELAND: We do vote when you all leave.

MS. COLBERT: Yes, I know. I imagine you do. I imagine you do. That would be funny if you did. Hey, hey --

MR. MARKHAM: My name is Charles Markham. I'm on the SB/SE Subgroup. Our first topic today, which was on Broadening and Promoting Settlement Programs, was presented earlier. I am on the second issue which begins on page 125, Enhancing Digital Tools for Taxpayer Engagement.

This topic addresses a very simple reality -- taxpayers increasingly expect the IRS to interact digitally in ways that mirror how they already interact with airlines, banks, and other financial service providers.

The IRS has invested in digital tools and made progress in this area. Tools like the Document

Upload Tool, DUT, Digital Mobile Adaptive Forms, DMAF, and secure messaging are now available, but their use remains modest compared to the overall volume of correspondence. The IRSAC found that availability is not the problem.

The primary barriers are low awareness, limited functionality for representatives, and lack of proof or confirmation when documents are submitted digitally. That last point is important. Without a formal acknowledgment that can be used as a proof of submission, digital submissions can feel riskier than sending a certified letter.

This is particularly important since merely uploading a document via tools such as DUT does not guarantee the document winds up in the right hands since uploaded documents can still need to be manually forwarded.

Another key aspect is representation. More than half of the individual taxpayers use paid preparers, yet many digital tools either limit or include representatives entirely, particularly for DMAF submissions. Without better power of attorney

integration, the adoption of these tools will remain constrained.

Our report also highlights mixed opportunities in collections and offer in compromise cases, where delays, missed phone calls, and tight deadlines create frustration for all parties. Strategic and in some cases mandatory use of digital tools in these programs could significantly improve efficiency and taxpayer experience. Based on these findings, the IRSAC makes various recommendations.

These include listing digital response options first in IRS notices, expanding representative access in the software implementation, and implementing acknowledgement with unique confirmation codes for digital submissions.

The IRS has built a foundation. The next steps are to remove friction, build trust, and design these tools around how stakeholders actually interact with the IRS. Doing so will improve service, reduce paper, and meaningfully advance the IRS's modernization objectives.

MR. SANNICANDRO: Good morning. Good morning,

my name is Larry Sannicandro. I'm a member of the SB/SE subgroup. I've been asked to present on Alternative Dispute Resolution, or ADR, which is SB/SE issue three, beginning on page 131 of our report. The IRS offers several alternative dispute resolution programs designed to resolve tax controversies more efficiently, but small business and self-employed taxpayers rarely use them.

Eligibility for these programs is narrow, awareness is inconsistent, and many taxpayers doubt the neutrality of IRS-run mediations. These concerns are especially apparent in Fast Track Settlement, which the IRS has positioned as the primary alternative dispute resolution option for small business and self-employed taxpayers.

Revenue Procedure 2017-25, which governs Fast Track Settlement, excludes collection cases and correspondence examinations, which are the disputes that small business and self-employed taxpayers face most often. As a result, alternative dispute resolution is available to only a very narrow segment of the SB/SE population, leaving many

taxpayers without a practical ADR pathway and forcing them into the traditional adversarial system.

In order to expand the use of ADR for SB/SE taxpayers, we recommend the following. First, modernize revenue procedure 2017-25 by eliminating the categorical exclusion of collection cases, extending eligibility to correspondence examinations, and clarifying that requesting early referral to Appeals does not bar later mediation under Fast Track Settlement.

Second, in the Fast Track Program and otherwise, authorize the use of independent, IRS credentialed outside mediators selected and paid for by taxpayers with appropriate confidentiality safeguards in place. Third, require and enforce consistent examiner obligations to discuss ADR at both the start of an examination, and again if issues remain unagreed, supported by standardized notices and managerial oversight at all points.

Fourth, expand access to Fast Track Settlement for low- and middle-income taxpayers by integrating

mediation into Low-Income Taxpayer Clinic services, supporting pro bono mediation programs, and collecting reliable data to measure outcomes and taxpayer satisfaction. Thank you.

MR. THIESSEN: Good morning. My name is Kris Thiessen. I have the honor of serving on the Small Business and Self-Employed subgroup. Lia, thank you for being here with us. Thank you for your leadership and service. And thanks to all of the dedicated public servants in SB/SE and the IRS at large for all that you do.

MS. COLBERT: Right, so now I can cry. He knows how to get me.

(Laughter.)

MR. THIESSEN: I am presenting SB/SE issue four, Using Proactive Prompts to Improve Small Business Voluntary Compliance, starting on page 140 in our report. The IRSAC recommends expanding and strengthening outreach by proactively providing timely compliance prompts to new and at-risk small business taxpayers.

Small business compliance prompts may serve to

reduce taxpayer confusion over certain compliance obligations, increase voluntary compliance, reduce the need for downstream enforcement and collection activities, and improve the overall taxpayer experience.

The IRSAC recommends, number one, expanding delivery methods for compliance prompts to include mail correspondence, email, text message, and other secure digital communications. Taxpayers should be able to opt-in to receive mail, email, and, or text reminders via authenticated and unauthenticated channels.

Two, new small business taxpayers should receive proactive compliance prompts, such as estimated tax payment due dates for new Schedule C filers, self-employment tax obligations for new Form 1099-NEC recipients, upcoming tax return due dates for new partnerships and S-Corporations, and payroll tax obligations for new S-Corporations.

Three, enable taxpayers to opt-in to receive proactive tax filing compliance prompts in advance of key due dates, including for estimated tax

payments, payroll tax filings, and income tax returns. Four, revise certain forms and schedules, such as Schedule C, Forms 1065 and SS-4, to include fields for the taxpayer's email address and an opt-in box for electronic communications and compliance prompts.

Five, if a taxpayer files Forms W-2 and W-3, but does not file Form 941, issue proactive prompts about their payroll tax filing requirements. Incorporating compliance prompts into the IRS's broader modernization efforts would further strengthen taxpayer engagement and align with Congressional priorities on taxpayer service.

We stand ready to help you extend these recommendations into action. Thank you.

MS. BRUCKNER: Good morning, my name is Caroline Bruckner and I'm a member of the SB/SE IRSAC subgroup. I'm here to present issue five, Expanding and Developing Resources to Increase Tax Literacy for Small Businesses, which you can find on page 144 of your report. Recent research and the IRS National Taxpayer Advocate have identified

low tax literacy as a critical issue facing America's small business owners.

This reality costs these business owners money and precious time and undermines tax compliance. Our report includes recent survey information that showed that over 40 percent of new small business owners report little to no financial literacy before starting their business.

At the same time, tax scams and misinformation are proliferating online, all while many business owners struggle to navigate irs.gov and find clear, up-to-date guidance. The good news is that the IRS has a foundation to build on, but our report demonstrates that these resources are fragmented, hard to find, and not designed around the real-life cycle of a modern small business.

In addition, there are no standard metrics to measure the tax literacy or impact of IRS's outreach, and resources often do not reach taxpayers effectively. It's time for IRS to move from an ad hoc outreach approach to a strategic, data-driven small business tax literacy effort

tailored to small business realities. IRSAC recommends IRS take the following steps. Number one, establish a coordinated small business tax literacy task force and comprehensive strategic plan.

This would include establishing tax literacy metrics, regularly assessing taxpayer understanding of their tax filing obligations, measuring outreach effectiveness, and incorporating ongoing stakeholders from both the public and private sectors.

Number two, expanding partnerships to deliver tax education at key moments in the small business modern cycle. This would include working with federal and state agencies, tax preparers, VITA, TCE programs, software providers, and others to deliver accessible, timely tax education.

Number three, modernizing and regularly updating tax education materials. Ensuring that the IRS is able and funded to annually update IRS educational materials is key to tax literacy for small business owners. These materials should be

usable and accessible across educational settings, from elementary school kids all the way through workforce development training programs. Number four, leveraging technology and emerging platforms.

The IRS needs to ensure that tax education content is optimized for discovery and accurate retrieval through emerging technologies, including generative AI platforms, and reinforcing irs.gov as the authoritative source for tax education. Expanding access to digital learning tools and exploring innovative delivery methods is key to achieving this objective.

Number five, using forms and local touch points to promote small business tax literacy. Adding QR codes and clear instructions on commonly used forms, such as the Form 1099-NEC and the Form 1099-K, to direct recipients to compliance guidance would be incredibly helpful for small business owners that are first time filers as business owners.

And number six, building tax education through expanding certification programs. For example,

using IRS Link & Learn curriculum to include financial and tax education certification would help enable educators, nonprofits, and community organizations to strengthen local small business tax literacy efforts. Thank you so much, and we look forward to working with you on all of these initiatives.

MS. FREELAND: Your turn.

MS. COLBERT: I know. I keep wanting to talk after each one goes, and I know -- I'm lectured to not do that, but boy. So, I'm Lia Colbert, Commissioner of Small Business / Self-Employed. Although at one point I was the Deputy Chief of Appeals, so there's some interesting recommendations about ADR and settlement programs, so interesting being on all sides of the ship.

And, but I love this SB/SE Subgroup. Can I say that? And I love you also because you give such detailed, solution-oriented advice and guidance to us. I mean, it is kind of where we would want to be, and now it's how can we get there, and what amount of “there” is acceptable. Because I would

say we have far to go. We have far to go.

Taxpayers need us to go farther. The small business literacy is deeply intriguing to me. The lack of education of our filers causing them to get into our gears, and if we could get them out of our gears before they even got to our gears, or you understand I'm saying. Gears are involved someplace. But either way, that's the key to it. And so, how do we start front-end compliance, you know, at the beginning.

That will be one of the biggest keys to it. I love the digital feedback too. That we are on our way, but we need to remove frictions. I think that's brilliantly stated. I think that there are frictions, and so, I think of the folks that I have -- and I think maybe everybody knows SB/SE, but we're so large. And I don't mean by workforce, because we have shrunk quite a bit.

But, we have a field revenue agent aspect, and we have campus exam. So, we have field and campus exam operations. We have field and campus collection operations. We have four very distinct

quadrants. They relate in many areas, have some of the same challenges, but I think it is important to know that SB/SE tries to work in all of those areas. Tax rates are impacted in all those fronts, whether it's a field audit, or a correspondence audit, or a field collection interaction, or a campus phone call.

So, we have -- when we talk about the IRS is in a place when it comes to digital communications, the frictions are everywhere. I mean, they are everywhere. I can even tell you how hard the headsets are to get to work on the phone line. You don't talk about that, but I mean those are the kind of basics that we're navigating, getting the headsets to work so we can hear a taxpayer. And that's real life.

And so, the gamut that we navigate as we try to say we're digital first. I know the CEO Frank Bisignano said that this morning, we absolutely want to lean into digital spaces and modernization efforts, and we are on our way, but boy, we should be farther. We could be farther, but we're going

to have to be patient. We're going to have to make sure we're identifying all of those friction points, because there's a lot to remove. There's not just like three or four.

So again, I've reflected high level on the recommendations across the fronts. So I just mentioned digital tools. ADR, I thought that was in the settlement agreements and -- oh no, two different. All right. But specifically alternative dispute resolution when we talk about removing some of those programs, stop excluding. It sounds so simple. Stop excluding certain areas from being able to participate in something that might get you out of the gears faster.

But the adoption of that, and so there's some steps you've well-articulated for us to do that, but then you have to get employee adoption. We have to believe that that's a worthwhile effort. And then even harder still, we have to get taxpayers to believe that that use of energy will actually bear any fruit. That's much harder because taxpayers have a perception of process too.

So it's two maybe merging highway lanes -- you know what I'm saying? There's two folks that you got to get really to play in that space.

The compliance prompts I've also heard as nudges. I'm not sure. I think of my Italian grandmother nudging me all the time. But I do like the compliance prompts. I like the thought of a taxpayer having more insight early. It goes back to what could help them get into the gears in the first place.

I do also reflect and wonder how many folks will really sign up for that. Really hearing from the IRS more -- really? But I think that's the key to it. I mean, if we could interact and intersect more, could we educate early? Could we -- you're headed into the gears. You're about to get really scrunched in the middle here. Here's an early warning system. Here's something that lets you know that that's about to happen. I think it's brilliant. I just, again, think of, will that really get adopted? Will that really get traction?

So I'm intrigued by all the areas that you all

looked at, and I love the layers of solutions that you all provided so that we could maybe choose one or two and say three and four are a little harder than we're able to tackle. But the way you address our issues, the way that you so passionately want to help the taxpayers we're serving, and kind of see that that's where we're coming from too.

I urge you all to take a bit of a peek at our Fiscal Year 2026 Focus Guide. It's online on irs.gov, SB/SE. We're trying to be pretty simple because the problems are really hard. So we're trying to really focus on, how do we help taxpayers comply? How do we equip our employees to be able to do that? How do we send the right messages across our workforce so that they know that we're focused on taxpayers and that they might have an urgency to not deeply explain underlying liability?

A business trust fund taxpayer might look like they're doing just that, or they might just be a business that's waiting on some credits to come, and they haven't come yet. And so they're in the gears looking like their balance is due,

intentionally owing ongoing balances each quarter, but that's not really what's happened at all. It takes my employees digging into that and seeing what they've really got going on to help that taxpayer comply -- help find the compliance path that works for them.

All the while, we have to identify fraud where we see it, and the intentional evasion of tax. So, it's a lot we navigate in our business division, and sometimes we just hope we're getting it roughly right. But we tried to spell out some of the tenets that we feel are important in that Focus Guide, so give that a look. If we've compelled you or interested you -- you started by saying I was going to be long-winded, so I was.

MS. FREELAND: I did not say that.

MS. COLBERT: She kind of did. She said -- it's just how much I appreciate this group. All the subgroups that -- although obviously my heart is especially tender to my own SB/SE subgroup, but you all that give so passionately your advice and guidance and good counsel to what we do, just we

couldn't operate without it. So, I'm just deeply grateful, full of gratitude. But I also know I'm supposed to hit this button and turn it over to Paul, right? Paul Butler is after me, so I got to give it up to Paul. Anyway, thank you guys so, so very much. Appreciate you.

MS. FREELAND: Thank you.

MS. COLBERT: Yes.

(Applause.)

MS. FREELAND: Thank you, Lia. And I did not say she was long-winded. I said she could have the extra five minutes because she enjoyed talking to this group. There is a difference, just saying. All right, so now we have Paul Butler, from the Chief Counsel Office.

MR. BUTLER: Yes, Associate Chief Counsel, P&A, Procedure and Administration.

MS. FREELAND: And he's here to hear from Information Reporting subgroup.

MR. ROBBINS: Good morning, again, all. My name is Adam Robbins, and I serve as a member of the IRSAC Information Reporting subgroup. I'll be

covering issue number two, Non-Tax Related Identity Theft and Account Takeover Fraud, which is found on page 53 of the public report.

The prevalence of identity theft and related fraud has exploded over the last five years due to the combined impacts of the shift towards e-commerce during the COVID pandemic and the increasing use of AI tools by fraudsters. In its most recent report to Congress, the National Taxpayer Advocate highlighted the worsening strain that this proliferation is having on tax administration by citing the steadily increasing average processing times for resolving refund claims that are impacted by identity theft and related fraud.

This average processing time hit an all-time high in 2024 at 676 days, which represents a more than 400 percent increase since 2020 when the average processing time was just 129 days. While all forms of identity theft and related fraud can hamper tax administration, addressing the impacts of income related identity theft, which occurs when

fraudsters intentionally misuse taxpayer identification numbers to obtain employment or claim other forms of income, and account takeover fraud, which involves fraudsters gaining access to valid financial and e-commerce accounts and then misusing them to process fraudulent transactions, can be particularly challenging given how these types of fraud can lead to the filing of one or more information returns that report income to the victims that they never received. IRSAC is recommending several measures the IRS could pursue to streamline how both it and taxpayers rectify the impacts of income-related identity theft and account takeover fraud, while also enhancing the IRS's ability to prevent illicit information return fraud claims.

These recommendations include correcting currently conflicting IRS guidance to clarify how taxpayers of such fraud cases can report them to the IRS. Second, updating Form 14039 to include additional reasons for filing that empower impacted victims to more clearly report such fraud cases to

the IRS. Third, revising current information returns to allow information return filers to proactively report when their internal fraud functions have tied the associated reportable activity to such fraud cases.

And finally, issuing guidance clarifying how information return filers should account for fraudulent transactions that occur during account takeover fraud events. Additionally, the IRSAC is recommending that the IRS investigate whether additional information return filers, beyond Form 1099-C filers, should be allowed to forego filing certain information returns that would otherwise report unreceived income to the substantiated victims of income-related identity theft, especially in industries with robust fraud functions that are required to comply with the requirements of complex anti-money laundering, anti-terrorism funding, and anti-fraud laws. Thank you very much.

MR. GOLDBERGER: Good morning, everyone. I am Jared Goldberger from the Information Reporting

Subgroup. I will be presenting issue three, De Minimis Threshold for Reconciling Forms 1042 and 1042-S, which is on page 62 of the report.

Withholding agents, including qualified intermediaries -- I'll refer to them as QIs -- must make an information return on Form 1042-S, which is the foreign person's U.S.-sourced income subject to withholding information return, to report specified amounts from U.S. sources including FDAP income paid to foreign persons.

Withholding agents required to make an information return on Form 1042-S are also required to file an income tax return on Form 1042, which is annual withholding tax return for U.S. sourced income of foreign persons, for income paid that the withholding agent required to report on Form 1042-S. Amounts that are reported on Forms 1042 and 1042-S are generally expected to reconcile.

That said, QIs frequently find that despite best efforts, differences between Forms 1042-S, filed by the QI, and Forms 1042-S received by the QI from its custodians or payors cannot be

reconciled or explained. The root causes of these differences typically include differences in characterization, source, or timing of the payment, a Form 1042-S not being filed with the IRS, or Form 1042-S being lost in the mail. The general expectation that amounts reported to and by a QI on Forms 1042 and 1042-S should reconcile is reasonable, and the IRSAC is not questioning this expectation of reconciliation.

However, the IRSAC is recommending that the IRS ease the burden placed on both withholding agents, such as QIs, as well as on the IRS, where unreconciled or unexplained differences may not be known or determinable. The IRSAC is making three recommendations with respect to this issue.

Recommendation one, allow for a de minimis threshold of gross income amounts and total tax withheld reported on Forms 1042-S for unreconciled or unexplained differences such that as long as the unreconciled or unexplained differences are below such a de minimis threshold, these amounts would not be questioned as part of a larger inquiry.

Recommendation two, if differences exceed the de minimis threshold, or if a threshold is not adopted, grant taxpayers access to the IRS Form 1042-S data, both what they filed as well as what their payors and custodians filed, to expedite root cause analysis and resolution.

And finally, recommendation three, if the first two recommendations are not accepted, permit taxpayers to submit their own reconciliation spreadsheets that align Form 1042 totals with Forms 1042-S received and filed, enabling the IRS to identify deltas efficiently. Thank you.

MR. YANNACI: Good morning. I am Nick Yannaci with the Information Reporting subgroup. I'm presenting issue number four, Character and Sourcing of Staking Income, found on page 67 of the report. Due to the inadequacy of traditional character and sourcing rules, the IRSAC is requesting clear guidance on staking income.

Staking income are rewards paid to a taxpayer when crypto assets are used to help validate crypto transactions. The recent uptick in digital assets

and cryptocurrency has led to some challenges within the reporting and withholding industry. With the new developments and new technology, industry is seeing more and more staking income being paid. The IRSAC has recommended clarity that staking incomes should be sourced to the residence of the recipient.

This is in line with the recent proposed tax provisions along with historical precedence. When items of income cannot be classified, the courts have sourced the income by comparison and analogy. And with respect to staking income, the most appropriate treatment is return of capital sourced to the residence of the recipient. Thank you.

MR. COHEN: Good morning, I'm Sam Cohen. I'm Government Affairs and Legal Officer for the Morongo Band of Mission Indians. I'm with the TE/GE subgroup speaking on issue five for Information Reporting, which is Recommendations for Increasing the Tax Information Reporting Threshold for Slot Machine Jackpot Winnings, and this is located on page 72 of your public report. This is

a follow-up to the prior IRSAC report in 2023.

The 2023 IRSAC report recommended to increase the reporting threshold set in 1977 for slot machine jackpots in Regulation 1.6041-10 from $1,200 to an inflation-adjusted amount over $5,000. The Trump tax bill, H.R. 1, increased all reporting thresholds to $2,000. The prior 1.6041-10 regulation, $1,200, was twice the $600 statutory reporting threshold in 1977.

While H.R. 1 did not increase the 1.6041-10 reporting threshold to the $5,000 inflation adjustment, doubling the current $2,000 reporting threshold to $4,000 for reporting slot machine jackpots would better inflation adjust the reporting threshold in regulation 1.6041-10. Increasing the reporting threshold for slot machine jackpots would benefit gaming establishments, players, and the Internal Revenue Service. Thank you very much.

MS. NAKANO: Good morning. My name is Susan Nakano, and I am the 2025 subgroup chair for the Information Reporting subgroup. We thank the IRS,

and Taxpayer Services specifically, for seeking IRSAC feedback on four information reporting specific questions. The report provides 22 discreet recommendations to this issue number six, beginning on page 76 of the report. Some of those recommendations I'll summarize this morning.

The first question involves the information reporting threshold reduction from 250 down to 10 forms. An issuer of 10 information returns must now file with the IRS electronically rather than by mail. The IRSAC observed that the additional complexity to now e-file has caused many small-to-medium organizations, including not-for-profits, to engage third parties at additional cost to facilitate those filings, which previously required only a postage stamp.

Information reporting is correlated to reducing the tax gap as income on a W-2 or 1099 is more likely to be declared and taxes paid. We recommend IRS provide support to help information return filers overcome the new complexity to reduce additional cost burden and to maintain compliance.

This leads to the second question, the IRS provision of information return products.

The IRSAC suggests that new and modified products of the IRS would benefit from increased interaction with the taxpayer user community during development. The IRS benefits from several highly engaged and expert communities that would willingly collaborate to develop products.

We suggest this is more efficient than the IRS only responding to comments from the community after draft publication. The third question regards the timing of information return product release. Consider that an IRS product release is generally a technology project to the industry. When a change is introduced mid-year, it is unlikely that it can be put into production by everyone by the end of that same year.

Retroactive requirements are even more complicated. We would like the IRS to avoid same year and retroactive requirements. The fourth question involved recommendations by the Joint Committee on Taxation regarding retirement plan

distribution reporting, including a suggestion for more granularity in the description of a retirement account.

Fundamentally, we found no opposition to the request, but this is a place that collaboration with industry will be helpful before rollout if the IRS moves forward because there's overlap between the retirement plan categories proposed. It will be challenging for industry to implement this change as currently designed.

We thank the IRS for seeking our feedback, and we hope our detailed recommendations are helpful. Thank you, Mr. Butler.

MR. BUTLER: Well, I want to thank you, the IRSAC generally, and particularly the Information Reporting subgroup. I think everyone is very well aware of the importance of information reporting from an administration and processing perspective, and also that obviously flows into examination and collection as well.

And information reporting, obviously, is something that there's been a lot of focus on over

the last few years, particularly the comments regarding e-furnishing have become an area of a lot of debate. I think the IRSAC in general helps us tremendously by giving outside perspectives. And Susan, to your comments about mid-year changes, we're right there with you.

We wish we never made mid-year changes or retroactive changes. And obviously, the current environment is one where we're doing a lot of that. And obviously, H.R. 1 has introduced an awful lot of things and an awful lot of guidance that's been very, very expedited for the current filing season. But particularly in the space of information reporting and the presentations made today, obviously identity theft is a problem that the IRS has struggled with for years.

Obviously, it's not getting any less complex. And I appreciate the recommendations, particularly because as the head of Procedure and Administration, we also own disclosure. And disclosure is one of the recommendations that was made, and that's an area that has been of intense

scrutiny over the past year.

And so, we have a first and primary obligation to make sure that taxpayer information remains confidential but being practical about that and making sure that taxpayers' own information and filers' own information is available to them in the easiest and most economic way is something that we struggle with all the time -- trying to balance the burdens and responsibilities with the ease of access and processability.

So, those comments strike very close to what I do on a day-to-day basis. And some of the other issues that have been raised, we will bring back. This is the great thing about IRSAC is you bring a lot of recommendations, and particularly the Information Reporting subgroup covers a very wide range of our client responsibilities.

So we will bring these back to our client contacts in TE/GE, EEE, and make sure that they give these a full vetting. And so that really, to me, is the great value of this. As you point out, Susan, oftentimes we don't get comments, and we

don't get public input until things are put out in draft form.

And sometimes that means from draft to final is extended greatly because that's the first time we get a lot of comments. So that's one of the great benefits of IRSAC and your working groups, is that sometimes we get that feedback earlier so that the drafts are a little bit more well developed, and address some of the comments that will be coming publicly and we've thought about those in advance.

So, really appreciate the input. And we always bring this back to the client functions that we support and try to help make tax administration not just easier for the IRS, but obviously much easier for taxpaying public as well. So, thank you very much.

MS. FREELAND: Thank you.

(Applause.)

MS. FREELAND: All righty, here we are a year later, and we've made it to the end of our 2025 year. I don't have any particular closing remarks

other than I just want to thank everybody that's on this team. It's been -- it's definitely been a ride.

When we started last year, we had no idea what we were getting into, but here we are at the finish line, and just exceedingly well done, everybody. Thank you so much. I had a wonderful year, and I look forward to stepping back, turning it over to Luci, and enjoying the final year. Thank you.

(Applause.)

MS. WEIGEL: And before we wrap up, just on behalf of everybody at IRSAC, we want to thank you for your leadership, and for your patience, and for your adaptability over the last year and your optimism. And we look to you with a great deal of gratitude for getting the product across the finish line. Thank you all so much from all of us, so.

(Applause.)

MS. FREELAND: Thank you. Thank you. I'm going to turn it over to John to finalize and end the program.

MR. LIPOLD: And now we're going to have two

chair emeriti on the committee, for those of you who know.

So yes, as the Designated Federal Official, it's been a pleasure working with Chris and Luci and the subgroup chairs, and indeed all of you members, over the past year. It was a bumpy ride at times, but we have made it through.

So, I give you my thanks. It's wonderful working with a group of really fine professionals, so thank you. It's now my pleasure, before we close, to announce the 2026 leadership cadre of the IRSAC. And first we'll go through the subgroups.

For Information Reporting, Bea Castaneda will be the subgroup chair. For Large Business and International, Thomas Wheadon will be the subgroup chair. For Small Business, Self-Employed, Annette Nellen will continue as subgroup chair.

For Tax Exempt Government Entities, Brian Yacker will continue as chair. And for Taxpayer Services, Beth Boonin and Brayan Rosa-Rodriguez will continue as co-chairs on that. So second, but not least here, we have a new vice chair for 2026,

and that is Mr. Kris Thiessen.

(Applause.)

MR. LIPOLD: Look forward to working with you, Kris. And of course, very last but not least in any way, Luci Weigel, of course, is our chair for 2026.

(Applause.)

MR. LIPOLD: So I'd like to thank everybody for joining us today, and we'll give you a couple of minutes back on your morning. And thank you very much. The meeting is concluded.

(Whereupon, at 11:44 a.m., the Internal Revenue Service Advisory Council meeting was adjourned.)