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INTERNAL REVENUE SERVICE
ADVISORY COUNCIL
2020 IRSAC PUBLIC MEETING

Wednesday, November 18, 2020
9:00 a.m.

Via Conference Call

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PARTICIPANTS

IRSAC MEMBERS:

- DIANA ERBSEN, IRSAC Chair and LB&I Subgroup
- BEN DENEKA, IRSAC Vice Chair and W&I Subgroup
- W. EDWARD "TED" AFIELD, SB/SE Subgroup
- MARTIN ARMSTRONG, W&I Subgroup
- MARTIN BENTSEN, LB&I Subgroup
- SHARON BROWN, TE/GE Subgroup
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- CHARLES "SANDY" MACFARLANE, LB&I Subgroup Chair

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 - MARY JO WERNER, SB/SE Subgroup
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- IRS STAFF:
- TERRY LEMONS, Chief, Communications and Liaison
 - MEL HARDY, Director, National Public Liaison
 - JOHN LIPOLD, IRSAC Designated Federal Official and
Branch Chief, National Public Liaison

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P R O C E E D I N G S

[9:00 a.m.]

WELCOME

MS. ERBSEN: Good morning. Good morning, IRSAC members, IRS representatives, and other guests. My name is Diana Erbsen. I'm a partner at DLA Piper, NY, and Chair of the IRS Advisory Council, IRSAC. It's my pleasure to welcome you to the IRSAC's very first virtual public meeting.

To say this year has been challenging would be an understatement. I'm proud of the fact that despite the challenges of 2020, we as a group were able to provide real-time feedback and guidance to the IRS, and that the IRS was receptive to such feedback and guidance. Some of that feedback is memorialized in the annual report being issued today.

Collectively, the IRSAC members represent the agency's major stakeholders. Particularly with the

1 consolidation of the IRSAC with two previously
2 independent Federal advisory committees, the
3 Information Program Reporting Advisory Committee and
4 the Advisory Committee on Tax-Exempt and Government
5 Entities, our members offer diverse perspectives and
6 insight. As a consequence, the whole is greater than
7 the sum of the parts.

8 I commend all of the members of the IRSAC for your
9 ongoing commitment to improving tax administration.
10 Your efforts and your flexibility this year were
11 extraordinary. Ben Deneka has been an outstanding Vice
12 Chair and will be an outstanding Chair next year.

13 Much of the work of the IRSAC is done by the
14 subgroups, which are organized to correspond to
15 operating divisions, and next year will be expanded to
16 include an information reporting subgroup.

17 This year's subgroup chairs -- Mike Engle, Phyllis
18 Jo Kubey, Sandy Macfarlane, and Patricia Thompson --
19 all did yeoman's work in ensuring that we could both be
20 responsive to IRS requests for assistance and also
21 proactive in offering suggestions.

1 It was also a privilege and a pleasure to work
2 with, and we very much appreciate the support provided
3 by, all the IRS representatives with whom we interacted
4 during the course of this year and, for myself, over
5 the course of the last three years. As a group, we're
6 particularly grateful to Terry Lemons, Mel Hardy, John
7 Lipold, Anna Brown, and Stephanie Burch. Any credit
8 for this technology working I think goes to all of
9 those people, and any failures you can attribute to me.

10 The IRS, led by Commissioner Rettig and Deputy
11 Commissioners Sunita Lough and Jeff Tribiano,
12 demonstrated extraordinary grace under pressure this
13 year and exemplified how best to find opportunity in
14 adversity. Operating with limited resources, the IRS
15 continued to collect the taxes needed to sustain
16 necessary government operations, continued to enforce
17 the tax laws, and continued to provide many taxpayer
18 services.

19 Significantly, the IRS also made extraordinary
20 adjustments, with many in its workforce working
21 remotely and securely, and also provided relief to

1 taxpayers and tax professionals by, among other things,
2 extending filing of payment deadlines, increasing
3 access to secure digital communications, which is a
4 major theme of our report, and distributing more than
5 160 million Economic Impact Payments, including to
6 persons not required to file tax returns who had to be
7 found.

8 The tone at the top, especially by Commissioner
9 Rettig, along with the nothing short of heroic efforts
10 of the IRS staff, made all of this possible. Thank
11 you. The performance of the IRS bodes well for
12 effective implementation of the Taxpayer First Act and
13 for the continued success of the voluntary compliance
14 system.

15 It's my pleasure to introduce Ben Deneka, my
16 esteemed Vice Chair.

17 MR. DENEKA: Thank you, Diana, and good morning,
18 everyone. I'm Ben Deneka. I am a Program Manager for
19 H&R Block Agency and Industry Relations Team, and I
20 have had the distinct honor of serving as Vice Chair
21 this year under Diana, and I would say it was a master

1 class in navigating novel situations. We had virtual
2 meetings, we were offering real-time feedback, and this
3 was the first time of the consolidated IRSAC with only
4 a single chair. And she did it all without having the
5 opportunity to serve as a Vice Chair herself. Last
6 year we operated with three co-chairs, one from each of
7 the consolidated advisory councils.

8 I will say it was inspirational and instructive,
9 Diana, that you embraced the challenge.

10 Just a quick story. Early this year, before
11 COVID, Diana and I were talking on the phone, game
12 planning for the year, and the topic of meeting
13 virtually in-between our working sessions came up, and
14 she said I don't want to do video, I'm not comfortable
15 with the technology. I said that's fine, you're the
16 boss. I thought it was kind of out of left field,
17 though. I hadn't said anything about video, and I was
18 just thinking maybe she thought I was about to say we
19 should use the new technology because I'm a millennial,
20 and she was right. That was going to be the next thing
21 coming out of my mouth.

1 But fast-forward to our April meeting, the IRSAC's
2 first virtual working session, and there she is on
3 video, embracing the challenge, getting out of her
4 comfort zone and leading by example. So, Diana, thank
5 you for your leadership during this extraordinary year.
6 It was invaluable, and I am very grateful for the
7 opportunity to have learned how to lead beneath you.

8 I'll take a moment to reiterate Diana's comments
9 and say welcome and good morning to everyone and echo
10 her gratitude to our friends at the IRS, particularly
11 NPL. Mel and John, thank you for your exceptional
12 partnership in helping us continue our work throughout
13 the year to arrive here today with our report and
14 recommendations.

15 I'd also like to thank my fellow IRSAC members and
16 subgroup chairs for committing their time, energy, and
17 knowledge to provide thoughtful and actionable
18 recommendations. We hope that all of you here today
19 find value in the report and look forward to
20 overviews with you.

21 With that, I will turn the floor over to John

1 Lipold at the IRS.

2 MR. LIPOLD: Thank you, Ben; and thank you, Diana
3 and Ben, for the nice words.

4 My name is John Lipold. I am the Designated
5 Federal Official for the Advisory Council, and I just
6 wanted to let everybody know that we have about 84
7 people on this conference line this morning. So
8 everybody is, by default, in mute mode. Speakers, it's
9 very important that you hit star-6 to be heard. And
10 when you're done you can star-6 yourself again to go
11 back into mute.

12 That's it for me. That's housekeeping in a
13 virtual meeting. I'd like to turn it over right now to
14 Terry Lemons, who is the Director of Communications and
15 Liaison at IRS.

16 Terry?

17 MR. LEMONS: Yes. Thanks, John. And welcome,
18 everybody, to a very unusual annual meeting for the
19 IRSAC.

20 This organization, this advisory group goes back
21 to the 1950s, and this is the first time we ever had a

1 virtual event like this. So we really appreciate
2 everybody on IRSAC going the extra mile, whether they
3 were comfortable with video technology or not. This
4 has been a huge accomplishment to pull this off.

5 I mean, honestly, if you look at the report this
6 year, 194 pages reflecting all of the hard work that's
7 gone into the group, and we really do appreciate the
8 members taking time to do this.

9 As Diana and Ben mentioned, this is still another
10 transition year, essentially, for IRSAC, from when we
11 merged three different advisory groups into this
12 flagship advisory group. And one of the things, when
13 the NPL team and myself took a look at the
14 consolidation effort, we really wanted to make sure we
15 were able to make this marriage work between the
16 groups, and we also pledged to continue to monitor and
17 make adjustments as needed. I think we're all very
18 happy with the ability to set up the Information
19 Reporting group as a new subgroup for the upcoming
20 year, and I think that will help improve IRSAC even
21 more going forward and meet the needs of the

1 information reporting community, which are vital to
2 running our tax system and our nation.

3 So with that, I believe it is time for Mel Hardy,
4 the lead of our National Public Liaison group, to go
5 next.

6 MR. HARDY: Thank you, Terry.

7 Good morning, everyone. It's all been said, so I
8 won't reiterate it, but this has truly been an unusual
9 year, and I want to not only thank Diana and Ben for
10 their exceptional leadership, but also the NPL Team,
11 all of C&L. It's a group effort. It's not just NPL.
12 It's the other parts of C&L that make this type of
13 event work, as well.

14 You know, it's important to note that even under
15 these strenuous times, this IRSAC, this new -- I like
16 what you said, Terry -- flagship IRSAC, was able to put
17 together a report that reflects not only a lot of input
18 and advice but really a commitment, and we truly, truly
19 appreciate everyone stepping up, even under these
20 difficult times, and doing this.

21 So without going on and on, because I'm a little

1 verklempt that we are not all there together and in
2 person -- I like to go around and shake hands and
3 definitely say goodbye to the members who are rolling
4 off. I had a chance to do that yesterday, and the
5 Commissioner will recognize you all publicly today.

6 So we've got a busy day, a full schedule. Let me
7 do what they used to call back in the '80s a mic check.

8 Commissioner, are you able to hear me, sir?

9 (No response.)

10 MR. HARDY: Commissioner, if you hit star-6 on
11 your phone --

12 COMMISSIONER RETTIG: I'm on the speakerphone.
13 Should I be on the headset or is this okay?

14 MR. HARDY: That sounds good, sir. You've got
15 that booming baritone, so you come through either way.

16 COMMISSIONER RETTIG: You know, compliments will
17 make you Commissioner, so watch it.

18 (Laughter.)

19 MR. HARDY: Ladies and gentlemen, it is my
20 distinct honor and privilege to introduce to all of you
21 no stranger to this group, definitely no stranger to

1 the advisory groups -- under these very difficult
2 circumstances I think we're all very fortunate and
3 blessed to have a Commissioner who has a deep
4 appreciation for what these groups do, what they bring,
5 and what you add, because he was a fellow IRSAC member
6 and Chair. So I'm very honored to introduce to all of
7 you Commissioner of the Internal Revenue Service, the
8 Honorable Chuck Rettig.

9 Commissioner, take it away, sir.

10 OPENING REMARKS

11 COMMISSIONER RETTIG: Thank you very much, Mel.

12 As Mel said -- and I'm really going to echo Mel's
13 comments and Terry's comments and Diana and Ben, and
14 certainly thank Diana and Ben for their leadership role
15 with respect to IRSAC this year. At some point pre-
16 COVID, some of these roles tend to be -- they just
17 build on themselves and they move forward. But when
18 your throw COVID and the IRS shutdown, and you add in
19 IRS shifting to really a virtual tele-work type of an
20 environment and all the rest, you add a unique year,
21 and the best of the best comes out of the most

1 difficult, most challenging times.

2 So, I want to thank each of the IRSAC members. I
3 think most of you received the email that I sent out
4 last evening. I am very appreciative of the efforts.
5 When I was on the IRSAC I used to say, you know, it's
6 planes, trains, and automobiles. It's people who go to
7 the airport, park at the airport, get on a plane, check
8 into a hotel and spend days with us here at the IRS,
9 and in reverse. And they give lots of translations of
10 the actual personal sacrifices that people give to
11 assist, your health, your assistance. Obviously, this
12 year's report is spectacular, a great job across the
13 board. We do read it, and it does help us focus where
14 we're headed in the future.

15 I'm a huge believer in the public/private
16 partnership, if you will, for tax administration in
17 this country. I've always said to people I came on
18 board, 36 years in private practice. I came on board
19 and came on this journey together. I didn't come by
20 myself or the concept of myself and just folks who
21 happened to be privileged to work for the Internal

1 Revenue Service, but I came on in my head as part of
2 the entire practitioner community.

3 I use that term really loosely. Anyone who has
4 anything to do with the IRS -- vendors as well. If you
5 have anything to do with the IRS, we're on this journey
6 to try to improve the IRS, improve tax administration
7 for what I believe to be the most important people in
8 the world, which is everyone on this planet.

9 We can go on and on about some of the amazing
10 things that the agency has been able to do during this
11 past year, but you'll hear me talk going forward about
12 we're beyond a tax administration agency. We have been
13 able to bring about social change in the streets of our
14 country, of other countries. We recently, something
15 I'm hugely proud about, we recently put a facility in
16 Puerto Rico and opened up for Federal jobs with the
17 Internal Revenue Service in Puerto Rico, which is an
18 island that was devastated by a hurricane, as well as
19 by an earthquake, and folks in Puerto Rico could easily
20 leave Puerto Rico and come back in 10 or 15 years while
21 those who stayed behind rebuilt it.

1 We're part of the rebuilding effort. Within seven
2 months of the concept, we (inaudible) in Puerto Rico to
3 open a facility for people we need, but also we can
4 help.

5 So you're part of this, everything you might see
6 us say, hey, look what just happened here, look what
7 happened there.

8 The other point I'm going to touch on, and you
9 guys have it in your report, I'm very proud that in
10 September of this year we announced sort of where we're
11 going in terms of languages, and the 1040 for the first
12 time in history is going to be in English and Spanish.
13 People can check a box on the language that they want
14 us to interact with them. They can call into our
15 customer service lines and get translation services in
16 more than 350 different languages.

17 If you want to convey to people that they're
18 important and you want to, as an agency but also as
19 people inside the agency, earn the trust and respect of
20 people who interact with us, you need to be in their
21 community, in their language. You need to be in person

1 with people who don't have (inaudible), and we need to
2 respect everybody.

3 So a lot of what's in your report is right where -
4 - if I had the ability to write a 200-page report,
5 which I do not, I'd be right where you are. I looked
6 at it and went through it, very proud of your efforts
7 and your assistance. Sometimes when you participate on
8 advisory boards, it's like being a radio disk jockey at
9 2:00 in the morning. Is anybody ever going to read
10 this? But I had to stay up all night to polish it up
11 and get it out the door. Not only are people going to
12 read it, but you're instrumental in the task forward
13 for the Internal Revenue Service, so for that I thank
14 you.

15 For those who are rotating off, the encouragement
16 that I gave last night is to stay engaged, stay
17 involved with us. You're always part of the family.
18 You're part of the family if you interact with us in
19 any manner, and we need to hear from you.

20 So those who are staying on, thank you. And those
21 who roll off later, I really appreciate the personal

1 effort that people give, and I know that you have day
2 jobs, families, personal affairs and whatnot, and
3 particularly this year everything was somewhat more
4 complex and difficult. But it's in those environments,
5 like I said, where we get the best of the best, and I
6 think sometimes we get the best work products as well.

7 So now, as I turn it back to you, I really like to
8 be in person. I wish we were in person, and I look
9 forward to the opportunity to do so at the appropriate
10 time in the future. But I want you to know that
11 personally I really appreciate the effort, and
12 certainly in this year.

13 Ben and Diana, what can I say? You guys are the
14 best.

15 So, thank you very much, and I'll kick it back to
16 Mel.

17 MR. HARDY: Thank you, Commissioner. I really and
18 truly appreciate your remarks. I'm sure everyone does.

19 So now I'll turn it over to Diana, our IRSAC
20 Chair. I would be remiss in saying, Diana, that I wish
21 that I was there to be with you and to wish you well.

1 Your leadership has been exemplary this year.

2 So, Diana, turn it over to you.

3 MS. ERBSEN: Thank you, Mel. Thank you,
4 Commissioner. I really appreciate those words, and I
5 think everybody on IRSAC appreciates your support.

6 REPORT OVERVIEW

7 MS. ERBSEN: The report of the IRSAC, including
8 the appendices, summarize the IRSAC's work during 2020
9 by presenting some of our real-time feedback and
10 offering our recommendations to you, Commissioner, and
11 to the rest of the IRS leadership. Each year the IRSAC
12 builds on the prior years' efforts, which we
13 acknowledge and appreciate. Indeed, this year's report
14 begins with a summary of some of the 2019
15 recommendations and notably two 2018 recommendations
16 made by the IRSAC that have been implemented or are
17 currently being actively considered by the IRS.

18 This year, as I mentioned, subgroups and the full
19 IRSAC provided substantial real-time guidance to the
20 IRS both at the request of the IRS and on our own
21 initiative, sometimes in written form. Some of the

1 real-time feedback the IRSAC provided is reflected in
2 the appendices to our report.

3 During the course of the year, the IRSAC wrote two
4 letters related to COVID-19 relief, wrote comments
5 regarding capital reporting, and wrote to OPR Director
6 Fisk encouraging updates to Circular 230.

7 We also identified three issues as general report
8 issues. Our three general report issues are
9 thematically interconnected to each other and to issues
10 addressed in recent reports of the IRSAC. In the next
11 few minutes Ben will discuss the need for adequate
12 funding for the IRS over a sustained period, which is
13 clearly not something within the control of the IRS but
14 something we will recommend be a continuing request of
15 this Congress, the full funding necessary for all the
16 operations of the IRS. Sandy Macfarlane will discuss
17 opportunities to expand the e-File and online
18 application process, and I will briefly discuss the
19 expectation that the Taxpayer First Act inform IRS
20 operations.

21 Each subgroup will present one topic now and

1 additional topics after the short break.

2 The Taxpayer First Act is, in the view of the
3 IRSAC, a welcome recognition by Congress of the value
4 of the IRS as a bedrock institution, and of IRS
5 employees as stewards of the IRS mission to provide
6 American taxpayers top-quality service by helping them
7 understand and meet their tax responsibilities and
8 enforce the law with integrity and fairness to all.

9 As we note in our report, the Taxpayer First Act
10 office, a separate, dedicated office the IRS under this
11 Commissioner created to achieve the objectives of the
12 TFA, is a tangible commitment by the IRS to provide
13 focus and support as the entire organization works to
14 achieve the goals of the TFA.

15 Along with many other stakeholders, the IRSAC
16 provided feedback, both general and specific, during
17 the year, much of which the Taxpayer First Act office
18 has already considered, and some of which, as I
19 mentioned before, during the coronavirus pandemic the
20 IRS demonstrated can be implemented far more quickly,
21 efficiently, and securely than anticipated.

1 Throughout the 2020 IRSAC report, the IRSAC
2 reiterates some of its prior feedback and also provides
3 recommendations which we believe will improve customer
4 service, improve IRS employee morale, increase IRS
5 efficiency, increase voluntary compliance, and improve
6 overall tax administration.

7 The IRSAC recognizes that implementing the
8 objectives of the Taxpayer First Act will require
9 additional, consistent, multi-year funding from
10 Congress.

11 I will turn the microphone over to Ben to discuss
12 that issue.

13 MR. DENEKA: Thank you, Diana.

14 Again, I'm Ben Deneka, Vice Chair of IRSAC, and I
15 will be addressing the issue number 1 in our general
16 report titled "Inadequate Funding of the IRS is a
17 Fundamental Risk to Tax Administration in the United
18 States."

19 We refer to it as fundamental because the risk of
20 an inadequate budget underpins each of the IRS'
21 enterprise risks, and any of those risks in turn impact

1 the IRS' ability to fulfill its mission to help
2 America's taxpayers understand and meet their tax
3 responsibilities.

4 Those tax responsibilities are the collections
5 that fund over 80 percent of Federal Government
6 spending, and thus the IRSAC believes that adequate
7 funding over a sustained period is critical to
8 effectively staff the agency, to successfully modernize
9 the IRS' information technology systems, and to provide
10 top-quality service and adequate enforcement of Federal
11 tax laws and regulations.

12 Despite the fundamental risk inadequate funding
13 poses, appropriations for the IRS have decreased
14 roughly 20 percent on an inflation-adjusted basis over
15 the last decade, from \$12.1 billion in 2010, which
16 would roughly equal \$13.3 billion today, to \$11.5
17 billion in 2020.

18 Over the same period of time, the IRS' scope of
19 work has increased. The IRS' core responsibility to
20 administer the nation's tax system continues to grow as
21 the tax base grows. Gross collections have increased

1 from \$1.9 trillion in 2010 to over \$3.1 trillion in
2 2019, and the IRS has also processed over 250 million
3 returns in 2019, 9 percent more than they processed in
4 2010.

5 The IRS is also currently executing the largest
6 tax reform in 30 years with the Tax Cuts and Jobs Act
7 and Taxpayer First Act, all while implementing a six-
8 year IT modernization plan.

9 In addition to its core responsibilities, the IRS
10 has been mandated additional duties such as
11 administration of significant portions of the ACA,
12 FATCA, the ABLE Act, and the Health Coverage Tax
13 Credit; and, more recently, coronavirus economic-
14 related relief, including the delivery of over 160
15 million Economic Impact Payments to American citizens.

16 I'd like to echo Diana's sentiments for the
17 commendable and selfless effort from the IRS workforce
18 to administer relief to our nation's citizens. Thank
19 you, Commissioner, to you and to your leadership team
20 and the boots on the ground, and everyone in-between,
21 for the countless hours you've worked and put in during

1 an immensely stressful time. Your service is greatly
2 appreciated.

3 It should be noted that the IRS is executing an
4 increased scope of work with fewer personnel compared
5 to 10 years ago. Seventy percent of the IRS' budget is
6 attributed to labor costs. So as appropriations
7 decline, the IRS had no choice but to absorb much of
8 the decline through a reduction in its workforce,
9 including a hiring freeze instituted in 2011, limited
10 attrition replacement, and seasonal workforce
11 adjustments.

12 With regard to the hiring freeze, Commissioner
13 Rettig himself has commented that the IRS essentially
14 lost an entire generation of employees. Their
15 inability to hire during this eight years resulted in
16 less than 3 percent of the IRS workforce being under
17 age 30, and the imbalance in capital resources is
18 compounded by the fact that 29 percent of full-time
19 permanent staff will be retirement eligible by 2022.

20 To summarize, IRSAC believes adequate and
21 consistent funding is critical to protecting the

1 integrity of the tax system by balancing modern
2 taxpayer services with appropriate enforcement of
3 Federal tax laws and regulations. We believe Congress
4 recognized the importance of appropriate levels of
5 service and enforcement when it enacted the Taxpayer
6 First Act. Adequate funding is paramount to enabling
7 the IRS to implement the largest changes to Federal tax
8 administration in decades, as well as the directives
9 set forth by the administration and Congress.

10 The IRSAC has addressed the critical need to
11 provide the IRS with adequate and reliable funds as its
12 number-one issue for the prior four reports, and the
13 2020 IRSAC believes that current funding levels are \$1
14 billion to \$2 billion below the level adequate to
15 achieve the goals necessary to protect the integrity of
16 the tax system.

17 With that in mind, the IRSAC made five
18 recommendations, primary of which the IRS should
19 advocate for funding at a level no lower than the
20 Fiscal Year 2010 aggregate budget benchmark adjusted
21 for inflation, or \$14.3 billion, or at a minimum level

1 that will provide for a net increase in staffing on a
2 sustained yearly basis.

3 In the interest of time, I will refer you to the
4 report for the full gamut of recommendations and yield
5 the floor to Sandy Macfarlane for the next general
6 report issue.

7 DIGITAL SERVICES SUBGROUP REPORT OVERVIEW

8 MR. MACFARLANE: Good morning. This is Sandy
9 Macfarlane. I am the Vice President and General Tax
10 Counsel at Chevron Corporation, and I am the Chair of
11 the subgroup, the Large Business and International
12 section of the IRS.

13 I wanted to talk a little bit about our
14 recommendation on opportunities to expand the e-filing
15 and online application process. We have all been
16 through a lot this year with the pandemic, and I think
17 we've all had to learn some new tricks. I think one of
18 the things that we've all learned is that digital is an
19 important lifeline to be able to continue to operate
20 and to carry on the important work that we do.

21 So in that vein, the IRS has been expanding

1 greatly its digital filing offerings, most recently
2 with the 1040X, the individual amended returns, but
3 there still remain many, many forms which cannot be
4 filed digitally.

5 And what our committee is recommending is that the
6 process of allowing digital filing and communication
7 with the IRS through digital means should be
8 accelerated and expanded beyond the pace that we have
9 been having. There are several advantages to this.
10 One is that it improves the taxpayer's experience. It
11 also makes tax administration more efficient, and
12 finally it provides usable data to guide IRS efforts.

13 In the taxpayer experience category, there are
14 several pieces which are very important. One is that
15 it provides an electronic record of your filing and a
16 receipt. So the issue of whether things have been
17 received is much clearer than things sent through the
18 mail. It eliminates the need for phone chasing down
19 inquiries and the status of returns and other filings.
20 It reduces the time to process requests, inquiries,
21 selections. And it also allows a taxpayer to file from

1 anywhere they have an Internet connection, so you're
2 not limited to being in one location.

3 Electronic filing also has significant benefits
4 for tax administration. Data which comes in on paper
5 forms have to be keyed in. This creates the
6 possibility for errors. If things come in digitally,
7 then the errors don't happen because there's no
8 transmission from one mode to another.

9 It allows for automated handling of the data. It
10 allows data to be handled 24/7. You're not limited to
11 the time that people are actually sitting in the
12 office. You can save money on processing.

13 It also frees up people from handling paper,
14 opening envelopes, keying in data, to be deployed to
15 other activities to help taxpayers and to help tax
16 administration, which could be more productive. It
17 avoids the need for paper storage, and it avoids some
18 of the issues that we faced this year about concerns
19 about people handling physical mail with COVID-19 or
20 other risks that there may be.

21 Finally, digital filing is an aid to the IRS and

1 their mission in that it can help guide their efforts.
2 With digital information, you're much more able to see
3 what the trends are in tax administration, to identify
4 areas where there is a problem with compliance, and to
5 address that. One of the ways you can do that is to
6 identify the individuals or businesses that should be
7 examined in a more strategic fashion. It also provides
8 an opportunity to find out whether there are areas of
9 non-compliance which may require more guidance or other
10 clarity for the taxpayers.

11 So for all those reasons, we ask you to expand and
12 accelerate the digital filing as soon as possible.

13 I will say that I went out to the IRSAC committee
14 and asked which forms we should prioritize, and you'll
15 see in the report that we have a huge long list of
16 forms, and that's because everybody wants digital,
17 whether you're an estate tax practitioner, whether
18 you're an individual tax preparer, whether you're a
19 corporation. Everybody would prefer to file digitally
20 because of all the advantages we talked about here. So
21 there's a long list there, and we also found, in

1 talking to our IRS counterparts, they were also anxious
2 to have the information available digitally as well.

3 So there's a lot of demand for this, and I think
4 when the IRS sets priorities, you can't obviously do
5 all of this on day 1, snap your fingers and make it
6 happen, but you should keep in mind that it's not just
7 a matter of how many returns are filed but there are
8 other reasons why you may prioritize some forms.
9 Information may be important. You may have a few
10 taxpayers, but there may be a lot of money involved in
11 something. So take a holistic look at what the
12 priorities should be and accelerate everything.

13 I realize this is not a new concept. The IRS has
14 been working on this for years. It's part of the IRS
15 modernization plan. The Taxpayer Advocate has been an
16 advocate for increased digitalization. We know we're
17 not providing a new insight, but we want to add our
18 voice to the chorus of the others that feel that this
19 is really an important thing and that the pandemic has
20 really brought that home.

21 So that is our recommendation.

1 With that, let me take you into our LB&I report.

2 LARGE BUSINESS AND INTERNATIONAL SUBGROUP REPORT

3 OVERVIEW

4 MR. MACFARLANE: Let me just acknowledge the folks
5 that have been part of the LB&I group who are a
6 terrific bunch with a lot of talent and a lot of
7 experience in the tax area.

8 We've had Martin Bentsen, who is with FIS Wall
9 Street Concepts in New York; Alexandra Cruz, who is
10 with Ernst & Young, also in New York; Diana Erbsen, who
11 was on earlier, a partner at DLA Piper; Robert Howren,
12 head of tax for BlueLinx Corporation in Atlanta;
13 Sanford Kelsey, who works for Norfolk Southern in
14 Atlanta; myself; Joe Novak, who is the Vice President
15 for Taxes for Abbott in the Chicago area; and Katie
16 Sunderland, who is an Assistant General Tax Counsel for
17 Tax Law at the Investment Company Institute.

18 This group has focused on issues relating to LB&I.
19 We have made a number of recommendations. One of them
20 includes providing an online guide to the tax dispute
21 resolution programs. There are many of them available

1 to taxpayers in the IRS. We also have recommendations
2 on information reporting, and we have recommendations
3 where we think that more guidance is needed in the
4 information reporting area. Those will all be covered
5 in the second part of this meeting.

6 Right now, I'd like to turn it over to Joe Novak.
7 Joe is going to talk about a recommendation that we're
8 making to institute an early exam program.

9 So, Joe, why don't you take over?

10 MR. NOVAK: Sure. Can you hear me okay, Sandy?

11 MR. MACFARLANE: Yes.

12 MR. NOVAK: Great. So, the IRSAC has recommended
13 that LB&I consider adopting a new program based on the
14 current compliance assurance process, the CAP program.
15 to allow more complex for multinational taxpayers to
16 qualify under the CAP-like rules so we're proposing
17 here to build off the success of the CAP program while
18 recognizing that CAP can be challenging for some
19 taxpayers.

20 We're calling this new program the Early Exam
21 Program, or EEP. The EEP proposal focuses on two areas

1 of improvement, the first being the timeline for
2 disclosures. Many multinational taxpayers and their
3 IRS teams, despite earnest attempts to collaborate,
4 struggle with the disclosure process. Currently, this
5 disclosure process is a quarterly process where
6 materials are submitted throughout the quarter to
7 support tax events in the quarter.

8 The EEP would propose to eliminate the interim
9 reporting feature of the current CAP program and
10 instead require that a taxpayer provide disclosures
11 based on actual information after the relevant tax year
12 has closed. This deferral of the taxpayer information
13 would naturally shift the timeline for resolving a
14 case, as well.

15 We think this proposal is helpful for a few
16 reasons. One, the interworkings of the TCJA provisions
17 for a given company -- I'm talking here about the
18 GILTI, BEAT, FDII, 163j rules -- those are all annual
19 calcs. A quarterly view of complex international
20 taxpayers can raise many issues on a quarterly basis
21 that might be totally moot by the end of the year.

1 Secondly, we think it's much more efficient for
2 the taxpayer and IRS to deal with complexity with
3 actual numbers versus estimates.

4 And third, we think it's a mistake to cull good
5 but admittedly complex taxpayers simply because they
6 are not well suited for the narrow timing rules of the
7 CAP program. As these taxpayers are likely the best
8 source of emerging issues, we all know that harvesting
9 emerging issues is one of the most important stated
10 goals of the CAP program.

11 So the EEP is different from CAP in that it does
12 not aim to agree on all issues before the return is
13 filed, but it would borrow from the legacy CAP
14 processes to preserve the deal here, that the taxpayers
15 get currency via an expedited exam timeline, but the
16 IRS gets more efficient resource utilization via robust
17 taxpayer collaboration.

18 The second area of focus is on the acceptance
19 process into the program. Candidly, IRSAC believes
20 that the IRS has the most leverage over taxpayers'
21 collaboration before a taxpayer is accepted into the

1 program. Accordingly, the EEP proposes to require a
2 sort of beauty pageant of the issues that the taxpayer
3 is willing to share and the timing that a taxpayer is
4 willing to adhere to before being admitted into the
5 program. The EEP lays out potential options for how
6 this could be calendarized in an effective but
7 practical way.

8 Finally, the proposal notes that there are
9 different viable flavors of the EEP, and IRSAC stands
10 ready to assist with the various implementation issues
11 that might arise. I will note that the EEP, while it
12 was inspired by the experiences of a few CAP taxpayers,
13 IRSAC was assisted by a panel of large taxpayers in
14 formulating this proposal. So we have good experience
15 to draw from, as needed.

16 That's a summary. I hope this and the overall
17 LB&I report will be helpful.

18 So with that, I think I'm turning it over to
19 Phyllis Jo Kubey, the Chair of the W&I Subgroup.

20 WAGE & INVESTMENT SUBGROUP REPORT OVERVIEW

21 MS. KUBEY: Thank you, Joe.

1 Good morning, everyone. I am Phyllis Jo Kubey, a
2 New York City-based Enrolled Agent offering tax
3 preparation, planning, and representation services, and
4 Chair of the Wage & Investment Subgroup. We appreciate
5 our IRSAC and IRS colleagues' flexibility, generosity,
6 and creativity as we developed our issues of Digital
7 Communications, Paperwork Reduction Act, Business
8 Identity Theft, Taxpayer Mailing Addresses, and
9 Employer Tax Forms and Information Reporting in a
10 virtual world.

11 The work of our Chair and Vice Chair, along with
12 our IRS liaisons, was nothing short of heroic. I'm
13 honored to introduce my W&I Subgroup colleagues:
14 Martin Armstrong, Vice President of Payroll Shared
15 Services for Charter Communications; Ben Deneka, who
16 you met before; Antonio Gonzalez, CPA and Co-Founder of
17 Sydel Corporation, an accounting and IT consulting firm
18 specializing in the financial services industry; Denise
19 Jackson, Vice President of Tax Preparer Development for
20 the State Employees' Credit Union in Raleigh, North
21 Carolina; Martin Rule, a CPA specializing in tax

1 management and payroll processing, with a focus on
2 electronic systems and information reporting; and Kevin
3 Valuet, Director of Payroll for ITS Enterprises.

4 Commissioner Rettig, our report issue number one,
5 taxpayer digital communications next steps and taxpayer
6 digital communications outbound notification, resonates
7 more strongly than ever in a world changed radically by
8 the novel coronavirus.

9 As we began our working sessions last January, no
10 one could have imagined what the coming months would
11 bring. With IRS service centers shut down and limits
12 on paper-based operations both in-bound and out-bound,
13 the need for more and better digital channels became
14 painfully apparent. Wage & Investment, heavily
15 involved with service center tax return and document
16 processing, as well as account management functions
17 spread among multiple physical locations, performed
18 laudably as they incorporated the security and
19 technology for transitioning their employees to a tele-
20 work environment.

21 The mail, however, continued to pile up. Even as

1 the service centers opened, there were restrictions for
2 social distancing and other employee safety measures.
3 IRS phone lines were inaccessible for a time while the
4 IRS provided hardware and software and trained its
5 workforce to work from home. What was once a strong
6 wish for digital solutions is now an urgent need.

7 Taxpayer digital communication, or TDC, will
8 enable taxpayers, the taxpayer professionals who assist
9 them, and the IRS to resolve issues more quickly and
10 efficiently. It will allow taxpayers and the IRS
11 timely verification that their communications are
12 received. Taxpayer digital communication out-bound
13 notification will allow the IRS to send taxpayer
14 letters and notices that do not by statute require
15 mailing.

16 Originally, the IRS asked us for assistance with
17 these as separate issues. TDC operates out of the
18 customer account services area, or CAS. TDC-ON
19 involved CARE, the customer assistance relationships
20 and education media and publications distribution area.

21 We decided to present them as one to emphasize the

1 importance of looking at both the taxpayer experience
2 and tax administration holistically. Both TDC and TDC-
3 ON increase access to service, improve customer
4 experience, and integrate IRS operations. TDC should
5 decrease the time needed to close taxpayer cases,
6 significantly lower communications costs, reduce
7 operational inefficiencies, and increase taxpayer
8 satisfaction.

9 TDC-ON will establish a framework where taxpayers
10 can view notices through their IRS online accounts,
11 reducing the utilization of U.S. Mail and increasing
12 the use of IRS online services. TDC could also be used
13 effectively as part of the Practitioner Priority
14 Service operation.

15 Both TDC and TDC-ON support the IRS modernization
16 business plan, the IRS customer service experience
17 delivery plan, the IRS Future State, and the IRS
18 strategic plan.

19 For TDC, the IRSAC recommends prioritizing
20 increased capability for document exchange; looking at
21 how the New York State Tax Department and other state

1 agencies use digital correspondence to support their
2 examinations; enhancing the capability for online chat
3 and secure messaging, particularly authenticated chat;
4 marketing to the tax professional community, including
5 volunteers; and incorporating TDC into the Practitioner
6 Priority Service.

7 For TDC-ON, the IRSAC recommends accelerating
8 efforts for plain language messaging; moving forward to
9 allow taxpayers the option to cease paper notices and
10 request push notifications via text or email; and
11 finally, developing applications to further engage
12 third-party designees and representatives to more
13 quickly resolve taxpayer issues.

14 And that concludes our W&I issues, and I hand this
15 over to my colleague, Pat Thompson.

16 SB/SE SUBGROUP REPORT OVERVIEW

17 MS. THOMPSON: Good morning, Commissioner Rettig,
18 IRS representatives, IRSAC members, members of the
19 media, and the general public. I'm Pat Thompson with
20 Piccerelli Gilstein Company, LLC.

21 The SB/SE subgroup of IRSAC had great

1 conversations with the IRS representatives of the SB/SE
2 division to develop topics of interest to promote their
3 strategic focus of addressing the tax gap, improving
4 customer service, improving business processes and
5 systems, reducing burden, and enhancing stakeholder
6 relations.

7 The subgroup members have diverse backgrounds,
8 which allowed us to provide feedback from many angles.
9 Our members are Ted Afield with Georgia State
10 University College of Law; Deborah Fox is with
11 Complyright, Inc.; Mas Kuwana with Uber; Kathleen Lach
12 with Saul Ewing Arnstein and Lehr; Emily Lindsay with
13 American University; Kelly Myers with Myers Consulting
14 Group, LLC; Robert Panoff, who is a tax attorney
15 specializing in tax litigation and compliance; Charles
16 Read with Get Payroll; Jeffrey Schneider with SFS Tax
17 and Accounting Services; and Mary Jo Werner with
18 Wipfli.

19 We'd like to present the topic of improving
20 telephone response time for the practitioner service
21 line. I'd like to introduce Mary Jo Werner, who will

1 present the topic.

2 MS. WERNER: Good morning, Commissioner, IRS
3 members, IRSAC members, and other distinguished guests.
4 Thank you for giving me this opportunity to present to
5 you part of the IRSAC public report on behalf of the
6 SB/SE. The issue I am reporting on is the telephone
7 call response time for the Practitioner Priority
8 Service line.

9 Allow me to introduce myself. My name is Mary Jo
10 Werner, and I represent the great State of Wisconsin.
11 Although you cannot see me, I am wearing attire that is
12 representing some notable parts of Wisconsin, a red
13 Wisconsin Badgers jersey, and Green Bay Packer
14 earrings. They are good luck charms as I wear them
15 during the games for good luck. Wisconsin is also
16 famous for making the most cheese in the country. Last
17 year we made over 2.5 billion pounds of cheese. I
18 would be wearing a cheesehead, but I only do that when
19 I attend a Green Bay Packers game. Right now, due to
20 COVID, I am preserving the cheese for next year's
21 games.

1 The Practitioner Priority Service line is a
2 telephone line dedicated to tax practitioners who
3 prepare tax returns and represent taxpayers before the
4 Internal Revenue Service. Due to the increased
5 complexity of tax return preparation, recent passage of
6 tax legislation, and questions regarding IRS collection
7 issues, the volume of calls to the Practitioner
8 Priority Service line, also called PPS, has increased
9 dramatically. This has resulted in very long wait
10 times, sometimes lasting over two hours.

11 Recently, PPS has an automated response that says
12 it is unable to respond to the call due to call volume,
13 and the phone call is disconnected altogether. To
14 expedite calls, the IRS has offered a menu of six items
15 when calling PPS. The IRSAC subcommittee asked to
16 review the number of calls for each menu option and to
17 look for ways to improve phone service. We looked at
18 phone call volumes during the 2019 year, and also 2020.
19 It was noted that call volumes increased 27 percent
20 during the first ten-and-a-half months of 2020 compared
21 to the same timeframe in 2019. The IRS fielded almost

1 3.2 million calls in the first ten-and-a-half months of
2 2019 with the PPS line. In the year 2020, they fielded
3 over 4 million calls in the first ten-and-a-half
4 months.

5 After analyzing information, we have 10
6 recommendations for the PPS line.

7 Number one, reallocate resources according to the
8 options that are most used, particularly option 2.
9 Consider removing option 1 as it currently is unused.

10 Number two, expand the menu options available to
11 directly connect practitioners with IRS customer
12 service representatives with experience in that menu
13 topic. Some menu items to consider: identity theft
14 verification and international tax matters.

15 Number three, increase the authority of IRS
16 customer service representatives to place accounts on
17 hold for a sufficient time while the IRS reviews and
18 responds to the issues raised. During the first months
19 of the pandemic the IRS was not opening mail, and this
20 delay is causing issues regarding collection activities
21 and notices to taxpayers. Additional hold times would

1 alleviate wrongful collection activity and reduce the
2 number of additional calls being made to the PPS.
3 Currently, customer service representatives are only
4 able to place accounts on hold for 30 days.

5 Number four, invest in enhancements to offer text
6 chat to tax practitioners. Expand options to securely
7 transmit documents to the IRS during these online text
8 chat sessions. Text chat is currently being piloted by
9 the IRS in other areas and experiencing success.

10 Number five, publish on the IRS website the best
11 dates and times to call PPS to avoid these long wait
12 times.

13 Number six, add an option for tax practitioners to
14 request a call back.

15 Number seven, allow IRS employees to call back a
16 tax practitioner who is disconnected and eliminate the
17 necessity for a tax practitioner to call and restart
18 the process from the beginning.

19 Number eight, work with outside stakeholders to
20 see what options are being used effectively to improve
21 communications in the tele-work environment, with the

1 goal of reducing call wait times and length of call.
2 Consider contacting companies which have demonstrated
3 exceptional expertise in customer service.

4 Number nine, review the telephone system
5 capability to handle increases in call volume. Why is
6 the PPS phone line hanging up on tax practitioners due
7 to call volume?

8 And number ten, enhance training for IRS customer
9 service representatives to improve the taxpayer
10 experience. A supervisor of the customer service
11 representative could provide feedback on possible
12 additional training for them.

13 Thank you for allowing me to provide this
14 information on behalf of IRSAC. I now transfer to
15 April Goff of TE/GE.

16 TE/GE SUBGROUP REPORT OVERVIEW

17 MS. GOFF: Thank you very much. Good morning,
18 Commissioner Rettig, IRS officials and liaisons, fellow
19 IRSAC members and representatives from the press, and
20 interested members of the public. The distinguished
21 and hardworking Tax Exempt and Government Entities

1 members for the 2019/2020 IRSAC year were as follows:
2 Michael Engle, the subgroup Chair, and he's a partner
3 at BKD, LLP in Kansas City. Unfortunately, Mr. Engle
4 is unwell today and unable to join us, which is really
5 very unfortunate because he did a phenomenal job
6 leading our group and deserves to be recognized because
7 he will be rolling off at the conclusion of this
8 meeting. We all want to thank him from the group for
9 his tireless leadership and service.

10 The other members of the TE/GE subgroup are as
11 follows: Sharon Brown, a partner at Barclay Damon,
12 LLP; Carol Lew, a shareholder of Stradling Yocca in
13 Newport Beach, California; Nancy Ruoff, Manager of
14 statewide payroll and collections for the State of
15 Kansas; Jean Swift, Tribal Leader in Connecticut;
16 Daniel Welytok, a shareholder in Von Briesen & Roper in
17 Milwaukee, Wisconsin; Charles Yovino, President of
18 Global HR GRC in Atlanta, Georgia; and I am April Goff,
19 a partner with the law firm of Perkins Coie in Dallas,
20 Texas.

21 I'm going to be presenting today our

1 recommendation that the IRS update Section 8 of Revenue
2 Procedure 2018-58 in order to provide necessary relief
3 to employee plan sponsors that are impacted by
4 emergencies such as this year's COVID-19 pandemic.

5 Throughout the country, we have all been forced to
6 rapidly adapt to a new reality this year, the
7 transition to dealing with COVID-19. Currently, over
8 11 million residents have tested positive to the novel
9 coronavirus, over 1 million in the last week alone, and
10 it has impacted every single aspect of our personal and
11 business lives.

12 I want to take a brief moment to specifically
13 commend the Herculean efforts of the TE/GE staff,
14 internally the Internal Revenue Service, and the Office
15 of Chief Counsel, in issuing a significant number of
16 notices to address a variety of issues in the employer
17 plan community. We specifically reference eight issue
18 notices in our annual report, and while that number is
19 significant in and of itself, it really doesn't convey
20 the tremendous effort of the IRS staff in dealing with
21 those compliance concerns while many of them were

1 dealing with significant technology restraints and
2 often subject to government shelter-in-place orders
3 themselves. The effort has been truly phenomenal.

4 Revenue Procedure 2018-58 provides that the IRS
5 may trigger automatic specified action via the issuance
6 of a notice in the event of a presidentially-declared
7 disaster zone. We request that the IRS clarify that
8 the revenue procedure would also apply in the event of
9 a declaration of a national emergency, as President
10 Trump did this year with respect to COVID-19, and
11 update the revenue procedure to include eight specific
12 pieces of relief, as follows.

13 First, to provide relief from the physical
14 presence requirement for participant elections related
15 to witnesses for plan participants or notaries,
16 including spousal consent, in order to facilitate the
17 timely payment of emergency-related distributions and
18 plan loans to qualified individuals or for any other
19 participant election that requires the signature of an
20 individual to be witnessed in the physical presence of
21 a plan participant or a notary; and implement an

1 alternative to a notarized form such as a video
2 attestation by the plan participant in situations where
3 a notary is not physically accessible to a plan
4 participant. Because of COVID, quite simply, a lot of
5 people are unable to get to a notary, or they're afraid
6 to do so if they think it may jeopardize their health,
7 and they need to be able to access the funds, if
8 necessary, in their retirement plan.

9 Second, we recommend that the revenue procedure be
10 updated to permit employee plan sponsors to utilize
11 electronic rather than written signatures for any plan
12 filing required during the extension period that is
13 permitted by any issued IRS notice.

14 Third, we would request to pause or to delay
15 automatically the commencement of any new employee plan
16 audit or examination during the pendency of an
17 extension period and allow employee plans that are
18 currently under audit to request either telephonic or
19 video hearings and meetings of IRS officials, or to
20 request a delay of said hearing if the telephonic or
21 video capabilities are limited by either the IRS or the

1 employee plan sponsor due to the emergency.

2 I will note that the IRS did a tremendous job of
3 doing that during the pendency of the COVID-19
4 pandemic, during the national emergency for this, but
5 we would like to make this an automatic portion of this
6 notice going forward.

7 Fourth, we would recommend that the IRS
8 automatically extend all deadlines applicable to
9 employee plan filings, including initial remedial
10 amendment period, determination letters and other
11 filings for the duration of the extension period.

12 Fifth, we take a compliance assistance approach to
13 enforcement during the pendency of a national
14 emergency, which may include extension of additional
15 break periods and other relief, where appropriate, for
16 the plan sponsors that are hardest hit by an emergency.

17 Sixth, increase permissibility and availability of
18 electronic communications with the practitioner
19 community in particular, in a manner that protects the
20 security of those transmissions, such as utilizing
21 secured file uploading, and we were providing flash

1 drives to agents. That would protect the information
2 for all parties.

3 Seventh, provide for electronic or alternative
4 methods for distributing necessary disclosures in the
5 event the mail systems are disrupted or experiencing
6 unreasonable delays, as we saw this year.

7 Eighth, develop a contingency plan to address
8 additional relief that may be necessary due to
9 infrastructure, Internet, or mail disruptions, or
10 situations that would cause taxpayers or, honestly, IRS
11 officials to be unable to leave their homes or,
12 alternatively, be forced to evacuate. Most
13 importantly, we would suggest that the IRS seek the
14 input from the employee benefits community on these
15 points.

16 There is a tremendous wealth of guidance and
17 advice from those of us who deal with these clients who
18 genuinely want to comply but are working through the
19 most difficult business year in recorded history. We
20 want to partner with the IRS, and the community wants
21 to partner. Together, I think we can make a better

1 case moving forward. Thank you.

2 At this time, I'm honored to turn it back over
3 directly to you, Commissioner Rettig.

4 RECOGNITION OF DEPARTING IRSAC MEMBERS

5 COMMISSIONER RETTIG: Thank you. With any luck,
6 you can hear me.

7 As I said and I'll reiterate and cover some
8 territory -- by the way, this is the quickest IRSAC
9 meeting so far that I've participated in, and this is
10 probably somewhere between being a member, being Chair,
11 and being Commissioner. I think this is about my 10th
12 meeting. So I'm very, very appreciative of the
13 difficulty of doing a presentation on such important
14 topics across the board and doing it quickly and
15 succinctly. So certainly for each of the presenters, a
16 tremendous job, great job.

17 Very brief insight into a couple of things, and
18 then we're going to make some comments about the folks
19 who are rotating off.

20 As far as digitalization of the agency, I think
21 we've come more in about eight months than we have I'll

1 say in more than 10 years. Like you on the outside, I
2 probably knocked on this door to get some type of
3 digitalization going in some part of the agency for
4 more than 20 years, really without much success, but
5 also without a degree of understanding of the real
6 risk-averseness of the agency itself.

7 There are always huge concerns from cyber threats,
8 from identity theft and related items. I think most of
9 you are aware that in the last statistic we released
10 for Fiscal Year 2019, we had about 1.6 billion
11 sophisticated cyber attacks on our systems. We average
12 more than 2.5 million a day.

13 COVID actually brought us to the point where
14 service-wide counsel is involved, IT is involved, the
15 (inaudible) is involved, to reevaluate the risks and
16 see if there are certain areas that we might not be
17 able to look at differently and open up certain lanes.
18 It may not feel like it on the outside, but I can tell
19 you on the inside the feeling is that we did a
20 tremendous job opening up when we could, where we
21 could, as quickly as we could.

1 Our IT folks are actually off the charts. The
2 ability for them to program and do work-arounds and to
3 have us poke at them and say that's not really what we
4 were talking about, can you go here, and in 48 hours or
5 24 hours they come back with some type of solution,
6 that might not be the solution I would have asked for
7 if I was on the outside.

8 There's a difference sometimes between wants and
9 needs. The agency sometimes has to look at it from a
10 needs perspective, and that delves into when we're
11 talking about priority. Our list of IT priorities will
12 outlive my great-grandchildren unless something else
13 happens. So typing in the concept where you open up
14 with respect to the funding, this is an agency that,
15 long before I was here and hopefully not much longer
16 after I'm gone -- by the way, I'm on a two-year term.
17 So for those of you staying around until November 12th,
18 2022 -- and when I say together, I mean together on
19 this journey trying to enhance the agency and all
20 interactions.

21 But when you look at where we are and where we're

1 headed and the ability of people here to shift, and
2 sort of getting to the wants and the needs, we do
3 balance ideas and priorities such as the cost involved,
4 can we do one big project or can we quickly deliver
5 eight or ten or more little projects, how can we
6 streamline them, can we merge them, and all of that
7 kind of thing.

8 We also look at the taxpayer base, and I think
9 nowhere more evident than in our distribution of
10 Economic Impact Payments where we looked at the base of
11 people we were trying to get payments out to. We can
12 do our position on that because essentially we have
13 electronic data. But if we deliver programs to Bureau
14 of Fiscal Services, and they're the ones who pull the
15 levers when there's going to be a direct deposit or if
16 there's going to be a paper check, they make the
17 decision with respect to debit cards, in the paper
18 check arena they can deliver between 5 and 7 million
19 paper checks per week because that's their excess
20 capacity, on top of other Federal benefits.

21 We were pretty much willing and able to go to a

1 much bigger number when we came out of the gate on
2 April 10, but we were limited to what we could do
3 electronically plus 5 to 7 million per week. So we
4 almost instantly, from March 27th and the CARES Act to
5 April 10th, delivered 81 million payments totaling well
6 over \$147 billion.

7 Using what we've learned in CARES Act and
8 particularly the EIP distribution and creating that
9 system and then running that system side-by-side with
10 our filing season, between refunds for filing season
11 and EIP payments that we have made we're just shy of
12 about \$600 billion, the IRS being responsible for
13 distributions to Americans truly throughout the world,
14 in record time. And importantly -- and this ties into
15 where I'm going with the electronic and digital part of
16 the IRS. Importantly, when we had issued 157 million
17 payments, TIGTA did a report saying that our accuracy
18 was about 98 percent.

19 We had to balance creating systems for people who
20 were already under water, if you will -- and I don't
21 mean that negatively. I mean buried under filing fees

1 and program, our IT and W&I folks. We had to create
2 and develop systems, develop work-arounds as quickly as
3 we could out into the economy. And if you look at the
4 panic that people had, people were losing their jobs.
5 They were afraid of a personal physical health issue,
6 and a lot of other things. And the ability to deliver
7 some type of benefit immediately, which the CARES Act
8 dictated for, to make delivery as rapid as possible, I
9 couldn't be more proud of the people at the Internal
10 Revenue Service and the folks that we work with on the
11 outside to help us deliver.

12 It's easy to say, yes, a person in Des Moines did
13 not get a payment. What you may not know is that
14 person in Des Moines, their income tax return, they
15 have fraud filter. It may be that they're the subject
16 of identity theft. There's a whole host of reasons why
17 certain things didn't happen. What might appear to be
18 smooth on the outside, I was raised to look at the
19 half-full glass, and in this case 98 percent full.

20 My ask of each of you, why I'm going into the EIP
21 scenario, is November 21 is the last day for folks who

1 don't otherwise have a filing obligation to come into
2 our non-filer portal. Talk it up in your community.
3 Try to assist wherever you can. We're more or less
4 down to what I refer to as the unsheltered individual.
5 We've interacted with more than 4,000 homeless shelters
6 around the country. But we're into the people that we
7 really have a difficult time identifying through our
8 normal channels.

9 We've contacted essentially every other Federal
10 agency and literally thousands and thousands of
11 organizations. We want to get these payments out. And
12 I think from the tax professional point of view, the
13 pride factor is helping us help others for game-changer
14 numbers, up to \$1,200 per person, \$500 for a qualifying
15 child.

16 So it does tie into -- and I get the tone and the
17 sense of digitizing the IRS. A lot of what we've been
18 able to pull together during this timeframe might have
19 had a label that said pilot project, right? That's
20 because of the work-arounds that we pulled together.
21 That should not imply that our electronic interactions

1 with folks are going to disappear if and when the COVID
2 scare disappears. They're not. If we've gotten to a
3 better place, I look at where we are now as a platform
4 and foundation for tax administration to move forward.

5 It will move forward in the virtual environment.
6 It will move forward in the electronic environment,
7 digitalization. There was a comment about chat box and
8 callbacks. Those have been pilot projects with us, and
9 you should look to those to greatly expand. You should
10 look for the development and expansion of a tax pro
11 online camp. A lot of these might come under the
12 Taxpayer First Act provisions. Certain things that we
13 can do sooner you will see us do sooner. I think
14 everybody here is driven now and they feel a degree of
15 momentum internally. You might not see any momentum
16 externally, but I can tell you that being on the
17 inside, I think most people feel that we have momentum,
18 and we're looking to capitalize on that.

19 Know that what we came through is exactly what
20 every other American came through. For those of you
21 who had difficulty interacting with and contacting the

1 Internal Revenue Service, that's all (inaudible) who
2 made decisions to shut down 511 facilities, send our
3 people home for health and safety reasons, a people-
4 first kind of concept. If I was in a firm on the
5 outside, I think I would have done exactly the same
6 thing.

7 Being with a Federal agency, we needed to balance
8 health and safety and the unknowns associated with
9 COVID with our responsibilities to each of you, to
10 every American, and to the country itself. We are
11 hugely proud, and if you look at the agenda today and
12 you see the top of it, those of you who were here two
13 years ago, you didn't see that top banner on anything
14 that came out of the Internal Revenue Service. We
15 started that about 18 months or so ago, to add the flag
16 and red, white and blue to all of our materials. We're
17 one of the few Federal agencies that was not in that
18 space.

19 What we're trying to do is to convey a message
20 about the importance of the IRS to the success of the
21 United States. That is to say, people want education,

1 they want infrastructure; what you're saying is you
2 want the IRS to be successful. All of you get it from
3 the personal time and effort you're putting into IRSAC
4 and outside of IRSAC, but when you come back and you
5 say that 96 percent of the gross revenue of the country
6 goes through the Internal Revenue Service, we make a
7 difference. Our people make a difference.

8 So when you see the flag -- and it's on everything
9 we have now. When you see the flag, we've given it to
10 our employees as you are part of the success of this
11 country; appreciate that and be proud of that fact, and
12 we hope other people recognize the importance of that
13 and want to come on board.

14 For many of you who know me personally, and I saw
15 a lot of very familiar faces, my view of the flag -- of
16 course, I was born and raised in this country. But my
17 view of the flag was enhanced, certainly, when I met my
18 wife and (inaudible) people who have had extreme
19 hardship in foreign countries and do all they can to
20 leave those countries. And then similarly, or at least
21 equally, I'm very proud to have a son who is active

1 duty United States Army. When I see him in his uniform
2 with the flag on his shoulder, you can't be a parent
3 and not get emotional when you see that, particularly
4 when you have a child who has deployed, and maybe he's
5 deploying early next year again, deployed twice before.

6 People used to say to me, how do you feel with
7 your son deploying? Well, you hope and pray nothing
8 happens to them, but you're hugely proud because you
9 have a child who gets it, who gets the importance of
10 carrying the flag into potential harm's way, with the
11 benefit oftentimes of people who don't know that he
12 even exists (inaudible).

13 At the IRS, we have a different version of that.
14 We're not the military, but we're supporting the
15 country, and our people work hard. Our IT folks work
16 seven days a week, 15 or 17 hours a day from March
17 through at least July, and we keep layering in
18 projects.

19 So I think we've got good momentum. I think we
20 have a good head start. Your projects are phenomenal.
21 Your topics are phenomenal. You've seen in the past,

1 those of you who have been around, how we use the IRSAC
2 reports as a foundation and a platform, whether we're
3 going up to the Hill or otherwise. So the language in
4 there and the tone in there becomes very important.

5 I think, obviously, I've only been here two years,
6 but I can certainly say that I feel we have very strong
7 bipartisan support for the importance of the Internal
8 Revenue Service, stepping into the challenge of the
9 CARES Act and maybe being called upon to do that again
10 either later this year or next year as legislation is
11 being talked about. And people say to me, will the IRS
12 be able to do another round of Economic Impact
13 Payments, and I don't even look away. I said yes. We
14 will handle every challenge that we are presented with,
15 and we will do so with extreme pride and double back to
16 the banner on the agenda because we're part of the
17 country, you're part of the country, and we really
18 support helping people who have difficulty, for
19 whatever reason, sometimes self-inflicted, sometimes
20 not. But they're all people, and they're people that a
21 great country like ours has the ability to help.

1 So getting us into certain zones, digitalization
2 and prioritizing things, we take that to heart and we
3 want to do more, and we want to do the best. Every
4 Commissioner before me has talked about funding, and
5 many have said we're going to do more with less, and
6 we're going to do less with less, and you've never
7 heard me say that this IRS is going to do less with
8 less.

9 This IRS wants to do more, and in my mind when I
10 say that is a call to Congress to provide us with
11 consistent, multi-year, adequate funding to do the
12 projects that every American deserves. These projects
13 are all in line with what you've laid out today. Can
14 we be better? Absolutely we can be better. But it's a
15 team project. It's not only on the shoulders, if you
16 will, of the Internal Revenue Service. It is in part
17 because we want to coordinate the effort. But it's on
18 the shoulders of literally every person and every
19 American.

20 The comment about the hiring freeze that the IRS
21 had between 2011 and 2018 has created obviously a huge

1 gap for the agency in terms of going forward, and then
2 you layer into that the fact that somewhere on the
3 order of about 35 percent of our employees are eligible
4 to retire within the next three to five years, that's a
5 staggering number when you're looking at a workforce of
6 80,000 employees spread throughout the world.

7 So I like to sort of help people understand, not
8 as an excuse for the challenges that we have, but to
9 understand the challenges that we have and the
10 importance of where we are.

11 One comment that came through yesterday, yesterday
12 was our high water mark for tele-working for the
13 agency, 59,000 employees tele-working at the same time.
14 We have capability for 85 percent of our folks to tele-
15 work. We did not have that capability in February. We
16 expanded that significantly, and particularly in
17 concepts like customer service representatives, the
18 folks on the phone. We didn't have the ability for
19 somebody to call in on the phone in January and
20 February, get translation services in more than 350
21 languages.

1 Excuse me. I have a little bit of a dry throat.
2 That's probably a hint from Terry telling me I'm over-
3 speaking, but I apologize for that.

4 We will get the chat bot. We will get the tax pro
5 lines. We will get to everything that you want, but we
6 need your assistance and the drum beat. Keep it going
7 and help us get to where we need to go.

8 Two points to close. The Taxpayer First Act,
9 embrace that, comment on it, critique it if you will.
10 That's the future path of the Internal Revenue Service.
11 That is the vehicle for us to get that.

12 The last comment I want to make, because it's
13 something that I didn't fully understand when I was on
14 the outside but I certainly do now, and I certainly do
15 under the guise of a pandemic. While everything was
16 going on, while we shut down our facilities, while I
17 was sending our people home, calling back our attaches
18 from foreign countries, we called back our attaches
19 with the concept of if our people are going to get
20 COVID, we'd rather them get COVID at home than in
21 another country.

1 While all that was going on, our country got hit
2 by a hurricane, wildfires and such. So very proudly,
3 our people in the IRS volunteered in terms of helping
4 FEMA with respect to the hurricanes and the wildfires,
5 and it should never go unnoticed that the IRS is much
6 more than a tax administration agency. We are a
7 significant part of this country.

8 In the last six years, the IRS has received more
9 than 1.3 million calls on behalf of FEMA from more than
10 9,000 IRS employees doing intake for people who lost
11 their homes or whatnot with respect to a natural
12 disaster. We take those people off the call lines. So
13 even as we were in the pandemic trying to bring people
14 back, we had to get ready to deploy as many as 3,000 of
15 our customer service representatives with the concept
16 of training them with the ability to move in to provide
17 assistance to FEMA in hurricanes. That was not a guns
18 or butter decision of what should we do here. That was
19 a we're people, we're people in this country, we're a
20 Federal agency, we can step into this challenge and
21 help others with the knowledge that each of you and

1 everyone on the outside would appreciate the efforts
2 that we're doing in that space with patience and
3 understanding.

4 So there's a lot behind the scenes, a lot that
5 people are not aware of, and since I've come on board
6 I've tried to make everybody aware of literally
7 everything. We're helping the best that we can to
8 continue to operate in a transparent space where we
9 can, and look for us to do that.

10 I'm hugely proud. And I think, if I am right,
11 we're going to go to recognizing the folks who are
12 rotating off. If I've over-spoken, I've never really
13 used the term "commissioner" unless I've gone over my
14 allotted time, and then I remind people that I'm
15 Commissioner to give myself an extra few minutes.

16 So, like you, I'm very proud to be on this journey
17 of tax administration for the country. I'm hugely
18 proud for your efforts, thankful for your efforts. The
19 IRS cannot do this alone, nor should it do it alone.
20 The IRS needs the viewpoint from all people that we
21 interact with, and we need the respect, the effort that

1 it takes in this situation for each of you to help
2 coordinate a 200-page report. And for that, I can't
3 say enough.

4 So unless I get a heads up, and I have no idea how
5 Mel or Terry would be giving me a heads up, so I'm just
6 going to roll with it. I'm just going to move into
7 recognizing, thanking, and appreciating the 13 folks
8 who are rotating off of IRSAC with an ask that if we
9 get back to a position where we get back into a travel
10 status, I've done a lot of outside conferences and have
11 visited many of our posts of duty, and if I get to your
12 town, shoot me a note. I would like to, in person, get
13 together with you and thank you for your efforts. I
14 know this is not an easy undertaking, and it got more
15 difficult in a virtual environment. So for that, feel
16 free, and it's my ask of you to reach out.

17 So, from the LB&I subgroup, rotating off is Martin
18 Bentsen, Sanford Kelsey. I was actually on IRSAC with
19 Sanford at an earlier point in time. He is certainly
20 one of my heroes. We had a lot of conversations on a
21 lot of different points. Sanford, when I saw your name

1 come up a couple of years ago, I was hugely proud.
2 Some people give more than others. That's maybe a bit
3 of a tease for those of you who are rotating off, and
4 if you want to know you can talk to Sanford.

5 Fred Murray, rotating off of LB&I. Fred is quite
6 a bit older than I am, but I have a lot of respect for
7 Fred. I've known Fred for a long time and consider
8 each of you a close friend. I only pick on the ones I
9 love, if you will.

10 Sandy Macfarlane rotating off as Chair. Sandy,
11 your comments and your thoughts in terms of priorities
12 and whatnot, greatly appreciated. It's clear to me
13 that you get it and that you understand the difficulty
14 of priorities and competing priorities. We have
15 competing priorities among our business operating
16 divisions, among folks on the outside. You see a lot
17 of requests come in from organizations on the outside,
18 and in isolation we want to look at it and say of
19 course the IRS should do this. It seems like a no-
20 brainer, and I have said things like that to folks on
21 the inside, and then they explain the difficulties

1 involved sometimes in some of these priorities. But I
2 very much can tell and appreciate the fact that you
3 really appreciated the difficulties but nevertheless
4 called for action, which I totally agree with. We need
5 to get there and, by the way, we want to get there.

6 From the SB/SE subgroup, Mas Kuwana, Emily
7 Lindsay, Charles Read, Jeffrey Schneider, and Chair Pat
8 Thompson. SB/SE is a sometimes compliance-challenged
9 taxpayer group. On the outside I represented a
10 tremendous amount of folks, taxpayers that might fall
11 in the SB/SE umbrella, looked at them the same way that
12 I look at them today, which is our responsibility to
13 get folks in compliance. But the other side of that is
14 our responsibility is to provide clear and timely
15 language and guidance. I read a comment the other day
16 that said only tax practitioners (inaudible) for
17 regulations, particularly when there are 700 agents.
18 And I thought, you know, you're exactly right, and
19 that's what we're trying to move from and into, that
20 type of guidance.

21 By the way, when I talk in terms of

1 digitalization, and you know we have a digitalization
2 office now for the first time, never ever let that be
3 interpreted to mean we're moving away from in-person
4 paper contacts with taxpayers. There are tens of
5 millions of people in this country who do not have
6 broadband and do not have a cellphone or a smart phone
7 or a laptop. They live in rural parts of the country.
8 And similarly, there are millions and millions of
9 people who are not comfortable in the English language.

10 It's our responsibility and truly our privilege to
11 serve and give the best service that we can to the
12 folks who might not be English speaking, who might not
13 have broadband, might be sight impaired, might be
14 hearing impaired, through to the most sophisticated
15 individual and corporate taxpayers on the planet. It's
16 our privilege to hopefully get into a position where we
17 can provide the type and level and degree of service
18 that they deserve. So I get your comments and I take
19 them to heart.

20 The TE/GE subgroup, rotating off is Jean Swift and
21 Mike Engle, the Chair. Sometimes the underserved part

1 of the (inaudible) from the IRS, but I'm sure you're
2 aware that Deputy Commissioner of Service and
3 Enforcement, Sunita Lough, was Commissioner of TE/GE,
4 and certainly under her term you are not underserved.
5 She's very understanding and protective, not just for
6 the TE/GE IRS organization, but the TE/GE taxpayer, if
7 you will, based on the outside.

8 I think I heard a comment about somebody from one
9 of the Indian Nations. We recently did a multi-lingual
10 summit on October 21. The first one was in June. And
11 I was thrilled to see that we had either three or four
12 participants from Indian Nations in that summit. All I
13 can tell you is I was thrilled. I am aware of an
14 Assistant U.S. Attorney who has devoted her life to
15 prosecuting criminal actions that occur on the
16 reservation, many with respect to disappearances and
17 whatnot of young women on the reservations. We can't
18 lose track and lose sight of the importance of every
19 person who is somehow affiliated with our country. So
20 I'm very thankful to have the Indian Nations stepping
21 in and calling out. For those of you who have

1 contacts, if they need me in any way, shape or form,
2 please reach out. I do not have a lot of interaction
3 on the outside, but I want to assist personally where
4 we can.

5 W&I subgroup, the Chair is rotating off, Phyllis
6 Jo Kubey. You have some of the most entertaining
7 commissioners in W&I that we have here. I'm sure you
8 learned a lot about certain places and eating habits
9 and certain types of places and whatnot. Again, we
10 probably see every personality trait in the book in our
11 80,000 employees, and I say that proudly that we do so.
12 And W&I interacts with more taxpayers than any other
13 single unit that we have. So the importance of us
14 really getting it right and providing proper service
15 can never be overstated.

16 Finally, and if not the best for last, I will
17 mention that your Chair, Diana Erbsen, I was not the
18 person who selected Diana as chair, but I am the person
19 who would select Diana to lead any organization on the
20 planet. She has, as those of you who have been in
21 IRSAC know, a pleasant and polite way of helping people

1 see the way that maybe they wouldn't have seen it
2 before. I respect Diana tremendously. I did respect
3 Diana a little more before the call because I thought I
4 would hear something that she would say that she was
5 impressed that I was participating in IRSAC on my
6 birthday. The fact that Diana forgot my birthday, I'll
7 just remember a little while.

8 To Diana and to each of you -- and I say this
9 personally -- I love you guys, right? I love each of
10 you. I get what we're asking you to do, and I also get
11 that you don't just jump into the wind and accept what
12 we think or what we say how something should be
13 modified. You give it your independent look and, more
14 often than not, that will be different or slightly
15 different than what we might have done on our own.
16 That's the journey I'm talking about being on together
17 to help tax administration.

18 So I really care about you. I'm very appreciative
19 of your efforts. Those of you who are rotating off, I
20 come back with the same thing, you're never off this
21 journey. You've already shown us that you care.

1 Continue to care. Continue to reach out as you see us
2 do things. Constructive criticism, provide that. When
3 you interact with our employees, I used to say a smile
4 or a nod, a letter or hopefully we'll get to where you
5 can all provide an email to our employees. It means a
6 lot to the people in Federal service, and they don't
7 accept much, and when they get anything, it gets
8 printed out and put up on the wall as sort of a pride
9 factor for them.

10 That's the level where you just say thank you, I
11 really appreciate what you did, or whatever. It's not
12 the result. It's the effort that our people give. We
13 can all agree to disagree on the result. So my last
14 call would be when you have the opportunity and if you
15 feel so inclined, let them know that you understand
16 what it is that they're doing on behalf of the rest of
17 us.

18 So with that, I'll close. I think I'm only two
19 minutes over. That's somewhat of a record, and I
20 appreciate it. Ben and Diana, I guess I'm talking
21 about you, and I see that we have a break. Normally

1 they don't show me a break after my presentation. We
2 can just use up that break and then go into the next
3 one.

4 I miss each of you. I miss the personal
5 interaction and sort of the hanging out. I'd give you
6 the invite to the virtual thing this afternoon or this
7 evening with you all. We left that up to Tom Culligan
8 to figure out and whatnot.

9 So for myself, on this journey, I've always told
10 all of you my wife is on this journey with me. After
11 we heard from her elderly parents in Los Angeles, she's
12 here in D.C., she's an important part for me and she
13 critiques me every time I come home on whatever we did.
14 But we're looking for you to do that for us, as well.
15 So, thank you very much. Those of you who are coming
16 on and staying on, I look forward to interacting with
17 you going forward. So I certainly thank all of you for
18 your assistance.

19 Back to Ben, I guess, Diana.

20 MS. ERBSEN: I'm going to say thank you and happy
21 birthday.

1 (Laughter.)

2 COMMISSIONER RETTIG: It's horrible when somebody
3 calls that out, isn't it? I mean, I normally tell you
4 what a cool guy I am, but it's so uncool when you tell
5 people you're cool. Please don't let her know, but
6 when I go home and tell her, oh, I told everybody it
7 was my birthday, she'll say you did not.

8 (Laughter.)

9 MS. ERBSEN: There is actually a red, white, and
10 blue IRSAC mask holder on its way to you made by Ellis'
11 granddaughter, 7-year-old granddaughter.

12 COMMISSIONER RETTIG: Wow.

13 MS. ERBSEN: I don't know if you were on the phone
14 when I mentioned that you had really set an
15 extraordinary tone at the top, and it was reflected in
16 everything the IRS did this year in addressing
17 adversity and showing how to create opportunity from
18 adversity. So, thank you so much.

19 COMMISSIONER RETTIG: Diana, in my mind people
20 will say, how would you describe your leadership style?
21 I say, well, really I don't have a leadership style. I

1 care about people. And in terms of some of the
2 activities that have happened, and certainly in the
3 world of diversity and inclusion and in the
4 underrepresented and historically underrepresented
5 communities, what I've really done there I think is
6 open the door. And our employees, when they recognize
7 he is giving us the reins to go and do what we always
8 wanted to do -- so I don't take credit for any of the
9 projects. The only thing is opening the door and
10 encouraging people to understand what we have the
11 ability to do far beyond tax administration.

12 The conflict I laid out in terms of the leasehold
13 we have now in Puerto Rico, that happened in my office,
14 in a discussion in my office when we were trying to
15 hire in a different city and we came up short, and I
16 said what about Puerto Rico? If you look at those
17 kinds of things for a Federal agency, we're building
18 real benefits to real people, and importantly
19 oftentimes to people who are struggling and don't see a
20 future.

21 Most of us don't have that in our background.

1 Most of us saw a future from kindergarten forward. We
2 somehow knew more or less what our forward plan was
3 going to be.

4 I also have the privilege of being married to
5 somebody who had her forward plan until age 11, and
6 then it just blew up around her, and she had to try to
7 survive, and it gave me insight, not that I would ever
8 be fully understanding of what she went through because
9 you can't if you didn't go through it, but it gave me
10 insight on how each of us can make a difference for
11 other people.

12 I have to admit to having the privilege of doing
13 that with the wrapper of tax administration and the
14 Internal Revenue Service because I would guess that I
15 have probably opened up more than most commissioners on
16 these kinds of requests, maybe gone out of the strict
17 (inaudible), if you will, with it. But I see where we
18 can make a difference, and I will tell you the number
19 of times that I've gone around the country and
20 interacted with people, it's unusual for us to do a
21 stop in a city where we don't receive an emotional

1 reaction. This is pre-COVID. We show up as people and
2 give them the understanding that we care about them as
3 people, so not taxpayer (inaudible) but into their eyes
4 and into their heart, and they feel the same for us.

5 When I talk about being privileged, I am
6 privileged for that. How many people have the ability
7 to walk into a room and see that you have just opened
8 somebody's eyes up to so much more than what they ever
9 had the opportunity before.

10 I could go on and on. What happens with me on
11 these trips happens with our leadership when they go
12 out. Our people care. All I've done is help open the
13 doors for them to let people know it's okay, you know?

14 I will say that, with respect to another agency
15 head not long ago who was in my office, I made the
16 comment that I love our employees. The person stopped,
17 turned around, and he said -- and he's interacted with
18 IRS commissioners going back, I'll say forever -- he
19 said that's the first time I've ever heard a
20 commissioner say they love the employees. I said, no,
21 I do. And he holds his hand up and says, I understand

1 that. And he says, you're different, you know?

2 I'm proud. We're all different. It's okay to
3 care about people. It's okay to love people. Put it
4 in a tax wrapper and make it better. If you make the
5 tax part better, we're a little bit enhancing the rest
6 of their world too. Tax isn't in isolation.

7 So now I've way over-spoken. Terry and Mel want
8 to have (inaudible) remote to my office. We keep the
9 door locked from the detail on the outside. But thank
10 you, and I do appreciate the kind comments, and it's
11 good to see you.

12 MS. ERBSEN: You too. Thank you so much.

13 We'll resume at 10:45 after a short break.

14 COMMISSIONER RETTIG: Be well.

15 MS. ERBSEN: Be well.

16 (Recess.)

17 MS. ERBSEN: Before I welcome LB&I Chair Sandy
18 Macfarlane, I want to just say thank you to everyone at
19 LB&I, particularly Commissioner Doug O'Donnell and
20 Deputy Commissioner Nikole Flax. That has been my
21 IRSAC home since I started. I was chair of the

1 subgroup last year, and it's been a pleasure working
2 with you and a pleasure working with Sandy and all the
3 subgroup members, and I'm very grateful for that
4 opportunity.

5 Now I will turn it over to Sandy Macfarlane to
6 introduce the subgroup and the recommendations. Thank
7 you.

8 LB&I SUBGROUP REPORT

9 MR. MACFARLANE: This is Sandy Macfarlane, Chair
10 of the subgroup for the LB&I group. We've had, I
11 think, a really great experience this year despite all
12 the tribulations of COVID. We've had a really good
13 ongoing dialogue with our counterparts at the IRS, and
14 I hope we've been able to create some suggestions, some
15 recommendations that will help in tax administration
16 and make the whole system work better for taxpayers and
17 for the IRS.

18 I want to particularly thank Doug O'Donnell,
19 Nikole Flax, and their other colleagues in LB&I --
20 Holly Paz, Robin Greenhouse, Elizabeth Askey, John
21 Hooks, Stephanie Burch, Kathy Patterson, and I probably

1 left out some others. We had a really good
2 conversation that's gone on, and we appreciate the time
3 and engagement that they have brought to the process.
4 I offer my thanks for that personally and also on
5 behalf of the group.

6 The group, which you're familiar with because
7 we've been meeting together throughout the year, let me
8 just quickly say is Martin Bentsen from FIS Wall Street
9 Concepts; Alexandra Cruz from Ernst & Young, Diana from
10 DLA Piper; Robert Howren from BlueLinx; Sanford Kelsey
11 with Norfolk Southern; myself; Joe Novak with Abbott;
12 and Katie Sunderland with ICI.

13 So, we came up with a number of recommendations as
14 a result of our work. The first was the exam program
15 which Joe went over in the earlier part of the meeting,
16 so we won't cover that again. But we do have some
17 others that we'll be covering now.

18 One is a cooperative project that we've done with
19 the LB&I folks, coming up with a recommendation for an
20 online guide to the various programs that are available
21 for dispute resolution, both pre- and post-filing, and

1 there are a number of them. We're going to have Robert
2 Howren present from that.

3 We're going to have Alexandra Cruz present on some
4 recommendations in the information reporting area. She
5 has three different recommendations there.

6 And then finally Martin Bentsen, who is going to
7 talk about information reporting where we need
8 additional guidance.

9 So with that, I will turn it over to Robert.

10 MR. HOWREN: Thanks, Sandy.

11 It's my pleasure to present today, talking about
12 different methodologies for IRS dispute resolution
13 programs.

14 Whether you're working for a private company or
15 you're a practitioner who deals with public companies,
16 there's a lot of different options available whether
17 you have yet to file your return or whether you filed
18 your return and now you're under audit. There are so
19 many programs that a lot of taxpayers are not fully
20 aware of every opportunity or every option there is out
21 there that's available to them to manage the

1 preparation of the tax return and/or the audit process.

2 Among the potential resolutions there's private
3 letter rulings, determination letters, pre-filing
4 agreement, advance pricing agreement, compliance
5 assurance process, issue resolution, accelerated issue
6 resolution, traditional appeal, fast-track mediation,
7 early referral to appeal, and the rapid appeal. So
8 there are a lot of different programs, some of which
9 are available prior to filing and some available after
10 filing.

11 In cooperation with LB&I, IRSAC worked together to
12 prepare a matrix that could be put out to the IRS
13 website that anybody can go out to and review and try
14 to figure out which is the best method for their
15 current situation. The matrix columns can provide the
16 resolution type program, which I just read out. The
17 next column talks about when to consider each of those
18 options. The next column talks about whether there are
19 user fees associated with that option or not. And the
20 final column provides more information and detail about
21 those particular programs or those particular options.

1 It's a very detailed, very organized matrix.

2 So it's our hope that this gets pushed out to the
3 website so that it would be available to be able to
4 utilize and evaluate, and I just want to thank
5 everybody at LB&I who worked on this and helped put
6 this together. It's been a pleasure working with you
7 all, and I'll turn it over to Alexandra Cruz to go over
8 the next portion.

9 MS. CRUZ: Hi. Thank you, Robert.

10 Good morning, everyone. As Sandy mentioned
11 before, I'm going to be speaking with respect to three
12 separate information reporting recommendations, with
13 the first asking the IRS to consider incorporating the
14 representation language required under the regulations
15 for the alternative withholding statement into the Form
16 W8-IMY.

17 The second recommendation is that the IRS consider
18 broadening the scope of its update to the QI and WT
19 agreements.

20 And lastly, a recommendation that the IRS consider
21 revising the proposed regulations for the modified lag

1 method.

2 Under the regulations, a withholding agent may
3 accept a non-qualified intermediary, or an NQI, an
4 alternative withholding statement to accompany the Form
5 W8-IMY to document the status of the entity, along with
6 its underlying (inaudible). The alternative
7 withholding statement is much easier to complete as it
8 does not require all the data elements a traditional
9 withholding statement requires. However, in order to
10 use the alternative withholding statement, it requires
11 that a representation be included, and without it makes
12 the alternative withholding statement invalid.

13 Practically, this can be operationally burdensome
14 for both the withholding agent and the NQI as it
15 necessitates additional follow-up for correcting
16 withholding statements to include this language and can
17 potentially result in over-withholding.

18 In order to alleviate this, the IRSAC recommends
19 that the IRS modify the regulation so that the
20 representation language may be integrated into the Form
21 W8-IMY as perhaps an additional checkbox that the NQI

1 can check off, as applicable.

2 Next, as updates are anticipated to be made by the
3 IRS with respect to the qualified intermediary and
4 withholding foreign partnership, withholding foreign
5 trust agreements to reflect recent updates made to Code
6 Section 1446 under the Tax Cuts and Jobs Act, we
7 respectfully ask that the IRS broaden the scope of its
8 anticipated updates to incorporate the previously
9 published FAQs, as well as the post-cure error
10 projection. Over 50 FAQs have been published on the
11 IRS website with respect to the QI and WP agreements,
12 and the IRSAC would like to thank the IRS for
13 publishing these FAQs, as it has been beneficial in
14 providing guidance beyond the agreements.

15 As these FAQs are published separately from the
16 agreements, it requires QIs and WPs to bridge the gap
17 between the agreement and the FAQs and could leave
18 those who are unaware of the FAQs without the most
19 recent guidance.

20 Additionally, the LB&I process unit published
21 guidance earlier this year with respect to projections

1 of under-withholding that can be performed on a post-
2 cure basis. However, the current QI and WP/WT
3 agreements do not reflect this standard. For avoiding
4 this doubt about which standard to apply, the IRSAC
5 recommends that the agreements reflect this updated
6 standard as set forth by the process unit.

7 Again, we would like to thank the IRS for
8 publishing this additional guidance and publicizing it
9 at various conferences. But in order to promote a
10 consistent approach, a consistent application of the
11 guidance, we urge that it be incorporated by the IRS
12 into the respective agreements.

13 And lastly, we have made recommendations with
14 respect to updates that the proposed lag method -- and
15 while it is an issue that does not lend itself to an
16 overview just because of the technical uniqueness of
17 it, the IRSAC asks that the IRS consider the
18 recommendations as set forth in the report.

19 Again, many thanks to the IRS for the guidance it
20 has provided, as well as its engagement on these
21 various issues.

1 And now I'd like to hand it over to Martin
2 Bentsen, who will close out the recommendations being
3 made by the subgroup.

4 MR. BENTSEN: Thank you, Alexandra.

5 I'll be speaking now on the need for some
6 clarifying guidance related to regulations that impact
7 tax information reporting.

8 The IRSAC is requesting the IRS to issue further
9 guidance on forms it deems most appropriate to aid
10 brokers and other financial institutions in fulfilling
11 their tax reporting obligations. We believe four
12 situations, three of which result from tracking cost
13 basis under Code 6045, and the fourth related to
14 nominee reporting of limited partnerships under Section
15 6031, require addressing.

16 As a result of the requirements under Section
17 6045, tracking basis and reporting it to account
18 holders on the Form 1099-B, paying agents in essence do
19 the work of a taxpayer in adjusting and calculating the
20 basis for the purpose of determining (inaudible). To
21 do so as accurately as possible, the IRSAC is

1 requesting additional guidance for the issue of the
2 market discount rules under Sections 1276 through 1278,
3 the treatment and disclosure of bond premiums in coal
4 situations under IRC Section 171, and the reporting of
5 final liquidating distributions as required by IRS
6 publications. Our report details these requests and
7 highlights some challenges that clarifying guidance
8 could mitigate.

9 As an example, in the case of final liquidating
10 distributions, we know the Code Section 6042 and 6043
11 delegates to the Treasury and IRS the manner of
12 reporting dividends in liquidating transactions.
13 Regulations specify the use of a Form 1099, but they do
14 not specifically require a 1099-DIV. However, the IRS
15 forms and publications do specify the use of the 1099-
16 DIV.

17 The IRS Publication 550 alerts taxpayers that they
18 will receive liquidating distributions on the 1099-DIV
19 and that they should not pay tax on such distributions
20 until they have recovered their basis in the security.
21 However, the 1099-DIV does not disclose basic

1 information. Since the final distribution is also made
2 on the 1099-DIV and not on the 1099-B, the taxpayer is
3 not provided the basis related to the distribution, and
4 this may lead to inaccurate tax return filings and an
5 adverse taxpayer experience.

6 To avoid this possible outcome, the IRSAC is
7 requesting guidance on whether a broker can use a Form
8 1099-B for final liquidating distributions without risk
9 of penalty. It is IRSAC's understanding that some
10 firms may already be reporting on a Form 1099-B to
11 provide their account holders with the best possible
12 information. IRSAC is requesting definitive guidance
13 as to full use of reporting final liquidating
14 distributions in a basis tracking reporting
15 environment.

16 Our non-basis-related request for guidance regards
17 the reporting of publicly traded MLP interests
18 delivered to third parties to satisfy a short sale. We
19 note that when the code section was introduced, the IRS
20 stated it was actively studying issues related to tax
21 treatment of short sales and partnership interests.

1 The IRSAC is seeking guidance on two specific issues
2 related to short sales.

3 Code Section 1058 establishes the treatment of
4 securities pursuant to stock loan arrangements. This
5 section is applicable to securities as defined in
6 Section 1236(c), which specifically defines security
7 types but does not include an MLP interest as a
8 security. So it's questionable whether IRC Code
9 Section 1058 is applicable. Without the application of
10 1058, the delivery of the shares from a marginal or
11 other third-party account would seem to constitute a
12 disposition subject to gain or loss recognition.

13 Additionally, the return of the MLP interest back
14 to the lender's account could be viewed as a new
15 acquisition. If so, then the nominee should be
16 reporting two partnerships of such changes in
17 ownership. This does not appear to be happening in
18 practice. In part, this may be a result of the
19 brokerage community's application of Regulation 1.6045-
20 2, which establishes a means of allocating shares that
21 have been loaned out for dividend payments and is

1 applicable to MLP interests. The regulation seems to
2 contemplate the ability to freely borrow and lend MLP
3 securities pursuant to Section 1058 despite the
4 definition of securities in that section. Clarifying
5 the treatment of an MLP interest and aligning these two
6 sections for such clarification will enhance the
7 taxpayer experience and provide reporting certainty for
8 nominees.

9 Finally, an additional complication in the short-
10 selling scenario arises for partnerships when issuing
11 K1s for their partners. Without treating the lender as
12 having disposed of the MLP position, an outstanding
13 number of standing MLP participation interests reported
14 by nominees will be inflated by the amount that have
15 been sold short, thereby potentially impacting K1
16 preparation. Providing guidance for these two related
17 issues will give nominee brokers much needed direction
18 in fulfilling their reporting obligations under Section
19 6031(c) and provide partnerships with clarity of K1
20 issuance when the MLP interests are sold short.

21 I thank you for this opportunity to speak.

1 MS. ERBSEN: Thank you very much.

2 I'm going to turn it over to Commissioner
3 O'Donnell and Deputy Commissioner Nikole Flax to make
4 some comments.

5 MR. O'DONNELL: Thank you, Diana. I do prefer
6 being called Doug. I suspect Nikole likes being called
7 Nikole as well, but I appreciate the respect of the
8 title. But I do like the informality of the first name
9 going forward.

10 Look, first off, I want to say thank you to Sandy.
11 Your leadership during this period has been exemplary.
12 You mentioned in your opening comments to the subgroup
13 report that the way this year played out with the
14 pandemic and the challenges that we've had, just
15 remaining on focus and being able to make the progress
16 that we have has been quite surprising, quite amazing,
17 and is a testament to your leadership, so thank you
18 very much for that.

19 Turning to the ideas and the suggestions that came
20 in, Joe talked earlier about the new proposal for an
21 exam, an early exam program kind of modeled on CAP but

1 a bit different. There are some really good concepts
2 in there we need to consider to see what we can do. As
3 we discussed in the run-up to the report, there are
4 some limitations on what we can do, but there's some
5 really good ideas in there, and we need to figure out
6 how to incorporate parts of them, so we have more work
7 to do in that space.

8 Regarding the dispute resolution programs, we
9 heard from Robert regarding the work that's being done
10 on the matrix. We expect that to be up potentially
11 later today, so a lot of good work has been done there.
12 I think it would be very helpful in making sure that
13 anyone, regardless of level of sophistication, who has
14 to deal with tax challenges that come about, whether
15 it's LB&I or anywhere else in the Service, they can go
16 and look at one spot that can help them understand what
17 the options are so that they're better able to respond
18 to what it is that we're doing.

19 I'll say now that Alexandra and Martin both
20 introduced us to topics this year and last year that
21 came about more frequently in the old Reporting

1 Advisory Committee. So our eyes were opened by a lot
2 of the challenges in that space. Some of them are
3 peripheral to what we do in LB&I, but some of them are
4 just in the middle of what we do.

5 For example, Alexandra was talking a good deal
6 about the W8s, the QI agreements, and the work we're
7 doing with the 1042-S. That's all in that sort of
8 foreign payment space where we have a lot of
9 challenges, Chapters 3 and 4 for withholding, and it's
10 been very helpful to get that input. Martin has opened
11 our eyes to a number of challenges that impact the
12 financial institutions we're responsible for dealing
13 with on the enforcement/compliance side but have less
14 insight into some of the challenges that he described.

15 So it's been very helpful for us to learn that,
16 and what I'd say to both of you is we appreciate your
17 input. Obviously, we'll be working with counsel to see
18 what is possible on some of these topics. So thank you
19 all very much for the work you've done.

20 Sandy, I want to say thank you for your
21 leadership. We did ask you to stay on an extra year.

1 I was really happy when you agreed. Of course, we had
2 no idea what this year would bring, but I think having
3 had you in the mix has been extremely helpful, really
4 do appreciate all that you and the team have done. I
5 feel like it's been a mutually supportive environment,
6 and for that I'd say thank you to you and to the entire
7 team. I really do appreciate all of the input, all of
8 the work, the great thinking, the great ideas, and look
9 forward to the ongoing work going forward, Diana. So
10 thank you all very much.

11 MR. MACFARLANE: Thank you, Doug.

12 MS. ERBSEN: Nikole? I'm taking advantage of the
13 first name. Nikole, are you there and did you want to
14 speak?

15 MS. FLAX: I'm here. I don't have anything to
16 add. I think Doug did a nice job. You guys know I'm
17 appreciative of all your help, so thank you.

18 MS. ERBSEN: Thank you so much. Thank you, Doug
19 and Nikole, very much, appreciate this.

20 I'll turn it over to W&I subgroup chair, Phyllis
21 Jo Kubey.

1 WAGE AND INVESTMENT SUBGROUP REPORT

2 MS. KUBEY: Thank you, Diana.

3 Good morning, I'll say formally, Commissioner
4 Corbin and Deputy Commissioner Alito. But I will
5 revert to the informal Ken and David and all attending
6 today.

7 The Wage and Investment subgroup enjoyed our
8 collaboration during a very unusual year. Our issues
9 embraced the themes of improving the taxpayer
10 experience with more efficient use of IRS resources;
11 reducing taxpayer burden in more ways than one; moving
12 taxpayers, tax professionals, and the IRS away from
13 paper and toward easier and more efficient digital
14 services while maintaining and increasing data security
15 and accessibility. We extend special thanks to our NPL
16 Liaison, Maria Jaramillo; our Wage and Investment
17 Liaisons, Johnny Beale and Cindy Jones; and all of our
18 IRS collaborators and subject-matter experts who are
19 too numerous to name.

20 We had a lot of calls outside of our regular
21 working sessions that advanced and enhanced our work on

1 this report, as well as giving a lot of real-time
2 feedback. One of our calls, initiated and ably led by
3 Martin Rule, is written up in the IRSAC report Appendix
4 F. And in that call we offered important feedback on
5 the Family First Coronavirus Response Act and the CARES
6 Act employer tax credits.

7 So I'm very pleased to introduce my W&I subgroup
8 colleagues: Martin Armstrong; Ben Deneka; Antonio
9 Gonzalez; Denise Jackson; Martin Rule; and Kevin
10 Valuet. And to thank our IRSAC colleagues Mary Jo
11 Werner and Sanford Kelsey for their invaluable
12 assistance with our business I.D. theft issue.

13 We presented Issue 1, Taxpayer Digital
14 Communications Next Steps and Taxpayer Digital
15 Communications Outbound Notification, earlier this
16 morning. Coming up, we have Antonio Gonzalez, who will
17 present Issue 2, Paperwork Reduction. Kevin Valuet
18 will present Issue 3, Reporting and Outreach on
19 Business Identity Theft. Denise Jackson will present
20 Issue 4, Promotion of the Taxpayers' Responsibility to
21 Update Their Current Mailing Address. And Martin

1 Armstrong will present Issue 5, Employer Tax Forms and
2 Information Reporting.

3 So, Antonio, I turn the mic over to you.

4 MR. GONZALEZ: Thank you, Phyllis.

5 I, too, would like to thank Commissioner Corbin
6 and Deputy Commissioner Alito for your leadership and
7 encouragement this year.

8 Let's start with the Paperwork Reduction Act, or
9 PRA, and the taxpayer burden associated with it. When
10 we received our initial list of topics, I must admit
11 the PRA topic was a bit of a head-scratcher for all of
12 us. We started our analysis by asking if we as tax
13 return filers ever thought of our return as information
14 collection requests, or ICRs, that are valuable to the
15 government. The answer was a resounding no. And we
16 also never considered the burden that might exist in a
17 world where we might not have tax forms and
18 publications.

19 The PRA was enacted in 1980 and designed to
20 simplify interactions between private business and
21 citizens and Federal agencies. With the IRS, the

1 objective was and still continues to be today to reduce
2 the burden on taxpayers by creating intuitive forms,
3 instructions, schedules, and other documents that can
4 easily be followed and completed. Traditionally, the
5 IRS calculated the burden imposed using factors like
6 number of lines on a form, number of respondents, but
7 technology and advanced metrics have made it possible
8 to enhance the formula to produce a more precise and
9 accurate measurement of both time and cost factors.

10 W&I Tax Forms and Publications, or TFP, requested
11 IRSAC assistance with the PRA, as suggested in a recent
12 GAO report, in particular to analyze the actual burden
13 in complying with the Internal Revenue Code and other
14 tax laws if there were no forms or associated
15 instructions, and also to study whether the IRS should
16 publicize the burden that could exist without forms and
17 instructions, a burden that essentially is imposed by
18 law.

19 In reality, the complexity and ever-changing
20 nature of the Code makes it nearly impossible for a
21 private business or citizen to comply with their tax

1 obligations. As it is, many taxpayers probably could
2 not complete their filing accurately without the
3 assistance of tax professionals and/or tax software.

4 IRSAC knows firsthand of the incredible efforts
5 that TFP goes through to create user-friendly forms
6 that provide all the necessary information to fulfill
7 the ICRs while ensuring the taxpayer burden is
8 minimized. As an Advisory Council member, over the
9 last few years that I've participated at least, we have
10 frequently had a chance to meet before the release or
11 update of a document, and we've provided feedback that
12 we've seen incorporated into the final product just a
13 few months later. We have provided in our report a few
14 recommendations based on conversations with TFP, some
15 of which are already in the works.

16 Number one, reconsider the concept of
17 administrative burden. The PRA applies only to actions
18 by agencies, not actions by Congress. In our view, it
19 is not necessarily the agency but rather the statutory
20 requirement that creates that administrative burden,
21 and in this context the IRS actually reduces the

1 administrative burden through the creation and release
2 of intuitive forms, instructions, publications, and
3 other guidance.

4 Number two, continuously improve the communication
5 of changes, additions, and deletions to forms and
6 publications, and highlight the mechanisms for feedback
7 to produce the very best product. This means
8 encouraging participation by making sure stakeholders
9 have both an easy way to access the documents and the
10 time to review and comment on them. To this end, IRSAC
11 recommends enhancing the draft forms page on the
12 IRS.gov site, as detailed in our report, for more
13 centralized feedback that is useful to the TFP group.

14 Number three, anticipate future business and
15 individual burden and the impact of technology to
16 reduce that burden. Currently, efforts to reduce
17 administrative burden rely on the use of static forms.
18 The IRSAC recommends considering the use of interactive
19 forms and instructions, including links to other
20 relevant guidance, that could assist in defining and
21 describing an item of income or deduction, and thereby

1 reducing burden drastically by having information at
2 your fingertips.

3 Overall, the IRSAC believes the IRS is innovating
4 the approach to measurement of both time and cost
5 factors so it more accurately reflects the burden or
6 reduction of burden. We look forward to seeing those
7 improvements over time. Thank you.

8 Now Kevin Valuet will discuss issue number three
9 on business identity theft reporting and outreach.

10 MR. VALUET: Thank you, Antonio, and good morning,
11 everyone.

12 Business Identity Theft is like Individual
13 Identity Theft but has fewer cases, much higher dollar
14 amounts involved, and affects a different variety of
15 tax forms. Both the 2014 IRSAC and 2015 TIGTA report
16 addressed business identity theft and provided
17 recommendations, including the truncating of EINs,
18 surrendering of EINs for out-of-service businesses, and
19 better information outreach and assistance surrounding
20 Business Identity Theft.

21 The 2018 TIGTA report indicated the IRS's efforts

1 showed an increase in identification and possible
2 business identity theft for theft-related tax returns
3 from 350 to 20,764 from 2015 to 2017. However, it was
4 recommended that further extension of processes for the
5 detection and prevention of business identity theft
6 were still needed.

7 A business themselves may recognize identity theft
8 before the IRS. They may receive notices from the IRS
9 indicating a tax return was already filed for that EIN,
10 thus indicating a possible identity theft situation.

11 It was interesting to find out while researching
12 the topic that perpetrators will even use false
13 demographic information to obtain business accounts in
14 the name of a business in a state for which that
15 business does not have an active account at that time.
16 This is one additional way businesses may recognize
17 identity theft before the IRS.

18 The IRS worked with the IRSAC to receive feedback
19 on Form 14039-B, Business Identity Theft Affidavit, so
20 that businesses can proactively notify the IRS of
21 possible business identity theft. Additional notices

1 may be sent by the IRS to the business to notify of
2 suspicious activity and/or business identity theft
3 investigation and resolution. However, these letters
4 are all sent to businesses through regular mail
5 channels.

6 Businesses, the tax practitioner community, and
7 the IRS would benefit from a secure digital exchange of
8 information to prevent, detect, and report more
9 business identity theft issues. The W&I subgroup
10 discussed with the IRS the importance of coordinating
11 information to state agencies to assist in identifying
12 possible business identity theft at the Federal level.
13 Currently, the State of Alabama shows information about
14 possible business identity theft cases at the state
15 level, allowing the IRS to respond with the appropriate
16 security measures.

17 We recommend the research, development, and
18 implementation of secure digital channels for business
19 identity theft-related correspondence between the IRS,
20 businesses, and tax practitioners. Explore additional
21 outreach opportunities with tax professional

1 organizations, IRS communications and liaisons,
2 business owners, and business-related associations,
3 including the SBA and Chambers of Commerce.

4 Partner with the payroll industry to identify
5 solutions and best practices as it relates to business
6 identity theft through information deterrence such as
7 Form W-2. This would include creating processes for
8 real-time comparison of Social Security Administration
9 and Form 941 data. Coordinate with other Federal and
10 state agencies to share information to identify and
11 respond to business identity theft cases more
12 efficiently.

13 I will now turn this over to Denise Jackson, who
14 will present issue number four, promotion of taxpayers'
15 responsibility to update their current mailing address.

16 MS. JACKSON: Thank you, Kevin.

17 So, we wanted to talk about the taxpayers updating
18 their current mailing address with the IRS, and as a
19 result of a recent TIGTA report for Fiscal Year 2018,
20 we found that 14.5 million pieces of mail were returned
21 to the IRS, and that cost somewhere around \$43 million.

1 It is unlikely that undeliverable mail is ever going to
2 be completely eliminated, and we also recognize that
3 any potential improvement is often met with budgetary,
4 staffing, and IT resourcing constraints.

5 The vast majority of taxpayers have only limited
6 interaction with the IRS during the year, and that's
7 when they file their tax returns. Although the IRS
8 does provide a variety of ways for taxpayers to update
9 their addresses with the onset of online billing and
10 electronic communications, physical address changes are
11 often unnecessary nowadays. And let's face it, when
12 you're moving, updating your address with the IRS just
13 is probably not going to make it to your to-do list.

14 The IRS does have a handful of automated methods
15 by which they are notified of address changes, but
16 those channels are often wrought with their own errors,
17 and that makes an appropriate and accurate update very
18 challenging for the IRS.

19 Until we are able to introduce an online portal
20 for taxpayers through the IRS website that can be used
21 to provide that address change information, we do have

1 a few ideas for the IRS to use to communicate that need
2 for taxpayers to update their mailing addresses.

3 First, we would recommend advertising, for lack of
4 a better word, on the IRS website. Use appropriate
5 signage or wording or any other form of attention-
6 getting announcement that's directed to a taxpayer who
7 has recently moved, and then provide information and
8 instructions from there.

9 We also recommend attempting to attain some
10 address change information from the Post Office in a
11 more timely manner. Currently, the Post Office will
12 forward your mail for up to a year after you have
13 provided the Post Office with information about your
14 address change, so it could be a year or longer before
15 the IRS receives notification of that change. If we
16 could be brought into the loop on who mail is being
17 forwarded for ahead of time, that could be helpful.

18 Additionally, if an address change notification is
19 provided to either a tax professional or a tax software
20 company by a client outside of filing season, that
21 entity could provide instructions to the taxpayer on

1 updating their address directly with the IRS. And we
2 could also consider allowing those entities to provide
3 that information directly to the IRS if that is not a
4 violation of Section 7216. And then if it is, we would
5 recommend seeking an exception to that for the stated
6 purpose.

7 We also would recommend requiring software
8 companies to use an address validation feature. So
9 rather than accepting whatever a taxpayer keys into the
10 software, they would be required to pick a known good
11 address from a list based on their entry, and do that
12 at the time of return preparation in the hopes that
13 that would reduce the number of incidences of
14 undeliverable mail in the first place.

15 Finally, if the IRS ever finds itself in the
16 position to have to do some sort of mass mailing again
17 in the future, such as with the Economic Impact
18 Payments from earlier this year, we would recommend
19 using that mailing to communicate to taxpayers the need
20 to update their address by simply inserting a mailer
21 into that that says did you receive this with a

1 forwarding sticker on the envelope, or have you moved
2 since the last time you filed your return, and then
3 providing instructions from there on updating the
4 address.

5 Again, ultimately we recommend advancing that
6 digital solution for taxpayers to be able to update
7 their address through the IRS website. But in the
8 meantime we feel like these targeted efforts could help
9 reduce the IRS exposure to returns and undeliverable
10 mail.

11 So now I'll turn it over to Martin Armstrong, who
12 is going to talk about our issue number five, which is
13 employer tax form and information reporting. Thank
14 you.

15 MR. ARMSTRONG: Thanks, Denise.

16 Our Wage & Investment issue number five,
17 employment tax forms, affect significant amount of
18 employers who pay wages under multiple legal entities
19 and at the same time seek to streamline and improve
20 their payroll withholding, reporting and payment of
21 employment taxes. These employers implement either an

1 Employer Payer Appointment of Agent Arrangement, also
2 referred to as a Common Pay Agent, or a Certified
3 Professional Employer Organization/Customer Employer
4 Agreement, also referred to as a CPEO.

5 Now, a Common Pay Agent or a CPEO arrangement
6 allows employers to appoint an agent to file employment
7 tax returns, initiate back-up withholding, and deposit
8 employment taxes on a consolidated basis for multiple
9 employer payer entities using the appointed agent's
10 Federal Identification Number. Employers who pay wages
11 under multiple legal entities often transfer and pay
12 employees between legal entities, and therefore must
13 issue employees a separate Form W-2 for each employer
14 entity for which wages were paid during the same
15 calendar year. Each entity must separately track an
16 employee's wages against a Social Security wage base
17 without regard to wages paid by other entities.

18 This required application of a shared Federal
19 Identification Number on multiple W-2s from separate
20 employer entities make it appear as though a single
21 employer has over-withheld Social Security tax within

1 the same calendar year. If an employee is paid in
2 excess of the annual Social Security wage base limit by
3 more than one employer, including employers who use the
4 same pay agent in the same calendar year, the employee
5 must apply for a refund via Form 1040 to recover the
6 over-withheld Social Security tax on their Form W-2.

7 With regard to granting a credit for excess Social
8 Security tax withheld, please note that the Internal
9 Revenue Manual provides guidance for auditing and
10 processing this credit, but this procedure is not
11 consistently applied. As a result, the IRS may deny
12 the credit for excess Social Security tax withheld
13 because it appears that the employee has a single
14 employer and must therefore seek a refund from the
15 employer.

16 These impacted employees often receive an
17 incorrect notification from the IRS or tax preparer, or
18 an alert from their tax filing software that their W-2s
19 have an over-withholding of Social Security tax that
20 must be refunded by the employer.

21 Ultimately, this burdens the employee to resolve

1 the issue, the employer to provide documentation
2 clarifying the issue, and the IRS to send notices and
3 expend human capital resources to review and eventually
4 process the taxpayer credit for excess Social Security
5 tax withheld.

6 To this end, we recommend that the IRS and the SSA
7 partner to create a checkbox on Form W-2 that could be
8 checked by employers who use an employer payer
9 appointment of agent or a CPEO reporting arrangement.
10 This W-2 checkbox would be recognized by the IRS, tax
11 preparers, and tax filing software as a W-2 with the
12 same Federal Identification Number as other W-2s issued
13 in the same calendar year and therefore eligible for a
14 taxpayer to receive their excess Social Security tax
15 withheld, as applicable. This W-2 checkbox would also
16 be recognized by state revenue and unemployment
17 agencies that would acknowledge that the W-2 recipient
18 may have a different employer and Federal
19 Identification Number that is not the Federal
20 Identification Number that is correctly reflected on
21 the agent Form W-2.

1 Lastly, we also recommend that an additional field
2 or box be created on Form W-2 to report and reflect the
3 actual common law employer's Federal Identification
4 Number that would serve to clarify both the employer
5 and the third-party agent. Being an employment tax
6 practitioner for over 35 years, I can personally attest
7 that these recommended changes will be fully embraced
8 by the payroll and employment tax community.

9 Thank you for your time. Now I'll turn it over to
10 our W&I Chair, Phyllis Jo Kubey.

11 MS. KUBEY: Thank you, Martin; and thank you to
12 all of our presenters and the entire subgroup. What a
13 great team.

14 Thank you, Commissioner Corbin and Deputy
15 Commissioner Alito, for your consideration of our
16 subgroup issues. We welcome your comments and
17 feedback.

18 MR. CORBIN: All right. Thank you, Phyllis, and
19 good morning, everyone.

20 I'm one of those individuals who is always
21 challenged by technology. So this is an interesting

1 mix for me of the video on the computer, but I'm
2 actually talking to my phone, which is over here, so a
3 little bit entertaining for me. Hopefully nothing will
4 fly by or distract me while I talk.

5 So again, good morning to everyone. For those of
6 you I have not met in person or virtually, I am Ken
7 Corbin, otherwise known as Ken, the Commissioner of the
8 Wage & Investment Division. It is indeed a pleasure
9 for me to speak with you this morning. I do wish we
10 were able to meet in person, but due to circumstances,
11 we all understand.

12 I do want to take a moment to thank Diana and Ben
13 and the entire IRSAC team for your report and for your
14 supportive words of IRS employees during this pandemic.
15 I can tell you that David and I take your words and
16 make sure that from our mail and file clerks and our
17 service centers that spend hours and hours at a desk
18 opening and extracting mail, to our analysts who are
19 sitting at home that work in our refund and identity
20 theft organization, going through mounds and mounds and
21 mounds of data to try and protect taxpayers, that we

1 take the words that you all share of encouragement and
2 make sure that they are aware and that they see these
3 words of encouragement.

4 Just the kindest words, them being able to see
5 themselves not only in the work that we do but also to
6 recognize that such an esteemed and important group as
7 the IRSAC recognizes and identifies those efforts just
8 means so much to them, and certainly means a lot to
9 David and I. And so we appreciate it.

10 I'm glad to have this opportunity to speak with
11 you all about all the great work you've accomplished
12 this past year under extraordinary circumstances in
13 support of the IRS, specifically the work we do in the
14 Wage & Investment Division, which of course is
15 supportive of everything the taxpayers experience.

16 I'd like to especially recognize the IRSAC W&I
17 Chair, Phyllis, and the great leadership you've
18 provided throughout this and last year as the subgroup
19 chair. Phyllis, thank you so much for the years of
20 service to the IRS, and particularly to W&I. Under
21 your leadership, this subgroup has been of tremendous

1 assistance to us, and you have assisted millions and
2 millions of taxpayers by advocating for issues and
3 giving that thoughtful, reflective pause to go through
4 the different topics, and to take time out of your very
5 busy schedule to make recommendations to the IRS and to
6 W&I. So, Phyllis, thank you, we appreciate you.

7 For 2020, the IRSAC worked on the following
8 issues, and we've talked about quite a few of them:
9 the taxpayer digital communications next steps and
10 outbound notifications; paperwork reduction, a very
11 interesting topic for you all to take a look at;
12 reporting and outreach of business identity theft; and
13 promotion of taxpayer responsibility to update their
14 current mailing address, just to name a few of the
15 things that you all had an opportunity to look at.

16 In addition to the work you did in those areas, we
17 also appreciate the additional work and related
18 recommendations provided in the area of telephone call
19 response times for Practitioner Priority Service line.
20 We think and take a great deal of time in Wage &
21 Investment as one of the leading service providers for

1 the IRS to think through what that experience is for
2 our customers, and that certainly includes the tax
3 practitioner community.

4 Between all of your efforts dedicated to these
5 issues, we have over 40 recommendations to evaluate for
6 possible implementation. We certainly appreciate the
7 extensive professional discussion, your perspectives,
8 and the open exchange of ideas as you evaluated these
9 issues. Your feedback has been invaluable, and we know
10 that these conversations will continue to help us
11 improve.

12 As always, you've given us some very thoughtful
13 recommendations in each of these areas to consider as
14 we continue to work together to improve both overall
15 taxpayer experience and taxpayer service we provide.

16 With that as background, let me talk about a few
17 of the recommendations and just provide some comments.

18 For the taxpayer digital communications, we
19 appreciate your recommendation to consider prioritizing
20 the capability for taxpayers to upload documents to
21 facilitate examinations and other IRS inquiries to

1 provide those valuable documents.

2 Also, as you recommended, we'll be looking into
3 increasing our marketing with the tax professional
4 community and expanding our communication efforts
5 throughout the volunteer communities because we know
6 that actually thinking about providing those outreach
7 opportunities to our volunteer communities that help
8 taxpayers not only work through things such as earned
9 income tax credit audits but also in tax preparation,
10 it's such a huge area that we need to focus on, so we
11 appreciate that recommendation.

12 With the reference to digital notices, TDC-ON, we
13 agree with the importance of incorporating enhancements
14 such as emphasizing time-sensitive dates on notices
15 that require taxpayer action to help preclude any
16 interest or penalty charges and further assessment
17 actions. So again, another excellent recommendation.

18 For the paperwork reduction issue, your
19 recommendation to reconsider the concept of
20 administrative burden will be pursued in our
21 discussions with Treasury and OMB. That was very

1 insightful. Again, I know that was one of the more
2 interesting topics this year, but just to have you all
3 dive into that and come back with that "a-ha!" moment
4 will really help energize us to talk with OMB and
5 Treasury about that, as well.

6 Your additional recommendations related to
7 encouraging participation by ensuring stakeholders have
8 an easy way to access the documents and to review and
9 comment on some of the good ones, and partnering with
10 online services to explore further enhancements with
11 the forms and pubs, again that is so true, and we found
12 that out in our many interactions with the different
13 things we've done, from the Tax Cuts and Jobs Act to
14 also some of the work we've done this year that's
15 related to the pandemic. This just reinforces the
16 importance of early and often, as we like to say, and
17 engagement with the community around how we can best
18 enact and implement new legislation.

19 For reporting and outreach of business identity
20 theft, we will continue to partner with tax
21 professionals to get the benefit and value of your

1 feedback and share initiatives such as the security
2 summit, outreach presentations, and news releases on
3 how to prevent the tax and report identity theft with
4 their clients.

5 We are also actively working with the Small
6 Business Administration, sharing best practices in this
7 area, and will look into the feasibility of adding
8 other business associations that you all recommended,
9 which was another great recommendation.

10 With regard to the recommendation to partner with
11 the payroll industry to develop best practices, IRS and
12 the payroll industry have partnered together to
13 establish the payroll industry security summit team
14 charged with exploring solutions and coordinating
15 efforts in the prevention, detection, and reporting of
16 business identity theft and fraudulent W-2 filings.

17 Also with the promotion of taxpayer responsibility
18 for updating their current mailing address, I mean,
19 this really became such a critical issue, particularly
20 during this year as we learned with the pandemic. In
21 this area we'll be working with our C&L partners, many

1 of whom are in our NPL organizations, looking at IRS
2 mass mailing situations for opportunities to include
3 language pertaining to address changes.

4 We are also working with the United States Postal
5 Service to implement the Taxpayer Correspondence
6 Delivery Tracking Project. It's always tough to say
7 all these things, the Taxpayer Correspondence Delivery
8 Tracking Project, which will provide the IRS more
9 current information regarding the status of notice
10 mail-outs, whether it's delivered, undelivered or
11 forwarded, and working with our Postal Service partners
12 for us to get better information when it comes to
13 mailing addresses.

14 And as you recommended, we are looking at
15 leveraging opportunities for tax preparers and tax
16 preparation software companies to determine what
17 actions they can take to encourage taxpayers to update
18 their addresses and look for those opportunities for
19 the exchange of information between those partners and
20 IRS so that we can be sure that we are providing the
21 simplest and most accurate way to be able to contact

1 taxpayers.

2 For the telephone call response times,
3 particularly for our Practitioner Priority Service
4 line, or PPS, we are pursuing the use of chat
5 capabilities. We expect this will take some of the
6 pressure off our telephone operations. But certainly
7 we know that the pilots for text and chat capability,
8 which has been piloted within the IRS, has been
9 successful in other areas, and we definitely can see
10 and appreciate that opportunity for that to work in
11 PPS.

12 With reference to the option of tax practitioners
13 to have that option for callback, what a tremendous
14 piece of technology that we are piloting currently
15 within the IRS, and the Taxpayer First Act also asks us
16 to take a look at that specifically. So we will
17 continue to expand those efforts for customer callback
18 capability this fiscal year. You'll see new product
19 lines added for that customer callback opportunity.
20 And we, of course, will look at the Practitioner
21 Priority Service for that opportunity. It will be a

1 better use of the tax professional's time and also will
2 cut down on that experience with that product line.

3 Again, I just want to commend IRSAC for the great
4 work you all have completed in 2020, the most unusual
5 year I think we've ever experienced, I've ever
6 experienced in the 30 years, 30-plus years -- showing
7 my age -- of tax administration. We look forward to
8 that continued partnership in 2021.

9 In addition to working the issues throughout the
10 year and preparing your recommendations for the annual
11 report, we especially appreciate your interest and
12 efforts in providing real-time assistance during this
13 year. Again, just that dialogue, when you all see an
14 issue, you say it. You see it, you say it. I can't
15 tell you how important that is for us to get it right.
16 We certainly don't want to continue to do something
17 that's harming taxpayers or practitioners, and when you
18 all have this open door to be able to come in and
19 connect with the right people in the agency so we can
20 make a real difference, you all have made such a
21 tremendous difference for us here at the IRS,

1 particularly in 2020.

2 And finally, again, I just want to thank Phyllis.
3 Phyllis, this won't be the last time we'll talk or see
4 each other virtually here on the screen. I look
5 forward to us being able to do this the right way and
6 really just expand our appreciation to you and everyone
7 on the team. I mean, this is just, to me, a great way
8 for not only taxpayers but for us all to partner
9 together in this ecosystem of tax administration.

10 So thank you to everyone on the team. I
11 appreciate you. We look forward to talking with you
12 all or seeing you all in person very soon. Thank you
13 for this opportunity.

14 MS. KUBEY: Thank you so much.

15 David, did you have anything that you wanted to
16 add?

17 MR. ALITO: Yes, I'll just add a couple of brief
18 comments. Ken and I, as well as all the people you get
19 to work with, we absolutely welcome your involvement
20 and your ideas. Maybe the best way I can think to say
21 it is that it's so clear that you care. It's the care

1 for the taxpayer, the care for us just comes across in
2 all the interactions that we do. All of you have
3 extremely busy lives, but you're taking time to help us
4 make a difference, and in turn make that difference for
5 the taxpayer.

6 When I look at our agency or all Federal agencies,
7 I can't think of one that gets all the resources that
8 they request or all the funding that they request, but
9 it doesn't stop us, and it doesn't stop you. What we
10 always appreciate is you look at longer-term solutions
11 as these are things we really want to build to, but at
12 the same time you look at here are some things that are
13 actionable that we can do right now. We would all love
14 that power to sometimes make big changes in the world
15 as fast as we can, but at the end of the day it's so
16 important that we make a difference.

17 Your recommendations to us, our working with you,
18 we have a lot of discussions internally, working
19 through this with you, as well as discussions with your
20 team, and it always goes down to how can we make that
21 difference. You know our runway, you know some of the

1 challenges we have for things that may take a longer
2 time, but you look at what can we do, what is some of
3 the outreach, what are some of the smaller tweaks we
4 can make that continue to make that difference, and
5 that's what our taxpayers see, just that constant
6 effort to better their interaction with us and make tax
7 compliance, filing taxes, working with the IRS a little
8 bit smoother in their world and make it a better
9 experience.

10 On behalf of Ken and I, we absolutely appreciate
11 all the efforts that you've done and working with you,
12 and we continue to look for more interactions with you
13 as we go forward.

14 MS. KUBEY: Well, thank you so much, David, and
15 thanks to everyone. It's been a pleasure to work with
16 you and so many of our W&I colleagues.

17 That concludes our Wage and Investment subgroup
18 report, and I'm pleased to introduce our SB/SE subgroup
19 chair, Pat Thompson.

20 SMALL BUSINESS/SELF-EMPLOYED SUBGROUP REPORT

21 MS. THOMPSON: Good morning, IRS representatives,

1 Commissioner Eric Hylton, Deputy Commissioner De Lon
2 Harris, and Deputy Commissioner Darren Guillot. The
3 IRSAC SB/SE subgroup appreciates the time the SB/SE
4 Division devoted to our subgroup to allow us to provide
5 feedback and recommendations to further the mission and
6 strategic focus of the SB/SE Division.

7 I want to thank the members of the SB/SE subgroup
8 and all IRSAC members for their time and commitment to
9 providing valuable feedback to the IRS on important
10 issues to promote the mission of the SB/SE Division.
11 It's been my pleasure working with all of you.

12 The subgroup members are Ted Afield, Deborah Fox,
13 Mas Kuwana, Kathleen Lach, Emily Lindsay, Kelly Myers,
14 Robert Panoff, Charles Read, Jeffrey Schneider, and
15 Mary Jo Werner.

16 The reports in the appendix reflect the real-time
17 feedback on the topics of excess withholding on Forms
18 1099 and tax capital reporting. TIGTA examined the tax
19 withholding on Forms 1099 and identified instances
20 where withholding exceeded the statutory withholding
21 rates. We provided IRS with ad hoc observations to

1 explain when a payer might report an amount of
2 withholding that exceeds the statutory rate.

3 First, the taxpayer can request the payer apply an
4 excess amount of withholding, as much as 100 percent,
5 as a vehicle to maximize withholding to avoid making
6 estimated tax payments.

7 Second, many payers' annual withholding processes
8 are subject to the risk of error and don't allow for
9 those errors to be corrected. The incorrect amounts
10 are then reported on a Form 1099.

11 And third, payers pursuing a voluntary disclosure
12 to report a withholding liability or self-disclosing a
13 withholding liability on Form 945 report the
14 withholding on Form 1099.

15 The conclusion was that we do not believe
16 widespread instances of fraud contributed to the
17 reporting of excess amounts of withholding on Form
18 1099.

19 IRSAC provided feedback on Notice 2020-43
20 regarding tax capital reporting and the impact of the
21 proposed elimination of the transactional approach in

1 meeting the proposed capital account reporting
2 requirement for partnerships and the impact of
3 establishing two new methods of calculating the tax
4 capital account. In its basic form, tax capital
5 measures the partners' investment in the partnership.
6 We focused on the impact of the proposed reporting
7 requirement of small partnerships and provided insights
8 on how administratively burdensome and costly it would
9 be for a partnership to switch from using the
10 transactional approach to either of the two proposed
11 methods.

12 If the transactional approach was to be
13 eliminated, we were requesting additional time to
14 implement the new reporting methodology. We identified
15 administrative reporting issues and complexities that
16 need to be addressed to transition to the proposed
17 reporting requirement. We suggested that the
18 transactional approach be an acceptable method in
19 calculating the tax capital account since many small
20 partnerships already use that method.

21 In October of 2020, IRS issued draft instructions

1 to the partnership tax return and Schedule K1,
2 providing the partners' tax capital account is using
3 the transactional approach, which was our
4 recommendation.

5 In addition, instructions appear to allow the
6 partnership additional time to convert the beginning
7 balance tax capital account by allowing that balance to
8 be reported on a different method for 2020 only. We
9 appreciate the IRS taking our concerns into
10 consideration for reporting tax capital using the
11 transactional approach and allowing additional time
12 beyond 2020 to comply with this new reporting
13 requirement.

14 Earlier this morning we reported to Commissioner
15 Rettig the topic of telephone call response times for
16 the Practitioner Priority Service line. I would like
17 to introduce Ted Afield, who will discuss engaging the
18 practitioner community to help improve tax compliance.

19 MR. AFIELD: Thank you, Pat, and good morning.

20 As Pat said, I will be reporting on the issue of
21 engaging the Practitioner community to help improve tax

1 compliance. As you can imagine, this is a potentially
2 large topic that could be addressed in a variety of
3 ways. The IRSAC elected to focus on this issue in two
4 primary areas, those being the gig economy and improved
5 taxpayer compliance for the taxpayers who speak English
6 as a second language.

7 The IRSAC chose these areas of focus because the
8 self-employed status of gig economy workers creates tax
9 compliance challenges which are made more acute for ESL
10 taxpayers, as evidenced by the fact that the self-
11 employment portion of the tax gap is now at roughly \$69
12 billion. The IRSAC makes the following
13 recommendations.

14 The first recommendation is that the IRS promote
15 the educational materials on its gig economy tax center
16 to businesses and community organizations to provide a
17 consistent message for those organizations to use in
18 their outreach programs.

19 The second recommendation is that the IRS expand
20 the use of the concept of pro bono settlement days to
21 utilize technology to hold these events virtually on a

1 regular basis throughout the year. The IRSAC also
2 recommends that the IRS expand these settlement days to
3 include days focused solely on IRS collections issues
4 in addition to the days that the IRS currently holds a
5 focus on cases pending in tax court.

6 The third recommendation is that the IRS expands
7 nationwide tax forums in two possible ways. The first
8 potential expansion could be the IRS could hold at
9 least one nationwide tax forum specifically designed to
10 include an agenda set by practitioners with the goal
11 that the agenda would be designed to provide feedback
12 to the IRS on issues that practitioners are seeing as a
13 current source of non-compliance. The second potential
14 expansion would involve the IRS conducting a virtual
15 nationwide tax forum specifically designed for
16 practitioners and taxpayers who speak English as a
17 second language and focusing on issues that are
18 particularly salient to those taxpayers.

19 The fourth recommendation is that the IRS consider
20 incentivizing more practitioners to engage in taxpayer
21 educational outreach and in representation for

1 underserved communities, such as through creating a
2 voluntary practitioner speakers bureau that would
3 include practitioners engaging in a prerequisite amount
4 of education to the public and/or pro bono
5 representation. Such a speakers bureau would serve as
6 a public recognition for practitioners who engage in
7 educational outreach to the public and take on a
8 certain amount of pro bono representation.

9 Finally, the IRSAC recommends that the IRS promote
10 the Hearing All Voices IRS panel discussions and
11 webinars with all external stakeholders. These can be
12 expanded to cover common mistakes made on tax returns,
13 including unreported income. In addition, this would
14 provide an opportunity to enhance relations between the
15 IRS and stakeholders by seeking stakeholder feedback
16 during the development process.

17 Thank you very much for your attention. Our next
18 speaker, Deborah Fox, is Director of Tax Solutions for
19 ComplyRight, a software provider for informational
20 returns, and Deborah will cover the 1099 portal.

21 MS. FOX: Thank you, Ted. Hopefully everybody can

1 hear me.

2 Good afternoon, IRSAC members, Division
3 Commissioners, Deputy Commissioners, and other guests.

4 In January, the SB/SE Division of the IRS asked
5 IRSAC for their input on the 1099 portal, and IRSAC
6 appreciated the invitation.

7 Section 2102 of the Taxpayer First Act requires
8 the IRS to set up a website or other electronic means
9 whereby taxpayers are able to prepare and file
10 informational returns, such as the new 1099-NEC.
11 Section 2301 seeks to increase the electronic filing by
12 authorizing the IRS to reduce the ceiling of the number
13 of forms which can be paper filed before being mandated
14 to electronic filing from 250 forms, as it stands
15 today, to 100 forms, and then 10 forms over several
16 years.

17 In our meeting in January, our subgroup provided
18 input and recommendations which we are glad to see that
19 the IRS has followed through on already. Our
20 recommendations include that the IRS collaborate with
21 external stakeholders outside of the IRS; that they

1 request additional feedback from taxpayers and
2 practitioners; that they look at the state and Social
3 Security Administration that have already implemented
4 electronic portals; and that they delay Section 2301
5 implementation until after the portal is available to
6 reduce the burden on small and medium businesses.

7 In addition, we recommended that the IRS
8 incorporate modern best practices into the development
9 of the portal to allow for easier expansion of the
10 portal's functionality. We also provided a prioritized
11 list of forms and features from both a small business
12 and practitioner perspective to assist the IRS in their
13 prioritization of functionality.

14 And now I'd like to hand it off to Mas Kuwana, who
15 will cover the next issue, identity theft.

16 MR. KUWANA: Thank you, Debbie.

17 Increasingly, identity theft is a concern for
18 taxpayers. The IRS has responded in making it a
19 priority. The IRS has rolled out a website with
20 resources and valuable information, and the IRS has
21 also provided taxpayers with a special PIN to safeguard

1 their identities and returns.

2 Unfortunately, identity theft is not limited to
3 the filing of fraudulent returns. Taxpayers can also
4 experience harm when their identity is used to
5 establish business accounts, such as those through
6 certain businesses to sell goods and services where
7 their identity is used to establish an account.

8 Income associated with those accounts may be
9 reported to a taxpayer on a 1099, and for that reason
10 the IRSAC recommends that the IRS continue its positive
11 momentum in this space and focus resources in aiding
12 these particular taxpayers. We have a few key
13 recommendations.

14 One, expand the online resources to address this
15 specific fact pattern as it relates to 1099s that may
16 be issued to these accounts and to these taxpayers.

17 Two, we want to include instructions in the 1099
18 to provide guidance to taxpayers who may be a victim of
19 identity theft.

20 Three, include additional identity theft-related
21 language in tax notices that are issued under the IRS'

1 automated underreporting program.

2 Four, we want to add a checkbox to the 1099 for
3 payers to indicate that the account may be associated
4 with a compromised or stolen identity.

5 Five, request legislation to provide for back-up
6 withholding from payments made to known bad actors or
7 to accounts that are known to be potentially associated
8 with a stolen identity.

9 Our report provides additional detail that might
10 be at the IRS, including proposed language and
11 additional context around this particular fact pattern.
12 And again, we hope that that will aid the IRS in taking
13 care of this issue.

14 We're now going to turn it over to Emily Lindsay,
15 who is going to talk about the Federal/state data
16 sharing program. And again, thank you. This is my
17 last IRSAC meeting, and I've appreciated the
18 opportunity to participate. Thank you. I'll pass it
19 over to Emily.

20 MS. LINDSAY: Thank you, Mas. Can I be heard?

21 MR. KUWANA: We can hear you, Emily.

1 MS. LINDSAY: Thank you, Mas. I appreciate it.

2 I have the pleasure today of reporting out on
3 IRSAC's recommendations regarding the IRS'
4 Federal/state data sharing program. The IRSAC met with
5 subject-matter experts on the Fed/state data sharing
6 program to identify areas where the IRS might
7 strengthen this compliance program's effectiveness.
8 The Fed/state program is focused on data sharing and
9 agency collaboration in supporting IRS business units.
10 The IRSAC commends the IRS for its efforts in
11 developing a robust and successful data sharing program
12 aimed at increasing tax compliance.

13 The Fed/state program provides an effective and
14 efficient vehicle for obtaining and sharing data with a
15 wide variety of Federal, state, and local agencies, all
16 to improve compliance efforts.

17 At the Federal level, the IRS shares data and
18 collaborates with organizations such as the Social
19 Security Administration, Departments of Labor, State,
20 Justice, Homeland Security, the Federal Trade
21 Commission, and many others.

1 At the state and local level, the IRS has worked
2 with a wide variety of organizations such as
3 Departments of Revenue, Attorneys General, Departments
4 of Motor Vehicles, Labor, Child Support Enforcement, et
5 cetera.

6 The IRS provides data exchanges and disclosures
7 under statutory authority, under strict need and use
8 criteria, and under written agreement. The level and
9 breadth of data sharing is very significant, and IRS
10 manages a repository of over 1,600 data exchange
11 agreements, with over 10 billion records shared in
12 2019.

13 A relatively new effort with the IRS data sharing
14 program is a Security Summit initiative that focuses on
15 reducing identity theft. This is a unique
16 public/private partnership between the IRS, state
17 taxing authorities, and private tax industry.

18 IRSAC has three recommendations, all of which
19 focus on ways to further enhance the IRS' Federal/state
20 data sharing program. Here we go.

21 IRSAC recommends that IRS, one, expand efforts in

1 this area and seek ways to increase resources devoted
2 to developing this program further.

3 Second, IRSAC recommends that IRS use technology
4 and modernization efforts to develop real-time data
5 exchanges to improve the usefulness of the Fed/state
6 data sharing program. The number of exchanges would
7 likely increase if data exchanges were real time.

8 And three, IRSAC recommends that the IRS increase
9 promotion of the program within IRS operating
10 divisions. Obtaining data from state and local
11 agencies will provide IRS with valuable information to
12 increase taxpayer compliance, including reduction of
13 unreported income. It will also help reduce IRS
14 compliance costs.

15 As you can see, IRSAC was very impressed with the
16 IRS' work in the Fed/state program, and our
17 recommendations focus on strengthening this important
18 compliance program.

19 Now I would like to turn the floor over to Pat
20 Thompson, our SB/SE subgroup chair. Pat?

21 MS. THOMPSON: Thank you, Emily; and thank you,

1 everybody, for reporting out.

2 Before I turn it over to Eric, Darren, and De Lon
3 for the SB/SE Division for comments, we really
4 appreciate, and we wanted to thank all the SB/SE IRS
5 representatives who helped us with the topic. They did
6 meet with us several times during the year, with many
7 conversations, and it all was just very helpful for us
8 to make comments.

9 Eric, would you like to start out?

10 (No response.)

11 MS. THOMPSON: Eric, are you on mute?

12 SPEAKER: Press star-6 to unmute yourself.

13 MS. THOMPSON: Hello?

14 MR. HYLTON: Can you hear me now?

15 MS. THOMPSON: Yes. Thank you.

16 MR. HYLTON: All right. These technical
17 difficulties here. Sorry about that. I had it on
18 double mute, mute on my phone as well as the other.

19 But thank you very much, Pat. I do have a couple
20 of comments, and for the sake of time I'll keep them
21 short.

1 First and foremost, I'm here along with Deputy
2 Commissioner Darren Guillot for Collection and
3 Operational Support, as well as De Lon Harris, Deputy
4 Commissioner for Examinations.

5 Truly, it's a pleasure to be here with you this
6 morning, or now it's afternoon I should say. But we
7 wish, obviously, as my colleagues and the Commissioner
8 have mentioned, we wish that we could be there with you
9 personally.

10 I'll start off by just saying, Pat, thank you for
11 your tremendous leadership over this last year in
12 regards to leading the SB/SE subgroup.

13 I have expressed to some of you before, me coming
14 over from CI just didn't have that level of interaction
15 with the IRSAC in the past, and just seeing the report
16 and seeing the different things that you guys have
17 recommended, it is truly a pleasure, and especially
18 this being a "collateral assignment" for you. So I
19 truly appreciate your leadership, Pat, and all the
20 subcommittee members; we appreciate your support as
21 well.

1 This past year or so, as many of my colleagues
2 have expressed before, has been somewhat of a challenge
3 for us, but I think we stood up to the challenge and
4 pretty much we expressed overall that we're trying to
5 take this COVID crisis and turn it into opportunity.
6 Last year we had a theme that "now is the time," and so
7 I think this year is still the time. It's still the
8 time to focus on some of those areas and incorporating
9 some of the recommendations that you have thus far in
10 regards to our focus areas of strengthening compliance,
11 improving operational efficiency, maintaining a
12 taxpayer focus, leveraging technology and data
13 analytics, as well as developing our workforce.

14 So when I look at your recommendations as it
15 relates to the 1099 and the Fed/state program, we
16 welcome that, as well as the recommendation as far as
17 the practitioner dedicated line. When I go around and
18 have my speaking engagements, that is consistently a
19 hot topic that we hear about quite a bit. So we truly
20 appreciate your analysis and your recommendations
21 associated with that.

1 With that, I'm going to cut it short because I
2 know we're probably 15 or 20 minutes over. I'm going
3 to see if Darren or De Lon have any comments that they
4 want to provide for the IRSAC members.

5 MR. HARRIS: Hey, everybody, this is De Lon
6 Harris, Deputy Commissioner for SB/SE. I just want to
7 echo Eric's thanks to IRSAC as a whole, but also to Pat
8 and the SB/SE subcommittee. For those of you who are
9 rotating off, we really want to thank you for the time
10 you have given us in providing the feedback and
11 recommendations that you have had.

12 I'm not going to, as Eric said, for the sake of
13 time, get into each of the recommendations, but I will
14 say that I've been closely in tune with the Internet
15 platform for the Form 1099 filing, and I have total
16 support for the recommendations that you have set
17 forward, especially around coming back and looping the
18 externals in, not only up front like we did here but as
19 we get to the testing phases and before we roll that
20 program out, so thanks so much for that.

21 I'm not diminishing any of the other issues and

1 recommendations that the folks have made. I have read
2 them and do agree with those recommendations, and we
3 will take them to heart as we move forward. But I do
4 want to, for the sake of time, try to get you back on
5 track here, and I'll turn it over to Darren and see if
6 he has any comments as well. Thank you.

7 MR. GUILLOT: Thanks, De Lon. And thanks to IRSAC
8 for inviting us to speak with you again. I'll be sad
9 to see some of you leave, but I know we'll still be in
10 touch.

11 I also had the chance to look at your
12 recommendations, and in particular the Practitioner
13 Priority line. We know how important it is when you
14 get a scary notice from the IRS that says "call us,"
15 that we answer that call. And along the way it's
16 frustrating, and we've done a lot to address that this
17 year. We improved our level of service, answering
18 those calls, by 16 percent. But if you're a
19 practitioner and someone has reached out to you because
20 they just can't figure it out, they're trusting you to
21 figure it out, and if you have to wait on hold for a

1 long time, two hours, that's not acceptable either. So
2 I promise, we're going to be taking a deep look at that
3 this year.

4 And you've probably seen in the press release that
5 we're doing a lot to help your clients out there with
6 additional flexibilities on the collection side with
7 regard to enforcement while we're dealing with the
8 effects of the pandemic.

9 So, thank you.

10 MS. THOMPSON: Thank you. Thank you again.

11 I'd like to turn it over to April Goff from the
12 TE/GE subgroup.

13 TAX EXEMPT & GOVERNMENT ENTITIES SUBGROUP REPORT

14 MS. LEW: Actually, this is Carol Lew, and I'm
15 going to introduce our TE/GE topics today. Before I do
16 that, I want to express great appreciation for the
17 subgroup chair, Mike Engle, who worked so tirelessly
18 this year; and also to Jean Swift, who also has spent
19 so much time working for this group on the detail.

20 The members of the group that worked on this, in
21 addition to Mike, are Sharon Brown, April Goff, Nancy

1 Ruoff, Jean Swift, Daniel Welytok, and Charles Yovino.

2 We have two topics today. The first is going to
3 be exempt organizations that is going to be presented
4 by Dan Welytok; and then second, Jean is going to
5 present issues relating to the Indian Tribal
6 Government. So I'm going to turn this over to Dan.

7 MR. WELYTOK: We'll be covering three issues today
8 with respect to the TE/GE subgroup study that we worked
9 on this year. The first relates to the private
10 foundation area and education to encourage compliance.
11 The second relates to guidance for cooperatives who are
12 seeking to terminate their tax-exempt status. And the
13 third relates to clarification of certain instructions
14 on Form 990 with respect to cooperative organizations.

15 So with respect to private foundations, the IRS
16 has requested that the IRSAC provide recommendations
17 relating to ways to facilitate compliance by private
18 foundations. Private foundations are typically funded
19 by individuals, families, or corporations and generally
20 make grants to charitable organizations. They're
21 highly regulated and subject to complex special

1 restrictions which, if violated, can give rise to taxes
2 and penalties.

3 The IRS currently has helpful private foundation
4 information on IRS.gov but desires to improve the
5 guidance with the goal of improving compliance. To do
6 this, we have two recommendations.

7 First, in order to heighten the awareness of the
8 complex private foundation restrictions, we recommend
9 that the IRS develop a page on the IRS.gov website
10 which references information in equally understood
11 formats of descriptions of common violations committed
12 by private foundations and how to avoid them. The IRS
13 might also consider supplementing its Web information
14 to provide more comprehensive resources such as videos
15 and podcasts on private foundation restrictions and
16 common errors. To facilitate smaller entities'
17 awareness of the resources available, we suggest that
18 reference to Web pages be included in the private
19 foundation's determination letter and in the
20 instructions for Forms 1023 and 990-TF.

21 A second recommendation on public education is to

1 increase public outreach beyond the website by
2 providing focused education on private foundation
3 management at IRS-sponsored seminars or on the tax
4 return portion of IRS.gov.

5 The second issue with respect to guidance for
6 cooperatives seeking to terminate their tax-exempt
7 status stems from the private letter ruling situation
8 where the IRS used to issue private letter rulings to
9 cooperatives seeking to terminate their tax-exempt
10 qualifications, thereby giving them certainty as to
11 their tax-exempt status. These PLRs are no longer
12 issued, and so the IRS should consider adding
13 procedures in which cooperatives can terminate their
14 tax status with certainty.

15 This issue requires a brief explanation. Certain
16 cooperatives can apply for tax-exempt status under
17 Section 501(c)(12) to have some or all of their income
18 exempt from Federal tax provided they generally derive
19 at least 85 percent of their annual income from their
20 members. If the 85 percent test is not met in any
21 given year, cooperative income becomes taxable and the

1 coop must file an 1120 corporate tax return.

2 Because of this 85 percent test, the coop can flip
3 from tax exempt to taxable status on a year by year
4 basis. This makes it difficult for both the coop and
5 the IRS to ensure compliance because different Code
6 sections apply to taxable versus tax-exempt
7 cooperative. For example, the preferred compensation
8 rule would vary depending upon tax status.

9 Now, the IRS has verbally advised that coops
10 seeking to terminate their tax-exempt status should
11 file a Form 990 return and check the box indicating
12 that the entity has been terminated. However, that
13 guidance is inconsistent with the 990 instructions
14 because the coop is actually not terminating its
15 operations but only its tax-exempt status. But because
16 of the importance to cooperatives and the IRS tax
17 status, the IRS should provide a mechanism for a tax-
18 exempt coop to definitively terminate that status in a
19 manner that is binding on both the coop and the IRS.

20 We have two recommendations to provide
21 cooperatives certainty as to their tax status. First,

1 resume the private letter ruling issuance to coops to
2 give them certainty regarding their tax status; or
3 preferably, second, to update the instructions to Form
4 990 regarding the box that the entity has been
5 terminated so that if the coop is actually
6 discontinuing its operation, it can check the
7 terminated box and complete the Schedule N to Form 990
8 to indicate its termination. But if the coop is only
9 terminating its tax-favored status, then it would
10 simply check the final return terminated box without
11 more.

12 The final issue is with reference to improvements
13 to Form 990 instructions to minimize ambiguities that
14 exist with cooperative organizations. Tax
15 professionals who work with cooperatives often find
16 themselves interpreting Form 990 instructions in order
17 to prepare an accurate return, and varying
18 interpretations can result in different responses.

19 To avoid this, we recommend clarification of the
20 Form 990 instructions in six areas. Because these
21 explanations and areas are rather granular, I'm just

1 going to touch on the areas themselves and refer you to
2 the entire report for specific details.

3 The first area is with respect to the definition
4 of interested person with respect to directors. The
5 definition varies depending on the schedule that's
6 being used, and in order to correctly report director
7 independency, a definitive instruction is required.

8 The second refers to patronage capital retirement
9 payments and the instructions currently provide no
10 guidance on how to treat these members who retire their
11 patronage capital or how to report them.

12 The third area relates to recovery of patronage
13 forced losses, or specifically how a patronage forced
14 loss from a prior year is recovered in the current
15 year.

16 The fourth refers to acceptable methods for
17 reporting the statement of functional expenses and what
18 type of system is acceptable in order to complete that
19 statement.

20 The fifth links to reporting of 457-F deferred
21 compensation and clarity on how to avoid the double

1 counting of this item.

2 And the sixth relates to multi-employer plan
3 calculation.

4 In sum, we recommend that the IRS review the
5 foregoing issues and develop updates to the Form 990
6 instructions. Clarification would ameliorate confusion
7 and assist taxpayers in the preparation of clear and
8 accurate returns.

9 With that, I'm going to turn it over to Jean
10 Swift. Thank you.

11 (No response.)

12 MS. ERBSEN: Jean, you're on mute.

13 Hang in there, everyone, because what she has to
14 say is really important.

15 (Pause.)

16 MS. SWIFT: I'm honored to make this presentation
17 on behalf of the 2020 IRSAC TE/GE subgroup. My name is
18 Jean Swift. I'm a tribal member and financial adviser
19 to the Mashantucket Pequot Tribal Council, located in
20 the beautiful woodlands of southeastern Connecticut.

21 A central theme of the ITG recommendations focuses

1 on the importance of tribal tax resources. Issue
2 number one seeks to enhance a recently created
3 resource, while issues two and three recommend the
4 creation of new tax-related resources.

5 Issue number one: establish comprehensive
6 resources for Native American taxpayers and Federally-
7 recognized tribes. The Office of Indian Tribal
8 Government launched the Volunteer Income Tax Assistance
9 Resources for Indian Country webpage, hereafter
10 referred to as the VITA Indian Country webpage, in
11 January of this year. The IRSAC applauds the proactive
12 creation of this important resource.

13 We would also like to acknowledge the positive
14 strides that have been made over the last decade
15 between the IRS and various tribal leaders. Both
16 parties have worked collaboratively to resolve
17 longstanding issues that preceded the passage of the
18 Tribal General Welfare Exclusion Act of 2014.

19 The legislation has had a profound impact,
20 allowing tribes to better serve the needs of tribal
21 citizens through empowered tribal and economic

1 sovereignty.

2 The IRSAC encourages continued efforts by the IRS
3 to build upon the positive foundation that has been
4 laid with tribal leaders throughout Indian Country and
5 offers several recommendations as a way to continue the
6 positive relationship building. In the interest of
7 time, I'll refer you to the report for the specific
8 recommendations regarding the expansion of the webpage.

9 Issue number two: establish a compliance
10 assurance process for Indian tribal governments to
11 address ambiguous issues.

12 The IRSAC recommends that the IRS establish a
13 compliance assurance process, or CAP program, for
14 Indian tribal governments based on the program used by
15 the LB&I for its customer base. An ITG CAP program
16 would allow tribes to submit issues to the IRS in
17 advance of or contemporaneous to the submission of its
18 tax returns. The IRS and the ITG can then evaluate the
19 law and work toward a result that is acceptable to both
20 parties.

21 There are over 500 Federally-recognized tribes,

1 each with different histories, cultures, organizational
2 and governmental structures, and unique goals and
3 relationships to their tribes. Each tribe has a
4 specific treaty or agreement with the United States.
5 These treaties serve as a key source of law governing
6 the relationship between the United States and the
7 individual tribe. Based on the differences between the
8 tribes and the existence of unique treaties for each
9 tribe, it's often difficult to extrapolate uniform
10 rules that can apply to all tribes.

11 The IRSAC has identified five primary areas where
12 uncertainty, ambiguity, or disputes may exist. These
13 five areas are: the General Welfare Exclusion Act of
14 2014; essential government functions test; bond
15 issuances; qualified retirement plan issues; and
16 employee versus independent contractor status issues.

17 We therefore recommend that the IRS establish a
18 CAP program for ITG that follows the structure used by
19 the LB&I operating division. Initially we recommend
20 that the process be limited to the five specific areas
21 previously noted, with the possibility of including

1 additional areas in the future.

2 Issue number three: recommend to Treasury the
3 establishment of a counterpart to the Office of Indian
4 Tribal Government.

5 The IRSAC observes that the Office of Indian
6 Tribal Government was established to serve as the
7 primary point of contact in the IRS for Federally-
8 recognized Indian tribes. The ITG office combines
9 compliance and enforcement initiatives with outreach
10 and educational activities to respectfully and
11 cooperatively meet the needs of both the Federal and
12 Indian tribal governments, and to simplify the tax
13 administration process.

14 Given the very nature of how tribal governments
15 are structured, there are tax regulations that don't
16 necessarily apply to all tribes. Hence, there is an
17 ongoing need for tax guidance on new and pending
18 legislation which could best be provided by a Treasury
19 Office of Tribal Affairs. We recommend that the IRS
20 work with Treasury to create an Office of Tribal
21 Affairs for the purpose of conducting ongoing,

1 effective tribal consultation, reviewing the impacts of
2 new and pending legislation on tribes, and establishing
3 Treasury-related policies that honor the trust
4 responsibility that the Federal Government has to
5 tribes as set forth in the U.S. Constitution. Such an
6 office would complement the roles of the ITG Office,
7 and it's crucial that such an office be appropriately
8 empowered to fully discharge the duties stated herein.

9 Finally, I'd like to thank fellow IRSAC member
10 Charles Yovino for his tireless efforts with these
11 recommendations. Together with the assistance of IRS
12 ITG personnel Angela Gartland, Telly Meier, Stanley
13 Wiatros, and Carmen Zucker, we were able to address
14 several matters in a spirit of collaboration and
15 cooperation.

16 Thank you all. I will now turn it back to Carol
17 Lew.

18 MS. LEW: Hi. At this point, I would once again
19 like to thank and echo Jean in thanking our IRS
20 personnel who have really supported us tremendously
21 throughout this difficult year and introduce Edward

1 Killen, followed by Phil Lindenmuth, to give their
2 remarks. Thank you so much.

3 MR. KILLEN: Thank you so much, and good
4 afternoon, everyone. Hopefully everybody can hear me
5 clearly. Hopefully I followed the right steps to come
6 off mute. But let me start off by saying I sincerely
7 appreciate the great work of IRSAC in general, and in
8 particular the work that's been done by the subgroup.

9 I'm Edward Killen. I had an opportunity to meet
10 many of you earlier on in the calendar year. My normal
11 position is as Deputy Commissioner of TEGE, but I
12 stepped into the role as acting commissioner at this
13 point. I think it's just really important for me to
14 acknowledge to you all how appreciative we are of the
15 leadership that you all have provided.

16 I particularly want to thank Jean Swift and Mike
17 Engle, who I understand is not able to make it today,
18 but I certainly want to appreciate publicly the
19 leadership that you have exhibited. I understand that
20 both of you are ending your terms and both of you at
21 certain points have served as chair, and we certainly

1 appreciate the contribution you've made as we consider
2 these issues.

3 For Fiscal Year 2021 in TE/GE, we've outlined a
4 set of priorities that would really guide our path
5 going forward this year. I'll speak of them in brief
6 because I think it's relevant in light of the
7 recommendations that you all have made.

8 We have six priorities that we've identified:
9 strengthening compliance activities; improving
10 operational efficiencies; maintain a taxpayer-focused
11 organization; ensure awareness and collective
12 understanding; leverage technology and data analytics;
13 and developing our workforce.

14 So these recommendations that you all have
15 thoughtfully provided certainly do fit into those
16 organizational priorities that we've identified, and we
17 will certainly give them thoughtful consideration
18 consistent with the work you put in.

19 I also want to say that maintaining, detecting,
20 and supporting the integrity of the tax-exempt sector
21 is really our guiding light. That's foundational to

1 us. So all the authorities that we've identified and
2 the recommendations that you all have put forward as
3 well, all of those support that foundational goal that
4 we have.

5 I've been in TE/GE for the past year and have had
6 an opportunity to observe firsthand the breadth, depth,
7 and scope of the tax-exempt sector and the importance
8 of the work that we've all collectively contributed
9 towards it.

10 So with that, I think you know that the spirit of
11 collaboration that's been exemplified through your work
12 over the past year is something we are absolutely
13 committed to as we continue to move forward in that
14 regards. As has been noted, Phil Lindenmuth is our
15 Acting Deputy Commissioner, and I certainly want to
16 allow him to say a few words of his appreciation as
17 well.

18 MR. LINDENMUTH: Given that I'm the caboose on
19 this long train, I'm going to be very brief. It's
20 really nice to see some familiar faces and names from
21 my time in the past with Council. But basically all I

1 wanted to do was to echo Edward's words of appreciation
2 and look forward to working with folks as we move
3 forward for however long that I'm with TE/GE.

4 So thanks again for all of the work and for the
5 insightful recommendations that you have made, and we
6 look forward to a fruitful Fiscal Year 2022. That's
7 it.

8 MS. ERBSEN: Thank you so much. It's very nice to
9 see you here.

10 CLOSING REMARKS

11 In the interest of time, I just want to once again
12 thank all the IRSAC members for their hard work, thank
13 the IRS leadership for setting a tremendous tone at the
14 top, and all IRS employees for their heroic efforts
15 during this challenging year. I think this has been a
16 terrific meeting. Everybody has once again showed
17 flexibility and a willingness to persevere in order to
18 contribute.

19 I will turn it over to Ben and look forward to
20 seeing many of you this evening at a virtual Zoom, so
21 thank you.

1 MR. DENEKA: Thanks, Diana. I too will try to
2 keep my comments brief, but I am so excited about this
3 report this year and looking forward to next year.

4 Before we close, I just want to say thank you
5 again to Diana and the subgroup chairs. We heard over
6 and over again what an exceptional year this was, and I
7 think feedback from the Commissioner and the leaders
8 regarding the quality of the recommendations and the
9 Council's ability to maintain focus and productivity in
10 light of the disruptions to operations and to
11 transitioning to a new virtual environment—those
12 comments are really a testament to your exceptional
13 leadership, so thank you and thank the IRS for your
14 unwavering efforts to be more than just a tax agency.

15 And lastly, thank you to my fellow IRSAC members.
16 I really appreciate all the time and effort and energy
17 and thought that went into this year's report. I look
18 forward to continuing to work with those who are
19 staying on for the next year. Hopefully I'll see you
20 all again next year in person, as well.

21 With that, I will pass it over to Mel to bring us

1 home.

2 MR. HARDY: Thanks so much, Ben, and thank you,
3 everyone. Before I give my closing remarks, let me
4 turn to the Chief of Communications and Liaison, Terry
5 Lemons, to give his final remarks. Terry, take it
6 away.

7 MR. LEMONS: Great. Thanks, Mel.

8 Just real quickly, because I know it's getting
9 late, I want to thank the IRSAC members again. If you
10 look at this report, there's a great deal of substance
11 in it. This is the kind of feedback we really need to
12 help run the tax system, and I know the Commissioner
13 and others, as they were looking at this report today,
14 they have really been impressed by the depth and the
15 feedback on it. The importance of the report and IRSAC
16 is reflected by -- and you had a large number of the
17 IRS senior executive team on today, so I appreciate
18 their time on this, as well.

19 One thing I would just like to note in closing,
20 echoing what the Commissioner said earlier, I'd like to
21 just put out a public service announcement for those on

1 the call, not just IRSAC but members of the public. We
2 do have a deadline coming up on Saturday for our non-
3 filers tool. Anyone who doesn't normally file a tax
4 return, Saturday is their last chance to come in and
5 register for an Economic Impact Payment and get the
6 payment out this year. Anything you guys can do to
7 help spread the word, we've still got people coming in
8 on that, and we're happy to share some information if
9 anybody needs it.

10 So with that, thank you all again, and let me hand
11 it over to Mel Hardy, our National Public Liaison
12 Director, for a few final thoughts.

13 MR. HARDY: Thank you so much, Terry, and thank
14 you, everyone, for joining today this wonderful
15 meeting.

16 I would be remiss again if I did not thank
17 everyone for all your hard work, and especially our two
18 leaders, Diana and Ben. Diana, you know I'm going to
19 truly miss you, but thank you for all that you did and
20 your leadership.

21 So, ladies and gentlemen, drum roll, please. Our

1 leadership team for 2021 consists of the following
2 outstanding IRSAC members. We have as Chair Ben
3 Deneka. Our Vice Chair will be Carol Lew. The LB&I
4 subgroup Chair will be Joe Novak. The SB/SE subgroup
5 Chair will be Bob Panoff. The TE/GE subgroup Chair
6 will be April Goff. And the W&I subgroup Chair will be
7 Martin Armstrong. And last but not least, a wonderful
8 addition to our new IRSAC, the Information Reporting
9 subgroup Chair will be Alexandra Cruz.

10 And with that, ladies and gentlemen, thank you so
11 much for all your hard work. A round of applause to
12 those who are leaving us. You're only leaving us, I
13 know, temporarily. A lot of you will probably still
14 pop your head in from time to time. And welcome to all
15 the new members, and welcome to the new leadership team
16 of 2021.

17 I would not want to close this without thanking my
18 team, John Lipold, the branch chief, and all the folks
19 on the NPL team who worked tirelessly to make sure that
20 all of you had what you need.

21 So with that, my name is Mel Hardy, I'm the

1 Director of the National Public Liaison, and this
2 concludes our public meeting for the IRSAC. Thank you.
3 Have a great day. Stay safe. Wash your hands. Keep
4 your distance. Happy Thanksgiving, and happy holidays.

5 MS. ERBSEN: Thank you. Happy Thanksgiving.

6 [Whereupon, at 12:36 p.m., the meeting was
7 concluded.]

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