The above titled meeting was called to order at 9:00 a.m.

Chair:
Timothy McCormally
COMMITTEE MEMBERS IN ATTENDANCE

Timothy McCormally
IRSAC Chair
Washington, DC

Dennis Ventry
IRSAC Vice Chair
Davis, CA

Patricia Atwood
OPR Subgroup
Chicago, IL

Brenda Bianculli
Digital Services Subgroup
Charlton, MA

Eunkyong Choi
SBSE/W&I Subgroup
New York, NY

Thomas Cullinan
Chair, LB&I Subgroup
Atlanta, GA

Estarre Fischer
LB&I Subgroup
Everett, WA

Neil Fishman
SBSE/W&I Subgroup
Boynton Beach, FL

Sharyn Fisk
SBSE/W&I Subgroup
Pomona, CA

Kathy Hettick
OPR Subgroup
Enumclaw, WA

Stuart Hurwitz
LB&I Subgroup
San Diego, CA
Sheldon Kay
OPR Subgroup
Atlanta, GA
Phyllis Jo Kubey
SBSE/W&I Subgroup
New York, NY
John McDermott
Chair, SB/W&I Subgroup
Baton Rouge, LA
Shawn O’Brien
LB&I Subgroup
Houston, TX
Walter Pagano
Chair, OPR Subgroup
New York, NY
Donald Read
OPR Subgroup
Berkeley, CA
Kevin Richards
Digital Services Subgroup
Springfield, IL
Stephanie Salavejus
Chair, Digital Services Subgroup
Newport News, VA
Dave Thompson, Jr
LB&I Subgroup
Montgomery, AL
IRS ATTENDEES:

Kirsten Wielobob
Deputy Commissioner, Services & Enforcement

Terry Lemons,
Chief, Communications & Liaison

Melvin Hardy
Director, IRS National Public Liaison

John Lipold
IRSAC Designated Federal Official
Branch Chief, IRS National Public Liaison

Steve Whitlock
Director, Office of Professional Responsibility

Ken Corbin
Commissioner, Wage & Investment

Tamera Ripperda
Deputy Commissioner, Small Business/Self-Employed

Paul Mamo
Director, Online Services

Thomas Kane
Acting Deputy Commissioner, Large Business & International

Anna Millikan
IRSAC Program Manager, IRS National Public Liaison

Maria Jaramillo
IRS National Public Liaison

Brian Ward
IRS National Public Liaison

Tina Briscoe
IRS National Public Liaison

Darlene Frank
IRS National Public Liaison
Tonjua Menefee
IRS National Public Liaison
Cumbuka Ortez
IRS National Public Liaison
Rose Smith
IRS Online Services
Johnnie Beale
IRS Wage & Investment
Holly Paz
IRS Large Business & International
Shawn Hooks
IRS Large Business & International

PUBLIC ATTENDEES:
John Ams
National Society of Accountants
Larry Gray
National Association of Tax Professionals
Robert Kerr
Alice Jacobsohn
American Payroll Association
Jennifer MacMillan, EA
Jyme Mariani
American Payroll Association
Randy Riggs
John Russell
American Society of Appraisers
MR. HARDY: So, good morning. My name is Melvin Hardy. I am the director of National Public Liaison, and I want to welcome each and every one of you to this 2017 IRSAC Public Meeting here. And we are very excited to have several of the BOD commissioners here, and we will have the Deputy Commissioner, Kirsten Weilobob, she'll be here a little later.

So, without further ado, since we do have a very tight schedule, I'm going to ask my boss, Terry Lemons, to give a few words, and then we'll turn it over to our current chair, Timothy McCormally.

MR. LEMONS: Good morning, everyone. Thanks for joining us. I'm going to keep my remarks really, really short. For me, a foundational component of having a strong tax administration in this country is having strong support from the tax community. The IRS can't run the tax system by itself. Groups like IRSAC and your hard work and dedication are critical to us. We get valuable feedback from your work.

And, you know, just on behalf of NPL, and our organization, and the rest of the IRS, we just
appreciate you guys, your time, your dedication. Your insight really is just invaluable to us, and we really appreciate you doing it. You guys make a difference, and throughout the history of IRSAC, you've made a huge difference for tax administration. So, appreciate it, and we look forward to the report today.

MR. MCCORMALLY: Good morning, everyone. I'm Timothy McCormally. I've had the pleasure the last four years of being a member of the IRS Advisory Council, and this past year to serve as chair. I welcome you all. Following up on Mel's and Terry's comments, I think that it's important to note that IRSAC has been a continuing partner with the IRS for almost 65 years, formed in 1953. And we hope that's not just a sign of inertia, but the fact that we are a contributor and collaborator in the good sense of the word in the service of the tax administration.

And with that, I would ask Dennis if he wants to make any welcoming remarks, and then suggest we just go around the room and everyone can introduce themselves, and we'll get into the body of the report.

DR. VENTRY: I'm Dennis Ventry, the vice chair of
IRSAC and member of the subgroup, Office of Professional Responsibility. Welcome.

MR. LIPOLD: Good morning, everybody. John Lipold. I'm the so-called Designated Federal Official for the IRSAC, and I work with Mel Hardy and National Public Liaison.

MS. RIPPERDA: Thanks, John. Hi, I'm Tammy Ripperda. I'm the current Deputy Commissioner of Small Business/Self-Employed. Happy to be here.

MR. CORBIN: Good morning. I'm Ken Corbin. I'm the Commissioner of Wage and Investment.

MR. MAMO: Good morning, everybody. Paul Mamo. I'm the Director of Online Services.

MR. CULLINAN: Good morning, everyone. My name is Tom Cullinan. I'm a partner with Eversheds Sutherland in Atlanta, Georgia. I focus my practice on tax controversy work, and I chair with the LB&I Subgroup.

DR. THOMPSON: Good morning. My name is Dave Thompson. I'm an IRSAC member.

MS. FISCHER: Hi, I'm Star Fischer. I'm a partner with Moss Adams in Seattle, Washington, and I'm on the LB&I Subgroup.
MR. O'BRIEN: Good morning. I'm Shawn O'Brien. I'm a partner with Mayer Brown in Houston, and I'm on the LB&I Subgroup.

MR. HURWITZ: Hi, my name is Stuart Hurwitz. I'm a tax practitioner in San Diego. I have an office called CPA & Law Offices, and I specialize in whatever walks in the door.

(Laughter.)

MR. KAY: Hi, my name is Sheldon Kay. I'm a partner in charge of Washington National Tax for firm Crowe Horwath. And I'm on the OPR Committee.

MS. HETTICK: Good morning. I'm Kathy Hettick. I'm an enrolled agent. I have a small practice in Enumclaw, Washington, outside of Seattle, and I am currently serving on the OPR Subgroup.

MR. READ: My name is Don Read. I'm a tax attorney in Berkeley and tax counsel to Lakin Spears in Palo Alto, and I'm on the OPR Subgroup.

MR. PAGANO: Good morning, everyone. My name is Walter Pagano. I'm a tax partner at EisnerAmper LLP in New York City, and I'm also the tax controversy practice leader, and currently for this year, I am
chair of the Office of Professional Responsibility Subgroup. Thank you very much.

MS. ATWOOD: And I'm also on the OPR Subgroup. My name is Patricia Atwood. I'm a personal property appraiser in the Chicago area.

MS. BIANCULLI: My name is Brenda Bianculli. I'm a CPA from Charlton, Massachusetts, and I'm on the Digital Service Subgroup.

MR. RICHARDS: Good morning. I'm Kevin Richards with the Illinois Department of Revenue, and I'm a member of the Digital Services Subgroup.

MS. SALAVEJUS: Good morning. My name is Stephanie Salavejus. I am chair of the Digital Services Subgroup, and our organization specializes in payroll compliance and taxation.

MS. KUBEY: Good morning. My name is Phyllis Jo Kubey. I'm an enrolled agent with my own practice in New York City, serving mostly complex individual returns. And I am on the Small Business/Self-Employed and Wage and Investment Subcommittee.

MR. MCDERMOTT: Good morning. I'm John McDermott. I'm an attorney and CPA from Baton Rouge, Louisiana,
with the Law Firm of Taylor, Porter, Brooks & Phillips.

And this year I've had the privilege of being the chairman of the SBSE and W&I Subgroup.

MS. FISK: Good morning. My name is Sharyn Fisk. I'm an accounting professor at Cal Poly Pomona, and I'm on the SBSE and W&I Subgroup.

MR. FISHMAN: Good morning, Neil Fishman. I am a CPA among other credentials. I am the principal in Fishman Associates, a full-service CPA firm based in Boynton Beach, Florida.

MS. CHOI: Good morning. My name is Eunkyong Choi. I'm the New York City taxpayer advocate with New York City Department of Finance, and I am a member of SBSE and W&I.

MR. KANE: I'm Tom Kane. I'm the Acting Deputy Commissioner for Large Business and International.

MR. WHITLOCK: I'm Steve Whitlock, the Director of the Office of Professional Responsibility.

MR. MCCORMALLY: Thank you, everyone, and again, welcome. We're going to move first into reports from our various subgroups, then some dialogue between members of the subgroup and our counterparts at the
We'll begin with the Large Business and International Subgroup, and Tom Kane who is the acting deputy commissioner. And I'm going to ask Tom Cullinan to start our conversation.

MR. CULLINAN: Thanks, Tim. Good morning, again, everybody. Happy to be here. It's been a good year for IRSAC and a great year for the LB&I Subgroup. We'd really like to thank Commissioner O'Donnell. I understand that he can't be here, but we ask Tom Kane to pass along our thanks to him and to the rest of the leadership.

It's been a really good year. There's been some great dialogue, some great back and forth. They've been receptive to what we've had to say. Believe me, they didn't agree with all of it, but they agreed with some of it, and I think we done some good, so it's been a good year.

We covered three issues in our report. We're going to go into all three of them here. The first issue has to do with what is called the LEP, which is an acronym for the Large Business and International Examination Plan. And this is a new framework that is
going to govern, or has governed for the last two
years, how LB&I audits the country's largest taxpayers
that are within its jurisdiction.

The second issue that we're going to cover is what
are called campaigns. This is a new model for LB&I.
Historically, LB&I would audit its taxpayers using an
enterprise-based approach, meaning that it would look
at the entire return. It's starting to move away from
that approach. It hasn't moved far away from it yet.
It's just starting to. But the campaigns use an issue-
based focus where they're looking at particular issues
that have significant risk of noncompliance. And so,
they're looking at these issues, and it's much more
focused, much more targeted, and it's also different in
the sense that they are trying to come up with
alternative treatment streams so that an audit isn't
the answer to everything. Shawn O'Brien is going to
speak about campaigns when we get there.

And then the last issue we looked at was Schedule
UTP. Schedule UTP has been around for several years.
UTP stands for uncertain tax positions, and this
schedule, which is filed by the country's largest
taxpayers with their returns, is, as it sounds, a
schedule of their uncertain tax positions.

There have been issues with Schedule UTP from the
day it was first promulgated. There was a lot of
pushback from taxpayers. There were discussions
between taxpayers and the IRS about what that form
should look like, how much detail it should ask for.
And in today's environment, there are questions about
whether it's working as it was originally intended.
Star Fischer is going to talk about Schedule UTP when
we get there.

But I'm going to start with the first issue, which
is LEP. We looked at three issues within the LEP
framework. The first is how do you determine whether
it's working. It's a new process, and LB&I is really
trying to be efficient and effective. Obviously, we're
in days of everybody having fewer resources and they
need to do more with the resources they have. So, with
this new framework, the question is how do they
determine that it's really being effective and
efficient?

So, we've suggested a variety of measures, or
metrics, for them to assess how they're doing -- both
qualitative and quantitative. For example,
quantitative measures might include things like how
long IDRs are outstanding, how long it takes the IRS to
follow up on IDRs, and whether the IRS exam team needs
to bring in outside expertise. And by "outside
expertise," I don't mean outside the organization, but
consultants within IRS, such as Chief Counsel. Another
measure is, essentially, how far does an exam need to
stray or does it stray from the opening examination
plan.

The second thing we recommended were qualitative-
type measures. These are the types of things where
taxpayers can give feedback, and we made a
recommendation that LB&I consider using outside third
parties to solicit feedback. IRS Appeals had done
something like this for years where after you go to an
Appeals conference, you would get either a letter or a
phone call from an independent organization essentially
asking how did Appeals do? What was the process like?

Could it be improved? And they would ask a series of
questions, and compile that information, and give that
feedback to Appeals so Appeals could improve how it approaches taxpayers and the process generally. We thought that something similar could be done with LB&I, so we made that recommendation as well.

The second issue we focused on was something that is really quite new, and it's called the Acknowledgment of Facts. And what LB&I is starting to do with taxpayers is at the end of the audit, they ask the taxpayer to sign an acknowledgment of facts. The acknowledgment of facts is crafted by the exam team, and its intended purpose is to make sure that everybody is on the same page, which is a laudable goal, in particular before a non-agreed issue might go to IRS Appeals. And it is laudable in the sense that Appeals has a certain record, an agreed-upon record that would allow for the issue to hopefully be resolved quickly or more quickly than it otherwise might be.

And as we said, we agree that acknowledgment of facts in principle is something that is certainly worthwhile, but there have been issues with the way that it's been rolled out that we think can be resolved relatively easily. First, taxpayers don't quite
understand how the acknowledgment of facts is supposed to work. We've understood from our discussions with LB&I that there is training within LB&I how it's supposed to be used. And the way agents are being trained, we think, is the way that it should be used.

But the issues that we've seen at the early stages are -- the Acknowledgment of Facts in some cases tends to be a little bit slanted in the IRS's favor. In some cases, we've seen that the Acknowledgment of Facts doesn't actually state facts; it states the law. And in some cases, we've seen that the statement of facts reports some facts, but not all relevant facts. So, we suggested that the IRS put out guidance so that taxpayers are aware of what's supposed to be in the Acknowledgment of Facts and how they can approach it, and also to make sure that agents are trained with those things in mind.

The last issue that we looked at was within this whole new framework of campaigns and LEP, there needs to be a focus on communication and coordination. In particular with the campaigns, as we move into a more issue-based regime, we'll have instances where one
taxpayer will be under audit, perhaps with several
different players involved; there may be one group of
agents looking at issue one, and another group looking
at issue two, and another group looking at issue three.
So, there needs to be coordinated somehow.
We've made recommendations that there needs to be
somebody put in charge. There needs to be somebody
accountable. There needs to be somebody the taxpayer
can reach out to you to have a conversation with when
they think that things may be getting a little bit off
the rails. And that's important because we want to
keep the process working, and the more quickly you can
address those types of issues, the better off we think
we will be.
Tom, did you want to have -- do you have any
thoughts about that?
MR. KANE: Thanks, Tom. As you said, Doug can't
be here. He's out of town, prior engagement. He
really would've liked to be here. He's appreciated all
the work that the whole team has done. I look like I'm
facing a firing squad.
(Laughter.)
MR. KANE: And Tim is off to the side waiting to pull the trigger. But we really do appreciate what you have done this year. The dialogue, I think, from our side of the house has been great. You know, there are things in the report, and that's fine, but our dialogue covered much more than that, and it informed us, I think, to a great extent beyond what's in the report. So, we appreciate that and appreciate IRSAC's work actually on our behalf. So, thank you very much.

Three things on the metrics issue. We hear you loud and clear. As you probably know, the GAO came out with a report last year that talked about metrics in the new Future State of LB&I. We are hard at work not only in the campaign space, but across the LB&I organization to try to come up with metrics that actually work. Your report focuses on metrics primarily in the examination space. But obviously when we're looking out into the future looking to change taxpayer behavior, making it more voluntarily compliant, we're going to need metrics to try to figure out how we're doing in that space as well.

And so, in addition to your suggestions, which are
good ones and we will look at them, we're actively looking at metrics across our organization to see how we can measure our success or the lack thereof, which will inform us as to where we go in the future. So, appreciate that.

Acknowledgment of the facts. I don't think that we disagree that there is some confusion out there regarding acknowledgment of the facts. As we discussed, I think a lot of people routinely refer to the Acknowledgment of Facts, or the AOF, as agreement of facts, and that's not necessarily the case. We never intended that the parties get together and agree to a set of facts that could be taken forward to Appeals, much like you'd want to do in the technical advice memorandum scenario. And so, we agree that there is some confusion there, and that we need to do some work in that space, and we're actively working that issue.

The AOF first appeared when we put out the LEP -- acronyms are going to kill people -- in May of 2016 as part of our rollout of the campaigns in the Future State. So, it's new to us, too. Training is
important, and we will continue to focus on that, but we are actively working to try to figure out how to make a better process because ultimately the goal is to get a good set of facts with both parties engaged into the Appeals process where meaningful discussion can be had with an Appeals officer and an Appeals team. So, we appreciate your input on that. We acknowledge that we have to do some work, and we will.

Communication and coordination. I also think that there's been some confusion over this. Who's in charge of what issue or the case is actually addressed in Publication 5125. There's a case manager. There's an issue manager or managers, and the publication lays out the responsibility. I think everyone, including people on our side, need to pay a little more attention to that, and obviously we will continue to focus on making sure our people follow the processes that we have in place.

We're in the process of revising the IRM to take into account a lot of the things that we've been doing in LB&I over the last year and a half or two years, and obviously that will be one thing that will be taken
into account. I would say, though, that any taxpayer who has an issue with respect to the way the exam is being conducted, who's in charge of what issue, or if they're not happy, they ought to take advantage of the elevation procedures and try to get that resolved as soon as possible and as early as possible. And if we need to tweak Publication 5125 or tweak our training, we're open to considering that.

So, thank you.

MR. CULLINAN: Thanks, Tom. With that, I'd like to turn it over to Shawn O'Brien. But first, before I do that, but I should acknowledge that one member of our Subgroup, Sandy Macfarlane, Vice President of Tax at Chevron, could not be here today. He sends his regrets. But he was really instrumental with the work that we did and very helpful. Shawn?

MR. O'BRIEN: Thank you. As Tom mentioned, LB&I has moved to a fresh approach to examinations. They're considering moving away from enterprise audits and into a more issue-specific compliance campaign-type approach. Effectively, this approach would move the identifying issues away from revenue agents and move it
to a more centralized function. Specialized agents within particular issues can address how specific issues can be handled.

LB&I was interested in learning how they could gain more external feedback on the overall campaign approach, and then including specific campaigns, how do they get feedback on those. So, we met with LB&I, looked at a lot of articles that were published surrounding the campaigns, talked to various folks that practice in the area with tax controversy, and took all this information into account, and considered how we could help LB&I with gaining more external feedback.

One of the things we learned in the process was how LB&I evaluates possible campaigns. And there are a lot of issues out there that could be a campaign issue, but an initial analysis is done to figure out which issues they really focus on, focused on -- focusing mainly on how would they implement these campaigns, and how many returns would be impacted, and just did a general assessment of a whole bunch of issues, and then narrowed those down to a finite number, which then could be developed, looking at the legal analysis of
the particular issues, and trying to understand how they would approach the issue.

And once some campaigns have been identified as potential initiatives, then LB&I would move to an approval process, and they've developed a Compliance Integration Council to look at particular campaigns and decide what kind of resources are necessary to implement the campaign, and whether or not there needs to be some tweaks made to the campaign. And once a particular campaign is approved, LB&I would roll out the campaign and start executing on it by contacting taxpayers who had the issue, and then start applying what we're calling a treatment stream to the particular taxpayer. And that could be an examination. It could be a letter sent to the taxpayer asking for certain compliance actions, various ways to address the particular issue that had been identified as a campaign.

Learning about the process and how it's rolled out helped us identify ways for the external stakeholders, the tax community, to give feedback about the particular compliance initiative.
We gave four recommendations, and the first is just suggesting that LB&I be more transparent about the overall process of developing the campaigns, and then about how specific campaigns are dealt with. We learned that LB&I had that goal in mind to be more transparent, and they actually executed on that by hosting a series of webinars as those initial campaigns were rolled out. But we encourage LB&I to do more of that. We feel that transparency will just naturally result in more feedback from externals, and by being more transparent, change taxpayer behavior just by the tax community learning more about the issue.

There are specific ways to host presentations. NPL has a great forum on a monthly basis that campaigns could be a subject for. There are various meetings, conferences, et cetera, where this subject could be talked about more. And so, there are just obvious ways to get out there and talk about the campaign process. And we think that transparency will result in feedback.

The second recommendation was to use the revenue agents who are in this area to gather information that they are learning throughout the examination, and have
those revenue agents elevate any feedback they receive from the taxpayer or the taxpayer's representative. For example, this could be done through sharing IDR responses that they receive about the particular issue.

One thing we learned was that the revenue agents working in this area are asked by LB&I to answer specific questions about the campaigns. There's a questionnaire that's being developed, and we recommend that LB&I add some questions about whether the revenue agent has received external feedback on a particular campaign and then share that information they've received. So, using the revenue agents to try to gather the external feedback is our second recommendation.

The third recommendation was to use the practice networks. LB&I has developed practice units on particular issues. I kind of look at it as a knowledge base of specialized issues, and those practice units are published on IRS.gov. And just by publishing the information and asking taxpayers to review that, it will be easy to identify, from an external standpoint, things that could be worded differently or consider
certain things hadn't been considered. And so, practice units' mechanism is set up for receiving feedback. In fact, on the website, LB&I has an email address where you can email questions or comments to. And so, one of our recommendations is for that to be expanded, and encourage taxpayers to use that portal for feedback.

And the fourth recommendation is that although LB&I had rolled out its Future State by publishing some guidelines and then a model that kind of shows how a campaign is developed, there's no place in the guidelines that shows how external feedback is used. By simply editing the guiding principles to show that external feedback would be considered, we think would result in receiving more feedback.

So, those are our recommendations regarding campaigns, and if Tom or anyone has questions, I'm happy to answer them.

MR. KANE: So, again, thank you very much for that. And we did have a lot of discussion during our meetings, some of it lively, some of it maybe not so much, about the new campaign process. I would like to
just step back for a second because everyone thinks of campaigns in the examination mode. But I think, as you mentioned, campaigns are designed to and should cover a lot more than just examinations. In fact, examinations are time consuming and rather resource intensive. And what we'd really like to, and it's baked into the campaign process, is figure out a way to change taxpayer behavior without having go into an examination.

Whether it's an industry issue resolution project, which we do have a campaign on, whether it's looking at talking to our colleagues in the national office about revenue rulings, regs, things that can get guidance out on so that everybody knows what the rules of the road are so that everybody -- taxpayers -- can be more compliant because the rules are out there for them to see, to legislation, to education sessions such as the forums that you mentioned. That's really where we want to be in terms of changing taxpayer behavior and encouraging more voluntary compliance. So, although people talk about examinations because that's the thing they see the most, we'd rather be spending our time in
other places to get to a better place for everyone.

We don't disagree with any of your recommendations. Again, this is a new process. We're learning as we're going. We encourage the feedback, both internally and externally. We have tried to reach out to the best we can to date, and I think we need to do a better job of that obviously, to get more involvement from the outside, whether it's taxpayers, whether it's industries, or whether it's practitioners, to help us find our way. And we'll be looking to continue our efforts along that road.

The practice networks and the practice units are really important. They're very active. The practice networks are very active. The people are subject matter experts. And actually, to a point that you made, I do think on a regular basis, people that are involved in examinations are discussing the state of the issues that they're seeing, whether it's in the new campaign process or the old examination process that we're still working through.

And so, the practice networks are getting, I think, a good real-time look at what the issues are,
and whether or not we need to do something to react to what taxpayers are doing, or we need to do something different to react to something that we need to change. It's an evolving process, but a very important one.

To your point about practice units, we do believe that they're very important. We do believe that they're part of the educational process for both our people and for taxpayers. And I'm not going to rank which one is more important because having a good understanding of where we're coming from on the law or the application of the law to the facts in some instances is important to make sure that we're both moving in the same direction.

And so, as we go through the campaign approval process, whether it's exams or maybe some of the other lighter touches that we're using, we do talk about whether or not we need -- we have agents who are trained. Are they already trained on the issues? Do they need training? What type of training do they need? And do we need practice units if none exist? If practice units exist, do they need to be updated? That's all part of the approval process in the new
campaign world.

We're learning as we're going along, and there are things that we should do or need to do better, whether we hear it from a revenue agent working a case, a large taxpayer practitioner, or an industry group, we're happy to hear that. So, appreciate the feedback. Thanks very much.

MR. CULLINAN: And last, we have Star Fischer, who is going to talk about and try to have an abbreviated discussion of UTP to get us on schedule.

MS. FISCHER: All right. So, just a quick background on Schedule UTP. It was first issued in 2010 and applied to taxpayers with over $100 million assets who had audited financial statements. At a high level, the form requires taxpayers who report an amount on their financial statements as "uncertain tax positions" to also disclose that on their tax return.

It is our understanding that the IRS primarily uses the information for two different reasons: one, for risk assessment and audit selection or deselection, depending on what was on the form, and secondarily, once a taxpayer was selected for examination, the IRS
would use this form to help guide what issues the agent would look at during the examination.

There were discussions this year with LB&I. Some challenges noted or items that they asked us to look at were, first, the historical effectiveness of the form. Was it being used for its intended purpose, and how effective was that? And secondly, there's a big issue with noncompliance of the form, particularly related to the requirement to add a concise description about each issue presented on the form. The concise description is pretty subjective in nature, and so taxpayers just were not complying effectively with that.

Given these challenges, the IRSAC has the following recommendations. First, with respect to the effectiveness, IRSAC recommends that the IRS undergo a further study to evaluate what the effectiveness has been in all of the ways examiners have been using the Schedule UTP for, and also just to evaluate how effective it can be in the new Future State of the IRS with the new examination plan and campaigns. It might have a new use.

The second recommendation is to modify the form or
instructions, especially related to the concise
description, to make it more objective. Right now, as
I mentioned, it's very subjective. The IRS has done a
great job in issuing guidance with some examples of an
appropriate concise description, but we're still
falling short on compliance -- primarily just because
there are so many different issues that can be
presented in different fact patterns that, given its
subjectivity, it's difficult to maybe give the
information that the IRS wants specifically.

This has resulted in a lot of soft letters being
sent to taxpayers who are not complying, and the soft
letter basically says please do better next year. And
it's just not – LB&I’s not seeing the improvement that
they'd want to see there. So, we recommended a
modification to make it more objective, maybe add
specific information that the IRS is trying to get, or
just maybe remove the concise description field
altogether if it's not effective.

Those are our two recommendations for Schedule
UTP. Tom, do you have any comments?

MR. KANE: A couple, and, again, thank you for
that. The schedule is something that we've actually been spending some time on internally. We have one of our oversight bodies looking at what we've done in this space and where we're at. And so, there's been a lot of activity here.

I want to just maybe make a correction for something you said. I don't think that we use a Schedule UTP in terms of selecting a specific taxpayer for audit. Upfront, it's more for risk assessment purposes for LB&I. Obviously, if a taxpayer is selected for examination, the Schedule UTP is part of the package the revenue agents will look at, and they will evaluate as part of how they evaluate what to audit and how to audit it. But the process itself is not dependent upon looking at line 3 of the schedule, and then saying, aha, we got him. That's not how we use it, and that's not how it was intended to be used.

Separate and apart from that, I think there were a lot of expectations set early on in the discussion of the Schedule UTP before it was rolled out. And I think some of those expectations were raised at a time when the Schedule UTP regime was still in development. And
what actually came out of that process may not have
matched the expectations that people got set in when we
first started talking about it. So, there were a lot
of high expectations about the schedule and how we
could use it.

Because of the process that led to the
promulgation of the schedule, it has not been as useful
as people originally thought it would be. That said,
despite the fact that externally there are some
complaints about the schedule, and internally you might
hear people talking about it, we do believe that, at
least in certain circumstances, the schedule has proved
useful for what it was intended to do, and that was
overall risk assessment, which in our new campaign
world is pretty darn important because that's what
we're doing with the campaigns -- assessing what the
risks are with specific issues.

But we do think that given where we have -- how
far we've come, that we do need to take a look at what
we're doing and where we're going. Making changes,
again, in the environment to which the schedule was
originally promulgated has some baggage that's
associated with it. But we do think that we need to
take a look at it. We are doing that. We have an
oversight body looking at it.

And your concerns, your recommendations, are much
appreciated and not inconsistent with what we've been
hearing from some other sources. So, we appreciate the
feedback. Thanks very much.

MR. MCCORMALLY: Thanks very much, Tom, and
members of the subgroup. I happen to serve on the LB&I
Subgroup, and appreciate all the hard work of my fellow
members. We're going to turn from LB&I to Digital
Services, and I would ask Stephanie Salavejus to walk
us through IRSAC's recommendations and engage with Paul
and other IRS folks on the issues we identified.

MS. SALAVEJUS: Welcome, everyone. We want to
thank the IRS Office of Online Services team and other
dedicated IRS employees who provided valuable research
and insight into specific areas of this year's Digital
Services report. We commend the Office of Online
Services' progress on an enterprise-wide modernization
that is essential for the IRS to provide 21st Century
customer service.
I want to thank Brenda Bianculli and Kevin Richards, the two other members of our Digital Services Subgroup, for their dedication and work compiling our report. You will hear from them later in this report.

The IRS is behind in responding to the rapidly-changing customer service preferences of taxpayers. Data shows there is a growing base of taxpayers who prefer digital service methods, yet the IRS' operation model is still primarily paper and phone based. In this year's Digital Services report, we focus on three issues that address how the IRS can create efficiencies to meet the high expectations of their growing base of taxpayers by expanding its suite of online digital services.

We are advocating that the IRS expand the customer service channels, not eliminate traditional higher-cost channels, to provide all taxpayers with the service channel of their choice. As more taxpayers opt in to engage with the IRS and obtain correspondence digitally versus paper, the IRS will realize an immediate and substantial cost savings that can be redeployed to better support taxpayers served through phone and in-
person contact. We also believe the IRS can accelerate
their progress by working with third parties to
accelerate development and adoption of digital tools.

The first issue is the tax professional account. The Service is developing an online account for tax
professionals to obtain access to their clients' tax-
related information as well as tools and services to
assist their clients in meeting their tax obligations.

The tax professional account is a component of the IRS
Future State third party strategy to provide better,
faster service, and improve the user experience for the
tax professional community.

We strongly encourage the Service to keep moving
forward with expanding the online features and
providing a tax professional account sooner rather than
later. Delaying the availability reduces the IRS'
ability to leverage tax professionals for filtering
clients' questions and resolving tax issues without
needing to contact the Internal Revenue Service.

IRSAC made five recommendations for the tax
professional account. The first is to commit to and
communicate a timeline for the release development of
the tax professional account. IRSAC understands IRS is facing challenges in the development of the tax professional account, but for the strategic plan to be a viable document, it must reflect the objectives of the Service and the needs of all taxpayers.

Tax professionals assist millions of taxpayers in meeting their compliance obligations, and they are committed to being part of the solution. But the IRS must commit to a strategy and an actionable timeline to keep key external stakeholders engaged. The IRS should proactively engage and collaborate with state departments of revenue to find and execute the best solutions.

States such as California have successfully implemented online accounts for tax professionals to serve their clients. This is our second recommendation, to actively implement techniques proven successful by industry and state agencies. These states are facing the same challenges as the IRS, but have prioritized allocation of resources to streamline processes, improve efficiencies, and improve taxpayers' experience.
Our third recommendation is to implement the ability for taxpayers to authorize their tax professionals to assist with compliance. Taxpayers should be able to authorize their tax professional or other third parties, such as volunteer income tax assistance (VITA) sites and tax software providers, to electronically receive tax information as part of the tax preparation process. Taxpayers will likely take a more active role in controlling their account, but tax professionals should only have privileges that are granted by the taxpayer through a power of attorney, and taxpayers should have the ability to be able to revoke the POA.

Our fourth recommendation is to provide capabilities for tax professionals to act on behalf of their clients. Tax professionals will be instrumental in educating taxpayers, and the key to increasing taxpayer adoption for IRS' online services. They should be treated as a valued partner in tax administration, and be able to conduct the same activities they perform on paper, but with the online account.
Our fifth recommendation is to build the architecture and infrastructure to support current and future development technology. IRS' infrastructure needs to support a continually-evolving tax ecosystem and future technologies, such as Chatbox and artificial intelligence. It is vital to plan for today's development projects, but also continue planning for future projects that will improve taxpayer service. Leveraging successful customer service models that are currently used in private industry will keep the IRS moving forward to delivering 24/7 customer service.

This is the end of my report, and I will now turn it over to Kevin Richards to present the recommendations for the third-party application program interfaces. Kevin?

MR. RICHARDS: Good morning, everyone. Before I talk about the recommendations, the first step is some of you may be saying, well, what is an API? An application programming interface, so everybody is on the same page, is a public protocol for a computer to access data on a remote computer. In other words, APIs are how computers use computers. A typical API may
exchange data via the internet-based web services as part of its service-oriented architecture. In addition to exchanging data, an API frequently includes functionality for security, analytics, and performance enhancement.

Where or who will use API some of you may be asking. The following would be major stakeholders in the use of APIs: taxpayers, both individual and businesses, would be able to utilize these at IRS.gov, which is web-based, or IRS2Go for mobile applications; third parties, which include software providers, tax professionals, government agencies, and other entities; and another major stakeholder would be IRS employees, and they would use these through the IRS internet and IRS internal applications.

APIs provide the IRS the capability to focus on customer needs rather than managing data presentation, and enables third parties to better participate in digital solutions. IRSAC recommends the IRS take a strategic approach on how the IRS can remove obstacles for API use. For example, the current framework does not support real-time authorization. A modernized
approach will provide taxpayers with the ability to unlock their taxpayer information and to import tax information into tax software. This requires APIs to enable third-party providers -- the IRS must address how third parties will be authorized via APIs.

Also, we believe the IRS needs to develop a holistic API strategy that emphasizes consistency, robustness, improved user experience, and efficiency. The IRS also needs to develop a long-term API strategy including funding for the delivery of these services. The IRS will also need to look at what kind of IT system changes are needed to support the rollout of an API strategy that prioritizes data as well as back-end services. After the API long-term and short-term strategies are developed, they need to be clearly communicated to both internal and external stakeholders.

Our two primary recommendations for third party application program interfaces are, first, to identify the types of beneficial APIs. So, as part of a long-term strategic approach to customer service, IRSAC recommends the IRS develop APIs for information
statements and transactions. A logical beginning point could be to start with an API that imports W-2s and 1099s from the IRS and then allow the transfer of W-2 and 1099 information for input to tax software.

While expanding the current process by granting taxpayers access to tax information through Form 8821 and Form 2848 increases the complexity with the digital platform, the IRS needs to create an authorization process for software providers that support a good user experience. In addition, a couple other APIs the IRS may want to develop is an app where it will verify income, that is, provide adjusted gross income (AGI) of a taxpayer for a given year. This could be utilized for a variety of purposes, including financial and education institutions.

Calculators would be something of a service for EITC, offer in compromise, or Energy Star rebate count – and the calculators could be used by multiple channels, including IRS.gov and software providers.

Another one that we feel would be very helpful is prior-year tax information to the tax preparer. API would enable a tax preparer to look up prior-year tax
information for their client. And then one other one
is assigning a payment from one taxpayer to another.
The API would enable a taxpayer or tax professional to
move a payment to the correct period. So, we feel
those are four ideal apps.

Our second recommendation is to build up on the
success of the third-party refund status API pilot
project. This pilot project was designed to inform
individual taxpayers of their Form 1040 individual
income tax refund status through their self-preparation
tax software company instead of having to call the IRS
or visit the IRS website. They could just access their
software and find out the status of their refund.

Three iterations of this pilot project were
successfully implemented during the 2015, 2016, and
2017 filing seasons. In each year of the pilot, the
IRS has refined and improved the pilot program for the
taxpayer and the participating software companies. We
believe several key objectives have been met through
this pilot. Number one, the IRS delivered an external-
facing API, developing a better understanding of
challenges associated with sharing business
functionality with external partners, in this case, the software developers. Number two, the IRS learned about third-party taxpayer authorization requirements and process; and three, the IRS validated a security model that supported external partners.

Also, during the pilot, the IRS captured detailed metrics to encourage sizing of information system changes that would be required for full implementation and rollout of this program. Although the pilot was limited in scope to a small number of software companies that participated and the daily volume had a cap, we're recommending the IRS continue the pilot as it develops full-scale implementation of plans for this API.

In our view, this is a great example of what taxpayers need, want, and expect from the IRS. It's also an excellent example of how the Agency can partner with industry to deliver improvements to the taxpayer via digital tools. IRSAC recommends the IRS commit to a timeframe for the expansion and rollout of this pilot and build upon the success of this pilot for future API expansion and growth.
So, with that, I'm going to turn it over to Brenda to present the power of attorney issue.

MS. BIANCULLI: All right. The third issue we looked at this year was Form 2848, Power of Attorney. Form 2848 is used to authorize an individual to represent a taxpayer before the IRS and is an essential component of tax professionals providing services to taxpayers.

Currently, Form 2848 is only allowed to be mailed or faxed to the IRS. We are recommending that the IRS implement a digital method to process Form 2848. In addition, we are recommending that the IRS provide notification when a power of attorney is received, accepted, and withdrawn. And we are recommending that the IRS review digital methods offered by various state agencies to authorize tax professionals to act on behalf of taxpayers.

Our first recommendation is implement a digital method to process Form 2848, Power of Attorney. Currently, a power of attorney is only allowed to be mailed or faxed to the IRS for processing. Generally, authorizations are processed within five business days.
An authorization is processed at one of three Centralized Authorization File sites (CAF). Most domestic authorizations are processed at two of these three sites. In 2016, approximately 3,700,000 authorizations were processed. There are approximately 170 CAF tax examiners within the three sites.

A taxpayer needs representation in a variety of situations, including responding to tax notices. Often the requested responses are time sensitive. For most taxpayers, contact by the IRS causes stress and anxiety. The lengthy processing times associated with the current manual processing of Form 2848 prolongs the stress and anxiety and increases the possibility that taxpayers will not receive the benefit of representation in critical matters, such as levy actions.

Our recommendation for a digital method to file and process Form 2848 is not new. Previous IRS advisory councils, the Information Reporting Program Advisory Committee (IRPAC), the Electronic Tax Administration Advisory Committee (ETAAC), the National Taxpayer Advocate, and multiple professional
associations have provided recommendations related to
digital authorizations for several years.

We recommend that the IRS implement a digital
method for processing Form 2848 as soon as possible.
The current methods are inefficient, outdated, not
cost-effective, and do not provide any type of
verification or authentication. Also, any digital
processing method developed should include processes
that make it easier for taxpayers to authorize multiple
individuals and to replace or to revoke a prior
authorization.

Our second recommendation is that the IRS provide
notification when a power of attorney is received,
accepted, and withdrawn. Often, the taxpayer and
individual representative have no way of knowing if a
Form 2848 has been received or processed until either
the taxpayer's representative gains access to
information via e-Services, or the representative
contacts the IRS directly, or the taxpayer receives a
letter from the IRS. When a representative should
contact the IRS several times to confirm the processing
of a Form 2848, more IRS resources are consumed, and
the taxpayer may incur additional fees for the representative's time.

It appears the IRS is starting to offer email notifications for IRS Direct Pay and EFTPS. And several state agencies offer confirmation of receipt, which help relieve taxpayer and tax professional stress regarding whether information has been received. Email notifications to taxpayers and individual representatives to confirm that a power of attorney has been received, processed, or withdrawn should be included with any digital method of processing Form 2848.

Our third recommendation is that the IRS review the digital methods offered by various state agencies to authorize tax professionals to act on behalf of taxpayers. Many states have implemented digital authorization as well as hybrid solutions, which include accepting PDFs of the powers of attorney, which allow much shorter turnaround timeframes for processing the powers of attorney. We recommend that the IRS review the systems in New York, Colorado, California, and Illinois, if it hasn't already done so. In
addition, many of the states are looking at uniformity as they develop and implement more electronic offerings related to online accounts and powers of attorney.

In summary, digital technology is available with other IRS services, and security, authentication, and authorization issues are being addressed. Online accounts for individual taxpayers has been developed and is available through IRS.gov. Direct Pay provides for secure payment of taxpayer liabilities. The e-Services platform provides secure access to selected taxpayer information by an authorized individual. EFTPS is used to process sensitive payroll data. And according to online services, digital communication is being tested on a limited basis, including the use of secure messaging with selected SB/SE correspondence exams.

Providing a method to quickly, efficiently, and securely process Form 2848 through a digital method will not only provide piece of mind to taxpayers and allow timely assistance by representatives, but will permit better use of IRS resources. Thank you.

MR. MAMO: I really appreciate the opportunity.
I'm going to have to take these in the order in which they were given. So, just give me a little opportunity to kind of walk through them.

So, first, I want to thank Kevin, Stephanie, and Brenda for their leadership, for their thoughtful comments, and for their recommendations. Clearly, most of you don't know, the Digital Services Subgroup is in its inaugural year. There was a group called ETAAC that was repurposed. And so, the IRSAC folks were kind enough to take in some folks, and we appreciate that.

So, just kind of level set.

And with respect to everything that you opened with, Stephanie, in terms of efficiency, and effectiveness, and the Future State, and where we're trying to go, I think you hit all the marks. We are trying very diligently to look at areas where we could take things, particularly tasks that we think can be quickly moved in a virtual or digital environment.

A couple recent examples, and some of these examples have been around for a little while, but like "Where's My Refund," is a great example. That's been out for a while. Over 300 million uses I think we had
this past year. The one thing that's interesting, we still have a lot of unmet demand, and so what we're really trying to do is take a lot of these services that are tasks that we think that can easily be converted, and put them in an online environment. "Where's My Amended Return" is a recent one, Direct Pay within the last three or four years.

In terms of the context setting, and you mentioned it in your report, and I appreciate the acknowledgment, is that last November, about this time last year, we soft launched an online account for individual taxpayers. Since then we've had two million people log into that account for any number of reasons, primarily to see their balance due information. Again, that is an opportunity to take folks, move them away from the phones and some of the other burdensome channels that we have. And, again, we're not taking anything away, but we know we want to meet the taxpayers in terms of expectations.

We have a couple of themes in the IRS. The Future State obviously we've talked a little bit about, but we've taken it even a step further. A couple of themes
that we're working on is improving or transforming the
tax experience and modernizing the IRS operations. And
everything that you've kind of touched on sort of -- it
falls within those two -- those two general themes.

And in addition, you mentioned secure messaging,
which is one of the other areas that we're still
piloting. Recently, just this week, as of Monday, we
started unauthenticated chat, so for the very first
time for people that are on the -- what we call our
online payment -- they're able to ask for help, and
they're able to navigate through a customer service
assister on the other line.

And I got some statistics, very interesting. Just
through a day, we've had a hundred folks come in and
request help, and over 75 percent could be resolved
right there in that chat environment. Twenty-five
percent had to go over the phone, but you could see,
again, the idea is that we're trying to take more of
these services and offload some of that demand and all
the other high-cost channels.

So, tax pro account. I mentioned the individual
taxpayer account. We spent a lot of time working with
the tax professional community to get feedback on what
would a tax professional account look like, and I
mentioned the taxpayer account that we -- that we
rolled out last year. A lot of the taxpayers and a lot
of you who were here in the room probably could comment
on it as well, is that having that for the taxpayers
has still been a benefit because a lot of folks are
calling their taxpayers to say, hey, did you know you
can actually gain access to your own account through
the IRS.gov account services; a lot of the folks don't
realize that. And so, they can get on there. They can
see their balance. They can see their transcripts.

We recently launched a piece that allows folks to
see a tax record snapshot that, to some degree, limits
the need to get a full transcript, which we all know is
not the easiest thing to read. So, those are the sorts
of things that we're trying to make convenient in terms
of efficiency and effectiveness, and clearly that helps
us on our end. But we still have a long way to go, as
you guys have cited through your recommendations.

On the tax pro account, one of the things we did
this year, and you cited in the report, is developed a
research prototype. Over the last two or three years, we've gotten feedback from tax professionals on what they would like to see in account capability as it relates to tax professionals. We built out a research prototype that was fairly interactive. We shared it with the folks at the Nationwide Tax Forums. We shared it with most of the Federal Advisory Committee Act groups, you all included, and the feedback that we received was overwhelming.

We shared it with probably in the range of 8,000 to 10,000 folks at the tax forums. We did about 50 in-depth interviews with folks. And, you know, the overwhelming response was, hey, that's cool, when are we going to get it? One of your recommendations speaks to we'd like to get a real timeline in terms of delivery and authorization. We were very careful not to articulate what that is because -- to be quite honest with you -- I was teasing the former Commissioner the other day before he left, and he said, I'm hoping to see that at some point. But he knows, you know, there are some limitations in terms of funding and our ability to build the infrastructure.
And that was, I think, one of the other pieces that you talked about.

So clearly, it's something -- it's an area -- it's our next frontier that we want to challenge. We're still building on an individual taxpayer account, but we think for the tax pro account, the use is going to be very considerable because you have close to 70 percent of all returns that are prepared by tax professionals or representatives of some kind.

The one thing that I think is important to recognize is security features. So, security -- protecting data -- is of utmost importance. And so, each time when there's something that goes bump in the night in the security world, in the cyber world we should adjust, and we're trying to be more proactive in that area. We're actually in the process of looking at some of our security protocols and how we authenticate people. You probably remember that we used to have out-of-wallet questions that are called knowledge-based questions. We have since graduated from that. We're now in a more secure environment where we're using the phones and the physical verification for folks to log
in. Most of you, through your own private interactions, you deal with that environment today, so it shouldn't be anything new.

The thing that's interesting is because of the phone and because of how phones are associated with folks, sometimes it limits people's ability to gain access to that. Authorization is the big threshold piece that we're working on. A lot of work that that needs to occur there.

Authorization is continuing to evolve, but authorization is a little bit trickier. Authorizing "Tom Kane" as "Tom" is one thing, but then deciding what information he has access to in terms of his client is a different conversation. There's not just the 2848. There are other power of attorney forms that need to be considered with regards to that.

So, we're excited in terms of where we're at. We've been partnering a lot with the operating divisions, and so we're hopeful. We're still building out our authorization strategy. In fact, that's one of the areas that we would love to get your input on. The folks in the identity assurance office are working on
that. So, we're excited about the potential and where that's going.

The cool thing is that developing the research prototype gave us the ability to kind of showcase notionally where we're going, and I think a lot of folks are excited about that. And we've used the tax forums to get the word out and share that through a variety of means. I know some of the folks that are here in the public session have heard some of this conversation before, but it’s very helpful to sort of evangelize what we're trying to do as it relates to the Future State. So, I think that’s everything that you've outlined and cited. I think the one that will be a little difficult for us to consider is when are we going to be able to really nail down what this is going to look like, because a lot of the back-end pieces, to be quite honest with you, we're still -- we're still trying to figure out.

I was thinking about your laundry list. So, collaborating. You mentioned collaborating with the states. The one thing, and I know Ken can speak to this thoroughly, is we've really ramped up our activity
with the states. The Security Summit is a great example, but there's a lot of other opportunities.

Brenda, you mentioned working with the states and your recommendations on the authorization side of the house. Massachusetts, Illinois, and California have done some really good work. A lot of those models we're looking at, I mean, you mentioned the CAFs. You know, we process them by hand. There used to be the disclosure authorization POA. We took it away in 2013, I think it was, for -- there were some -- some IT and infrastructure issues.

But bottom line is we recognize that that's the big need and want as it relates to tax pros. If we could give an account for tax pros to manage powers of attorney or authorizations in terms of acknowledgment, receipt, and withdrawal, I think everyone would be ecstatic at that point. So, we're working on what we describe as a minimal viable product, and we think that minimal viable product is going to be accessible in our tax pro account.

So, on the APIs, yeah. I mentioned building the infrastructure. And a lot of the things you talked
about on behalf of the clients, if you've seen the research prototype, you'd see that a lot of that is already there. It's envisioned. For us, again, it is very notional. But we think a lot of the capabilities that you're citing is exactly right on point, and that's what we're working towards.

    APIs. Kevin, great description. Machine-to-machine conversation. The way I like to describe it is basically you build it, and there's multipurpose use. So, if I build something and I can share information and point to another machine, and then that information can be shared readily, quickly. You mentioned the refund API that we've piloted the last two years. Basically, we have the "Where's My Refund." We've basically taken API, used that to point to the software developers or even, you know, the folks that are -- the folks that are working with clients. And so, rather than coming to our site, they're going through their site. So, we've just created -- we're just creating more channels or opportunities for folks to get the information.

    All the examples that you cited -- income
verification, you know, the ACH payment -- are all things at the top of our list. In fact, we recently had a conversation with the Bureau of Fiscal Services about how can we leverage the payment API. So, payments can come in multiple front doors, but then obviously processed through these APIs because they just take the information, and then they share it with the back-end machines or computers, if you will.

So, verification of income. Low-end origination is a big deal. Any time they want to issue a loan, they want to come to us for income verification. And that's also true in the case of FEMA, you know, during disaster. People come to us, they want to make sure that folks are claiming, if they're claiming certain information as it relates to their FEMA forms. We know there's a lot of demand out there for that information because right now we're processing a lot of transcripts, and if we could do that in a virtual place, a lot of the agencies and, of course, we ourselves would be in a much better place.

So, I think the long-term strategy, obviously, that's part of the authorization strategy. We've taken
the API strategy and authorization strategy, and we're looking at coupling those two activities as they relate to building that. So, a lot of these cases I think you've described, I think we're completely in sync with one another in terms of where we're going to want to go. As we get closer, we would love to share that information with you all to see, does this make sense? Is it consistent with where you guys are going?

Lastly, the 2848. We heard some similar comments from the IRPAC. I think a lot of folks want to get out of the paper mill mode, where you're just faxing things to some server in the middle of, in this case, Memphis and Ogden, I believe. And the expectation is that people want to track -- you know, if they submit something, they want to be able to track it. Everyone tracks packages and pizzas now, right? That's like a - that's like a big deal. The number one website in the government is USPS because everyone is tracking their packages. They want to know where it's at.

So, what happens now, it's a message in a bottle, right? You stick it in the mail, and maybe you'll get a -- maybe you'll get an acknowledgment in -- you know,
within that hopefully that five- to seven-day window.

But, again, that's part and parcel of what we're trying with the tax pro account, and I think we've been working very diligently.

And the one thing you talked about is, again, working with the states, I think, is an opportunity for us to continue to see if we can leverage, particularly from an IT perspective. Again, we should work with our IT folks to begin to break down some of these barriers because a lot of it's dependent and restrictive based on the security protocols and some of the cyber rules that we have in place.

You guys gave me a lot to comment on, and I'm sorry for taking some of your time. Thank you all very much for your -- for your passion and for empathy. I think that that's -- it showed up in the report, and I appreciate it.

MR. MCCORMALLY: Well, thanks so much. And let's turn now to SBSE and W&I, the opposite of a small group -- a big group with an awful lot of responsibility in terms of what the IRS is involved in. John, if you would take us through the Subgroup's recommendations.
MR. MCDERMOTT: With pleasure. I'm John McDermott, and I had the pleasure of being the chair for the combined Small Business/Self-Employed and Wage and Investment Subgroup. We appreciate Commissioner Corbin and Deputy Commissioner Ripperda being here. And also, for the assistance of your personnel and the time that they spent with us answering our questions and providing information. I certainly want to acknowledge and thank our liaisons who put it all together for us, kept the lines of communication going, and made sure that we were talking to the correct people.

As you've already seen, there's some collaboration here between groups. And so, Paul Mamo, I thank you for meeting with us and assisting us, and also thank the members of our Digital Services Subgroup who each contributed and collaborated with us on our issues.

We have five members in our group, and we have five issues. And so, each member is going to present one issue. But we did find that the issues shared common themes, and the first theme was protecting taxpayers and ensuring the integrity of the tax
collection system. Another theme was the importance of clear and effective communication to educate and inform taxpayers and practitioners. And a third theme was the development of systems and practices to improve the delivery of IRS services and improve the efficiency of IRS operations. I think you'll find these themes repeated throughout these five issues. So, I'd like to turn it over now to Phyllis to present the first issue.

MS. KUBEY: Thank you, John. Good morning again, everyone. The W-2 verification codes, it's a 16-digit code, alphanumeric, that actually appears printed on the W-2 form. And the idea is that the taxpayer or the tax preparer enters that code, and if that code is entered and there's a match, it helps the tax return go through the e-filing process authentication, and eventual processing and issuance of the refund more quickly and more efficiently.

The problem is, as we know, there is an awful lot of identity theft that's related to tax returns. So, when a fraudulent tax return is filed, it almost always includes some form of withholding because otherwise there's nothing to request in terms of a refund. What
we find is that there are a lot of phony W-2s that get submitted along with these fraudulent tax returns. The W-2 verification code is a really important tool in the IRS' toolkit for screening for and excluding fraudulent returns and smoothing the processing of the actual returns.

We looked at a lot of things. There was a very interesting dialogue, including a lot of great colleagues at the IRS. And also, as John mentioned, our Digital Services crew here. One of the things that we came upon right away was now that we have an earlier filing deadline for the W-2 forms -- January 31st, which was new with last filing season -- is this W-2 verification code program still viable? We think very much that it is still viable.

Interestingly enough, the heaviest volume of tax returns -- Individual 1040 and 1040A returns -- comes in during the early weeks of February. So, even if the employer data is complete and received by January 31st, we would imagine that it really wouldn't be available for any kind of useful matching until mid-February.

And so, the W-2 codes really serve an important
function of authentication during that heavy-volume filing period where a lot of the thieves are also trying to get the false returns through the system. Thus, we think that this is a good thing and should be continued and expanded.

Now, the problem is that there's been a significant gap between the W-2 codes that are issued and the W-2 codes that come back entered into the e-filed tax returns. As someone who's active in the tax practitioner community, I can say that what I have heard is, well, what's the penalty for not doing it. And if there is no penalty, well, I'm not going to do it.

So, I think the challenge is to get the word out there that these codes are really an effective and important tool in protecting your clients and your taxpayers' tax returns, and also the entire integrity of the tax filing system. I think there's marketing opportunity there that can be tapped. And our recommendations in this area were that the IRS continue to promote the W-2 verification codes for the very reasons I've mentioned, and that the IRS could expand
outreach efforts through tax professional groups,
through the local stakeholder liaisons, through
marketing at the forums, through webinars and other
outreach efforts on IRS.gov. We think that the
taxpayers and the tax professionals really need to be
convinced of the value of this.

We also thought that one very important component
of this is that software vendors also promote the W-2
verification codes, that they need to prompt for and
remind the people who are doing the data entry that
these codes are important and, you know, if they're not
entered, please enter them. There is a slight problem
because not all W-2s are going to have these codes, so
you can't really make it mandatory, but we do need to
make it desirable. And I think the software vendors
are an important partner in that effort.

Also, the IRS should try to expand this program to
include more payroll service providers and more
stakeholders so that more W-2s can have the codes and
be more easily authenticated. And also, IRS should
consider whether there be other uses for these codes
and try to expand and enhance the value or the return
on investment.

And with that, thank you very much, and I turn it over to Neil Fishman.

MR. FISHMAN: Good morning. The issue that I was looking at was the concept that is currently being known as account lock/unlock. In Fiscal Year 2016, over 86 percent of the 152 million tax returns were filed electronically. At this meeting last year, then Commissioner Koskinen announced that there was a 50-percent reduction in the amount of fraudulent returns that got through the system, but still, as we know, that this is still a problem for the IRS.

So, the IRS has developed an idea of what's called account lock/unlock. This would be a voluntary program where the taxpayers would go to the IRS website, create their own account, username, password, and then the account would be locked. Once their return would be prepared, they would have to go into the IRS system, put an unlock on their account, which would then allow the return to be submitted. Once the return was submitted, the system would automatically lock the account again to prevent any further returns from being
filed. We like this concept, but there are still a number of issues that need to be addressed. One issue in particular is the coordination between the taxpayer and the tax preparer. There is still a misconception that whenever somebody goes to have somebody else do their tax return, they're sitting down right in front of the preparer at that time. That may be the case at certain locations where tax returns are of the more simple variety -- the 1040A or the 1040EZ -- but for tax returns that are more sophisticated, that is generally not the case. I can speak for myself that when a client comes in and we're going over their information, all I'm doing is verifying that the information that I have this year is the same as last year's, and then, of course, asking the questions if something is not there, why isn't it there. Currently once the return is done, I send it to my client. They review the return. They sign the authorization form, and then send it back to me, at which point I can then submit the tax return because by law I am not allowed to submit it without that authorization form in my possession.
Under this account lock/unlock concept, I would now have to contact my client, or they would have to contact me, to let me know that they have unlocked their account if they are part of this program. And then I would have a window of opportunity to submit their tax return. Of course, during this window of opportunity, there is always the possibility that somebody preparing a fraudulent return using that taxpayer's name and information might try to submit their return at that time as well.

There are other issues discussed in our report, but because of time I will not go into all of them. But what I will say in summary is that, again, we like this concept, but it needs to be worked on, further developed. When you are developing an anti-fraud program, you are looking for weaknesses in your system. You are trying to then determine policies and procedures that would strengthen those weaknesses, and implement them. Once they are implemented, they must still be monitored to see if they are working, but also, more importantly, see what other weaknesses develop that can be manipulated by those who would do
so.

Thank you.

MS. CHOI: My topic is how to improve the Practitioner Priority Service line, so I'm going to give brief background information before I go into our recommendations.

In 2002, IRS launched the Practitioner Priority Service, also known as PPS, which is a nationwide telephone hotline dedicated for tax practitioners. This hotline was intended by the IRS to be the practitioner's first point of contact, and to serve an important role as a conduit between tax professionals and the IRS. But due to the IRS' budget cuts, between 2010 and 2015, staffing was reduced, and the level of quality of services provided by PPS decreased significantly.

And as a result, in 2016, Congress provided additional funding to improve taxpayer services, and IRS dedicated additional resources to restore PPS, thus improving practitioner access to PPS. Yet surveys showed that practitioners remained dissatisfied with the quality of service. The IRS asked IRSAC for
suggestions to improve practitioners' PPS experience.

We looked at the current IRS' PPS model, and also looked at New York State and California models. And we recognize the important role practitioner-focused hotline services play in providing effective and efficient tax administration, and we are pleased to submit our recommendations.

Our recommendations are as follows. One, IRS should establish a detailed marketing and outreach plan that clearly defines the scope of services provided by PPS, and publicize the improved level of services based on objective criteria and encourage practitioners to use the PPS. And number two, IRS should provide a callback service. Long hold times and calls not getting answered during periods of high utilization or reduced services are major causes of dissatisfaction with PPS.

Instead of requiring practitioners to stay on hold indefinitely, the IRS should implement a callback system like the California model. PPS should announce wait time and, additionally, should also provide the caller with an option to leave a phone number to
receive a callback with an estimated time. The instructions should also state how many times the representatives will attempt to return the call.

And number three, IRS should monitor practitioner complaints and follow up. Practitioners are the target audience of PPS, and addressing their concerns would be the most effective way to improve the system. And this could be done by developing a system to receive direct, immediate feedback from practitioners who use the service. Additionally, a section of IRS' website should be dedicated to receiving comments from practitioners regarding their experience with PPS and their suggestions for improvements.

Another direct feedback system would be to hold periodic forums dedicated to practitioners focused on improving practitioner-dedicated services. IRS should also monitor surveys and social media for practitioner complaints about the hotline, and follow up.

Fourth, IRS should provide regular customer service training to PPS representatives in addition to technical tax resolution training. And lastly, IRS should do direct PPS marketing to English as a second
language (ESL) and limited English proficient (LEP) communities. There are a lot of people who speak English as a second language or they're not proficient in English. Making PPS better known to ESL and LEP communities will help engage the participation of the less involved practitioners whose practices are local and focus on serving these communities.

And now, John, yours?

MR. MCDERMOTT: So, it's back to me. Our fourth issue is taxpayer and practitioner concerns regarding debt collection. Private debt collection was mandated by the FAST Act in 2015, and quite frankly, my first reaction as a practitioner, mostly because of my experience with state and local private debt collection, was less than positive. Judging from the publicity and the comments that this particular issue has received, most people reacted in the same way that I did.

I am pleased, though, to say that in developing this topic and talking to the IRS representatives, most of the concerns are fears that have not been fully materialized, and I think have been well handled to
date by the IRS. So, I think this program, from all indications, seems to be working well. But nevertheless, there were some concerns to be raised, and, of course, these are not entirely original, as I found in reading a number of publications and letters addressed to IRS. Also, the IRS itself has recognized these issues and has been working to mitigate their effect, their impact.

A principal concern of the private debt collection system is that there's an increased complexity to the collection system. There's an increased opportunity for identify theft and misuse of confidential taxpayer information. Use of private collection agencies creates a need for taxpayers to be able to authenticate the private collection agency and their contact, and to be able to distinguish them from fraudulent contacts. And then there is also a concern for possible profit-motivated collection practices by the collection agencies.

So, we've made some recommendations. Generally, our recommendation is for increased effective communication to educate taxpayers and the
practitioners regarding the private debt collection procedures. Also, the IRS should diligently monitor the private collection agencies and their activities, and strictly enforce all laws, regulations, and IRS-established protocols for respectful treatment of taxpayers. More specifically, we suggest that there be additional information on IRS.gov, perhaps a site dedicated specifically to taxpayers whose accounts have been assigned so that they can receive information that's specific to their situation. We also find that there is a need for instructions for practitioners representing taxpayers with respect to private debt collection, including information regarding processing of 2848s and 8821s, to make sure that they are able to assist their clients in the private debt collection process.

The IRS, I believe, has done a good job of monitoring the development of schemes to defraud taxpayers, and since private debt collection provides another opportunity for fraudsters to use this system to develop schemes, the IRS needs to monitor those schemes, and publish them, and make that information
known to taxpayers.

There are four private collection agencies that are part of the IRS program and the accounts started being assigned to the private collection agencies in April of this year. It is our understanding that as of September, about 147,000 accounts have been assigned. And, but looking at the websites for each of these collection agencies, only one of them has any information directed towards taxpayers. And so, we suggest that you encourage the collection agencies to put information on their website, and it might be nothing more than referencing IRS information, so that that information is more readily available to taxpayers whose accounts they are working.

Also, we ask that the IRS screen accounts to eliminate those that the IRS determines to be statistically uncollectable, and not assign them for collection. We believe this would mitigate the negative effects of actual or perceived aggressive collection actions.

And with that, I turn to Sharyn.

MS. FISK: I worked on our last issue here, which
was the development of new collection notices by the IRS. The IRS initiated some pilot programs to revise its collection notices, and these notices were redesigned with attention given to affect taxpayer behavior: what catches the taxpayer's eye, what gets them to respond, what motivates them. And the IRS used this information to change approaches to encourage taxpayers to pay those liabilities. These redesigns include the use of color, visual cues, behavioral cues, and explaining installment payment options.

The IRS requested IRSAC to review the prototypes of two collection notices, the LT16 and the CP14, and provide comments and suggestions with respect to their effectiveness. And while we were working on the report, the IRS had received some data with respect to the LT16, and that data has been very promising.

Our recommendations concern taxpayer rights, just in an effort not to overwhelm taxpayers with information in the notices of the past, while still ensuring that taxpayer rights are clearly stated and explained, especially as to any procedural deadlines. Also, as part of the IRS' Future State, these
redesigned notices have references to links for taxpayers to obtain additional information. We just want to make sure that those links clearly inform the taxpayers of their rights with respect to financial hardship, how to dispute a debt, appeal rights, and procedures. And the notices do include a phone number, but there was no indication of a general phone number for the notice. It might be a little clearer if there's just a number for a taxpayer to call.

Another recommendation had to do with clear communications – that the final version of the notice should be vetted to avoid any misunderstandings by the taxpayer, especially with respect to the accrual of interest and penalties. For example, the prototype installment agreement notice, which I believe was very popular might be revised to make clear that the installment payment amount does not include the continual accrual of interest and penalties. And, again, to ensure that the information in those notices is consistent with IRS online self-services and call-in centers.

The other recommendation is to assist in
incentivizing taxpayers to respond to notices. We suggested that the notices include a reference to the IRS' First Time Abate Program. If the taxpayer knows of the possibility to reduce a penalty that may incentivize them to call. And also, the notices might include a reference to the links for the low-income tax clinics that could help taxpayers with collection issues.

Also, a suggestion regarding the use of neutral language on the notice so as not to disrespect the taxpayer, items such as "should you choose not to pay" versus "if you are unable to pay," or "the IRS will impose a penalty" as opposed to "a penalty will be imposed."

These notices are great. I liked them a lot. They're different, quite different from any notices that have been out before. In the environment of tax scams and identity theft, it was suggested that the IRS have a sample of the new notices on the IRS website so taxpayers can authenticate. There was a concern that may skew some of the data with respect to the notice, so the suggestion was maybe just partial disclosure --
enough of the notices so that a taxpayer can verify that these are indeed from the IRS.

And that is it.

MR. CORBIN: So, good morning to you all, and let me say it's indeed a pleasure to be here today and have this opportunity to make a few remarks on the work that you all have done in support of the IRS. I'd also like to recognize the IRSAC service under the leadership of Subgroup Chair John McDermott. And I'd also like to take this time to especially thank Ms. Choi, John, and Neil, who are departing after three years of service, and we wish them well, and we will miss you all.

Let me move on to the issues that you looked at for us here in Wage and Investment. First is the use of the W-2 verification code as practitioners. Particularly as members of the IRSAC, your support of this program is critically important to the IRS, and definitely your recommendations are timely. They're going to help us with the 2018 filing season.

We do plan on continuing that pilot. We have about 66 million W-2s that we anticipate will come out in 2018 with the verification code on them. We also
are promoting the use of the verification code. We've
done a lot of work in the tax forms and in various
working groups. We also are promoting it on IRS.gov
this year as well.

Another change you'll see for this filing season,
you'll see a change in the W-2. Previously, the
verification code was in one of its extra boxes on the
W-2, and this year you'll see a change in the Form W-2.
There's a specific box now that's been created for the
W-2 verification code. We're also going to include
that in the instructions, and we will update the 1040
instructions to provide more information about the
verification code for 2018.

We've also had a great relationship with the tax
software industry, and so we've been partnering with
them on both their do-it-yourself and their
professional products to put a little bit more
prompting and education around the W-2 verification
code. And so, we think that'll help along with the
other marketing things that we're going to put out
there about the W-2 verification code.

With the implementation of the PATH Act last year
and early receipts of W-2s, we are still, of course,
looking at the data, but we also see the benefits of
the verification program, and certainly agree with you
that there could be other uses that might be helpful
for the taxpaying community for the verification codes.
We will continue that pilot. Look forward to
expanding that and seeing that go out further.

For our account unlock and lock solution, we
definitely appreciate the recommendations. You all
have given us a lot to think about in regards to how
that process will work, and particularly focused in on
the interactions between the tax professionals and
their clients, and the timing of how all that would
work. We continue always to look at different ways
that we can do work for protecting taxpayers and
protecting professionals as they prepare returns.
Certainly, the unlock/lock feature is something that
we're looking at, and we will continue to work with you
all as we look at that solution and other solutions
that might be helpful to protect the taxpayers. And
certainly, we think the unlock/lock feature, which will
be a voluntary program, would help with the taxpayer
account, as well as any kind of enhancements we might look at when we roll out the tax professional account, which must have the functionality to be able to do that for their client. So, that's something else that we'll walk away from, and take a look at, and work with you all as we continue to explore different ways to be able to do that.

With Practitioner Priority Service, that is something definitely that we look at as a top priority. We want to deliver a robust level of service because we do think it's important that professionals have their own way of being able to come in, get answers to their questions for their clients, and to be able to do that. We continue to work on the customer callback-type service. This capability has been something that we've partnered for a long time in the IRS with Online Services and Wage and Investment. It continues to be on our priority list, and, of course, in these tight budget times and funding, we will work to push that forward and see what we can do to create that functionality.

We also are going to work on regular training for
our assisters. As things evolved, discussions about tax reform and things are happening within the tax ecosystem, we think it's critically important that our assisters have the most new information available, as well as access to the accounts and that the accounts are updated quickly, particularly when you look at 2848s and other issues, so we can help practitioners help their client meet their tax filing obligations.

And certainly, we definitely love the idea of the feedback loop, providing different areas for practitioners to be able to come into the IRS so we can do just-in-time adjustments to our service, but also to kind of hear what they're hearing and make sure that we communicate and market out what Practitioner Priority Service will do for our practitioners.

Again, I just want to commend the IRSAC for the great work you all have completed in 2017. We look forward to the continued partnership in 2018, and thank you for your service to the IRS and to the American taxpayers. So, thank you. Tammy.

MS. RIPPERDA: All right, thanks, Ken. And now that I'm in the unenviable position of being between
you all and break, I will try to be as brief as I possibly can. But I echo Ken's appreciation for the Subgroup's work. I think that you put in a lot of thought to it, a lot of diligence in understanding our processes on the IRS side, and understanding our position in the arena of somewhat controversial collection arena since your recommendations for SBSE were centered around our collection program.

We do serve about a third of all American taxpayers in the Small Business/Self-Employed Division, so we're very cognizant of the impact that we have in the American taxpayers' lives. So, I appreciate your efforts and your work in pulling together the recommendations that you did. I was also happy to hear John summarize the themes around your work this season, particularly with respect to the W-9 and SBSE Subgroup because I think that the themes that you laid out of protecting taxpayer rights and communication align very nicely with our Future State themes at IRS, and our guiding principles of improving the taxpayer experience that Paul mentioned earlier, as well as modernizing our processes and our programs. So, thank you for that. I
think we're all on the same page on moving forward with this.

With respect to the private debt collection recommendations, in particular John, you mentioned that this is a mandate that we contract out for collection, and that is very much unlike our previous endeavors in this area where we have proactively attempted to contract out some of our collection work. But having it mandated makes us no less determined to get it right, and so we do appreciate your recommendations.

And I'm happy to report that many of your recommendations are right in line with what we've been concerned about as well in reporting out what the industry and the taxpayers are concerned about and activities of the contractors, and we're equally concerned at IRS. And I'm happy to report that we've instituted a lot of oversight mechanisms in our Private Collection Program to overcome that and to address those concerns.

Namely, we do quarterly operational reviews of each of the private collection agencies. We do frequent onsite visits where we actually sit in on
phone calls. We actually do that on a daily basis. We
will listen in on live phone calls to ensure that they
are following the Fair Debt Collections Act as well as
treating taxpayers with respect, and not overstepping
their authority to collect taxes on our behalf.

So, we have instituted quite a few of those
mechanisms in addition to requiring each collection
agency to report to us on a monthly basis their
measures of success or failure, as the case may be. So
with respect to the addressing of the concerns, again,
we share those, and we are undertaking many activities
to overcome those concerns and to address those
concerns.

With respect to educating the taxpayers more on
this private collection as you indicated, John, by and
large the program has been successful. It is running
smoothly. It was launched in April. We launched it in
a slow-measured fashion in order to monitor more
closely and address those concerns that you mentioned.

So, it is up and running, and we are getting ready to
increase the number of accounts that we are assigning
to the private debt collection agencies. Always with
protecting the taxpayers' rights key in our minds.

And I'm happy to report that we've actually received less than a dozen complaints from those 147,000 accounts that we've assigned. I think that's a good sign. I think it's a good indicator that we are watching. And actually, two of those complaints were really just the taxpayers complaining that they found them quite [MISSING WORD? efficient?] frankly.

So, it really wasn't any actions on behalf of the private collection agency or the IRS for that matter. They were just complaining about the whole system essentially. So, we will take your recommendations under consideration obviously, and we'll look more closely at them.

In particular, with respect to the new scams and schemes that this kind of opens the door for, I'm sure we're going to see a flood of scam notices coming out as we approach filing season. But we do frequently put out scam notices, and we certainly include the Private Debt Collection program in reminding taxpayers that we do have that two-way authentication process in place to help the taxpayer be more assured that they are dealing
with an authorized representative, if you will, or
agent of the Federal government in collecting the
taxes. So, we will continue to educate the public on
that and on those opportunities for the scamsters out
there.

But we also have a pretty good PDC page, and
that's private debt collection, on IRS.gov. You
mentioned putting more information for taxpayers who
are subject to private collection. I looked at it
myself yesterday just to make sure that we're still
sharing the information that I think that we need to be
sharing with the public. And it's a pretty good, darn
good, site I will say, and kudos to Paul and his folks
for redesigning the whole IRS.gov website because it is
much more user friendly. I can find things more easily
than I used to be able to before, I daresay.

So, there is a lot of information out there for
taxpayers, and I would encourage you to encourage your
clientele to access that; all you got to do is search
"PDC" or "private collection," and it comes up, and
there's a lot of information all the way from, you
know, the letters that the IRS will send first. We
will send the first letter telling the taxpayer their account has been assigned to a private collection agency, which will be followed up on by the private collection agency; their first contact has to be by letter, not by phone call, where they, too, send out the letter with the authentication number and everything. And then when the taxpayer gets the call, they kind of already have been notified twice before then that they will be getting called.

With respect to not assigning those accounts that are uncollectable, by and large we don't assign accounts that have been entered into our system as currently not collectable. Those are not part of what's being assigned. Now obviously, if they become uncollectable between the time we last contacted them, or pulled financial information, and the assignment, too, they very well may be assigned.

But, again, there's a mechanism in place in the process by which the private collection agency can return that account to us to be shelved again, essentially as not collectable. So, thank you for the recommendations that you provided with the private debt
collection process. We will continue to make tweaks and adjustments as we deem necessary as we go along.

With respect to the notices, I, too, thought that they were pretty nifty. And, again, my first reaction was, when I looked at a notice, it certainly doesn't look like it's coming from the Federal government, let alone the IRS. So, to your point, Sharyn, was what would kick into somebody's mind that this is probably not from the IRS. It looks too good? It looks too snazzy? It looks a little bit too snappy for IRS activity?

But nonetheless, the notices have been successful. And all of them have actually increased taxpayer use of self-service channels by encouraging people and educating people on what's available out there for other channels. The notices did decrease IRS costs by way of fewer phone calls and then less paper that we have to deal with.

You mentioned the installment agreement notice. That along with the urgent notice -- that was one that was the first thing you see is "urgent," this "This is urgent and needs your attention," that actually
improved payment compliance and reduced taxpayer penalties, which is kind of a win-win for both sides on that. So, that approach is engaging our research and analytics folks in studying taxpayer behavior and things that we can do differently to change that behavior. We continue to do that in other areas, and we'll continue to do that with all of our notices, at IRS and certainly with SBSE.

Some of the other things that we're partnering on is to continue to look at more of our notices and redesign our collection notices, as well as some of that examination notices and assessment notices that we use. We're looking at the Federal tax deposit alerts that we make, and we've worked with our research folks in determining how behavior can change with early intervention with those employers who appear to show signs that they will be late on their deposits or may not deposit at all. If we can get in there earlier to alert them to that, they're more likely to come back into compliance sooner, and thereby reduce the penalties on them as well.

Another example is the PDC. We're working with
our research and analytics folks to measure the
effectiveness of the Private Debt Collection Program,
as well as to help us with how we allocate the
inventory and the assignments out for the best results
for all.

And finally, we're going to be working with them
as we launch our new passport program, which was also
another FAST Act item that mandates that we certify
seriously delinquent tax debt to the Department of
State so that they can either deny an application for a
passport or revoke an existing passport. We're working
with our research folks to help us analyze that
inventory as well and determine what impact that might
have on taxpayer behavior.

So, thank you again for your work this year on the
Small Business/Self-Employed issues. We certainly look
forward to working more with you on these issues as
well as the new issues that will arise in the coming
year. So, thank you.

MR. MCCORMALLY: Thanks so much, Tamara, Ken, and
everyone. And, Walter, I ask you to lead us right into
the OPR Subgroup report.
MR. PAGANO: My pleasure, Tim. Thank you very much. Good morning, everyone. The Office of Professional Responsibility Subgroup, collectively we as a whole certainly want to thank Steve Whitlock for the resources that Steve provided to us during this past year. Those resources not only included access to Steve whenever we requested it and whenever he was available, which was, quite frankly, all the time, and, number two, Steve's attorney staff, investigators, and administrative staff. So, we thank you very much for all of that support. Without that support, we would not have been able to complete our tasks in the manner that we have done, so we very much appreciate that.

Thank you, Steve.

Also, in terms of the issues that we wish to speak about this morning, there are three. One will be addressed by me. That will be the first one. And then I will hand off the second issue to Kathy Hettick, who's to my right next to Don Read, and then to Patricia Atwood, who's at my left.

The first issue that we are going to address is something that you folks have probably heard in the
past, but it is no less important today than it has been last year, the year before, the year before that, and perhaps several years even preceding the last three. The issue is the need for express authority to confirm to the Treasury Department its ability to establish, enforce, and require minimum standards of competence for all tax practitioners, including tax return preparers. The next topic, which Kathy will address, will be the issue of educating practitioners and preparers about their responsibilities under the Internal Revenue Code's penalty provisions, and the Treasury Department's practice standards under Circular 230.

I certainly recall from last year Steve's comments about education being equally as important to the IRS and to the practitioner community as are the issues that we have spoken about previously, which include, of course, establishing, enforcing, and requiring minimum standards. So, the educational component, Steve, certainly has not gone unnoticed by us, and we truly support that endeavor as being co-equal with establishing and enforcing. The third issue, which
Patricia will address, is the use of generally accepted appraisal standards in IRS valuations.

As many of you know, recently several courts have circumscribed the authority of the Treasury Department to establish, enforce, and require minimum standards of competence on tax return preparation and other pre-filing services, as well as on post-filing services that are prior to the examination or the audit stage.

IRSAC believes that it is in the public interest and the interest of taxpayers particularly to safeguard the integrity of tax return preparation, tax advice and planning, tax representation generally, and the tax controversy process also. IRSAC also believes that Congress should extend to the Treasury Department express authority to establish, enforce, and require minimum standards of competence for the full range of tax practice from tax advice and planning all the way through tax litigation.

As of September 1st, 2017, there were approximately 730,000 PTIN holders. Those individuals have the valid PTIN, the preparer tax identification number. Of those individuals, slightly more than half
-- approximately 370,000 -- of those PTIN holders have no requirement whatsoever to follow the competency standards promulgated by the Treasury Department, and they are not subject to discipline by any licensing bodies for professional misconduct. Meanwhile, slightly less than the 730,000 -- approximately 351,000 of PTIN holders are formerly authorized to practice before the IRS, and are, therefore, subject to Circular 230.

Fortunately, for the tax community as a whole, for the Internal Revenue Service, and for effective tax administration, a growing number of elected officials have recognized the pressing need to pull all tax practitioners under the umbrella of the Treasury Department for purposes of establishing, enforcing, and requiring minimum standards of competency. And certainly, requiring minimum standards of competency includes the educational component that is also very important, I believe, to practitioners, to the Service, and, of course, to effective tax administration as well.

One of the latest efforts this year is H.R. 1077,
which is referred to as the Tax Return Preparer Accountability Act of 2017. This act would authorize the Treasury Department to prescribe regulations overseeing "any tax return preparer or preparers who are not regulated by the Service under 31 U.S.C. 330."

However, the combination of both Loving and Ridgely necessitate a broader authorization that grants the Treasury Department the power to regulate all tax practitioners, not just tax return preparers.

As the IRSAC has done for each of the last three years, we recommend that the Commissioner of Internal Revenue ask Congress to enact legislation expressly authorizing the Treasury Department, under 31 U.S.C. 330, to establish, enforce, and require minimum standards of competence for all tax practitioners, including tax return preparers. The IRSAC is proud to lend its voice to the chorus of supporters from across the professional and political spectrum who recognize the dire need for Federal oversight of tax practitioners, particularly those who are currently unlicensed and subject to no threat whatsoever of discipline for misconduct that is detrimental to not
only taxpayers, but also to ethical tax practitioners and effective tax administration.

I want to thank you for the opportunity to express our thoughts about this issue, and I'd now like to turn it over Kathy Hettick. Kathy?

MS. HETTICK: Thank you, Walter. We all know that education is a key component for any successful occupation or career. For tax practitioners, it is absolutely essential, and with the continuing changes to tax law and tax policy, it is critical for tax practitioners to have ongoing professional education. It is equally important for all tax practitioners to understand the role and ethical responsibilities that come with tax preparation and holding themselves out to the general public for service.

Tax practitioners include a variety of individuals: lawyers, CPAs, enrolled agents, actuaries, appraisers, and, of course, all tax return preparers, including unenrolled preparers with no minimum standard requirements or regulation, as Walter referred to. Also included in this group are the annual filing season program participants, a growing group of tax
practitioners who voluntarily subscribe to CE requirements testing, as well as Circular 230.

All tax practitioners, regardless of their license or credentials, must have a preparer's tax identification number, a PTIN. This is issued and renewed on an annual basis, and currently, as Walter referenced, there are over 730,000 PTIN holders. As stated before, these individuals have a variety of licenses and credentials, and, therefore, have a variety of educational requirements and minimum standards. We believe that all tax practitioners, regardless of licensing or enrollment, need to have access to and exposure to the IRS resources, which includes Circular 230 information and preparer penalty information under Title 26.

The IRS has done a great job increasing education resources for tax practitioners, including newsletters, webinars, filing updates, even short tutorials on YouTube. Current topics include office security issues and getting ready for the 2018 tax filing season. Tax practitioners use these resources as well as pass this information along to their clients, the taxpayers. Tax
practitioners are a critical resource to the IRS to reach taxpayers.

To gain access to these resources, which are all delivered electronically, you must be online with the IRS website or subscribe to the email updates. We believe that it is essential all PTIN holders need to be aware of the resources available to them. Our first recommendation is that upon the PTIN renewal, the individual be auto-subscribed to the email update “E-News for Tax Professionals.” This is a weekly digest that includes all the IRS happenings, alerts, and communications to tax practitioners, including upcoming educational opportunities. Of course, as with any auto-subscribe program, it would include an opt-out feature.

Currently, we have 310,000 subscribers to the e-News for Tax Professionals. We believe we can greatly expand the delivery of IRS resources to hundreds and thousands of tax practitioners and taxpayers with the auto-subscribe feature.

Another recommendation during the PTIN renewal is to take the users to the landing page, "Your
Responsibilities as a Tax Professional," as the final step before they exit the IRS site. This landing page offers critical information on preparer standards, penalties, as well as basic tools for tax practitioners. Again, this is another opportunity to reach more tax practitioners and promote the IRS resources that are available.

We believe that education for all practitioners surrounding Circular 230 can be improved by providing a summary of Circular 230, which is our next recommendation. This would be a brief summary of the various sections of Circular 230, and would be a valuable, quick reference. This is similar to the Summary of Preparer Penalties, which is currently available on the Tax Pro landing page. Having these two resources prioritized at the top of the Tax Professional webpage will encourage and assist all tax practitioners to become familiar with Circular 230, and aspire to best practices and a higher level of professionalism.

In conclusion, we commend the IRS for a great job in developing and expanding the resources and
educational opportunities for tax practitioners.

However, as you have heard, resources are available to those that proactively search them out or subscribe to email alerts. By providing the opportunity to all PTIN holders to be exposed to what is available, we believe they will be more widely used, thereby enhancing our tax system with increased education and awareness of the tax practitioners and taxpayers.

Thank you. With that, I'll turn it over to Patty.

MS. ATWOOD: Well, if you're following along, we've gotten up to page 118 on our long morning, and this is the last section of all of our reports until we get to the general reports. I point out what page number this is only because I'm not going to go into the history of the Uniform Standards of Professional Appraisal Practice. My colleagues will be pleased to not hear that again, but you can read it, and I hope you will, including some of the footnotes, which go into the very important sources of authority for the Uniformed Standards of Professional Appraisal Practice that we call USPAP.

The general topic of our recommendations here go
beyond OPR; this really cuts across the board.

Valuation standards are important to almost all of the operating divisions. They're important in Appeals. They're important in Chief Counsel’s office. You encounter issues, thorny issues, about valuation and disputes over valuations throughout everything that happens in the IRS.

So, what are these standards in a nutshell in two sentences or less? Ethical standards will sound very familiar to all of you professionals, whether you're attorneys, or enrolled agents, or CPAs. Professional ethical standards are analogous to what we see in Circular 230. For appraisers, they're a little bit different. Appraisers are required to be independent, impartial, and objective, not advocates for anything except for the truth of the valuation. Appraisers are supposed to be competent for the job they’re doing; if you are appraising my house, you are not also appraising the Empire State Building, for example. You need to be competent within your profession.

There are methodological requirements in the Uniform Standards of Professional Appraisal as well.
If you look at a historical probate inventory, 18th and 19th century - has anyone done their history on this? -- you'll see a list, description of the property and a number; the brilliant appraiser, based on their opinions, and knowledge, and smartness, simply said "because I say so," that's the value. That's no longer acceptable in the Uniform Standards of Appraisal Practice. Appraisals must be backed up with evidence and logic. This is new in the appraisal as of 30 years ago, and these are the current standards.

The IRS currently requires that taxpayers submit appraisals in certain contexts that are consistent with these good Uniform Standards of Appraisal Practice. You see this particularly in the area of charitable contributions. We think this is a great idea.

We also think it's a good idea if the IRS themselves in the valuations prepared within the Service, if they would also consider whether or not at least the principles of these Uniform Standards might also be applicable to the valuations prepared, whether it be in LB&I, SBSE, by the business valuation appraisers, by the appraisers of real property,
machinery and equipment, or art. There are many
valuations that are prepared within the Service.

We also think it would be a good idea when the
Service looks outside IRS employees and hires outside
experts, we think it would be a good idea if at least
the question were asked of these outside experts, do
you comply with USPAP as one of the hiring criteria in
evaluation matter. It's not explicitly required, but
it seems like a good question to ask, particularly in
the context of a U.S. Tax Court case, such as Kohler v.
Commissioner. In that case, Uniform Standards were not
the only criteria cited by the court. They were not
the only reason that the IRS lost the case, but they
were mentioned twice in the Court opinion that the
expert did not.

And finally, there is an organization called the
Art Advisory Panel that works within Appeals and Art
Appraisal Services. One of our recommendations is that
this panel be looked at. It was formed well before the
creation of USPAP. Some of its processes could be more
transparent. We've heard that word a lot today. I
think a few people have said that. But they also could
be streamlined and modernized, and I think you've heard that today as well. So, we're suggesting that that be looked at.

There's an appendix at the very end of the report -- I won't give you the page number -- which shows that many of the valuation guidelines in the IRM are quoted almost verbatim from USPAP, but there's no attribution at all. And furthermore, it's not updated. The last valuation guidelines were updated in 2006. Since then there have been six editions of the Uniform Standards of Appraisal Practice.

As we think about being cost effective, we've talked about updating Circular 230 -- poor Steve -- and we know how hard it this is to update some of these things. But perhaps cross-references to Uniform Standards might be a cost-effective way to keep the IRS valuation guidelines up to date with current practice.

Thank you.

MR. PAGANO: Patricia, thank you very much. And before I turn to Steve for any comments, I just want to express my heartfelt thanks to all members of IRSAC, and particularly the members who served with me this
particular year on the Office of Professional Responsibility Subgroup. Thank you very much. Steve?

MR. WHITLOCK: Well, thank you for the report. So, you know, Walter, Dennis, Don, Patricia, Kathy, and Shelly. We've got six folks on the OPR Subgroup. There are 30 people in the Office of Professional Responsibility, so per capita, we're getting a lot of support from the IRSAC, right? But I think the recommendations that you make highlight the scope of the work that you're doing, and the issues that you're addressing go well beyond the Office of Professional Responsibility, and I appreciate the implications of that.

As you said, this is the third year that you've made a recommendation specifically on the subject of statutory authority. My observation on that is it's critical that we match the expectations of tax professionals of the Office of Professional Responsibility with the authority that we have to act on those expectations. The standards that are described in Circular 230 are not unique to the IRS. They're a consensus of tax professionals, provisions in
the Tax Code, tax professional organizations, things
that have grown out for many years.

Having a mechanism to enforce these things that is
effective and comprehensive is something I think the
Service has been supporting for long before these
recommendations were made. So, we appreciate the
continuing broad consensus behind doing something to
address the gap between what's expected and what the
specific authorization is.

On the education front, I think the numbers are
interesting, the number of people who we reach and the
number of people who we need to reach. I know just
from my own office, we touched about 28,000 people, but
you give a number of 730,000 people who have PTINs. We
can't touch them all. We rely on lots of different
forums to get at the issues that are described.

I think the approach that we've taken, again,
recognizing this is a consensus document, the standards
that we have in Circular 230, for example, on return
preparation are taken right out of the standards that
appear in the Internal Revenue Code around penalties.
So, when people say I'm not covered by Circular 230,
they still are covered by the penalty provision. It's an important point to try to pick that up in an effective way through the education process.

The specific recommendations that you've made in terms of how we arrange things in the website, I'm going to talk to my good friend, Paul, about. He's just redesigned the webpage, and one of the key factors was the popularity of some of the links. We had to adjust because some people don't feel like they really want to spend a lot of time looking at the discipline piece. Popularity may not be the only measure here, and it's not been. We've been working through some of those kinds of issues. We'll work some of these particulars.

Some of this is, you know, deceptively easy to say, but much harder on the technical side to do, whether it's making those links on a website that we don't own or something like that. But they're important recommendations, and if we can't get it through the front door, maybe we get it through the back door. Thank you for the thought that went behind that. We can certainly update in plain language the
materials that we have on our webpage and make that
more accessible, and that's much easier to do, and we
will get on that, of course.

On the appraisal issue, we've been talking about
appraisal issues since I joined the OPR and met with
the OPR Subgroup the first time back in 2015. I really
appreciate the work that's been over a sustained period
to raise these questions within the Service about how
we interact with taxpayers and how our operating
divisions apply these standards. It is a challenge.
You know, as you say the process of updating the IRM
seems to be harder than the process for updating the
Uniform Standards of Appraisal Practice.

And, it's a useful suggestion. I'll have to talk
to the folks who actually set the style standards and
the requirements for what goes into the IRM to see how
we make cross-references to other documents. As you
mentioned, this is not an OPR issue. This is an LB&I,
this is an SBSE, this is Appeals and Chief Counsel
issue -- all have to weigh in on this. But very
thoughtful recommendations and I appreciate the input.

MR. PAGANO: Steve, thank you very much. Tim, I
turn it back to you, sir.

MR. MCCORMALLY: Thank you, Walter. Thank you, Steve. I want to thank everybody for their participation and engagement so far. And having been joined by Deputy Commissioner Wielobob, I'll turn the microphone over to her for a few remarks.

MS. WIELOBOB: Okay. So, I'm Kirsten Wielobob. I'm the Deputy Commissioner for Services and Enforcement. So first, thank you for inviting me here today to this public meeting.

The first thing I'd like to do is set some expectations about what I'm about to say before I discuss the substance. So, I hope this isn't going to come as a shock, but I'm not John Koskinen. I'm not David Kautter either. So, with that said, I'm sure that you've heard that Dave Kautter is splitting his time between two very, very large jobs. Typically, the acting commissioner or the commissioner would attend this event, but he -- as you might guess -- he's quite busy lately, especially considering the Administration's goals for the timing of tax reform.

He is involved at the Service already in his first
week, but I do want to say that I think it's great Dave has willingly given up on a personal life and sleep for the sake of tax administration.

But I do think he's going to have a challenging time splitting between those two roles. I think it's going to be challenging to wear the two hats of tax policy and tax administration. It's going to be, I think, a challenge to keep those two worlds separate because they are distinct parts of tax administration.

I do know that Dave is very well respected in the tax community, and I feel like we're fortunate to have him in any capacity as the acting commissioner until the Administration announces one permanently. And considering how implementation of tax reform goes, I might be especially glad that he's in the acting role and I'm not.

So, before we launch into the substance of the report, I do want to thank you, each of you, for spending the time that IRSAC requires of you for your commitment, and the extra work and the travel that this entails. Tim and Dennis especially, our thanks go out to you.
You provide the IRS a great opportunity to hear from the tax professional community about our practices, our procedures, and how they affect you, how they affect tax administration generally, and we really do value the relationship. And I think Commissioner Koskinen was clear about that when he visited with you in the past, and we all thank you for the efforts that you guys put forward.

I think the spirit of collaboration that IRSAC represents to me, and I've been at the IRS since 1997, and I think when I first was aware of this group, it was called the CAG, which is an acronym for the Commissioner's Advisory Group. And whether CAG, whether IRSAC, whatever the moniker is, I think the spirit of collaboration has always aided tax administration.

We may have different perspectives, and I know that you know, you guys make recommendations and we respond, and our perspectives may not always be the same, but the exchange of information is really valuable. Even if we agree to disagree, we find value in what you suggest to us. You can cause us to rethink
what we do, think about what we do differently, bringing your experience to bear -- what you experience from an external perspective -- on what we do. So, channeling Commissioner Koskinen, the conversation is very important, and we all have an interest in getting tax administration right. So, again, my thanks to every one of you.

With that said, I would love to hear about the overview issues, and I look forward to continuing the conversation in the future. So, Tim, I'll turn it back to you.

MR. MCCORMALLY: Thanks so much. And what I think is important, and Patty mentioned 118 pages to get up to her issue, overall the report is 154 pages. As fast as all of us on IRSAC can talk, we can't cover everything that's in that report. So, those of you who haven't had a chance to review it yet, I would encourage you to do so.

In turning to the general report, we covered three issues, and they're not new, but that doesn't mean they're not important. Sometimes we end up talking to ourselves about issues of common concerns, and other
times we end up educating ourselves and ideally others
about what the issues are.

The first issue IRSAC chose this year to address
is the budget. Anybody who works for the IRS, anybody
who deals with the IRS, and that's everyone in the
room, knows what the implications are of the billion
dollars in budget cuts that the Agency has experienced
since 2010. There are 20,000 fewer employees since
that time. So, we're preaching to the choir when we
say you can't ignore the human and the systemic cost of
the budget cuts.

But rather than singing from the same book again,
what I'm going to do is just quote something that the
chairman of the Senate Finance Committee lodged last
night as an amendment to the Senate Finance Committee
tax reform bill, because to me, it speaks volumes, and
it's probably all we need to say about the budget. It
says, "The proposal to the revised bill expresses the
sense of the Senate that politically-motivated budget
cuts are counterproductive to deficit reduction,
diminish the IRS's ability to adequately serve
taxpayers and protect taxpayer information, and reduce
the IRS's ability to enforce the law." So, that's what
the general report says. That's what prior general
reports have said. And I think, with that, I'll move
on to the second topic.

Actually, for the second topic, I'm going to turn
to somebody who knows a whole lot more about the
Appeals process than I do. I could point to you,
Commissioner Wielobob, because you used to serve as
Chief of Appeals, but I'm going to talk to your
predecessor. Shelly Kay is going to talk about some of
the concerns that IRSAC has about recent changes in
Appeals processes with respect to who's involved in
Appeals conferences. Shelly?

MR. KAY: Just this past summer, Appeals began a
pilot program that involves about one-third of their
large case ATCLs, where they are basically going to be
required to have Compliance and Counsel folks attend
conferences. There's been a lot of discussions about
it, a lot of panels. What we wanted to focus on is
that the traditional Appeals process is not your normal
ADR process, and an Appeals officer is not neutral.
They make reasoned resolutions, which is a term that I
learned when I came back to Appeals. And it's a power
to settle, which is different than most neutrals.

And if you look at the Appeals Division's mission
statement, which is different than everybody else's
mission statement in the IRS, it really has two
distinct parts. The first part deals with resolving
cases without litigation in a manner that's fair and
impartial to both the government and the taxpayer. So,
that's addressing both taxpayers and the government.
The second distinct portion is how that is to be done.

It's done in a manner that will enhance voluntarily
compliance and public confidence.

Well, both of those are taxpayer facing. You
know, the compliance is on the taxpayers, and public
confidence is clearly the public's. So, the manner in
which it's done is really public facing.

We have heard recently from the chief and the
deputy -- and the acting deputy chief -- that they
anticipate that this pilot will only go forward during
the preliminary portions of the appeals and not later
on when settlement discussions happen. You know, I'm
not sure exactly when that shift is. When I am at
Appeals conference, I always figure as soon as the LB&I folks leave the room, that settlement starts at that point. As soon as I open my mouth or the ATCL asks me a question, everything there is settlement.

Getting dialogue, if the goal -- and it is one of the stated goals in the frequently asked questions, to get a dialogue going -- that's laudable, and I'm probably different than most practitioners in that view. I think it's good to have a dialogue between the compliance folks, counsel, and the taxpayer, but I'm not sure -- but the pilot and the FAQs don't really clarify that well.

And the cases that are selected are ATCL cases, and those are probably the cases that will least benefit from this procedure. In those cases, as we spell it out in our report, there's a notice of proposed adjustment. There's a response. There's a revenue agent's report. There's a protest. There's a rebuttal. And there's a pre-opening meeting. The issues and the facts are generally pretty well known, and if not, there's other problems there. Possibly in the SBSE world, things could be different because you
don't necessarily have that depth for each individual case.

So, knowing that there are other alternatives, like Rapid Appeals Process, Fast Track, et cetera, we just wanted to focus on whether the need exists for this kind of change.

MS. WIELOBOB: So, you talked about why you think that this is different than traditional ADR because Appeals has the power to settle. I disagree with that underlying premise. I think the taxpayer has the power to settle, and I think that ultimately the taxpayer has to agree to any settlement. I think that this is more like non-binding arbitration, which is a traditional ADR concept.

I agree that Appeals as a government organization is not technically neutral. Having been part of 10 different organizations at IRS, including Appeals, I do think that Appeals is in an interesting spot, and I think that they might have hit the sweet spot because externals want them to be more independent, and internals want them to be less independent. And so, to me, it's like that old adage about compromise that
everybody is leaving unhappy in a sense.

   Everybody would prefer Appeals to be slightly
more, slightly less independent. So, I think they've
reached a pretty good spot on that. And as you know,
they zealously guard that independence, much to the
annoyance of the folks that I oversee now.

   The second thing I'll say is you talked about the
mission of Appeals, resolving cases without litigation
in a fair and impartial manner. I would point out that
it's actually tax controversies, and that was always
one of my bugaboos because I think Appeals ought to be
focused on tax controversies, but that's sort of an
aside. "Fair and impartial manner" to me does not mean
that either side should have unfettered access or
unique access to Appeals.

   And so, what this is designed to do, in the pre-
conference portion, how this has always worked is a
taxpayer comes in with Compliance. Compliance presents
its case while taxpayer is there -- and presents to the
Appeals officer. While taxpayer is there, taxpayer can
rebut while Compliance is sitting there. Then
Compliance leaves the room, and taxpayer presents its
case, his case, her case, whatever pronoun you want to use. And Compliance doesn't have a chance to rebut sitting there.

And so, the goal is that exchange of information so that the Appeals officer can potentially hear the rebuttal from Compliance if there is rebuttal to be made. After that is when the conference starts -- not the pre-conference, but the conference, and that's when settlement negotiations happen, and Compliance should be out of the room at that point. That conversation is between Appeals and the taxpayer or the taxpayer's rep, as it were.

So, I think there's just a couple questions there. I think Appeals is working very hard to get it right. I know that you -- that IRSAC -- and other groups are giving feedback, and I think that they're striving to incorporate the feedback as best they can with the notion of trying to understand "fair and impartial" across tax administration, and still provide that resolution for them.

Go ahead. I can tell.

MR. KAY: Just one quick rebuttal to the rebuttal.
(Laughter.)

MR. KAY: And I completely agree --

MS. WIELOBOB: Reserve more time?

MR. KAY: Sure. No, I completely agree with that, and if the goal, as we indicated, is to have more direct conversations between the taxpayers and Compliance initially, like in the pre-opening meeting and LB&I cases, that's laudable, and that should be done. And I know a lot of practitioners would be screaming at me right now, but I think it should be done. It makes the process more open.

But the frequently asked questions don't really limit it to that, and I think there needs to be some kind of clarification about what that means, what it affects, and when it's over.

MS. WIELOBOB: And I'll take that back to them because I know they are very interested in getting this as right as possible. So, yeah, thank you for that.

MR. MCCORMALLY: I think that's good. I just wanted to do a shout out to National Public Liaison for the forum it hosted earlier this year talking about the pilot and the changes in in-person conferences as well.
With the pilot program going on, I think there'll be an opportunity down the road to bring stakeholders back into the room and to continue the conversation with some experiences in terms of taxpayer concerns, actual results, and the views of practitioners as well. So, I think that's good.

That actually leads into the third recommendation that IRSAC covers in its general report, which is to reimagine what IRSAC should be going forward. This is a very consequential time for the tax system with major tax reform legislation going on. It's a consequential time for the IRS with a vacancy in terms of a permanent commissioner and the President expected to name a new commissioner soon.

And it seems to me that those two things together, with the variety of challenges that the tax system faces, make this an opportune time for us to take a step back to an organization that was first constituted in 1953 in anticipation of the legislation that gave rise to the 1954 Code, and examine the basic questions that journalists ask: who, what, when, where, why, and how.
Those questions have great relevance in terms of how IRSAC operates. Right now we're pretty much an in-person group. Yes, we have phone calls, we have emails, but we do our work around several meetings a year plus the public meeting. The "what," the way the charter is written, it's an annual report. And although the charter doesn't foreclose the possibility of interim reports, the practice for the most part has just been an annual report. Does that make sense in the breakneck arena in which we now all work and live?

The "what" and "who" are more complicated questions. So, what have we talked about? Very importantly today, the OPR Subgroup talked about regulation of practitioners. At one level, that's a matter for Congress. We can talk among ourselves all day and generally agree with respect to the need for legislation, but is that inward-looking conversation by itself helpful to the process? Similarly, on the budget, our report is very carefully couched given the language of the current charter to say, "Hey, Commissioner, you should get adequate funds to do your
job?" But the question is, in our view, are there more
effective ways for IRSAC to do its work. We currently
work in an open environment, "transparency" to use the
term that Patty used earlier, that allows us to
identify, research, develop recommendations with
respect to issues of common concern.

And to me, in one of those magnificent punts at
the end of my term as chair of IRSAC, I say, Dennis,
this is what you --

(Laughter.)

MR. MCCORMALLY: -- working with John Lipold as
the Designated Federal Officer, should focus on next
year and maybe even before next year with respect to
what should IRSAC look like when we're dealing with the
Tax Reform Act of 2017 or 2018, and how could we do a
better job.

And coming back to the Appeals issue to tie it all
together, I think one of the more effective things that
IRSAC could do -- because all of the members of IRSAC
are members of other organizations and represent
varying constituencies -- is to serve a coordinating
role. We can maybe save the IRS some time. I can't
imagine how all of the folks from the operating
divisions can meet with all of us who want to meet with
them all the time.

When Doug O'Donnell met with IRSAC’s LB&I
Subgroup, he said, “Is there anything that you folks
can do to help us deal more effectively with all the
input that we get?” And that, to me is another issue
to look at. Can we serve a coordinating and
streamlining role, not because we all have to sing the
same song, but if we all are singing pretty much the
same song, do you have to listen to it, say, 153 times?
So, that's another issue that I would hope that Dennis
and next year's IRSAC can take up with John and his
counterparts in NPL, and depending on whatever
recommendations come out of that review, make changes
going forward.

So, that's it for the general report. I don't
know if, for the benefit of Commissioner Wielobob, the
subgroup chairs want to take a few minutes to do a very
high-level overview of the key points you made during
your report earlier today. Kathy, were you going to do
it for OPR?
MS. HETTICK: Thank you all. I'll just go ahead and highlight. Walter had to leave early, but the focus topic that Walter wanted to bring forward is the education piece. And I want to kind of piggyback on a few comments that Director Whitlock made a few moments ago about the Circular 230 and the regulation of practitioners.

We know from the numbers that we heard that less than half of the PTIN holders, the 730,000 individuals who have a PTIN, less than half are regulated under Circular 230. But in that education piece, when we look at Circular 230, Circular 230 is not about regulation. It's about best practices. It's about standards for tax practitioners. And so, we believe that educating all tax practitioners about those standards, about aspiring to best practices really is in the best interests of the tax system.

And if we can reach more tax practitioners than we currently are -- I mentioned the 310,000 tax practitioners that currently subscribe to the “e-News for Tax Professionals,” the weekly update -- if we could reach 730,000 tax practitioners with the “e-News
for Tax Professionals,” it would be good. Every week they'd be getting an update. They would click on maybe the webinar that Director Whitlock did on Circular 230. Would you be interested in that if you were not being regulated under Circular 230? We hope so. We believe so.

We believe that all tax practitioners want to aspire to the standards of Circular 230. They want to be compliant. They want to understand preparer penalties under Title 26. If we can raise the awareness and educate more tax practitioners, we’d have a more sound tax system. Thank you.

MR. MCCORMALLY: Thanks, Kathy. John?

MR. MCDERMOTT: Self-Employed/Small Business and the Wage and Investment combined group, we reported on five issues, and we commented on the W-2 Verification Code Pilot Program, and the development of a system to lock and unlock tax accounts. And we reported on improvements to the Practitioner Priority Service and on the Private Debt Collection Program that's currently ongoing. And we commented on some revisions to several collection notices to improve taxpayer response.
We discussed each of those in depth in our report, but I want to share that there were common themes throughout all of these issues. And one was protecting taxpayers and ensuring the integrity of the tax collection system. Another theme was the importance of clear and effective communication to educate and inform taxpayers and practitioners. And the third theme was the development of systems and practices to improve the delivery of IRS services, and improve the efficiency of IRS operations.

So, that's the substance of our report.

MR. MCCORMALLY: Thank you, John. Stephanie?

MS. SALAVEJUS: Hello. The Digital Services Subgroup this year was very active in focusing on the tax professional account. The IRS' future digital online services cannot come soon enough for taxpayers and tax professionals. Digital online service provides you the ability to engage with your growing base of taxpayers and positively influence compliance behavior while generating a substantial cost savings.

Online digital channels are a data-driven approach that will transform customer service touchpoints into
powerful relationships for the IRS. We commend the Online Services' services progress towards an enterprise-wide modernization, moving toward a 21st Century customer service platform. We are recommending the expansion of customer service channels, not eliminating traditional higher cost services, but we want to see a solution that meets the needs of all taxpayers, and let them make their choice of how they need customer service.

We focused on three issues to address how the IRS can create efficiencies to meet the high expectations of their growing base of taxpayers. But our primary focus, as I mentioned earlier, was the tax professional account. The tax professionals need an ability to obtain access to their clients' tax-related information as well as tools and services to assist their clients in meeting their tax obligations. It provides efficiencies, faster service, and improves the user experience for the tax professional community.

We strongly encourage the Service to keep moving forward with expanding the online features and providing a tax professional account sooner rather than
later. Any delays will reduce the IRS' ability to leverage tax professionals, their valuable partners for filtering client questions and resolving tax issues without the need of contacting the IRS.

For this reason, we urge the IRS to commit and to communicate their timeline for the development of the account, to actively implement techniques proven successful by industry and state agencies, and for the IRS to implement the ability for taxpayers to authorize their tax professionals to assist with their compliance needs. Also, we want to see the IRS provide capabilities for tax professionals to act on behalf of their clients. Tax professionals will be instrumental in educating taxpayers and the key to increasing taxpayers' adoptions of these online services. And they also need to be able to conduct the same activities they perform today on paper, but with an online account.

And our final recommendation is to keep the IRS moving forward once this train gets momentum, and to build the architecture and infrastructure to support not only current, but future development technologies.
The infrastructure needs to support the continually evolving tax ecosystem and future technology, such as Chatbox and artificial intelligence. It is vital to plan for today's development, but also just as important to plan for future projects that will not only improve taxpayer service, but it will leverage successful customer service models that are currently in private use, and will keep the IRS moving towards delivering 24/7 taxpayer service at the highest quality possible.

This concludes my report, and thank you.

MR. MCCORMALLY: Thanks, Stephanie. Tom?

MR. CULLINAN: Thanks, Tim. On behalf of the LB&I Subgroup, again we thank the folks that we work with at IRS. It was truly wonderful. They put a lot of effort into things. There was some great dialogue over the year.

I like John McDermott's way of expressing what his subgroup did in terms of themes. We did address a couple of different issues, but I do think that the theme was that LB&I expressed a lot of interest in assessing whether what they were doing was effective
and efficient. They wanted us to help them understand whether it was working and how different processes could be improved. And that's highlighted, I think, through the first issue that we addressed, which is the LEP, the LB&I Examination Process.

That was rolled out two years ago, and it establishes a framework for LB&I to use to audit the taxpayers within its jurisdiction. It sets out procedures, timelines, responsibilities that by and large the taxpayer community thinks LEP is working well. There are some issues with it which we've addressed in our report. Consistent with the themes that I mentioned is LB&I asked us to think about how it could assess whether it's being effective. And we've listed a series of metrics, both quantitative and qualitative.

The quantitative, you know, they're there. They're numbers, but they all circle around whether the audit sticks to the plan. As you know, there's a plan put in place at the outset of the audit, but the quantitative measures that we suggested are things like whether more IDRs were issued than needed, whether more
extensions of the statute of limitations were needed than originally anticipated, whether the issues multiplied outside of what were in the original plan.

And then on the qualitative side, just because everything can't always be captured in numbers, we suggested something along the lines of outside surveys. Let taxpayers give feedback. Appeals did something similar to this a couple years where taxpayers would get phone calls or letters after an Appeals conference asking whether the process worked, what Appeals could do better, whether it met their expectations. And we have something similar in mind that LB&I could use to get that type of input, again using a third party so taxpayers aren't concerned about having things used against them.

To keep us on schedule, I'll stop there.

MR. MCCORMALLY: Do you care to make any more remarks?

MS. WIELOBOB: I appreciate, again, the time and effort and the report out. Thanks.

MR. MCCORMALLY: Thanks so much. Mel, do you want to choreograph the next few minutes?
MR. HARDY: Sure. So, at this point we are the end of this, and we will ask Kirsten if she would stand. We have a couple of folks that are rolling off, and then I think Tim will make announcements of some new things as well.

(Presentation of certificate.)

MR. HARDY: Now we'll have closing remarks.

MR. LEMONS: Just a couple comments from me just listening to the discussion this morning, and clearly you guys did a wonderful job of looking at it. I did notice, just with my Communications and Liaison cap on, there was a continuing theme of communications in there. And one of the things that NPL and our area does after these meetings is we step back and look at what recommendations are in there and what we can do.

But I know on things like the W-2 verification code, we're going to be working with Ken and the Wage and Investment team to raise awareness about that. We'll be highlighting that later this month in conjunction with the Security Summit. We're going to be doing the Tax Security Awareness Week. It's the second year of that, but we will be hitting on the W-2
verification code, encouraging people to use it in that.

The other thing, I don't know if Kathy is still here or not, but the OPR Subgroup, I don't know who wrote the summary of practitioner duties under Circular 230, but we may have a job them in my communications area. It's a very nice summary, and we will take a look at that as well as the other things in here.

So anyway, I appreciate all the work that went into this.

MR. HARDY: And before I turn it over to Tim, I just personally want to thank all of you for your hard work. And I also want to recognize my staff, but in particular, Anna Millikan.

(Applause.)

MR. MCCORMALLY: Thank you, Mel. And let me start where you ended because it was in the list of the thank you's I was going to have. I've been in this town and doing taxes for a long, long time as you can tell from the color of my hair, and I know that among the many lies you hear is that government employees don't work very hard. That, of course, is simply not true. I
cannot count the number of times that I received an answer to a question I sent after "normal working hours," often over the weekend. And the responses came from all quarters -- Mel, John, Anna, and folks in operating divisions.

One of the real gifts that we who serve on IRSAC receive is the opportunity to work with dedicated public servants, and my words may not carry a lot of weight outside this room, but they come from my heart. And I know I speak for all of my IRSAC sisters and brothers in saying that we appreciate your service.

I want to also thank my fellow IRSAC members, maybe especially the subgroup chairs and those of you who are rotating off with me. I have learned so much this year not only from our counterparts at the IRS, but from you as well, and I just want to thank you for indulging my large corporation examination orientation. And I realize the tax system is just a little bit broader than the CIC or CAP program group of taxpayers, and so I appreciate your educating me along the way.

It's been a real joy. And I would be remiss if I didn't thank Brian for becoming the official
photographer of IRSAC. He can put that on his LinkedIn profile. And then I would just return to the themes that everybody mentioned, and, most recently, Terry. Communication and collaboration have been the hallmarks of the Commissioner's Advisory Group and the IRS Advisory Council for 64 and a half years. And I know that the organization is in good hands with Dennis Ventry's appointment as the 2018 chair, and I ask him if he has any closing remarks.

DR. VENTRY: Well, the first one has to be to thank you. Tim's leadership this year was extraordinary. We got more done than I think any of us could've ever imagined, and your inclusiveness is just really, really appreciated. I think it's getting reflected in next year's lineup. So, thank you very much, and I wouldn't mind giving you a round of applause.

(Applause.)

DR. VENTRY: Tim followed in the shoes of Jennifer McMillan who was here. She just stepped out. And in the interest of continuity, I was actually contemplating changing my last name to McVentry.
(Laughter.)

DR. VENTRY: But there's some legal issues and trust things and that sort of stuff, so I couldn't do that. But we have a great lineup for next year.

Serving as OPR Subgroup chair is going to be Shelly Kay. Thank you very much, Shelly. And serving as the new LB&I Subgroup chair is going to be Shawn O'Brien. Thank you very much, Shawn. Continuing to serve in the capacity of the subgroup chair of Digital Services is going to be Stephanie Salavejus. And serving as SBSE and W&I Subgroup chair is going to be Phyllis Jo Kubey. And serving as IRSAC vice chair is going to be Kathy Hettick. It's a great leadership team, so I'm looking forward to next year as well.

(Applause.)

MR. MCCORMALLY: That concludes this year's annual meeting. Thank you for coming.

(Applause.)

(Whereupon, at 12:11 p.m., the meeting was adjourned.)
REPORTER'S CERTIFICATE

This is to certify that the attached proceedings
Before:

INTERNAL REVENUE SERVICE

In the Matter of:

Internal Revenue Service Advisory Council (IRSAC)

Where held as herein appears and that this is the
original transcript thereof for the file of the Agency,
Department, Commission, Board, Administrative Law Judge
or the Institute.

Further, I am neither related to or counsel for
any of the party of the above proceeding.

Merinda Ellis Evans
Official Reporter

Date: November 15, 2017

Approved: [Signature]

Timothy McCormally, IRSAC Chair

Dated: [30 January 2018]