

**INFORMATION REPORTING PROGRAM  
ADVISORY COMMITTEE**

**General Report**

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## **General IRPAC Recommendations**

### **A. Improve the Penalties, Abatement Request and Levies Process**

Over the past several years, the cap on 972CG penalties has increased from \$250,000 to \$3,196,000. Also within this same timeframe the IRS has lost a significant number of experienced agents who were previously responsible for reviewing reasonable cause abatement requests. This has resulted in an increased number of rejected claims as well as expedited levies and garnishment activities that have placed an increased financial burden on the industry. To reduce this burden on both payers and the IRS, IRPAC recommends that the IRS utilize the reasonable cause guidance provided in Section 6724 and Publication 1586 Reasonable Cause Regulations and Requirements for Missing and Incorrect Name/TINs (including instructions for reading CD/DVDs). While there are a number of factors which complicate the penalty process, IRPAC believes this is a perfect opportunity for the industry and IRS to engage to and proactively address these issues, before small errors become major financial disasters for payers.

### **B. Business Master File Entity Addresses**

IRPAC continues to be informed of scenarios where financial institution addresses are being unilaterally changed by the IRS absent any type of request from the financial institution. Specific scenarios of which IRPAC is aware include address changes being made to a bowling alley as well as to individual customer's home addresses. When the IRS then uses this incorrect address for communications such as B-Notices, 972CG Penalty Notices, Garnishment, and Levy Notices personally identifiable information of underlying clients is being disclosed by the IRS to third parties and potentially increases the risk of identity theft and other forms of fraud.

IRPAC recommends that the IRS immediately implement procedures that require the receipt of a completed IRS Form 8822-B (Change of Address or Responsible Party – Business), prior to any action being taken to update a filer's address. The IRS should no longer rely on the address used on previously filed returns to update the filer's address, especially when that filer has no previous history of filing these types of forms.

### **C. Form W-9 Enhancements**

IRPAC is pleased that the IRS has provided guidance allowing withholding agents to increasingly leverage technology as part of their account onboarding

processes. Specifically, IRPAC is appreciative that withholding agents can accept Forms W-8 with an electronic signature. IRPAC is also appreciative that the IRS now allows the use of Forms W-8 collected and maintained by a third-party repository. IRPAC believe these policies go a long way towards creating efficiencies and permits effective tax administration. IRPAC would like to strongly recommend that the IRS also extend these policies to Form W-9, which is the most commonly used Form and the one that carries the least risk. It is also important to note, that for certain types of income, such as vendor payments, the Form W-9 is not even required to be signed. Additionally, a number of payers utilize the IRS Tin Matching System, which adds another level of security and helps ensure that the industry is obtaining valid names and taxpayer identification numbers for information reporting purposes.