



Electronic Tax Administration Advisory Committee

ANNUAL REPORT

TO CONGRESS

June 2024



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ETAAC Members 2023-2024

This report is the culmination of many months of work by the members of this year’s Internal Revenue Service (IRS) Electronic Tax Administration Advisory Committee (ETAAC). ETAAC members spent countless hours researching, discussing, and developing the report’s recommendations. The 2024 contributing members of ETAAC are:

- | | |
|-------------------------------|---------------------|
| Jared Ballew (Chair Emeritus) | Jonathan Lunardini |
| Peter Barca | Amy Wang Miller |
| Vernon Barnett (Vice Chair) | Argi O’Leary |
| Austin Emeagwai | James Paille |
| Jerry Gaddis | Hallie Parchman |
| Robert Gettemy | Andrew Phillips |
| Ronald Gilson | RaeAnn Pilarski |
| Mark Godfrey | Stephanie Plaza |
| Robert Grennes | Keith Richardson |
| Douglas Harding | Mark Steber |
| Andrew Jennison | Terri Steenblock |
| Jihan Jude | Timur Taluy (Chair) |
| Carol Lew | |

Biographies of the Committee members are set forth in Appendix A. The Committee members also recognize and thank the IRS staff and leadership for their assistance in this report’s development. We appreciate the time spent and their responsiveness to numerous meetings and data requests.

Background Information

ETAAC is a unique advisory committee due to its mandate established by Congress to:



report to the Committees on Ways and Means, Appropriations, Government Reform and Oversight, and Small Business of the House of Representatives and the Committees on Finance, Appropriations, Governmental Affairs, and Small Business of the Senate on--

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(1) the progress of the Internal Revenue Service in meeting the goal of receiving electronically 80 percent of tax and information returns by 2007;

(2) the status of the plan required by subsection (b);

(3) the legislative changes necessary to assist the Internal Revenue Service in meeting such goal; and

(4) the effects on small businesses and the self-employed of electronically filing tax and information returns.”¹

ETAAC was established under the Restructuring and Reform Act of 1998 to serve as an advisory committee for the IRS and Congress.

For many years, ETAAC recommendations have assisted in the goal of improved tax law administered with the IRS for delivery of products and services that are developed in alignment with taxpayer needs and expectations with the input of specialized stakeholders. Stakeholders include the City and State Departments of Revenues and tax agencies; Tax Return Preparers; Consumer Advocates; specialized tax-related companies with Payroll Services and Financial Services sectors; and tax preparation software companies.

In previous reports published by ETAAC, exemplary recommendations were made, implemented, and supported by the IRS, various tax administration organizations, taxpayers, tax services sectors and the tax software industry. Previous success in ETAAC’s past recommendations are the direct result of the implementation of crucial factors. ETAAC would like to highlight some key properties that contributed to two prior successes in the following examples.

¹ <https://www.govinfo.gov/content/pkg/PLAW-105publ206/html/PLAW-105publ206.htm>

First, ETAAC would like to identify the 2022 ETAAC report that introduced the “Formula for Successful Initiatives.” The formula is composed of key aspects that include collaboration among external stakeholders; modern, interactive flexible design technology; prioritization of projects; and a balance of machines and people (see below). The components found in the formula model are foundational to the strategic mechanisms that have propelled successful tax initiatives. Such mechanisms should be used as a reference for future IRS undertakings.

Formula for Successful Initiatives (ETAAC 2022 Report)

The 2022 ETAAC posited that appropriately funded IRS initiatives are generally more successful when the following characteristics are present:

Collaboration:

External stakeholders, who are the users and often the champions of IRS improvements, are engaged in collaborative brainstorming and troubleshooting early and often during the initiative and its rollout. MeF, the Security Summit, and the Identity Theft Tax Refund Fraud Information Sharing and Analysis Center (the “IDTTRF ISAC”) are all initiatives that have been tremendously successful due to collaboration among the stakeholders of those processes and systems.

Prioritization:

A true strength of the IRS is making sure that the highest volume workflows are successful. With over 90% of individual returns being filed electronically, maintaining MeF and all the systems that support it is naturally at the top of the list. Also at the top of the priority list are crises, such as national disasters and the pandemic.

Modern, Iterative, Flexible Design:

Technology is built using commonly accepted languages, using tools that are secure and designed to handle change efficiently as tax law and administration changes occur. The 1099 Portal is an example of a new system that uses a common language that allows for easier system changes as needed. The IRS’s approach to increasing functionality over time based upon taxpayer needs demonstrates this principle.

Balance of Machines & People:

The initiative calibrates an appropriate machine-to-human balance, assigns simple, repeatable tasks to machines, and allocates complex tasks requiring judgment to humans. Between the two are the processes that ensure that work is completed timely.

Similarly, in the 2023 ETAAC report, the “Taxpayer Trust Model” was established to demonstrate integral elements that contribute to successful initiatives. In the Taxpayer Trust Model (TTM), voluntary compliance is built on taxpayer trust. Taxpayer trust is then built upon choice, access, transparency, and security. These four pillars that support trust and voluntary compliance are rooted in three foundational components which include: education, communication, and

guidance. See the visual of the Taxpayer Trust Model displayed to the right. This initiative is exemplary because of its emphasis on necessary elements that directly contribute to prosperous implementation.

It is our opinion that Congressional appropriators and IRS leadership consider key elements from the “Formula for Successful Initiatives” and Taxpayer Trust Model from prior reports when making policy or tax administration decisions.



E-File

The IRS has a storied history of success in electronic tax administration. The Modernized e-File system (MeF) is the core of the nation’s tax system allowing for the electronic submission of tax returns to the IRS and states. MeF has the ability to (a) retrieve state tax returns, and (b) communicate back to the IRS and states e-file acknowledgements.

MeF was built through robust collaboration with states, IRS technical experts and tax industry professionals. In the development of MeF, the IRS worked with the Organization for Economic Cooperation and Development (OECD) to consider international standards that ensure best practices for the US tax system. While this report and previous ETAAC reports make recommendations to expand support for additional forms on MeF or allow it to process more returns, the underlying technology, security, and effectiveness of MeF serve as the foundation of the U.S. electronic tax system.

Collaboration and partnering for the betterment of tax services, products and tax administration policies and procedures is a historical cornerstone of the IRS tax rule delivery and administration. Two such example programs with history and success are Free File and VITA.

Between the VITA program and the Free File Program, the IRS collaborates with community groups, the tax software community, and taxpayers to offer both in person and online federal tax filing services at no charge to taxpayers.

Free File Program

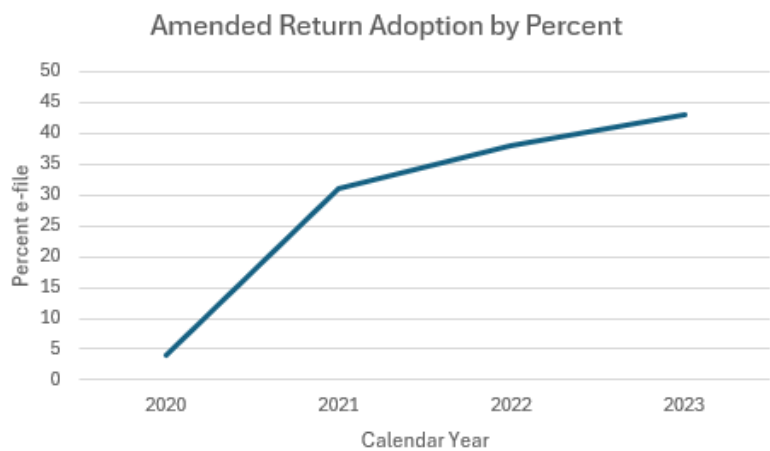
The Free File Program is over 20 years old and, in its tenure, provided free federal returns to over 73 million taxpayers. The IRS collaborated with the tax preparation industry to develop the Free File Program. The program ensures that all taxpayers regardless of income can file their federal return for free (when including the interview-based free file and the fillable forms free file). For taxpayers whose income is in the lower 70% as tested by adjusted gross income or AGI they can elect to use the traditional or interview based Free File and be able to file their state return at the same time as their federal return. In many cases they can also file their state return for free (See Recommendation 4).

Electronically Filing Amended Returns

In 2020 the IRS introduced the ability for taxpayers to electronically amend their return. The ability to electronically amend a tax return provides an easier and quicker option for taxpayers and increases the accuracy of the refund being filed. The success of this program was quickly identified with taxpayer and tax return preparer adoption of the new electronic option.

The IRS has worked closely with the tax software industry, return preparers and states to make sure the adoption of the taxpayer experience in electronic filing of an amended return would be the best possible. Amended return filing was offered by the Free File Program at no cost to eligible taxpayers.

In the first year of the program, over 4% of amended returns were filed electronically. Just 3 years later the program grew to nearly 77% of amended returns filed electronically in 2023.² This is a testament to the success of the IRS programs that are developed collaboratively, following the Formula for Successful Initiatives as espoused in the ETAAC 2022 Report to Congress.



² Per IRS Provided data:

CY 2020, total of 3,125,720 amended returns received of which 144,210 were Electronic

CY 2023, total of 681,005 amended returns received of which 295,856 were Electronic; CY 2023 numbers are unofficial until Publication 6149 is updated

VITA

One of the best IRS programs to date is the Volunteer Income Tax Assistance (VITA). In VITA the IRS works closely with the tax preparation industry and community advocacy groups to deliver return filing programs volunteers use to assist taxpayers who need assistance with filing their return.

VITA allows the IRS to collaborate with a wide array of community groups and taxpayers to offer in person and online federal tax filing services at no charge to taxpayers. The VITA Program offers the preparation and e-file of a federal and a state return for free utilizing a trust partner in their community.

Letter from the Chair and Vice-Chairs

As the ETAAC Chair and Vice-Chair, the most rewarding part of our role is to interact with the Committee members who are leaders in their respective fields with many ideas to help advance tax administration. The ETAAC committee members have strong backgrounds in tax administration representing tax practitioners, state tax agencies, tax software and other tax industry leaders. ETAAC reaffirms a consistent recommendation made year after year: collaboration with the IRS and stakeholders is vital to achieving comprehensive success in tax administration.

ETAAC continuously recommends expanding tax program access of IRS developed programs and select data to tax preparers, tax software industry, and states. Most taxpayers choose to interact with the IRS through a third party. ETAAC makes repeated recommendations to increase access to information the IRS has on taxpayers. See

[2023 Report Recommendation 4](#)

[ETAAC recommends the IRS provide properly authenticated third parties the ability to “Pull” information return data on demand.](#)

[2022 Report Real-Time Collaboration](#)

[Increase Digital Intake of Returns with Certain Errors.](#)

[2021 Report Recommendation 7](#)

[Allow for greater transparency into return processing status.](#)

Increased access will result in greater services, more accurate and timely filed returns, overall greater processing efficiencies in the IRS, and reduction of taxpayer burden.

The importance of these partnerships is further solidified by the inclusion of a specific objective within the IRS 2024 Strategic Operating plan. In Objective 2 from the 2024 IRS Strategic Operating Plan Update, the IRS identified “Work with tax software providers to stop potential

scams at time of filing” as a FY24 priority. Given the Committee’s penchant for collaborative planning in IRS programs, ETAAC recommends that IRS consider incorporating additional stakeholder input to the other objectives and their respective initiatives. States may have lessons learned to share with the IRS on notices, online services, and digitization. In addition, tax preparation software companies and tax practitioners likely can encourage and help individuals and businesses to adopt and understand the benefits that result from IRS investment in these objectives and initiatives. In short, the IRS is surrounded by a wide array of tax administrators that are eager to support and facilitate the most efficient form of tax administration, and voluntary compliance.

ETAAC is passionate about partnerships and taxpayer service. High quality tax administration and the service of taxpayers to ensure they can voluntarily comply with a complex tax program results in a revenue system that is able to fund many of the integral programs that help this country function. Therefore, our first Recommendation supports enhanced data sharing with state tax agencies, tax software providers, and tax practitioners. This aligns with the IRS’s mission to continually serve taxpayers. The IRS ranks 11th most efficient in administration out of 58 advanced and emerging economies as tested by Population per FTE per OECD. Given this information, the IRS likely administers the most complex tax codes and receives the most Personal Income Tax Returns and Corporate Income Tax Returns combined of any nation. This is a significant accomplishment.

ETAAC believes safely and appropriately exchanging information will result in more accurate tax returns and proactively detect and prevent fraud. It will also help to keep taxpayers from falling prey to schemes and scams. Upon inspection, the initiative to disrupt scams in Objective 2, appears to be another opportunity for ETAAC to suggest enhanced data sharing to allow enhanced interaction with taxpayers. This will equip taxpayers to be more informed and educated when filing.

ETAAC has made several recommendations for Congressional consideration. These recommendations promote voluntary compliance while protecting taxpayers and the integrity of the revenue system. ETAAC congressional recommendations include enhancing funding for the taxpayer advocate, providing statutory authority for tax return preparer regulation, and providing stability in the future of tax administration.

ETAAC has made several recommendations for IRS and tax administrators’ consideration. These recommendations focus on things such as free tax return filing, APIs for taxpayers and their authorized agents to access their information, secure and authorized information sharing.

ETAAC is proud to share our recommendations. Regardless of your role in tax administration, ETAAC stands ready to support the American tax system and taxpayers.

This report could not be developed without the support of the devoted and hardworking public servants at the IRS. From the ETAAC program group to the subject matter experts, to the presenters who provide the Committee’s valuable testimony, to the NPL team, and everyone else our ability to provide this report is made possible by their hard work. On behalf of the Committee, we thank you for your support and service as we developed this report.

Respectfully submitted,



Timur Taluy | Chair



Vernon Barnett | Vice Chair

How to Read the 2023 ETAAC Report

This report provides brief critical insights through both a high-level overview, and deeper context in full-length analysis. ETAAC organized this report consistent with the Committee’s charter.

The journey of a taxpayer is filled with opportunities and challenges, and their experiences can have significant implications for the policies and programs enacted by Congress and implemented by Tax Administrators.

For an overview of the Strategic Operating Plan objectives and Annual Update Supplement ETAAC’s recommendations meet, review the:

- Summary List of ETAAC’s 2024 Recommendations

To gain deeper context for our 2024 recommendations, review the full report, which includes:

- Legislative Tear Off Sheets
 - Summary
 - Legislative Opportunity I, II, III
- Recommendation Summary
 - Full 2024 ETAAC Report
 - Preamble
- Recommendations 1-12
- Appendix
- Open Prior Year Recommendations

Legislative Tear Off Sheets

We respectfully submit our recommendations to Congress for consideration. These recommendations are intended to address the current barriers to e-filing and aim to foster a more streamlined and modern tax system. The IRS Restructuring and Reform Act of 1998 ([RRA98](#))³ significantly shaped the landscape of tax administration in the United States. One of the key directives under RRA98 was the emphasis on increasing the adoption of electronic filing systems for tax and information returns. The Act also established that an electronic commerce advisory group would be responsible for identifying and recommending legislative changes to aid the IRS in achieving its e-filing objectives.

Our comments aim to outline the necessary legislative recommendations that would support the IRS in enhancing its electronic filing systems, thereby ensuring more efficient, secure, and faster processing of tax returns.

Legislative Opportunity Summary

- I. Authorize the IRS to regulate non-credentialed tax return preparers to prevent harm to taxpayers and the tax system.
- II. Support good tax administration
- III. Accelerate the filing deadline for certain information returns

³ See [RRA98](#) Title II, Sec. 2001: [Electronic Filing of Tax and Information Returns](#).

Opportunity I: Authorize the IRS to regulate non-credentialed tax return preparers to prevent harm to taxpayers and the tax system.

PRESENT LAW

There is currently no federal education, certification, or training requirement to prepare taxes for clients for a fee. This creates an opportunity for individuals without the requisite knowledge or skill to offer fee-based preparation services. There are many examples of unqualified individuals providing inaccurate, low quality, out of compliance tax advice, and preparation to unsuspecting taxpayers.

REASONS FOR CHANGE

The IRS and Taxpayer Advocate have unimpeachably presented statistics demonstrating that non-credentialed tax return preparers are responsible for a disproportionate share of erroneous returns. About a third of the total amount of Earned Income Tax Credit (EITC) payments for 2023 were erroneous. Applying the 94% error rate of EITC returns prepared by non-credentialed preparers equates to over \$20 billion in erroneous EITC payments. There is undoubtedly harm to the federal fisc caused by the failure to regulate and educate non-credentialed preparers.

Notably, the IRS already has well-developed and well-functioning programs for educating tax return preparers. Through its Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs, the IRS has trained tens of thousands of volunteer tax return preparers. VITA/TCE tax return preparers receive tax law training and must pass a competency exam. In stark contrast to the error rates of non-credentialed preparers, returns prepared by VITA/TCE volunteers are overwhelmingly free of errors or exceptions that could delay processing or receipt of refunds owed to taxpayers.

RECOMMENDATION

Congress should authorize the IRS to regulate non-credentialed tax return preparers to prevent harm to taxpayers and the tax system. The IRS has the capability to implement a program that effectively trains and educates tax return preparers through its existing Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) training programs. This recommendation could be replicated from the framework of VITA and TCE for non-credentialed preparers. Implementing such a program would undoubtedly pay for itself and serve to protect the federal fisc.

Opportunity II: Support good tax administration.

PRESENT LAW

The IRS states that the agency’s mission is to “[p]rovide America’s taxpayers top quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.”⁴ With Congress’ support and IRA funding, the IRS has embarked on a transformational modernization project – an enormous initiative that will take years of consistent and high-quality management, leadership, complex interconnected work, and support. Currently, late legislation and tax extenders present a profound negative impact on the tax filing ecosystem. Frequent delays and last-minute changes hinder the procedural nature of tax administration, leaving tax preparers, tax software companies, and taxpayers from planning a smooth tax season which ultimately introduces risk to tax administration.

REASONS FOR CHANGE

Late Legislation and Tax Extenders - Late legislative changes delay many of the activities of the tax filing ecosystem. These delays must be worked in a serial process. Many states that have an income tax are unable to process tax returns until they update their systems based on these late changes. Tax software companies cannot complete the work to deliver tax compliance until after all the taxing agencies finish their up-stream work. In the meantime, several tax filers file their return prior to the final changes, leaving items off their tax return so they can receive their refund. In many if not most cases, this is an intentional decision with the expectation of filing an amended return after all the changes are properly implemented. This results in low-income filers paying additional fees due to the late legislation. It often puts low-income filers in an untenable financial position.

Support the IRS to successfully Modernize - The IRS has begun a transformation (as outlined in their Strategic Operating Plan) and if funded, led, resourced, and properly managed, the results of the IRS modernization project could be transformational – modernizing the IRS in impactful ways and dramatically improving the organization’s talent, processes, technology, and service delivery. It is the obligation of all stakeholders to support IRS undertakings to improve the tax ecosystem. In order to achieve this, transparency and communication is necessary to collaborate effectively.

⁴ See IRS, *The Agency, Its Mission and Statutory Authority*, <https://www.irs.gov/about-irs/the-agency-its-mission-and-statutory-authority> (last visited Dec. 21, 2021).

RECOMMENDATION

Congress should pass legislation with sufficient time needed for implementation. The success of the IRS's modernization project is contingent upon Congress's support, both in terms of funding, authority, and advocacy. ETAAC strongly recommends close collaboration, transparent communication, consistent and reliable funding, and strategic engagement to ensure the timely and successful execution of this transformative initiative.

Opportunity III: Accelerate the filing deadline for certain information returns.

PRESENT LAW

Under the Internal Revenue Code (IRC) §6071(b), information returns electronically filed (other than returns and statements required to be filed with respect to nonemployee compensation) must be filed on or before March 31st of the year following the calendar year it pertains to. Under IRC §6071(c) Forms W-2 and W-3 and any returns or statements required to be filed with respect to nonemployee compensation must be filed on or before January 31st of the year following the calendar year to which such returns relate.

REASONS FOR CHANGE

Information returns that report Federal income tax withholding provide an avenue for increased fraud and identity theft. The current March 31st deadline for filing is after the start of the filing season and thereby provides a limited timeframe for upfront review and analysis of data elements that could help detect identity theft and fraud. Accelerating the filing deadlines of information returns has proved to be an effective tool to reduce fraud and increase efficiency across the tax ecosystem by allowing for more real-time matching of information reporting to tax returns.

RECOMMENDATION

Amend IRC §6071 to require that Forms W-2G, 1099-K, 1099-R, and any form with a withholding be filed on or before January 31st of the year following the calendar year to which such returns relate and accelerate the filing deadline.

ETAAC 2024 Recommendation Summary:

The ETAAC 2024 recommendations are organized based on the IRS Strategic Operating Plan and Annual Update Supplement objectives. The detailed analysis and explanation of each recommendation can be found in the “Full ETAAC Report 2024 recommendations” on page 22.

RECOMMENDATION: 1

ETAAC recommends the IRS enable API (Application Programming Interface) access to taxpayer information to disrupt scams, promote modernization, accuracy, security and efficiency in the taxpayer experience.

Annual Update Supplement:

- Objective 1 - Accelerate Digitization, Expand Online Services, Improve Employee Tools
- Objective 4 - Modernize Foundational IT

Strategic Operating Plan:

- 1.2 - Expand digital services & digitalization
- 4.2 - Accelerate technology delivery

RECOMMENDATION: 2

Remove barriers to electronic filing while enhancing security by developing an alternative to the Self-Select PIN process with a more secure IRS e-file PIN.

Annual Update Supplement:

- Objective 1 - Expand Online Services, Accelerate Digitization & Improve Employee Tools
- Objective 4 - Modernize Foundational IT

Strategic Operating Plan Objective:

- 1.2: Expand digital services & digitalization & Objective
- 4.1: Transform core account data and processing
- 4.2 Accelerate technology delivery
- 4.3 Improve technology operations
- 4.4 Continue to ensure data security

RECOMMENDATION: 3

Promote greater information sharing with states and industry partners of homogenized tax data, metrics, year-over-year metrics, and seasonal information.

Annual Update Supplement:

Objective 4 - Modernize Foundational IT

Strategic Operating Plan Objective:

4.6 Apply enhanced analytics capabilities to improve tax administration

4.7 Strategically use data to improve tax administration

RECOMMENDATION: 4

Conduct a cost/benefit analysis of free tax filing services for individual tax return preparation to expand and optimize access to underserved taxpayer groups using data.

Annual Update Supplement:

Objective 1 - Improve services to help taxpayers

Strategic Operating Plan Objective:

1.5 - Explore direct file

RECOMMENDATION: 5

Implement standardized validation rules of user provided data to enhance the accuracy and integrity of the data received by the IRS.

Annual Update Supplement:

Objective 1 - Accelerate Digitalization

Strategic Operating Plan Objective:

1.2 - Expand digital services and digitalization

2.1 - Identify issues during filing

RECOMMENDATION: 6

Enable Tax Professionals with Proper Authorization (i.e., Forms 8821, 8655, 2848) to Access Taxpayer Information Online.

Annual Update Supplement:

Objective 1 - Expand Online Services

Strategic Operating Plan Objective:

1.2 Expand digital services and digitalization

1.6 Enable taxpayers to access their data

RECOMMENDATION: 7

Enable Third Party Authorization Forms (8655, 8821, 2848, etc.) to be submitted and verified online

Annual Update Supplement:

Objective 1 - Expand Online Services

Strategic Operating Plan Objective:

1.2 Expand digital services and digitalization

RECOMMENDATION: 8

ETAAC recommends the IRS facilitate electronic filing for certain low volume information returns and other non-cyclical filings.

Annual Update Supplement:

Objective 1 - Expand Online Services

Strategic Operating Plan Objective:

1.2 Expand digital services and digitalization

RECOMMENDATION: 9

ETAAC recommends the IRS create a sunset project plan for the FIRE (Filing Information Returns Electronically) and AIR (Affordable Care Act Information Returns) systems to be integrated into the IRIS (Information Returns Intake System) to reduce taxpayer burden.

Annual Update Supplement:

Objective 1 - Expand Online Services

Objective 4 - Modernize Foundational IT

Strategic Operating Plan Objective:

1.2 - Expand digital services and digitalization

1.4 Improve self-service options

1.6 Enable taxpayers to access their data

4.1 Transform core account data and processing

4.2 Accelerate technology delivery

4.3 Improve technology operations

RECOMMENDATION: 10

ETAAC recommends increased funding for the Office of the Taxpayer Advocate (TAS)

Annual Update Supplement:

Objective 1 - Enhance Live Assistance, Expand Online Services, Accelerate Digitalization, Improve Employee Tools

Strategic Operating Plan Objective:

1.1 Improve the availability and accessibility of customer service

1.3 Ensure employees have the right tools

RECOMMENDATION: 11

ETAAC recommends Congress provide statutory authority to the IRS to regulate non-credentialed tax return preparers to standardize knowledge, capability, and data security in the tax system.

RECOMMENDATION: 12

ETAAC recommends Congress support good tax administration.

PREAMBLE

The Electronic Tax Administration Advisory Committee (ETAAC) was established by Congress in 1988 to provide continuing public input into the development and implementation of the IRS organizational strategy for electronic tax administration. ETAAC researches, analyzes, considers, and makes recommendations on a wide range of electronic tax administration issues, such as taxpayer experience, identity theft, and refund fraud. ETAAC also contributes to the development of the IRS strategic plan.

For tax year 2021, the IRS processed more than 235 million individual and business returns, assisted more than 58 billion callers and walk-in taxpayers, and issued more than \$359 billion dollars in refunds.⁵ This is no easy feat, and the IRS should be recognized for their accomplishments. ETAAC and stakeholders surveyed by this committee praised the IRS for its efforts in communication and engagement, preparing for and executing the 2023 filing season, and implementing new technology solutions.

While we recognize and celebrate the IRS for their efforts, we would be remiss if we didn't also acknowledge the significant investment made by Congress. Congress has shifted the paradigm by investing nearly \$80 billion in the Service over the next ten years. It is imperative for the IRS to utilize those funds to improve taxpayer experience, enforcement, and technology infrastructure. You will find recommendations in this report that align with this investment and hold the IRS accountable for quickly and effectively deploying new resources.

The recommendations in this report are built on the premise of developing and implementing a tax system that better meets the needs of American Taxpayers. We also appreciate that recommendations made without consideration of existing strategy are, at best, difficult to implement and, at worst, unproductive or impact the taxpayer negatively. This report is written to align with the IRS mission and proposes actionable recommendations that align with the Inflation Reduction Act (IRA) Strategic Operating Plan. References to this plan will be found throughout the report. The focus areas are summarized below.

- Dramatically improve services to help taxpayers meet their obligations and receive the tax incentives for which they are eligible.
- Quickly resolve taxpayer issues when they arise.
- Focus expanded enforcement on taxpayers with complex tax filings and high dollar noncompliance to address the tax gap.
- Deliver cutting-edge technology data and analytics to operate more effectively.
- Attract, retain, and empower a highly skilled, diverse workforce and develop a culture that is better equipped to deliver results for taxpayers.

⁵ Provided by IRS Wage and Investment

We have worked hard to consider the voices of those who interact with the IRS and would like to thank Congress, the IRS, the National Taxpayer Advocate, Taxpayers, Tax Professionals, the Tax Software Industry, and State/Local tax agencies for their feedback and input that was considered and incorporated into this report. Congress has presented the Internal Revenue Service with an unprecedented opportunity. It is our honor to provide public input into the Service's strategy to capitalize on such an opportunity.

Recommendation 1 | ETAAC recommends that the IRS enable API (Application Programming Interface) access to taxpayer information to disrupt scams, promote modernization, accuracy, security and efficiency in the taxpayer experience.

IRS customers have grown accustomed to rapid technological improvements in many areas of their lives. Real time, secure access at the touch of a button has become as commonplace as order tracking and same-day delivery. Jarring encounters with pre-technological methodologies result in maddening chasms between expectations and reality. Customers expect the same level of service from public sector and private sector organizations.

The use of computer-to-computer communication or Application Programming Interfaces (APIs) between the IRS and the software taxpayer's (and their tax professionals) use to prepare and submit their tax returns is critical to move tax administration forward. The IRS acknowledged the need for APIs building in its Direct File Pilot initiative. When users needed to get access to prior year information, the IRS enabled an API for the Direct File Pilot to access it and populate it into tax returns. This capability must be made available to all tax filers regardless how they choose to file their return.

The IRS has identified in its SOP initiative 1.6 to:

Enable taxpayers to access their data:

Taxpayers will be able to access, download, and seamlessly share their tax data and IRS history

The best and most efficient way to achieve this is to enable APIs for taxpayers to download and share their tax data and IRS history.

The IRS currently operates a system where tax preparers can request authorization from a taxpayer to obtain their transcript. Once the taxpayer accepts the request from the tax preparer there are certain software tools that can request the transcript using an API from an existing IRS service. The IRS offers an electronic service where financial institutions can request transcripts as authorized by taxpayers for mortgage applications and other financial services. The IRS also operates a similar system for those submitting Free Application for Federal Student Aid (FAFSA) to share their tax data and IRS history using an API called the IRS Data Retrieval Tool.⁶

The current IRS system used by tax professionals requires that the taxpayer respond to a tax professional's electronic request, which is then manually entered into the IRS tax

⁶ <https://studentaid.gov/help/how-use-irs-drt>

professional online account. ETAAC recommends that the IRS find a more efficient API based method to make these transcripts available to all tax filers regardless of their chosen filing method. This must have a secure authenticated solution that takes into account criminals who may hold the taxpayer information. This API recommendation should have flexible and adaptable security solutions to proactively stay ahead of the criminals and any schemes they may use to gain access to information being shared. The IRS Secure Access Digital Identity (SADI) may be a viable authentication system.

With access to tax transcripts, the tax software can be more proactive in ensuring that the taxpayer is generating an accurate tax return and not falling prey to schemes and scams. In the cases where taxpayers may claim credits or tax provisions that they have not claimed in the past, the software can use the transcripts to provide taxpayers with personalized information. Likewise, if the taxpayer is not claiming a benefit they had claimed in the past, the software can help taxpayers to ensure they claim the tax benefits to which they are entitled. With access to the transcript tax software and return, preparers will have access to third party data reporting like W-2 and 1099 forms and could validate withholding that taxpayers provide during the tax filing process. Being able to validate withholding at the time of filing can also prevent taxpayers from being victims of the high withholding scheme and scam.

The IRS has identified and addressed this issue in its Strategic Operating Plan (SOP), both generally in “Objective 4 - Deliver cutting-edge technology, data, and analytics to operate more effectively,” and more specifically in “Initiative 4.1 - Transform core account data and processing.” Fortunately, the SOP drills down into specific steps that the IRS will take to realize its initiatives.



While Application Programming Interfaces (APIs) are mentioned several times in the SOP, the IRS, its stakeholders, and its customers will benefit from an agreed upon framework for API modernization. A more specific list of the IRS APIs can provide the most impact on tax administration in the shortest period of time.

In the following two years after the Inflation Reduction Act was signed into law, the IRS is under increasing scrutiny to demonstrate the quantifiable positive impacts of the highly publicized investment into its operations. Simultaneously, the IRS will need to broadcast a vision of future improvements, a guide on how to reach those goals, and a method of tracking to show their progress. While similar needs exist for all IRS initiatives, APIs can provide a framework that can be replicated for other improvements that cut across multiple objectives and initiatives. APIs make several appearances in the FY2023 – 2031 IRS Strategic Operating Plan; but they feature mostly as support for separate initiatives. Since APIs are a compelling vehicle to transform federal tax administration, the vision for their development—and the ways in which they will benefit the customer—deserves further refinement.

In refining that vision, the IRS would benefit by splitting their efforts into two easily understood categories:

1. Actions that the Service must take to fulfill its foundational duties, and
2. Actions that meet rising customer expectations.

Three areas stand out in the categories of actions that the Service must take to fulfill its foundational duties:

- **Data Security** – In his confirmation hearing, Commissioner Werfel listed data security as one of his priorities for his term. He indicated a desire to understand the current data security baseline, looking into the roots, understanding the levers available and gaining a clear picture of the risk profile. He also promised to provide a plan and timeline for keeping taxpayer data safe. His broad policy outlines can be realized with APIs that keep data security at the forefront of their future development. Safe and secure APIs allow for the fast exchange of important data between intended parties. Building the proper security around those APIs fulfills a fundamental mission of the IRS to protect taxpayer information.
- **Fraud Control** – Data security leads to enhanced fraud control. Keeping taxpayer information secure limits fraudsters' ability to invade tax preparation offices or otherwise adversely impact law abiding taxpayers. Proper functioning APIs will help prevent fraud. APIs from the IRS that have the proper data security and fraud controls in place can then help speed the transfer of information to and from authorized preparers and do so in a secure manner.
- **Enforcement** – Enforcement is a foundational component of tax administration. The IRS has opportunities to use APIs to aid with enforcement by quickly transmitting pertinent information about bad actors to state and local tax agencies. At present, states must wait for months before receiving pertinent tax enforcement information from the Individual Master File and the Business Master File, like CP2000s or 1099-NEC information. This is a growth area that would help federal, state and local tax agencies fight fraud in real time.

As illustrated above, the IRS has foundational duties that must be fulfilled. In addition, the IRS can grow as an organization to meet and exceed customer expectations. Three areas stand out in the category of actions that meet customers' expectations:

Accuracy – IRS customers want to know that they are receiving correct information. APIs can enhance existing exchanges of information through current practices like phone calls, correspondence and Where's My Refund. Furthermore, APIs that deliver IRS account information to the customer's DIY software or to the customer's authorized tax professional helps to provide accurate information on the front end and minimizes the back-end compliance and error correction costs. The quick, secure and thorough exchange of accurate information plays a fundamental role in helping the IRS to meet rising customer expectations.

- **Clarity** – The IRS has recognized the importance of clarity in Initiative 1.6 “Enable taxpayers to access their data.”

Accurate information is not helpful if it is not clear. Opportunities exist to structure IRS account data in a manner that can be readily exported to a customer’s tax return, making the data both more accurate and clearer. APIs that present accurate and clear information help the IRS meet rising customer expectations. The need for clarity extends to software providers and tax preparers who will need to give clear updates on the status of their clients’ refunds.

- **Turnaround Time** – questions regarding turnaround time generate the highest number of calls, correspondence and inquiries into the IRS. Customers’ expectations for faster turnaround time will only rise in the future. APIs that decrease turnaround time for processing returns, correspondence, inquiries, collections and audits will help eliminate the causes for contacts and enable the IRS to reposition teammates to other important work. Not only can APIs help with the turnaround time for processing the above items, but APIs can also provide faster updates to the taxpayer on the status of their items.

The IRS’ Transformation and Strategy Office has done an exceptional job at directing, organizing and communicating how the Inflation Reduction Act funding has provided the fuel for the IRS’ transformation. They have sorted 5 objectives into 42 initiatives with clear goals and key results, outlined in the Strategic Operating Plan update released in April 2024. Their efforts have laid a firm foundation for further transformation efforts in the future.

The API improvement efforts can easily plug into the existing framework established by the Transformation and Strategy Office (TSO). The IRS can dive deeper and develop a detailed strategy for standardizing and improving their APIs by organizing their efforts around actions that fulfill its foundational duties—data security, fraud control, enforcement—and actions that meet rising customer expectations--accuracy, clarity, and turnaround time. By utilizing the TSO framework, the IRS can easily develop objectives and key results for APIs to cue their developers and their customers as to when to expect certain releases. This framework can help the IRS identify, discuss and develop horizontal improvements, like APIs, that cut across the Objectives and Initiatives listed in the SOP. The plan for APIs can be replicated for other crosscutting improvements. Such a plan would provide a clear picture of how the IRS has invested appropriations from the Inflation Reduction Act and provide a compelling vision for the future of tax administration.

Recommendation 2 | Remove barriers to electronic filing while enhancing security by developing an alternative to the Self-Select PIN process with a more secure IRS e-file PIN.

The Process – To electronically submit an individual tax return, a taxpayer must sign the return electronically using a personal identification number (PIN) and provide specific information to the IRS. This PIN is created at the time of filing. The taxpayer must either use the Self-Select PIN method or the Practitioner PIN method to complete this validation process and electronically sign their tax return.⁷

Option 1: Practitioner PIN – The practitioner PIN method allows the taxpayer to authorize their tax professional to enter or generate their PIN on their behalf. To be a valid electronic signature, the taxpayer must provide limited information to their tax professional (chosen PIN, date of birth, last name, and if the taxpayer has one, their identity protection PIN). In this situation, the IRS is relying upon the process completed by that tax professional to validate the taxpayer’s identity, which may include checking their driver’s license or other proof of identity in many circumstances. In general, this method provides a good experience for the taxpayer, helping facilitate a high e-file acceptance rate, and provides sufficient assurance of the taxpayer’s identity because a human (the tax professional) is in the loop.

Option 2: Self-Select PIN⁸ – The self-select PIN method allows the taxpayer to create their own PIN (each spouse on a joint return needs their own PIN). This PIN number is any five digits the taxpayer chooses (cannot be five zeroes). In addition, for an electronically submitted return to be validly signed before e-file submission, the taxpayer must also provide:

- The taxpayer’s last name
 - The taxpayer’s date of birth
- To verify their identity, the taxpayer must provide one of the following:
- The taxpayer’s identity protection personal identification number (IP PIN), if one has been assigned
 - **Or, if no IP PIN has been assigned, one of the following:**
 - The adjusted gross income (AGI) from the taxpayer’s originally filed prior-year tax return, or
 - The taxpayer’s prior year PIN (the five-digit PIN the taxpayer used to e-file their return the year before).

⁷ The entirety of this section describing the electronic signature process is found at the following – 2023 Form 1040 Instructions, pages 63-64, at: <https://www.irs.gov/pub/irs-pdf/i1040gi.pdf>.

⁸ A taxpayer may not use the self-select PIN method if they are a first-time filer under age 16 at the end of the tax year.

A taxpayer who files their tax return with a tax professional may choose which method they wish to use to electronically sign and submit their tax return. However, taxpayers that choose to use do-it-yourself (DIY) software to prepare their tax return may only use the self-select PIN process. This means all DIY filers must either provide their prior-year AGI or prior-year PIN to file (exception below for taxpayers who have obtained an IP PIN).

In certain situations, a taxpayer is permitted to enter '0' for their prior-year AGI.⁹ This option to enter '0' in place of a prior year AGI is available to first-time filers over the age of 16, taxpayers who did not submit a tax return for the prior year, and taxpayers who submitted a tax return for the prior year, but it has not yet been processed.

Identity Protection Personal Identification Number (IP PIN)¹⁰ – A Valuable but Underutilized Protection Against Fraudsters – The IRS has continued to expand the IP PIN process over the last several years. An IP PIN is a six-digit number that once issued to a taxpayer, must be included on their tax return before they electronically file. IP PINs are issued in two instances:

- Confirmed victims of tax-related identity theft are assigned an IP PIN by the IRS as part of the remediation process and are mailed a CP01A Notice each year with their IP PIN for that year's tax return.
- Other taxpayers who are not confirmed victims of tax-related identity theft but do wish to protect themselves against it may voluntarily sign up to receive an IP PIN each year. To do this, they must pass an identity verification process and then they will log into their IRS Online Account each year to retrieve their IP PIN (it is not mailed to them).

If a taxpayer has an IP PIN assigned to them, they must include that number on their tax return or they will not be permitted to file electronically. If a taxpayer enters their IP PIN, they are not required to enter either their prior-year AGI or PIN. The IP PIN method provides strong protection against stolen identity tax refund fraud and effectively locks out many fraudsters from e-filing using that taxpayer's social security number. However, because IP PINs are optional and not well known to taxpayers, they are woefully underutilized. For instance, even though the Federal Trade Commission (FTC) received over 1.1 million reports of identity theft in 2022, only 525,000 taxpayers opted into the IP PIN program in that year.¹¹

Taxpayer Experience Challenges with Self-Select PIN - The process of using the taxpayer's prior year AGI or prior year PIN often drives a frustrating experience for taxpayers. As the National Taxpayer Advocate laid out in the 2021 Annual Report to Congress, entering an incorrect prior year AGI or PIN on the tax return for the taxpayer, or spouse, drives nearly half

⁹ Validating Your Electronically Filed Tax Return, at: <https://www.irs.gov/individuals/validating-your-electronically-filed-tax-return>

¹⁰ All IRS data from this section was taken from this IRS webpage - An Identity Protection PIN helps shield taxpayers from tax-related identity theft, at: <https://www.irs.gov/newsroom/an-identity-protection-pin-helps-shield-taxpayers-from-tax-related-identity-theft>.

¹¹ National Taxpayer Advocate Annual Report to Congress 2023, Most Serious Problem #6: Identity Theft, page 85, at: <https://www.taxpayeradvocate.irs.gov/reports/2023-annual-report-to-congress/most-serious-problems/>.

of all e-file rejects each year.¹² For Tax Season 2021 (Tax Year 2020), these two business rules were triggered more than 10 million times resulting in e-file rejects.¹³ These e-file rejects result a significant number of calls each year to the IRS, state revenue agencies, and DIY tax software providers. Furthermore, if the reject cannot ultimately be resolved, the tax return must be paper filed. This works in opposition to the ETAAC mission and IRS goal of reducing income paper filings. From a taxpayer experience perspective and from the perspective of IRS modernization goals, this self-select PIN process is in need of an update.

Identity Theft Tax Refund Fraud Risks with Self-Select PIN – In addition to providing a challenging taxpayer experience, using these two knowledge-based authenticators (prior year PIN or prior year AGI) to verify identity prior to electronic filing provides very little identity assurance. In other words, these processes give very little confidence the taxpayer submitting the return is actually the person listed on the tax return. In fact, the IRS shared information with ETAAC showing the following insights:

- Most likely to aid them in remembering it the next year, many taxpayers select an easy to guess personal PIN that bad actors may be able to guess, which would allow them to e-file if they had obtained a taxpayer's other identity attributes (for example, through a data breach).
- One of the biggest threat vectors for suspected ID theft filings is DIY returns filed using prior year AGI to authenticate. The most notable threat is scenarios where returns are filed using prior year AGI of '0.'

Outcome-Focused Solutions – As laid out above, the process of using prior year AGI or PIN to validate identity for DIY filers is in need of an update. It is not providing a good taxpayer experience and it can be susceptible to fraud. The IRS Direct File Pilot that was conducted during Tax Season 2024 may provide breadcrumbs for a path forward to a more secure future. In fact, the process the Direct File Pilot used (as discussed below) to authenticate DIY taxpayers is something many stakeholders in tax administration have been asking for over the last several years.¹⁴

Direct File Pilot – Taxpayer Authentication, Security & Access to Data – The IRS required taxpayers who wished to use the Direct File Pilot to create an IRS account and take steps to prove their identity. Specifically, the IRS required users to complete an identity proofing process that complies with NIST's Identity Assurance Level 2 (IAL2).¹⁵

¹² National Taxpayer Advocate Annual Report to Congress 2021, Most Serious Problem #8: E-Filing Barriers, page 139, at: https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2022/01/ARC21_MSP_08_Efiling.pdf.

¹³ *Id.*

¹⁴ 2017 ETAAC Annual Report to Congress, page 11, at: <https://www.irs.gov/pub/irs-prior/p3415--2017.pdf>.

¹⁵ To use Direct File, you need an IRS account with ID.me. at: <https://directfile.irs.gov/idme>.



Granting taxpayers access to the information the IRS already has on file ... has the potential to deliver a substantial improvement to the taxpayer experience ...[and] ... should help deliver more accurate tax returns. The

Direct File Pilot After Action Report showed that the IRS was seeing an e-file rejection rate in excess of 18% for Direct File Pilot submissions due to incorrect prior year AGI or PIN.¹⁶ The Direct File Pilot user experience design team took iterative steps to reduce this rejection rate, ultimately culminating in the IRS directly importing these figures from other IRS systems directly into the taxpayer's tax return.¹⁷ This iteration drove a notable improvement in the successful e-filing rate.¹⁸ The primary reason the IRS was able to confidently import this information into the taxpayer's return in the Direct File Pilot system is because the taxpayer was already authenticated into their IRS account.¹⁹ As articulated in other recommendations within this report, granting taxpayers access to the information the IRS already has on file for them, when done in a secure and scalable manner and done no matter which filing method the taxpayer chooses (Direct File Pilot, Free File, Commercial DIY software or with a tax professional), has the potential to deliver a substantial improvement to the taxpayer experience. In addition, providing the ability to import information the IRS has on file into the taxpayer's return, should help deliver more accurate tax returns thereby reducing the costs and headaches associated with post-filing correction and compliance streams.

IRS Learnings & Next Steps - The Direct File Pilot After Action Report also acknowledged that the IRS may be able to move past the clunky self-select PIN process that exists today in situations where the IRS has otherwise taken steps to authenticate the taxpayer's identity at an acceptable level.²⁰ During the process of further reviewing the results of the Direct File Pilot, the IRS should review its requirement of users to identity proof at a high-level to protect against stolen identity tax refund fraud. If the IRS determines this process provided strong protection against this threat and also provided a reasonable level of access for taxpayers, the IRS should consider expanding this identity proofing option to the broader DIY filing space and enabling the same data import mechanism for all secure filing channels to ensure taxpayer's have equitable access to the information IRS has on file for them, regardless of how they choose to file their tax return.

Because the self-select PIN process is associated with exceptionally high e-file reject rates and does not provide a high level of identity assurance, ETAAC recommends the IRS analyze the effectiveness of the Prior Year Adjusted Gross Income/Self-Select PIN taxpayer signature verification model, and work collaboratively with the Security Summit members to identify options to replace this model, preferably with one that could be used by both the IRS and States.

¹⁶ Publication 5969, *IRS Direct File Pilot Program: Filing Season 2024 After Action Report*, pages 24-25, at: <https://www.irs.gov/pub/irs-pdf/p5969.pdf>.

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Id.*, at pages 25-26

In addition, ETAAC recommends that the IRS harness the learnings from the Direct File Pilot's taxpayer authentication model to understand how elevating the identity assurance requirements for submitting a DIY tax return helped reduce exposure to stolen identity fraudulent tax return filings while also preserving seamless access for legitimate taxpayers. The learnings from the Direct File Pilot should help inform the broader direction of taxpayer authentication going forward.

Of particular note, ETAAC recommends the IRS initially prioritize developing an alternative solution for taxpayers who would currently use '0' for their prior-year AGI. As noted above, this specific e-file avenue is very inviting to fraudsters and should be replaced with something more secure, including possibly a first-time or new taxpayer filing PIN that must be accessed by logging into the taxpayer's IRS Online Account, which is protected by SADI.

Recommendation 3 | Promote greater information sharing with states and industry partners of homogenized tax data, metrics, year-over-year metrics, and seasonal information.

The IRS has numerous stakeholders, states, financial industry tax partners and others that have a stake in tax administration and compliance. When it comes to sharing confidential tax information that would allow the states to have better tax compliance to impact taxpayers, their practitioners, and other partners, the IRS should investigate changes to shared data with their state partners. Information that is currently sent out to some states on a monthly or quarterly basis should be punctual to minimize the risk of potentially becoming “stale” data.



Transparency and sharing of information related to the IRS operational practices ... will increase tax administration efficiency and reduce taxpayer burden

Greater transparency and sharing of information related to the IRS operational practices, including tax burden equity efforts, audit selection practices, target criteria/algorithms best practices, criminal enforcement focus areas, and other related developments will increase tax administration efficiency and reduce taxpayer burden.

The IRS should partner with states to address criminal action enforcement in jurisdictions that could be made aware of illegal activity. This would impact specific taxpayers who may owe money to that given state or local government. Sharing best practices in compliance and other activities could forge stronger relationships.

It would be very helpful for the IRS Commissioner and the Federation of Tax Administrators (FTA) to hold semi-annual meetings. The IRS Taxpayer Experience team holds meetings with FTA monthly, which is a great start, but leadership of the IRS should have the opportunity to hear what the states concerns are with filing season, Pub 1075 requirements, and having access to other key members of the IRS. Meetings with the head of the IRS and their team would improve sharing of best practices, promote problem resolution ideas, improve FTA membership and technological updates in tax administration. Optimal meetings could be scheduled around FTA’s annual conferences in the early summer and fall. This allows for discussions around post filing seasons, and in the start of the upcoming filing season regarding best practices, as well as confidential information that could be shared in a group setting. Optimally this would be best utilized in in-person meetings instead of using technological platforms.

We are asking the IRS to provide real time data and analytics with the states so that they may have the capabilities to increase compliance initiatives around enforcement efforts and audit practices. All states should receive timely, exact information, from the EOAD,

CP 2000 and Levy information in real time as opposed to the months-long delays for data. We are aware that some state partners are getting data that is 1-2 years old. This has a negative impact on how the states can generate revenue particularly in incidences of staying in touch with taxpayers, who may have left the state, have been impacted by other unforeseen financial matters, and are unable to be responsible for resolving their state tax matters.

As the IRS looks to do more corporate audits in high income or high net worth personal audits, they should build in quarterly processes to share the determination with large and complex businesses with states and industry. The IRS should provide training to states on these determinations. Training could be done either in person, virtually or at a designated IRS field office. This would allow state or industry partners to understand the complexity of IRS audits on corporations, along with the resources and techniques they use when auditing.

After completing an audit, the IRS should share the following information:

1. Federal adjustments (Corporate)
 - a. State based
 - b. Non-DC based but w/ DC property and/or operations
2. Federal adjustments (Individual)
 - c. State residents with property and or operations in a given jurisdiction
4. IRS estate closing letters (most states have not received in several years)

States should share the following information with IRS:

- Audit cases in which there was a substantial underreporting of income.
- Audit cases with a substantial overstatement of deductions and/or expenses.
- Cases of substantial fraud (Criminal Investigations)

Additionally, this would allow for states and industry partners to collect what is owed.

Recommendation 4 | Conduct a cost/benefit analysis of free tax filing services for individual tax return preparation to expand and optimize access to underserved taxpayer groups using data.

Today, taxpayers have more choice now than they did yesterday when deciding how to file their taxes. The IRS offers a variety of free tax filing services to taxpayers to voluntarily comply with their taxpayer duty.

The free tax filing services offered by the IRS include:

- Free File
- Free File Fillable Forms
- Volunteer Income Tax Assistance (VITA)
- Tax Counseling for the Elderly (TCE)
- Direct File Pilot

When looking at the two oldest programs, Free File and VITA/TCE, it is seen that nearly 5 million taxpayers' services split between do-it-yourself filers and taxpayers who seek assistance with basic tax return preparation.

These two programs saw significant growth in the filing season 2024. As of mid-May 2024, the Traditional Free File Program (excluding fillable forms) grew 254,651 returns

(11.26%) in 2024 and VITA grew 202,000 returns (8.1%). This is an increase of 456,651 taxpayers who benefited from free tax filing services offered through the IRS.



As of mid-May 2024, the traditional Free File Program (excluding fillable forms) grew 254,651 returns (11.26%) in 2024 and VITA grew 202,00 returns (8.1%). This is an increase of 456,651 taxpayers who benefited from free tax filing services offered through the IRS.

Additionally, but not included in this analysis, are free tax return preparation offered commercially outside the IRS programs from private companies with a varying qualification criterion. It is important to at least acknowledge this private sector free offering volume to reinforce that there are even more free options offered other than those offered through the IRS. This amount is quoted by the American Coalition for Taxpayer Rights (ACTR) as 25.8 million commercial free returns.

Minimum Return Complexity Support Required to Participate: FORMS	FREE FILE	VITA/TCE	DIRECT FILE PILOT
Form 1040: U.S. Individual Income Tax Return	X	X	X
Schedule 1: Additional Income & Adjustments to Income	X	X	X
Schedule 1: Student Loan Interest	X	X	X
Schedule 1: Educator Expenses	X	X	X
Form 8812: Additional Child Tax Credit	X	X	X
Form W-2: Wages salaries, etc	X	X	X
Form 1099-INT: Interest Income	X	X	X
Form 1099 G: Unemployment Benefits	X	X	X
Form 1099-SSA: Social Security Income	X	X	X
Schedule EIC: Earned Income Credit	X	X	X
Form 1098-T: Education Credits	X	X	
Schedule 2: Tax	X	X	
Schedule 3: Nonrefundable Credits	X	X	
Schedule A: Itemized Deductions	X	X	
Schedule B: Interest and Ordinary Dividends	X	X	
Schedule C: Profit or Loss from Business	X	X	
Schedule D: Capital Gains and Losses	X	X	
Schedule E: Supplemental Income and Loss	X		
Schedule SE: Self-Employment Tax	X	X	
Form 2106: Employee Business Expenses	X		
Form 2441: Child and Dependent Care Expenses	X	X	
Form 3903: Moving Expenses	X		
Form 4137: Social Security & Medicare Tax on Unreported Tip Income	X		
Form 4684: Casualties & Thefts	X		
Form 5329: Additional Taxes on Qualified Plans (Including IRAs) & Other Tax-Favored Accounts	X	X	
Form 5695: Residential Energy Credits	X		
Form 8283: Noncash Charitable Contribution	X		
Form 8829: Expenses for Business Use of Your Home	X		
Form 8862: Information To Claim Earned Income Credit After Disallowance	X	X	
Form 8863: Education Credits (Hope and Lifetime Learning Credits)	X	X	
Form 8880: Credit for Qualified Retirement Savings Contributions	X	X	
Form 8888: Direct Deposit of Refund to more than 1 account	X	X	

Minimum Return Complexity Support Required to Participate: FORMS	FREE FILE	VITA/TCE	DIRECT FILE PILOT
Form 8889: Health Savings Accounts (HSAs)	X	X	
Forms 1095-A, B, C: Health Insurance Statements	X	X	
Form 5405: First Time Home Buyer Credit	X	X	
Form 982: Reduction of Tax Attributes Due to Discharge of Indebtedness	X	X	
Form 8863: Education Credits (Hope and Lifetime Learning Credits)	X	X	
Form 8949: Sales and Other Dispositions of Capital Assets	X	X	
Form 8962: Premium Tax Credit	X	X	
Form 1099-DIV: Dividends Received	X	X	
Form 1099-G: State Tax Refunds	X	X	
Form 1099-R: IRA Distributions	X	X	
Forms 1099-R, RRB-1099-R, CSA-1099: Pension Income	X	X	
Form 1099-B limited: Simple Capital Gain/Loss	X	X	
Form 1099-S limited: Sale of Home	X	X	
Form 1099-C limited: Cancellation of Debt	X	X	
Form 1099-MISC, Form 1099-NEC, Form 1099-K limited: Self-Employed Income	X	X	
Form 1099-SA limited: Health Savings Accounts	X	X	
Amended Returns	X	X	
Form W-2G: Gambling Winnings	X	X	
Itemized Deductions limited	X	X	
Prior Year Returns		X	



Note: X indicates the filing method supports the tax scenario in whole or part.

Free File

(Including Fillable Forms)

Return Count

CY 2022 Return Count: 3,201,289

CY 2023 Return Count: 2,852,397

Eligibility²¹

In addition to the form limitations listed in the table, IRS Free File Program is available to 70% of taxpayers meeting the AGI Eligibility Threshold. For tax year 2024, this is taxpayers with an Adjusted Gross Income under \$84,000.

VITA/TCE:

Return Count

CY 2022 Return Count: 2,196,000

CY 2023 Return Count: 2,536,000

Eligibility²²

In addition to the form limitations listed in the table, VITA sites offer free tax help to people who need assistance in preparing their own tax returns, including:

- People who generally make \$64,000 or less
- Persons with disabilities; and
- Limited English-speaking taxpayers

TCE (Tax Counseling for the Elderly) program offers free tax help, particularly for those who are 60 years of age and older, specializing in questions about pensions and retirement-related issues unique to seniors.

²¹ <https://www.irs.gov/filing/free-file-most-commonly-filed-federal-forms-are-available>

²² <https://www.irs.gov/individuals/free-tax-return-preparation-for-qualifying-taxpayers>

DIRECT FILE PILOT

The IRS made available from March 15 to April 20, 2024, the Direct File Pilot option at IRS.gov. The program filed 140,803 returns. Ensuring large numbers of filers was never the goal for the pilot, but this usage is in line with IRS' expectations and far exceeded what was necessary to provide sufficient data to evaluate the pilot.

Eligibility²³

In addition to the form limitations listed in the table, the Direct File Pilot is available to taxpayers in 12 states CA, TX, FL, NY, WA, MA, TN, AZ, NV, NH, SD, WY.

ETAAC recommends the IRS conduct a comprehensive analysis of the free filing tax options available. That should include, but is not limited to, cost benefit analysis, fraudulent return volume, and return quality (those adjusted, corrected, or audited) to determine the overall benefit of tax programs available for the constituents they serve. This analysis should assess as to if taxpayers are able to receive the credits and benefits to which they are entitled. A comprehensive analysis would help to determine appropriate funding levels, influence future funding appropriations, and enable the IRS to efficiently allocate resources to deliver free filing options offered while promoting voluntary compliance.

Under the Taxpayer Experience Strategy (TXS), an initiative developed by the Taxpayer Experience Office in accordance with the Taxpayer First Act (TFA) of 2019, eight specific taxpayer groups were identified as being underserved:

1. Taxpayers with limited English proficiency
2. Native American communities
3. Members of the Armed forces
4. Taxpayers with disabilities
5. Elderly taxpayers
6. Low-income taxpayers
7. Taxpayers living in rural communities.
8. International taxpayers.²⁴

Despite the identification of these underserved taxpayer groups, a recent report by the Treasury Inspector General for Tax Administration (TIGTA), found that the IRS lacked a comprehensive

²³ <https://www.irs.gov/about-irs/strategic-plan/irs-direct-file-pilot>

²⁴ (Report Number: 2023-15-027, "Services to Underserved Communities Have Been Ongoing; However, an Agencywide Strategy Has Not Been Developed," Treasury Inspector General For Tax Administration (TIGTA), May 31, 2023, p. 8).

agency wide strategy to improve programs, products, and services, creating a need to define the members of each of those identified groups in to develop customized plans addressing tax compliance.²⁵

ETAAC recognizes that the IRS is undergoing a radical transformation only made possible with consistent funding under the Inflation Reduction Act (IRA) of 2023. Incorporating aspects of prior initiatives, such as the Taxpayer Experience Strategy, into the Service's current Strategic Operating Plan will ensure that the needs of certain underserved taxpayer groups are contemplated in the changes made by the Service to improve taxpayer service, compliance, and satisfaction.

Providing taxpayers with choice in their free electronic filing options broadly supports Objective 1 of the Service's Strategic Operating Plan (SOP) following its congressional mandate under the Inflation Reduction Act (IRA) of 2023 and supports several sub-initiatives of Objective 1. Objective 1 of the SOP is to "[d]ramatically improve services to help taxpayers meet their obligations and receive the tax incentives for which they are eligible."²⁶ Several sub-initiatives of Objective 1 that are directly supported by expanding access to free electronic filing options include:

- **Initiative 1.1 - Improve the availability and accessibility of customer service.**
- **Initiative 1.2 - Expand digital services and digitalization.**
- **Initiative 1.4 - Improve self-service options.**
- **Initiative 1.5 - Explore direct file.**

There are several opportunities to improve access to more free electronic filing options to vulnerable taxpayer groups, such as international taxpayers, in compliance with Objective 1 of the Strategic Operating Plan.

For example, international taxpayers do not have access to in-person assistance, and usually must resort to private tax return preparers who charge higher fees due to the types of forms that must be filed. International taxpayers have limited choice and would benefit from more free electronic filing options. The obstacle international taxpayers face in using free electronic filing options is usually that an U.S.-based telephone number or address is required. Additionally, the free Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs are not available abroad. If an international taxpayer wishes to use their IRS Online Account to access tax records, and make or view payments, they must complete the identity verification process and have a U.S. phone number, mailing address, or SSN. If they do not have those, they will need to take additional steps to verify their identity.²⁷

²⁵ (Report Number: 2023-15-027, "Services to Underserved Communities Have Been Ongoing; However, an Agencywide Strategy Has Not Been Developed," Treasury Inspector General For Tax Administration (TIGTA), May 31, 2023, p. 8).

²⁶ IRS Publication 3744, Rev. 4-2023, p. 16.

²⁷ National Taxpayer Advocate NTA Blog, "The Dizzying Tax Challenges for U.S. Citizens or Residents Living Abroad," April 2, 2024, <https://www.taxpayeradvocate.irs.gov/news/>.



In ETAAC's 2023 report, the Committee recommended the IRS and Congress make improvements in the communication, marketing, and accessibility of existing free tax filing programs ... As a result ... the number of taxpayers using the Free File ... increased ... 254,651 returns filed.

In ETAAC's 2023 report, the Committee recommended the IRS and Congress make improvements in the communication, marketing, and accessibility of existing free tax filing programs. In CY 2024, IRS expended significant resources to bring awareness to free tax filing options at IRS.gov. The promotion was innovative and included press releases, working with community groups, news coverage, the Commissioner appearing on television and other media opportunities. As a result of the IRS implementing our recommendation in last year's report the number of taxpayers using the Free File program (excluding the fillable forms) as mentioned earlier increased over 11% to 2,517,157 returns in 2024 from 2,262,506 in 2023. This is an increase of 254,651 returns filed. The IRS should continue to bring awareness of free tax return services offered through IRS channels.

ETAAC commends the IRS for acting on the prior year recommendation and encourages the IRS to continue or increase its efforts to make taxpayers aware of these free options.

Conducting a cost benefit analysis of each free filing option available to taxpayers will help the Service determine which vulnerable taxpayer groups are being served and where to expand access to free electronic filing options. IRS should consider addressing the differences in scale, duration, and awareness efforts between the free filing options offered by IRS. To ensure an accurate analysis, the IRS can normalize data by averaging long-term trends for the options and extrapolating potential outcomes based on performance, in the case of the Direct File Pilot noting its initial, small-scale launch. This approach can inform consumers of the analysis to provide a more accurate assessment of each option's value.

Recommendation 5 | Implement standardized validation rules of user provided data to enhance the accuracy and integrity of the data received by the IRS.

Across free tax filing services, having standard data validation rules for common types of data entered will increase data integrity and decrease errors caused by the information input by filers. Standard validation rules may include each of the following:

- Address verification including zip code
- Duplicate form entries
- Amount verifications on various forms such as Forms W-2, 1099, K-1, etc.



Having a verification function that requires the taxpayer to validate the amounts entered before moving on to their next form would increase reliability and accuracy in the information entered.

Manual entry exposes the information entered to typographical error. Manual input of data occurs at the IRS website in the IRIS application, at a tax return preparer’s office or VITA site while completing a tax return, or while a taxpayer is entering their tax return information into a tax preparation software. Having a verification function that requires the taxpayer to validate the amounts entered before moving on to their next form would increase reliability and accuracy in the information entered. Enforcing that on receipt to the IRS through Modernized e-File or other receipt application will ensure that these validations occur during the data input process. Also, having the ability to upload information would make the data entry process more efficient for the taxpayer and result in a more accurate return. The IRS should investigate the data validation rules across free tax filing services to ensure consistency among free tax filing services.

The IRS issues most refunds within 21 calendar days of the return being electronically filed (returns filed on paper could take 4 weeks or more to process).²⁸ However, issues identified during return processing can extend this timeline. When returns require manual intervention, the IRS will attempt to fix the issue without contacting the taxpayer if they are able. If the IRS is unable to fix the issue and needs additional information from the taxpayer, they will contact the taxpayer via letter. Resolving these issues could take more than 120 days (about 4 months), depending on how fast the taxpayer responds, what information the taxpayer replies with, and how fast the IRS is able to fix the return.

This recommendation will help the IRS implement Strategic Operation Plan Initiative 2.1 which is - to Identify Issues During Filing. Having standard data validation rules can help taxpayers identify issues when they file their return so that they can be corrected at the

²⁸ <https://www.irs.gov/refunds/tax-season-refund-frequently-asked-questions>

time of filing by the taxpayer and can ultimately reduce the number of issues that need to be manually corrected by IRS employees once the returns come into the IRS.

In her 2023 Report to Congress the National Taxpayer Advocate states that the number one problem facing the IRS is processing returns. Millions of taxpayers run into issues each year with the processing of their returns, leaving them frustrated as they await their refunds. One area where a backlog of return processing exists is in the “resolution of returns suspended in the processing stream.” The IRS has taken steps to reduce the number of suspended returns through technological advances. ETAAC applauds the IRS’ implementation of technology to address processing backlogs and reduce the number of returns that require manual intervention allowing for quicker refunds.

Given this achievement, ETAAC would like to see the IRS expand on their success in reducing processing backlogs by looking into and ensuring consistency of data validation rules across all e-filing platforms. This will further reduce the number of returns that need manual intervention.

Recommendation 6 | Enable Tax Professionals with Proper Authorization (i.e., Forms 8821, 8655, 2848) to Access Taxpayer Information Online.

In principle, authorized representatives with Power of Attorney should have access to the taxpayer information they need to act on the taxpayer’s behalf. Representative access to taxpayer information is currently limited to fax, mail or isn’t available at all. For example, representatives lack a centralized location to easily access taxpayer name controls, another account maintenance information. Although transcripts are available to representatives, they are often incomplete making them insufficient because they require representatives to call the IRS for more information. Taxpayers’ notices continue to be posted by mail and compact discs (CD), which requires the taxpayer in many cases to provide notices to their representative, and can result in delayed action, potential interest and penalties. Representatives are not able to easily or quickly in real time communicate with or send information to the IRS in order to swiftly resolve taxpayer matters such as notices. Only if the taxpayer has given full Power of Attorney to act on behalf of the taxpayer to a tax professional can smaller issues be investigated and quickly managed.



Representatives lack a centralized location to access taxpayer name controls, and other account maintenance information.

Our recommendation looks to provide all taxpayer information to the authorized representative within a centralized location online. This includes but is not limited to 1) a complete list of name controls, and deposit frequencies for all taxpayers, 2) accurate, complete and timely transcripts, and 3) taxpayer notices such as the CP2100. Additionally, representatives communicate with and send electronic transfers online to resolve taxpayer matters.

Taxpayer’s issues are timely resolved because their representative has access to the information it needs to act on their behalf, which minimizes interest and penalties.

Recommendation 7 | Enable Third Party Authorization Forms (8655, 8821, 2848 etc.) to be submitted and verified online.

The IRS streamlined submission of Third Party Authorization forms 8821 and 2848 online. However, many reporting agents (RA's) -- those that have fewer than 100 new clients per week -- must still fax Form 8655 to the IRS and wait for a return fax with an identification number for filing and a name control - or a rejection, which can take several days. Additionally, POAs for Forms 2848, 8655, and 8821 do not have a centralized location with a list of active POAs on file, which requires representatives to manually maintain a list of active and inactive POAs. Moreover, when the POA can talk to the IRS about a matter, in certain cases the representative is required to verify the representative's identity and POA details which, unless the authorization has been fully processed and authorized by IRS, can only be accomplished by fax while on the phone with the IRS representative. To verify identity, the representative's personal details such as SSN, address, date of birth are reviewed step-by-step over the phone prior to any discussions and determination of whether the representative can help with the specific request.



After processing a POA there should be a dashboard that reflects a list of tax approvals by entity, period and form type or tax matter so the representative can log in and see what is currently approved and on file.

All submitted Third Party Authorization forms including 8655, 8821, 2848 should be eligible for submission online and available in a centralized location such as the e-Services portal. After processing a POA there should be a dashboard that reflects a list of tax approvals by entity, period and form type or tax matter so the representative can log in and see what is currently approved and on file. If there is an authorization that was submitted but is considered invalid for whatever reason, that should also be recorded on the dashboard to provide notice it needs to be cured; this includes inactive POAs. If the representative calls the IRS to discuss a specific matter, the IRS agent should be able to authenticate the user online rather than requiring a fax or provision of personal information; the CAF number should suffice.

- Certain POA forms must be submitted via fax which is time-consuming and delays taxpayer assistance.
- There is no centralized location of active (or inactive) POAs which requires representatives to maintain a list which is time-consuming and can become outdated.
- When a POA calls the IRS to discuss a specific matter for which the POA is authorized, in many cases if not most of the time, the IRS requires a fax and provision of personally identifying information which is time-consuming and not secure.

Implementing this recommendation will give taxpayer representatives such as registered agents timely access to accurate and complete information to act on behalf of the taxpayer. The IRS will no longer need to staff the phone and fax lines to receive and verify POAs with as comprehensive staffing level as the current IRS model requires, which saves resources.

Recommendation 8 | ETAAC recommends the IRS facilitate electronic filing for certain low volume information returns and other non-cyclical filings.

Certain information returns that are relatively low volume (based upon number of returns received by the IRS) either do not have an electronic filing version, or there is limited access to an electronic version of such forms (e.g., there are limited software providers offering the electronic version). The IRS is currently working to provide electronic versions of forms for which an electronic version currently does not exist.²⁹ The IRS should be applauded for its efforts in this regard. It is important to encourage electronic filing of such returns to improve the efficiency of the IRS and provide good taxpayer service.³⁰ However, if the return volume is relatively low, few software providers might provide electronic versions, potentially resulting in relatively higher costs for taxpayers and/or potential inaccessibility to software for filing.

FORMS/ FILING					
8038	8038-R	8899	5578	5884-D	8822-B
8038-G	8038-T	8870	5768	6069	83(b)election
8038-GC	8038-CP	5500-EZ	5884-C	8822	

Information regarding the number of such returns or other filing submitted (actual or projected) is provided in IRS Publication 6149.

Few software providers may seek authorization to provide software relating to the modernized eFile (MeF) IRS server system for low volume returns or other non-cyclical filings as the volume of projected business might not justify the software provider’s expense. For example, currently there are only two authorized software providers for Form 8038-CP which has a mandatory electronic filing requirement (one of which requires a user to have an EFIN).³¹ A lack of authorized software providers may result in higher costs to filers or the lack of access to an electronic version. Many of these low-volume forms are filed by entities with limited funds, such as state and local governments and nonprofits.

²⁹ See IRS launches paperless processing initiative (<https://www.irs.gov/newsroom/irs-launches-paperless-processing-initiative>).

³⁰ Paper return filing can lead to tremendous costs for the IRS and inefficiencies and delays for taxpayers, particularly vulnerabilities when disasters strike, such as the recent pandemic. See, e.g., More Delays Ahead-Pandemic Continues to Slow Down IRS (<https://www.gao.gov/blog/more-delays-ahead-pandemic-continues-slow-down-irs>).

³¹ Tax Year 2023 Other Tax-Exempt Entities Modernized e-File (MeF) Providers-Form 8038-CP <https://www.irs.gov/charities-non-profits/tax-year-2023-other-tax-exempt-entities-modernized-e-file-mef-providers-form-8038-cp>.



Many of the above low-volume returns relate to complex areas of the tax law and are currently prepared by attorneys, trustee banks, or taxpayer staff that typically do not have an EFIN.

Many of the above low-volume returns relate to complex areas of the tax law and are currently prepared by attorneys, trustee banks, or taxpayer staff that typically do not have an EFIN.

Without a mandatory electronic filing requirement, such persons might choose to file a paper return due to the cost of the electronic version, or burden of obtaining an EFIN for a limited purpose (if required given the available software). If an electronic version is not available, paper filings will continue presenting inefficiencies and potential disruption (such as during the pandemic when service centers were closed).

Many of the information returns specified above relate to matters of public record. Care should be taken by the IRS to permit a lower level of security to encourage ease for taxpayers to electronically file. Additionally, the IRS should endeavor to permit electronic signatures for such filings to encourage electronic filings.

To encourage electronic filing of these forms, ETAAC recommends the following:

1. The IRS should consider providing a portal for filing these returns or other forms with the IRS by the taxpayer, in a manner like that for Forms 1099. At a minimum, the IRS should allow, through a document upload tool, the electronic filing of such forms with the IRS by the taxpayer. The document upload tool should minimize manual efforts of IRS employees in their efforts to process the filings.
2. Additionally, the IRS should attempt to establish a single portal for taxpayers for filing and access to information with a single access point for ease of use. The portal should recognize the potential for multiple capacities of users (e.g., board member of a governmental agency and individual return filer), allowing the user to select the capacity after entering the portal, and allow for different levels of identity proofing depending upon the nature of the use (e.g., higher level of identity proofing for individual tax returns versus lower for perhaps certain information returns).
3. The IRS should allow electronic signatures for such low volume and non-cyclical filings and appropriate security for the nature of the risk for the return and other elections.
4. The IRS should permit software providers to have access to the portal for filing the low volume and non-cyclic filings such that they may help with taxpayers when needed.

Recommendation 9 | ETAAC recommends the IRS create a sunset project plan for the FIRE (Filing Information Returns Electronically) and AIR (Affordable Care Act Information Returns) systems to be integrated into the IRIS (Information Returns Intake System) to reduce taxpayer burden.

In 1986 The IRS established the FIRE (Filing Information Returns Electronically) system. The purpose was to make the shift from filing information returns (1099, W-2) on paper to filing them electronically. This was a move to enhance efficiency and accuracy in processing and has grown in popularity over the course of these many years. While most high-volume forms are available, some low volume returns are still unable to be filed electronically. With the passing of the Affordable Care Act in 2010 an additional system was created in 2015 to handle the reporting requirements under the new law which made electronic report mandatory for certain filers. In 2017 the Information Return Integrity System (IRIS) was introduced which allows for better analytics that are designed to identify patterns, anomalies, and possible fraud. The IRIS system is poised and designed to help with tax compliance and enforcement efforts.

Currently tax filers are using multiple systems that require separate ID credentials. The need for separate Transmitter Control Code (TCC) codes is causing confusion among businesses and other filing entities that do not rely on a contracted tax preparer/filer. In addition to the confusion, it also requires three separate integrations into the other tax information systems maintained by the IRS creating unnecessary maintenance and programming by the technology department.



By accelerating the development of the IRIS system to allow all information reporting, including lower volume forms, IRS will streamline the process for the taxpayer and create a more efficient and secure data transfer.

We support the Strategic Operating Plan Objective 4 - to deliver innovative technology, data, and analytics to operate more efficiently. By accelerating the development of the IRIS system to allow all information reporting, including lower volume forms, IRS will streamline the process for the taxpayer and create a more efficient and secure data transfer. Currently the FIRE system is handling the bulk of information reporting.

For this to happen the following is needed:

- The IRIS system needs to be updated to handle the reporting of all income types that are currently supported by the FIRE system.
- The IRIS system needs to ensure it handles the passing of state items to participating states that are currently supported by the FIRE system.
- AIR would need to be migrated into the IRIS system.
- The IRS would need dedicated resources and recurring funding for the technology team.
- Outreach to the taxpayer community to provide input, and user testing.

Doing this would eliminate the need for two systems of income reporting and remove the need for separate reporting of ACA information.

For the taxpayer this would eliminate/improve:

- The need to apply and wait days or weeks for filing numbers in multiple systems.
- Avoid confusion.
- Allow better focus into one secure platform.

For the IRS this change would help meet the goals in Objective 4 of the strategic operating plan by:

- Retiring the legacy systems and making it possible to add new taxpayer features in one holistic system.
- Deliver a transparent look and feel to the taxpayer and hold all information in one location for better access.
- Streamline the IRS infrastructure and allow precious resources to be spent improving the taxpayer experience and focusing on efficiencies.
- Continue the expected reliability and security with sensitive information that is held within the IRS's care.

Recommendation 10 | ETAAC recommends increased funding for the Office of the Taxpayer Advocate (TAS).

The Office of the Taxpayer Advocate (often referred to as the Taxpayer Advocate Service, or TAS) assists roughly a quarter of a million taxpayers each year resolving account problems with the IRS while advocating for systemic changes to protect taxpayer rights and strengthen tax administration. TAS received increased funding in FY 2024 and continues to require further funding to effectively and timely assist taxpayers eligible for assistance.



With additional resources, the office can assist more taxpayers and provide personalized, timely help in a variety of issues causing taxpayer pain

BACKGROUND and CONSIDERATIONS

With additional resources, the office can assist more taxpayers and provide personalized, timely help in a variety of issues causing taxpayer pain. The issues at present pertain to identity theft, collection issues, processing issues, Earned Income Tax Credit, math error issues and other substantiation issues. The Taxpayer Advocate Office has routinely become a mitigating source, resolving issues outside their direct responsibility, to assist taxpayers with IRS problems. This Taxpayer Advocate recommendation does not look to replace or supplant the current IRS’s responsibility and system, yet as the office’s success has seen growth in recent years, it is imperative to consider expansion of scope and resources.

Established in 1996, the Office of Taxpayer Advocate Service (TAS) originated from the IRS’s Taxpayer Service Program (formalized in 1963) and Problem Resolution Program (established in 1977).³² The Taxpayer Ombudsman was established in 1979, based on the House Government Operations Committee’s recommendation, and reports directly to the IRS Commissioner.³³ By 1988, the Taxpayer Bill of Rights increased the Taxpayer Ombudsman’s authority to intervene and overturn IRS decisions in certain cases.³⁴ Taxpayer Advocate Service was established in 1996 under the Taxpayer Bill of Rights 2, in accordance with Congress’s legislation replacing the Taxpayer Ombudsman’s Office.³⁵ The IRS commissioner initially oversaw the Taxpayer Advocate Service until the Internal Revenue Service Restructuring and Reform Act of 1998 transferred authority to the United States Secretary of Treasury.

³² Anderson, William J. “U.S. Government Accountability Office (U.S. Gao).”; Scanberg, Sydney H. “The I.R.S. Image Problem.”

³³ “Taxpayer Advocate: Internal Revenue Service.”

³⁴ United States General Accounting Office (GOA). *IRS’ Implementation of the 1988 Taxpayer Bill of Rights*.

³⁵ United States Government Publishing Office. *Taxpayer Bill of Rights 2*.

CURRENT STATE

Section 7803(c)(2)(B)(ii) of the Internal Revenue Code requires the National Taxpayer Advocate to submit a report each year and in it, among other things, to identify the most serious problems encountered by taxpayers and make administrative and legislative recommendations to mitigate those problems. TAS is an independent organization within the IRS that has two primary functions: (1) “systemic advocacy,” which involves recommending “big picture” or systemic changes in the IRS or tax law and (2) “case advocacy,” which involves helping taxpayers resolve personal account issues on a case-by-case system. As to the latter, TAS has at least one office in every state and 75 local offices in all. These offices assist individual and business taxpayers with a variety of tax compliance solutions and support, ranging from tax filing issues to tax debt problem resolution. The Taxpayer Advocate Service (TAS) serves as the voice of taxpayers within the IRS and is uniquely positioned to advocate for individuals encountering challenges with their taxpayer rights or hardships while navigating tax matters. TAS aims to ensure that every taxpayer is treated fairly and that they know, understand, and exercise their rights. As an independent organization within the IRS, TAS works to protect taxpayers’ rights, help taxpayers resolve problems with the IRS, and recommend administrative and legislative changes that will prevent persistent problems.

OTHER CONSIDERATIONS

During the past 24 years, TAS has served more than five million taxpayers by helping them resolve their IRS account problems through its case advocacy function. TAS currently consists of approximately 2,000 employees. About 1,500 of these employees support the Case Advocacy function assisting taxpayers one-on-one in resolving their problems with the IRS.

Taxpayers that qualify for TAS assistance generally fall under four categories:

1. Economic Burden
 - **Criteria 1:** The taxpayer is experiencing economic harm or is about to suffer economic harm.
 - **Criteria 2:** The taxpayer is facing an immediate threat of adverse action.
 - **Criteria 3:** The taxpayer will incur significant costs if relief is not granted (including fees for professional representation).
 - **Criteria 4:** The taxpayer will suffer irreparable injury or long-term adverse impact if relief is not granted.

2. **Systemic Burden**
 - **Criteria 5:** The taxpayer has experienced a delay of more than 30 days to resolve a tax account problem.
 - **Criteria 6:** The taxpayer has not received a response or resolution to the problem or inquiry by the date promised.
 - **Criteria 7:** A system or procedure has either failed to operate as intended or failed to resolve the taxpayer’s problem or dispute within the IRS.
3. **Best Interest of the Taxpayer**
 - **Criteria 8:** The manner in which the tax laws are being administered raises considerations of equity or has impaired or will impair the taxpayer’s rights.
4. **Public Policy**
 - **Criteria 9:** The National Taxpayer Advocate determines compelling public policy warrants assistance to an individual or group of taxpayers.³⁶

TAS currently utilizes an outdated case management system resulting in the following issues:

- a. limited capacity for Case Advocates to work effectively,
- b. limited access for non-TAS IRS personnel to receive and respond to TAS Operations Assistance Requests,
- c. does not allow taxpayers, POAs and congressional offices to communicate directly with TAS through an online portal, and
- d. limited access for managers to observe analytics used to assess how effectively cases are being handled.

Furthermore, the Systemic Advocacy within TAS known as the Systemic Advocacy Management System (SAMS) operates in a similar out of date system. In FY 2024, TAS initiated a large-scale effort to design a new case and systemic issue management system that will modernize work processes, eliminate redundant steps, allow for better communication with taxpayers, POAs and congressional offices, and ultimately allow TAS employees to spend more time working on the substance of taxpayer cases to ultimately provide more frequent updates to taxpayers. As the IRS begins to ramp up examination and collection activity, it is critical that TAS have sufficient funding to invest in technology and development to deploy these modernized management systems.

In FY 2024, Congress appropriated \$271.2 million for TAS. In FY 2024, Congress appropriated \$271.2 million for TAS.³⁷

³⁶ “13.1.7 Taxpayer Advocate Service (TAS) Case Criteria: Internal Revenue Service.” *13.1.7 Taxpayer Advocate Service (TAS) Case Criteria | Internal Revenue Service.*

³⁷ “Further Consolidated Appropriations Act, 2024,” *Pub. L. No. 118-47, Division B, Title I.*

Recommendation 11 | ETAAC recommends Congress provide statutory authority to the IRS to regulate non-credentialed tax return preparers to standardize knowledge, capability, and data security in the tax system.

ETAAC recommends Congress give statutory authority to the IRS in order to establish and enforce minimum paid tax preparer requirements (for individual return preparation) to ensure knowledge, capability, and data security is standardized.

Federal and state tax codes are extremely complex and constantly changing making them difficult to track and follow. If a taxpayer requires or desires assistance from a tax professional, it is reasonable to expect that professional to possess a minimum (and current) level of knowledge, expertise, and capability to provide accurate and high-quality service. Given the intricate nature of tax legislation, coupled with evolving cybersecurity risks of data breaches, stolen IDs, and fraud, it is imperative to require tax preparers (offering fee services) operative standards for the storage of client information in a safe and secure platform.

In 2024, except in certain states as required by state law, tax professionals are not required to possess a standardized credential to provide tax advice to U.S. taxpayers. ETAAC seeks to address Congress directly in this recommendation to urge them to consider taking action on this pressing issue. ETAAC would like to recognize the imperative role Congress plays in their aid to facilitate, “Effective stewardship of taxpayer funds is a critical responsibility of the Federal Government” (<https://www.paymentaccuracy.gov/>).

Professionals providing tax preparation services include attorneys, lawyers, CPAs, Enrolled Agents, individuals with accounting degrees, undergraduate degrees, accounting certifications, and trained tax preparers (through an employer or self-taught). Despite the multitude of service providers, there is currently no federal education, certification, or training requirement to prepare taxes for clients. This creates an opportunity for individuals without requisite knowledge or skill to offer inaccurate fee-based preparation services. Research demonstrates there is an inordinate amount of unqualified individuals providing inaccurate, low quality, and non-compliant tax advice/preparation to unsuspecting taxpayers.



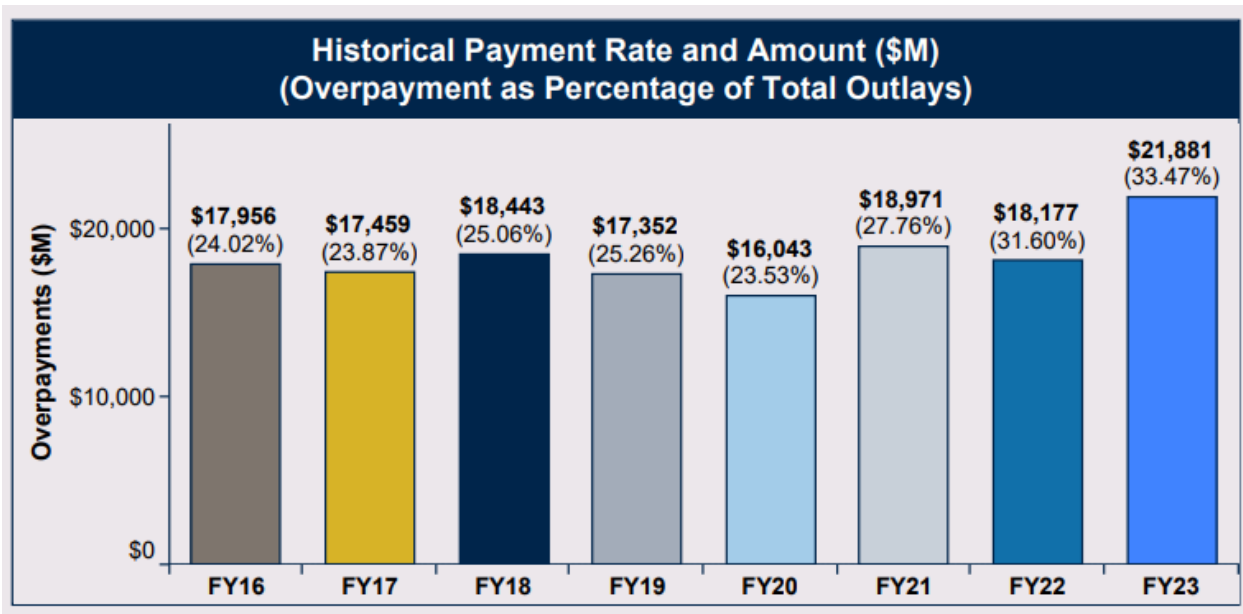
Congress and the IRS share responsibility for ensuring the IRS has the tools necessary to confirm the accuracy of returns and to prevent improper payments.

Congress and the IRS share responsibility for ensuring the IRS has the tools necessary to confirm the accuracy of returns and to prevent improper payments. Doing so is critical to taxpayer’s trust in government and effective stewardship of tax dollars. Unfortunately, the IRS is hamstrung in this effort because it lacks the statutory authority to regulate non-credentialed preparers, who are demonstrably responsible for a disproportionate share of errors in return filings and billions of dollars in improper payments.

Non-credentialed preparers are responsible for a disproportionate share of erroneous returns.

The IRS and Taxpayer Advocate Service have presented statistical analytics demonstrating non-credentialed tax return preparers are disproportionately responsible for erroneous returns. For instance, approximately 94 percent of audit adjustments made on the 2021 tax returns claiming Earned Income Tax Credit (EITC) were by non-credentialed preparers.³⁸ EITC overpayments for 2023 totaled approximately \$21.8 billion, which was an increase of over \$3.7 billion from the prior year.³⁹

See National Taxpayer Advocate’s 2023 Report to Congress, at p. 94, available at <https://www.taxpayeradvocate.irs.gov/reports/2023-annual-report-to-congress/full-report/>.



Applying the 94% error rate for EITC returns prepared by non-credentialed preparers equates to over \$20 billion in erroneous EITC payments attributable to non-credentialed preparers. Thus, there is irrefutable risk to the federal fisc. By requiring standardized regulation and education for non-credentialed preparers, the IRS can allocate payments with more accuracy.

38 “National Taxpayer Advocate Annual Report to Congress 2023.” p. 94

39 “Earned Income Tax Credit, 2022 Q1.” Internal Revenue Service- Earned Income Tax Credit, 2024.

ETAAC recommends Congress grant the IRS the authority to regulate non-credentialed tax return preparers to standardize knowledge, capability, and data security in the tax system. Due to the sensitive nature of filing a tax return, it is vital for individual taxpayers to utilize excessive caution when selecting a tax preparer. Despite best efforts taxpayers are vulnerable to fraudulent preparers.

Notably, the IRS already has well-developed and well-functioning programs for educating tax return preparers. Through its Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs, the IRS has trained tens of thousands of volunteer tax return preparers. VITA/TCE tax return preparers receive tax law training and must pass a competency exam. In stark contrast to the error rates of non-credentialed preparers, returns prepared by VITA/TCE volunteers are overwhelmingly free of errors or exceptions that could delay processing or receipt of refunds owed to taxpayers. For example, the accuracy rates for VITA/TCE prepared returns for the last three fiscal years are:

FISCAL YEAR	ACCURACY RATE
2023	97.30%
2022	96.40%
2021	96.40%

Thus, the IRS has the capability to implement a program to effectively train and educate tax return preparers that could be replicate this framework with little effort for current non-credentialed preparers. Implementing such a program would undoubtedly pay for itself and serve to protect the federal fisc.

Recommendation 12 | ETAAC recommends Congress support good tax administration.

As previously mentioned, a key variable to successful implementation of tax legislation begins with collaboration with the IRS and stakeholders in the professional tax industry. To support collaborative efforts, ETAAC looks to propose recommendations that will address some primary issues of access, efficiency and security. The following points look to promote modernization, invoke clear and consistent legislation, and support better tax administration for underserved tax groups.

For many years, the entire tax ecosystem has been severely hampered in providing a great tax-filer experience as it waits for new proposed legislation or even extensions of existing legislation that have expired. This results in degrading the tax-filer experience.

It is notably as the IRS states, the agency's mission to “[p]rovide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.”⁴⁰

With Congress' support and IRA funding, the IRS has embarked on a transformational modernization project – an enormous initiative that will take years of consistent high-quality management, leadership, and support. If successful, it will truly transform the IRS and everyone within the ecosystem will experience long-desired and much needed transformational benefits – including US taxpayers.

As Commissioner Werfel has publicly stated, the IRS is embarking on “... the most important, tech-enabled transformation of a government agency in U.S. history.” He has also stated, “I am realizing the journey that this organization is on, we are at a critical inflection point.”

Modernization projects are daunting journeys for all organizations. For a large organization, especially ones that have a high volume of customers, transactions, and complexity, it is extremely challenging and high-risk. Most modernization projects miss deliverable expectations, end over budget, and exceed planned timelines. Some projects fail and severely impact the organization's performance, reputation, and capability.

Late Legislation and Tax Extenders

In the tax ecosystem, every player has devoted extensive resources in preparing multiple legislative outcomes. These resources are used during the most critical time in preparation for tax filing season. Each hour devoted to preparing for an alternative outcome is an hour that is not devoted to improving the tax filing experience.

⁴⁰ See IRS, *The Agency, Its Mission and Statutory Authority*, <https://www.irs.gov/about-irs/the-agency-its-mission-and-statutory-authority> (last visited Dec. 21, 2021).

Taxpayers do not benefit from the diversion of resources taken from the tax ecosystem to accommodate late legislation and tax extenders. This ultimately denies taxpayers further exploration of innovation. The result of this is less tax-filer confidence in the tax filing process. This ultimately denies taxpayers further exploration of innovation. The result of this is less tax-filer confidence in the tax filing process.

Late changes in legislation delays many of the necessary activities necessary to conduct a smooth tax filing season. For example, many states that have an income tax are unable to process tax returns until they update their systems based on these late changes. Further, tax software companies cannot complete the work to deliver tax compliance until after all the taxing agencies finish their up-stream work.

As a result, tax-filers are often delayed in their ability to file. The majority of tax filers receive a refund, and an even larger majority of early season filers receive a refund. Early season filers heavily skew to lower income demographics. Many of these filers are financially dependent on their refund. But often they must wait additional days, weeks or months to receive the funds they are legally entitled to receive.

This issue also causes many tax filers to file their return prior to the final changes, purposely leaving items off their tax return so they can get their refund. In many if not most cases, this is an intentional decision with the expectation of filing an amended return after all the changes are properly implemented. This results in low-income filers paying additional fees due to late legislation. It often puts low-income filers in an untenable financial position.

“ ” | If Congress wants to improve the tax-filer experience for their constituents, they need to pass legislation with sufficient time needed for implementation

If Congress wants to improve the tax-filer experience for their constituents, they need to pass legislation with sufficient time needed for implementation.

What the IRS needs to successfully Modernize

The transformation that the IRS has begun (as outlined in their Strategic Operating Plan) addresses foundational people, process, technology, and organizational investments to deliver transformational improvements to well-known issues that have been raised by Congress, taxpayers, organizations throughout the tax ecosystem including the National Taxpayer Advocate, IRSAC, and ETAAC.

If funded, led, resourced, and managed well, the results of the IRS modernization project could be transformational – modernizing the IRS in impactful ways and dramatically improving the organization’s talent, processes, technology, and service delivery.

The success of the IRS's modernization project is contingent upon Congress's support, both in terms of funding, authority, and advocacy. ETAAC strongly recommends close collaboration, transparent communication, consistent and reliable funding, and strategic engagement to ensure the timely and successful execution of this transformative initiative.

Specifically, ETAAC supports the following recommendations:

1. **Engagement with IRS modernization leaders:** Members of Congress or assigned staff should meet regularly with IRS modernization project leadership to:
 - a. Build open, transparent, and collaborative relationships.
 - b. Regularly discuss updates on modernization progress and insight on challenges being faced and supported needed.
 - c. Facilitate the timely and ongoing discussion of Congressional member questions and the exchanging of information.
 - d. Identify ways Congress can provide ongoing support and assistance.
2. **Quarterly reports:** The IRS modernization team should produce, and widely distribute, a quarterly modernization journey progress report that highlights SOP progress, successes, and challenges.
3. **Funding support and advocacy:** Congress should sustain appropriated IRA funding and provide the IRS with the funding, advocacy and support they require to be successful throughout the execution of the SOP.
4. **Funding usage flexibility:** Congress should provide the IRS with the authority to dynamically allocate their appropriated funding, where it will have the most impact on IRS operations, IT, modernization, and service to taxpayers.

During any major modernization journey, there must be a full commitment by all stakeholders to make supporting investments (incl., advocacy, funding, leadership, staffing, tools) to the project while also continuing to support the operation of the current business – keeping in mind that in most cases, the same individuals are required to do both.

A failed, partially completed, or delayed modernization has enormous long-term costs.

The anatomy of a successful modernization project includes:

- Consistent and robust funding – the flexibility to dynamically utilize it as needed.
- Experienced, engaged, aligned, consistent, and organized leadership.
- Delegation of authority to leaders; compounded with trust in wise decision making.
- Collaborative partnerships with all parties who are involved with, or impacted by, the modernization.
- Open communication, transparency, and trust between all parties.
- Support, advocacy, and patience as the journey, and all its challenges, are navigated.
- Managed scope and limited change to the business.

The success of the IRS's modernization project is contingent upon Congress's unwavering support, both in terms of funding, authority, and advocacy. ETAAC strongly recommends close collaboration, transparent communication, and strategic engagement to ensure the timely and successful execution of this transformative initiative.

Closing

In ETAAC's previous experience, success within tax administration has made a tremendous impact on taxpayers' lives. All successes do not go unrecognized. ETAAC celebrates the achievements the IRS has made this year. As ETAAC reflects on previous tax administration, our members look to support future endeavors to drive greater efficiency and assistance for taxpayers. A major contributor to effective tax legislation begins with collective collaboration amongst key stakeholders, the IRS, and members of Congress leveraging their respective expertise and resources. By working collaboratively with stakeholders, including taxpayers, industry leaders, and other government officials, ETAAC has been able to identify key areas for improvement and develop recommendations that will drive positive change. ETAAC's 2024 recommendations look to support specific objectives identified within the IRS' Strategic Operating Plan and Supplemental Plan and opines on issues facing electronic tax administration that are not covered in those plans. We hope you enjoyed reading our report as much as we enjoyed its development and look forward to supporting our great nation's tax system of voluntary compliance.

Appendix A: ETAAC Member Biographies 2023-2024

Jared Ballew – Ballew currently serves as the Vice President of Government Relations for Taxwell, representing both Drake Software and TaxAct products, as a tax administration professional with 21 years of experience. Ballew currently serves as the President of the National Association of Computerized Tax Processors (NACTP), promoting standardization and simplification between government tax agencies and the tax processing industry. Ballew is also actively engaged in the Council for Electronic Revenue Communications Advancement (CERCA) and the Security Summit, serving as a co-lead for the Tax Pro Working Group. He holds a Master of Business Administration from East Carolina University.

Peter Barca – Barca is Secretary of the Wisconsin Department of Revenue and an active member and officer of the Federation of Tax Administrators Board of Trustees. Barca has served in the Wisconsin State Assembly, the United States House of Representatives, and the United States Small Business Administration. He was also a business owner and President of Aurora Associates International.

Vernon Barnett (Vice Chair) – Vernon Barnett began his service as Commissioner of the Alabama Department of Revenue in May 2017. He has worked in state government for over 26 years serving as a Deputy Solicitor General, Deputy Legal Advisor to the Governor, Chief Deputy Commissioner of the Department of Corrections, and Executive Counsel of the Department of Environmental Management. Barnett is the current first vice president of the Federation of Tax Administrators Board of Trustees, the Vice Chair of the Electronic Tax Administration Advisory Committee, a member of the Senior Executive Board of the Identity Theft Tax Refund Fraud Information Sharing and Analysis Center, and the past chair of the Multistate Tax Commission.

Austin Emeagwai – Dr. Emeagwai is an Associate Professor of Accounting at LeMoyne-Owen College, Memphis. He is the president of ABC Accounting and Tax Services, P.C., a full-service CPA firm. His research interests include small business and community development by Historically Black Colleges and Universities (HBCUs). Dr. Emeagwai is a member of the American Institute of Certified Public Accountants, Tennessee Society of Certified Public Accountants, National Society of Accountants, and is a Volunteer Income Tax Assistance (VITA) volunteer.

Jerry Gaddis – Gaddis is the founder and Chief Executive Officer of Tropical Tax Solutions, a boutique firm headquartered in Florida providing tax consultation, preparation and representation solutions for individuals and small businesses. He began his 20-year tax career at the VITA/ Tax Counseling for the Elderly clinic in the Key Largo public library. He is a former H&R Block Franchisee, a former Dave Ramsey ELP and a graduate of the National Tax Practice Institute. Gaddis served on the board of directors for the National Association of Enrolled Agents for seven years including three years as an officer and one year as President/CEO. He is an Enrolled Agent.

Robert Gettemy – Gettemy is an Assistant Professor of Practice at the University of Iowa where he teaches both undergraduate and graduate courses in entrepreneurship. In addition, he consults in the tax software industry. Prior to teaching, Gettemy spent seven years at TaxAct where he was Chief Operating Officer. During his tenure at TaxAct, Gettemy was responsible for all back-office operations, government relations and competitive intelligence. While at TaxAct, he served as Vice Chair of the American Coalition of Taxpayer Rights, was on the board of directors for the Council of Electronic Revenue Communication Advancement and was an industry co-lead in the IRS Security Summit initiative which was formed to combat stolen identity refund fraud. Gettemy was also active in IRS Free File.

Ronald Gilson – Ronald Gilson is co-owner, Krkcr Inc. in Springville, Utah. He has worked in the accounting software and services industry since 1997 in various capacities including software platform implementation, project development of new software platforms, and tax and payroll compliance, including file schema updates. He is experienced in payroll management and project administration, implementation of software systems, electronic file creation and customer account management. He serves as vice president on the board of directors of the American Payroll Association and is currently co-chair of the association's Electronic Payments Subcommittee.

Mark Godfrey – Prior to joining Ernst & Young's Digital Tax Administration – Government Services practice, Godfrey served as Taxation Division Director at the Missouri Department of Revenue. During that time, the Taxation Division team implemented an integrated tax system and underwent a reorganization to capitalize on processing efficiencies. Godfrey is an attorney and a certified public accountant.

Robert Grennes – Robert Grennes is commissioner of the Indiana Department of Revenue (DOR), a role he has performed since February 2020. Mr. Grennes joined the DOR as chief operating officer in 2017, where he worked with over 500 Operations Division team members designing, operating, and improving all operations and service delivery functions. Before joining DOR, he worked in the private sector, leading information technology and financial services organizations while holding a variety of management, executive, and board positions. Mr. Grennes serves on the Board of Directors of the Federation of Tax Administrators.

Douglas Harding – Douglas Harding is a Tax Corrections Principal Examiner at the Connecticut Department of Revenue Services, where he has been employed since 2013. Mr. Harding serves as the department's electronic filing coordinator, overseeing all aspects of the Modernized e-File (MeF) and Fed/State Employment (FSET) Programs, including schema development, internal testing, software vendor testing, and troubleshooting production issues. He has served on the Town of Ellington, CT's Board of Finance since 2014, and is currently the Board's Chairman.

Andrew Jennison – Andrew Jennison is director, government relations, at CGI Technologies and Solutions. He has experience in the tax services industry, as a systems integrator, on a state tax administration task force, and has graduate accounting education. For seven years, Mr. Jennison led and directed H&R Block’s legislative and regulatory team at both the federal and state levels. During this time, he developed relationships and partnered with community organizations, nonprofits and industry to promote the Earned Income Tax Credit and Child & Dependent Care Credit and reduce the impact of fraud and abuse on underserved communities.

Jihan Jude – Jude is an attorney at Trivergent Trust Company in Winter Park, Florida. She previously worked with ComplyRight, where she focused on business employment tax compliance, information return reporting requirements from the IRS and Social Security Administration and labor law legal issues. Jude also reviewed company guidance for business clients who used ComplyRight’s tax solutions (paper and electronic filing of tax and information returns and proprietary tax filing software). Jude is also a Senior Tax Professional at H&R Block during the tax season and served as an IRS VITA volunteer in 2020 and 2021.

Carol Lew – Carol Lew is a partner of Stradling Yocca Carlson & Rauth, LLP in Newport Beach, Calif. She is a tax lawyer and has substantial experience with tax exempt bond audits and tax-exempt bond voluntary closing agreement program cases. She served as president of the National Association of Bond Lawyers from 2006-2007, and as chair of the American Bar Association’s Tax-Exempt Financing Committee from 2001-2003. Ms. Lew has experience as bond counsel, underwriter’s counsel, special tax counsel and borrower’s counsel for various kinds of bond issues for state and local government and non-profits for the provision of public infrastructure, housing, charter schools, performing arts facilities, hospitals, museums and other types of facilities. She served as editor-in-chief of the Federal Taxation of Municipal Bonds from 2000-2001. Ms. Lew served on the Internal Revenue Service Advisory Council from 2019 to 2022 and was chair in 2022.

Jonathan Lunardini – Jonathan Lunardini is the Section Manager of the California Franchise Tax Board’s (“FTB”) Identity Theft/Fraud Program. He has been a member of the Security Summit since its inception in 2015 and is the State Co-Chair of the IRS Security Summit Information Sharing Group, State Co-Lead for the IDTTRF-ISAC Rapid Response Team, ISAC Metrics and ISAC ACOP Steering Committee. He also is a participating member of the IRS Security Summit Authentication and Financial Services working groups. Lunardini participates in the National Automated Clearinghouse Association and the NACTP. In his role with the FTB, Lunardini has partnered with the IRS, TIGTA, FTC, USPS, other tax states, and financial and software industry partners on anti-fraud efforts to prevent fraud and identity theft nationwide.

Amy Wang Miller - Miller has over 14 years of experience in the tax and financial services policy setting. She is a director, public policy, at Carta Inc where she leads initiatives to promote effective policies that reduce compliance burdens for the innovation ecosystem and drives engagement with policymakers related to taxation, valuation, and corporate governance. Prior to Carta, Mrs. Miller was employed by the American Institute of CPAs where she led initiatives involving virtual currency, education incentives, disaster relief, digital service tax, and other individual, business, and international tax issues. Amy is a CPA and holds a JD from the American University Washington College of Law.

Argi O'Leary – O'Leary is a Principal in the Advocacy Practice at Ryan, LLC in New York, where she provides tax strategy and audit assistance, including tax issue negotiations and resolution, policy advice and advocacy for all tax types. Before joining Ryan, O'Leary was a Deputy Commissioner with the New York State Department of Taxation and Finance, leading the Department's Civil Enforcement Division and Office of Professional Responsibility, and also served as an Assistant Deputy Commissioner, leading the Department's litigation strategy in tax controversy matters.

James Paille – Paille works for IRIS Global and has over 40 years of experience in the payroll industry, including front line, treasury, compliance, and management experience. Paille is a member of the board of directors of Payroll Org (formally named the American Payroll Association) and is a past board of director for the Independent Payroll Providers Association. He is also an active member of the National Automated Clearinghouse Association, National Association of Computerized Tax Processors, NPRC and the IRS Reporting Agents Forum.

Hallie Parchman – Parchman is currently Amazon's Senior Manager of Product Management within the Corporate Tax function focusing on the end-to-end customer experience as it relates to tax information reporting and withholding, including tax operations, tax compliance and product delivery and design. Before joining Amazon, Parchman was a Tax Analyst at Apple Inc. focused on information reporting and a Federal Tax Associate at KPMG. She is a licensed CPA in Texas.

Andrew Phillips – Phillips is a Director with the Tax Institute at H&R Block, overseeing teams focused on Agency and Industry Relations, Tax Research and Tax Law Policy & Analysis. Phillips is active in the Security Summit and the Identity Theft Tax Refund Fraud Information Sharing and Analysis Center (IDTTRF ISAC), serving as the industry co-lead on the Authentication Working Group and as a member of the ISAC Senior Executive Board. Phillips is also active in tax industry associations, previously serving as a co-lead of the CERCA Legislative Implementation Working group, where he helped facilitate the implementation of the Tax Cuts and Jobs Act. In addition to his primary functions, Andy also regularly serves as a brand spokesperson for H&R Block. Andy regularly interviews with major media outlets, including Bloomberg, Accounting Today, CNBC, Kiplinger, USA Today, New York Times, Detroit Free Press and with countless TV broadcast outlets. In his personal time, Phillips serves on the Finance Committee at the United Methodist Church of the Resurrection.

RaeAnn Pilarski – Pilarski is Senior Manager at Code for America, where she scales and supports VITA partners that participate in the GetYourRefund program. Before joining Code for America, she oversaw the VITA program at the United Way of Tucson and Southern Arizona. During her tenure there, she worked closely with Code for America as one of the original partners in the GetYourRefund pilot and led the development of Valet VITA, a model that allowed clients' documents to be scanned and securely uploaded to a system through which volunteers would access the information needed to prepare the return.

Stephanie Plaza – Stephanie Plaza is senior lead product manager at Wolters Kluwer. She has worked in the tax software development and financial products industry for more than 12 years. During her tenure in the tax industry, Ms. Plaza has worked closely with The Council for Electronic Revenue Communication Advancement (CERCA) and more recently the American Coalition for Taxpayers Rights (ACTR). Through CERCA, she has worked closely with the IRS on taxpayer experience and digital services.

Keith Richardson – Keith J. Richardson is a results-oriented executive with more than 34 years of experience in tax administration, operations management, and financial services. He was appointed Deputy Chief Financial Officer for the District of Columbia's Office of the Chief Financial Officer (OCFO), Office of Tax and Revenue (OTR) in November 2016. Under his leadership, there are six administrations and the Office of the Taxpayer Advocate, totaling more than 600 employees. Richardson served as Revenue Commissioner for the city of Philadelphia in 2008-2013 and prior to that, worked at the Pennsylvania Department of Revenue as the director of Bureau of Compliance. The DC Office of Tax and Revenue collects \$10.3 billion annually in real estate taxes, individual and business taxes. In December 2020, his agency completed the last phase of its fully implemented Modernized Integrated Tax System (MITS) through GenTax, becoming the only jurisdiction in the United States with a fully implemented tax system that includes real property taxes. At The George Washington University's Trachtenberg School of Public Policy and Public Administration as an adjunct professor, teaching their graduate program course, Financing State and Local Government. From 2019-2021, he served as Chairman of the Multistate Tax Commission's Executive Committee. He serves as Secretary for the Federation of Tax Administrators Board of Trustees since 2023. Richardson From holds a master's degree in business administration from Eastern University in Philadelphia, and a bachelor's degree from Duquesne University in Pittsburgh.

Mark Steber – Mark Steber is chief tax officer with Jackson Hewitt Tax Service, where he serves as liaison to the IRS, states, and other government authorities. Mr. Steber has been an active participant in the IRS Security Summit since its founding in early 2015. He has been involved with the Summit's Information Sharing, Authentication, Strategic Threat Assessment and Response, and Tax Pro working groups. Mr. Steber is active with various industry groups, including ACTR and CERCA. Prior to joining Jackson Hewitt, he was a tax partner with Ernst and Young LLP. Mr. Steber previously served on the ETAAC from 2017 to 2020.

Terri Steenblock – Steenblock is Compliance Director at the Federation of Tax Administrators. She supports state revenue agencies across the United States by providing compliance outreach, education and support to tax administrators focused on audit, collections, criminal investigations, fraud, and electronic filing. Prior to working at FTA, she spent 15 years at the Minnesota Department of Revenue where she held various roles including serving as an Assistant Commissioner. Steenblock has been active in the IDTTRF ISAC since its inception.

Timur Taluy (Chair) – Taluy founded FileYourTaxes.com 25 years ago and serves as its chief executive. Taluy is a tax return preparer participating in the IRS Annual Filing Season Program (AFSP) and actively prepares tax returns. He serves as the Board Treasurer of the Council for Electronic Revenue Communication Advancement (CERCA). As a founding member of the IRS Security Summit, he serves as the co-chair of the Summit's Strategic Threat Assessment and Response (STAR) workgroup. He develops content and speaks at tax related meetings including the IRS Nationwide Tax Forums, the Latino Tax Professionals Tax Fest, and his local colleges and universities. Taluy holds a Bachelor of Science degree in Electrical Engineering from the University of Southern California.

Appendix B: Examples of Real-time Collaboration & Feedback

ETAAC Stakeholder Engagement Survey

This ETAAC survey is limited in scope and aligns with the mission of ETAAC which is electronic filing, identity theft, and refund fraud prevention.

Please solicit feedback from members of your organization and submit one survey response on behalf of your organization. The deadline for submitting feedback is October 27, 2023.

- Organization Name *
- Submitter Name *
- First Name Last Name
- Submitter Title *
- Email Address *
 - example@example.com
- Phone Number*
- Please enter a valid phone number. Please provide up to five (5) strengths the IRS has as it relates to electronic administration and identity theft and refund fraud prevention.
- Please provide up to five (5) opportunities you think the IRS should consider undertaking to enhance electronic administration, identity theft, and refund fraud prevention.
- Please select the top five (5) initiatives from the IRS Strategic Operating Plan that you think are most important to improving electronic tax administration, identity theft, and refund fraud protection.
- What Congressional/Legislative barriers are preventing the most effective delivery of electronic tax administration, identity theft, and refund fraud prevention? Please include statutory references if applicable to your answer.

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Paper return filing can lead to tremendous costs for the IRS and inefficiencies and delays for taxpayers, particularly vulnerabilities when disasters strike, such as the recent pandemic. See, e.g., More Delays Ahead-Pandemic Continues to Slow Down IRS (<https://www.gao.gov/blog/more-delays-ahead-pandemic-continues-slow-down-irs>).

See IRS launches paperless processing initiative (<https://www.irs.gov/newsroom/irs-launches-paperless-processing-initiative>).

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