Commissioner Shulman and guests, my name is Bonnie Speedy and I am the Vice President and National Director of AARP Foundation Tax-Aide. As you know, the program helps over two million low-moderate taxpayers a year, especially seniors, file their federal and state taxes for free. AARP Foundation Tax-Aide has been operating for 44 years and alone accounts for approximately one-half of the Federal tax returns prepared by all volunteer programs working with the IRS through VITA and Tax-Counseling for the Elderly. Our e-filing rate is 95 percent, having reached the IRS goal of 80 percent e-filing back in 2007.

Commissioner, you have repeatedly demonstrated your commitment to consumers and the groups that represent them by, not just asking for our comments but considering our comments very early in the process. I appreciate your giving me the opportunity to share thoughts and comments about a real-time tax system from the low-moderate income prospective gained through the program's experience. Being early in the process, I expect all of us today will continue to share ideas as the process begins to evolve and take shape.

As you propose, under the vision of a real-time tax system, the IRS could match information submitted on a tax return with third-party information right up front during processing and could provide the opportunity for taxpayers to fix the tax return before acceptance if it contains data that does not match IRS records.

At the conceptual level, there is no doubt that this system could be very good for taxpayers and excellent for the country as a whole by helping to close the tax gap. As other amounts are reconciled in this process, such as non-employee compensation to the 1099 SSA, the Social Security and Medicare trust funds could benefit as well. Taxpayers stand to gain by being notified that something seems wrong at the time of submission versus months and even more than a year later. The delay in IRS notification of missing income and other mismatches costs the taxpayer, including penalties, interest and even additional service fees paid to preparers as they are engaged to help the taxpayer address the IRS letter. Out of tax season, nearly all VITA and TCE sites are closed as are many "stores" of the large franchise preparers leaving LMI taxpayers to scramble to find help or, worse yet, bury their head in the sand and hope the problem will go away. With a "forced" reconciliation at the time of filing, taxpayers will have to resolve the discrepancy in order to submit their return. A few may simply walk away and not file but the key, as I am sure you are aware, is to make that reconciliation process as effective and efficient as possible.

AARP Foundation Tax-Aide volunteers embraced e-filing despite the tremendous amount of additional back-end reconciliation process, administrative, and even physical effort it requires of preparers, especially volunteer preparers: carrying computers and printers out of third party locations used as tax preparation sites, and managing submissions, acceptance tallies, and reconciliation of rejects. Volunteers did so as it was good for the

taxpayer. However, AARP Foundation Tax-Aide asks you, with the e-filing burden long ago accepted, to consider the amount of additional burden that could be shifted to the preparer community, volunteer or paid, with this effort.

Again, the real-time concept is spot on. It will be the secondary requests and the devil-is-in-the-details kind of issues that will drive up burden levels for taxpayers and preparers. Although a bit difficult to dive into the weeds when concepts are still being formulated, I hope some of the suggestions here are either helpful on their own or point out communications needs to address if way off base and not reasonable to be implemented. Please help the preparer community understand what is and isn't in play as we move forward to allow us to be most helpful to you in the future on this topic.

The long-term benefits of a real-time system for the IRS are huge with systems, preparers and taxpayers essentially taking over the Automated Under-Reporter (AUR) function and other pieces of compliance. Please consider looking at this project as a loss leader the first year, with break even on staffing year two or later and substantial savings for the IRS in year three or even beyond. Start small with highly compliant, large volume payers and break in the process with wins and process calibration to ensure all of us, you and the community, are ready for full implementation of forms where taxpayers struggle with compliance or where payers more frequently submit information returns in error.

I focused most of my time preparing for today looking at a few questions:
1. What to do about timing of information returns due dates and the start of e-filing?
2. How to ease into an implementation process for success?
3. What to do about rejects?

What to do about Timing of Information Returns Due Dates and the start of e-filing?
I recommend making the information return due dates earlier – first and immediately by January 31st to allow matching the information returns to most of the early e-filing tax returns. The forms are due to the taxpayer at that time, why the delay in filing to SSA? As I watch my own organization push accounting deadlines to us in "the field" earlier and earlier, I note that the automated tools we have make those deadlines doable. I also personally remember preparing 1099R's and, even 20 years ago, they really could have been done many weeks earlier. Consider moving further to a mid-January due date to allow full information return matching. Choose a date certain for this change and begin the communication about the change as soon as possible. Clearly, the IRS will need near instantaneous feeds of the information return data from the SSA. The Economic Stimulus Payments, though not without bumps, did prove that the SSA and IRS can effectively exchange taxpayer data.

I do not recommend pushing a filing date back to February 1 to ensure all information returns are available to reconcile. Many lower income taxpayers need their refunds, especially the Earned Income Tax Credit (EITC). Without the Advanced EITC, which was not popular to begin with, mid-January availability to e-file is important to LMI taxpayers desperately needing their refund checks to pay critical bills.

A compromise option is to push the information return due date up to January 31 as a final answer.   Again, I recommend doing so immediately. There needs to be a process for the two-three week gap from the opening of e-filing to the IRS having access to information returns to match in either case a January 31 final or interim due date in a longer-term plan to ultimately move required information return submission to mid-January. We suggest that income amounts reported on the 1040 equal to or higher than the amount on any correspondence information returns should be considered a compliant amount and not rejected. Run these early tax returns against information returns mid-season and send mismatches to AUR handling immediately.

How to ease into an implementation process for success?
Please don't try to solve for compliance issues out of the gate. Focus on success with the process first, then work compliance. Match returns from the 10 largest payers the first year and then just W-2, 1099-Gs and any 1099-Rs that are paid by those payers. Skip 1099-Bs while basis reporting settles in and hopefully some consistency evolves in the manner in which they are reported to taxpayers. Allow the 10 payers to work directly with you to help define the process as their "payment" for being selected to go first.

Other thoughts and ideas for easing in:
1. Don't reject mismatches the first year. Provide a "warning" and allow a resubmission to be accepted. If that is not technically possible, reject one time and allow a second submission without any changes to the return. A "warning" process the first year would allow the preparers to work with taxpayers to still reconcile the differences while the IRS and the preparer community continue to work on exactly how a hard reject would work. Most taxpayers want to be compliant and this warning could go a long way in resolving many AUR cases right then and there.
2. Consider matching all electronically submitted W-2s and 1099-Gs the first year. They represent 83 percent of the total information returns and are generally highly compliant. Again, get the process working and then tackle the harder forms.
3. Consider matching returns going to one service center only. Concentrate and ensure more than sufficient personnel there to help resolve issues.
4. Consider using only one service center and one large metro area and match all information return forms submitted and in the system. Keep the pool small but test the process on all information reporting forms.

Certainly while the volume of rejects is quantified and minimized and maybe even as the final process, match only the main amount of the form and Federal withholding. For example using the W-2, match Box 1 to 1040 line 7. Also, make sure the total interest, retirement and social security payments are noted on the 1040. Don't try and match the taxable and non-taxable portions of income in this process. At least don't do so in the beginning. Match combined totals of federal withholding to line 62 of the 1040.   Use your compliance filters to determine what needs follow-up to verify accuracy of the taxable portions. Consider not matching all boxes on the information returns such as state tax totals to the Schedule A, Child and Dependant Care to Form 2441, etc.   Certainly, consider strongly not doing so in the first year or two of the real-time system. We suggest the

value of the additional checks is not worth the cost of the strain on the system for all the additional matches and resulting rejects.

What to do about Rejects?
Provide name and address of the payer as well as the EIN to help the preparer and taxpayer know where to go to find the needed information. Better yet, provide a copy of the form on e-services. Provide a copy for the taxpayer on a taxpayer version of e-services with reasonable authentication. To help reduce ID theft, consider not providing SSN on any e-copies of these returns.

Develop a new form such as "Schedule RIR – Reconciliation of Information Returns," to do precisely that – reconcile information return rejects when the taxpayer stands firm they are correct and the information return is not so. This schedule would be submitted with the next e-filing transmission and be the marker for the IRS to allow the submission despite the mismatch of income to the information returns. Send for compliance review as appropriate. If it is ultimately determined that the taxpayer was incorrect, lock them out of the use of this schedule in subsequent year. There is no need to continue to make taxpayers revert to paper returns as they do with EITC when a child is claimed for that credit by another taxpayer. Perhaps the IRS could allow EITC rejects for such an issue to use this form as well.

Allow taxpayers to agree with the IRS determination of income as specified in the reject without having the information return form. Make it easy for the taxpayer to agree to the added income by allowing them to put an amount on a new income line 22 – income to reconcile with information that the IRS has used in finding return mismatch. Review for compliance related to Schedule SE, for example, after-the-fact. Just get the return accepted first.

With regard to time to reconcile rejects, consider extending the after 4/15 grace period to 10 working days for this information return reject to allow sufficient time to go back to the payer if the IRS cannot make a workable solution for sharing full documents (not just box 1 and Federal withholding.)

Again, we appreciate your continued willingness to tackle big issues like the Paid Preparer Strategy and Real-Time Tax System and, while doing so, ask for and personally participate in a comments process.