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ELECTRONIC TAX ADMINISTRATION ADVISORY COMMITTEE
THE INTERNAL REVENUE SERVICE

Wednesday, June 24, 2020
9 a.m.

Internal Revenue Service
1111 Constitution Avenue, NW
Washington, D.C. 20224

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5 Communication & Liaison

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P R O C E E D I N G S

Welcome

MR. POIRIER: Great. Thank you. Good morning, everyone.

My name is Phillip Poirier, and I'm the current Chair of the IRS Electronic Tax Administration Advisory Committee, which is also known as ETAAC.

I'm pleased to call to order the 2020 ETAAC Public Meeting.

As we open the meeting, I'd like to make a few acknowledgements and address some housekeeping items.

First, the issuance of the 2020 Report or I should say the 2020 Report to Congress was posted by IRS this morning and is available on irs.gov. To get a copy of the report or view it, if you go to irs.gov, in the upper right corner is a search bar, if you enter the numerals 3415, that's 3-4-1-5 in the search bar, it will take you to a link where you can view the report.

Additionally, there is an agenda for this meeting on irs.gov in the Tool Search Bar on irs.gov. If you just enter ETAAC, that's E-T-A-A-C, ETAAC Fact Sheet, ETAAC Fact Sheet, it will take you to a landing page.

1 At the top of that page is a link to the agenda for
2 this meeting.

3 The second thing I'd like to do is acknowledge the
4 commitment of my colleagues on ETAAC. As you may know,
5 membership is voluntary and uncompensated. This has
6 been a particularly challenging year because of the
7 pandemic personally and professionally for all of us.

8 Much of our work had to be conducted virtually
9 during the filing season and which you know is a very
10 active filing season and including several of our
11 meetings.

12 Despite their other professional and personal
13 commitments, my fellow ETAAC members made the time to
14 contribute to the committee's important work. The
15 names and biographies of the ETAAC members is in our
16 2020 Report and I have confirmed that all ETAAC members
17 are on this call.

18 At the same time, I'd like to acknowledge the IRS
19 employees and leadership who supported ETAAC's efforts
20 in developing this report. We appreciate their
21 responsiveness and their candor in answering our
22 questions and providing information. We could not do

1 our work without their active support and our nation is
2 fortunate to have their continued expertise and
3 commitment.

4 Finally, I'd like to turn to a couple of
5 housekeeping items. For context, the meeting will be
6 broken into two major sections. The first section of
7 the meeting will focus on the work and progress of the
8 Security Summit Advice Act. Then after a short break,
9 the second section will focus on ETAAC's 2020
10 Recommendations.

11 We're estimating that each section of the meeting
12 will last approximately 45 to 60 minutes and we expect
13 our meeting to conclude by approximately 10:30 or 11
14 a.m. Eastern Time.

15 As you know, the conduct of a virtual meeting is
16 challenging, especially because of the difficulty
17 coordinating speakers to avoid talking over one
18 another.

19 I'd like to address two specific points in this
20 regard. As John noted just a few minutes before the
21 call, we'll be putting the phone lines on mute. If you
22 have been assigned a speaking role, you can press Star

1 6 to unmute and upon completing your comments, press
2 Star 6 to remute your line. There is a little bit of
3 latency when you make that change with Star 6. So be
4 prepared for a second or two delay in activating what
5 you've done.

6 In an abundance of caution, you can also mute your
7 phone lines on your end, but please do not put your
8 phone on hold. Frequently putting a phone line on hold
9 triggers music.

10 Also, just remember also that if you're a speaker,
11 not only do you need to press Star 6, but if you've
12 muted your line locally, you need to unmute your line
13 at your end.

14 Second point is because of the challenges of a
15 virtual meeting, we will be unable to take questions
16 during this call. However, we are happy to answer any
17 questions. Just e-mail those questions to the IRS
18 National Public Liaison e-mail address in the Federal
19 Register Notice and that is publicliaison@irs.gov,
20 that's publicliaison@irs.gov, and we will reply as soon
21 as possible.

22 With that, I'd like to turn the meeting over to

1 Mr. Mel Hardy, the Director of the Office of IRS
2 National Public Liaison.

3 Mel?

4 MR. HARDY: Good morning, and thank you, Phil, and
5 I want to thank each and every one of the ETAAC members
6 for all of your tremendous and extraordinary
7 professional work this year.

8 This has, as Phil said, been a very challenging
9 year with the pandemic but under Phil's leadership and
10 the support of all the ETAAC members, all of you have
11 made this a wonderful experience, despite the fact that
12 we weren't able to be in person like we usually are not
13 only doing the hard work but enjoying the congenial
14 spirit, the camaraderie between everyone and I truly,
15 truly miss that, and the ability to be able to say
16 good-bye to the members who are rolling off this year
17 and welcome the new members in person, but we will get
18 through this and we will all be together again as ETAAC
19 team members and the IRS.

20 And so I'm very proud of the work and with that,
21 ladies and gentlemen, it is my great pleasure and honor
22 to introduce to you for Remarks the 49th Commissioner

1 of the Internal Revenue Service Chuck Rettig.

2 Commissioner, are you on?

3 Remarks

4 MR. RETTIG: I am on. Thank you, Mel. Very much
5 appreciate it.

6 First, you know, let me echo what Mel was saying.
7 You know, I'm a people person. I truly enjoy meeting
8 people, being around people, and certainly people who
9 are helping others get to a better place, and in this
10 instance, you know, helping the IRS and helping
11 taxpayers and whatnot through ETAAC.

12 I think many of you are aware before I came
13 onboard, I was in private tax practice and participated
14 not only in IRS advisory councils but also in various
15 state governments and whatnot and found it to be a
16 really rewarding experience but also, you know, the
17 opportunity to provide your voice and have people
18 listen and pay attention and make a difference and so
19 I'm thankful and certainly privileged for the
20 opportunity to be sitting here and have the title
21 Commissioner.

22 I ask you to do it, no matter how great our people

1 are, we can't do it alone, and I'm a significant
2 advocate for public/private partnerships, working
3 together, and getting to a better place.

4 ETAAC is a classic example of that but before I
5 make a few comments on that, let me touch on two other
6 matters, I guess, that we've been dealing with as the
7 IRS during the COVID situation, which is, you know, we
8 are in filing season through July 15, and as of today,
9 the filing date is still July 15, but during this
10 scenario, we've actually processed a 136 million
11 returns, 92 million refunds, for about \$255 billion,
12 and the returns that we've processed have been a little
13 over 90 percent, 90.8 percent e-filed, and ETAAC and
14 others -- you know, you go back a number of years, it
15 was not a 90 percent e-filing, and I think that that's
16 a super good thing for a lot of different purposes and
17 you're aware that we're now going to do 1040-Xs for e-
18 file and then hopefully we'll get that across the
19 board.

20 Separately, under the CARES Act, the IRS was
21 tasked with distributing e-com to get back payments and
22 while also doing filing season and for the e-com to get

1 back payments in a little under, I think, 10 weeks, we
2 processed a 159 million payments, distributed \$267
3 billion, and the first payments -- the CARES Act was
4 enacted on March 27, and the first round of payments
5 went out on April 10th, and there were over 80 million
6 payments.

7 And when you see people releasing data, note that
8 it's not -- when we talk about payments, when we talk
9 about transactions, some of those transactions could be
10 parents and a dependent, whether it's a child dependent
11 or a parent dependent or a parent and a dependent. So
12 the head count, if you will, to use a term, it's much
13 larger than a 159 million and a tremendous amount of
14 those were direct deposits. There were also checks.
15 There were also debit cards.

16 One of the reasons I bring it up, and hopefully
17 not trying to use up too much of the time on the
18 introduction, but we're -- on the Economic Impact
19 Payments, we're now trying to locate as many people as
20 possible who either do not historically have a filing
21 obligation or have sort of operated off the radar
22 screen and, you know, whether it's, you know, through

1 the homeless community and through different types of
2 communities that just don't interact with the
3 government.

4 And in this regard, we could use your help. We
5 want to get payments out to every eligible American and
6 if you have contacts in different organizations, you
7 know, please, you can get them to Mel or you can get
8 them directly to me or whatever. We'll handle it from
9 there in terms of the outreach, but we can't get
10 payments to people that we don't know exist and we will
11 get payments to people that we do know exist, and
12 without going into detail, I can give you some personal
13 experiences of having read various newspapers, seeing
14 something in there about people or about a homeless
15 organization and personally reaching out and Mel and
16 others in his shop connecting them with these
17 organizations and we're making a difference, you know,
18 one by one, group by group, community by community,
19 and, you know, if you're part of ETAAC, you have the
20 inner strength that you want to help others and so on
21 this piece, I'm just asking for your help to help us
22 identify people who are deserving of these payments,

1 eligible Americans, and we want to get these payments
2 out.

3 And so, you know, personally, I'd be quite
4 thankful, even if it's just one person, that's one
5 person and every person counts, and so we do want that.

6 So coming back to the ETAAC topics, it's
7 phenomenal in terms of, you know, the reductions of
8 identity theft victims, the dollar volume of \$26
9 billion, the fraudulent refunds that have been
10 protected, you know, more than 68 percent drop in
11 blocking fraudulent returns from 2015 to now.
12 Spectacular numbers.

13 I wasn't raised as somebody where, you know, my
14 parents didn't say, well, you really did a good job.
15 I'm telling you you did a good job but I'm also telling
16 you, you know, that other piece. One victim of
17 identity theft is one victim of identity theft and that
18 particular person has, you know, years of more
19 difficulty than otherwise.

20 So as proud as I am of ETAAC and public/private
21 partnerships, particularly in the ID theft arena, the
22 challenge is, you know, never to get on our heels but

1 to stay on our toes and lean into this particular wind
2 and continue to make a difference. That's again who we
3 are and where we are.

4 I do want to thank both Phil and Geno, for, you
5 know, Phil for being the Chair, Geno for being the Vice
6 Chair. I understand the undertaking it takes to be in
7 those roles and I personally thank you.

8 So, in closing, and I will stay -- be on the call,
9 but in closing, I want to thank each of you. I wish we
10 had the opportunity to meet individually. You know, if
11 you come back to the building or things change in terms
12 of COVID and the social distancing and I'm somewhere,
13 please come up to me and, you know, I would really
14 appreciate the opportunity to thank you in person, to
15 talk to you in person, and if you have ideas, whether
16 they're sort of within the ETAAC arena or otherwise,
17 please get them to us. We're open for ideas on how we
18 can make any interaction the Internal Revenue Service
19 has with any person better.

20 So with that, I will turn it back and just say
21 that I really do personally appreciate your efforts
22 collectively. The IRS appreciates your efforts and

1 certainly the employees of the IRS appreciate your
2 ongoing support. This has not been an easy run for
3 anybody and it certainly has not been an easy run for
4 our IRS employees.

5 We got pushed heavily in terms of generating the
6 EIPs. We got pushed heavily in terms of issuing
7 refunds for filing season, and at one point, we had our
8 511 facilities were shut down. We had 56,000 people
9 teleworking. Our systems were working smoothly, but a
10 large portion of the folks we interact with do paper
11 filings and those paper filings, obviously we did not
12 have the people in our campuses opening, you know, the
13 envelopes and distributing them and whatnot and we got
14 pushed heavily.

15 What was interesting to me was, personally, I got
16 pushed heavily on a weekly basis for how come my
17 constituents aren't getting their refunds and I'm
18 sitting here thinking, well, we're not going to put our
19 people in these campuses in this particular
20 environment. We need to get ready and protect the
21 health and safety of our people as well as taxpayers
22 that we interact with. We shut down all 358 taxpayer

1 assistance centers.

2 Personally, I caught some comments from people
3 saying their constituents could not walk into a
4 taxpayer assistance center and we needed to open those
5 up. We did not open those up for health and safety
6 reasons, but whatever your feelings are on some of
7 that, if you have people who could not get a refund, I
8 appreciate that and I apologize. It was my decision to
9 shut these things down and if you, you know, supported
10 that, you know, maybe the highest order is protecting
11 the health and safety of the employees as well as the
12 taxpayers and professionals and whatnot, go ahead and
13 make those comments and right from, you know, the
14 outset, I could have argued either side of that, but I
15 think overall we had a pretty good balance.

16 We are coming back. We're in phased-in reopening,
17 and we will have socially distanced and we're doing it
18 appropriately. We are not just turning a switch on and
19 everybody's back in the office and we're trying to be
20 respectful of our mission to, you know, get back to
21 square one where we were, but we're not going to do
22 that in a reckless manner. We're going to do a very

1 careful, thought-out, and so to the extent some of you
2 might be waiting for something, I personally apologize,
3 but understand that, you know, like every other public
4 and private organization, we're trying to get to the
5 right place but do it in a realistic, respectful
6 manner.

7 So with that, I will turn it back to Phil and Mel.

8 MR. POIRIER: Thank you very much, Commissioner.
9 It was very helpful to get your overview of what it's
10 like to be at IRS right now with all the activities
11 going on in the face of the challenges presented by the
12 pandemic. It's amazing what the IRS has been able to
13 accomplish with the support of the states and industry,
14 and I also appreciate you touching on the
15 accomplishments in the electronic filing area.

16 Though much of the focus of our discussion is
17 around the Security Summit, electronic filing continues
18 to grow. It's great news that amended returns are
19 going to be e-filable in the very short future, and
20 it's also nice to see the steady increase in business
21 return electronic filing.

22 And so to accomplish all of that on top of, you

1 know, handling all the Economic Impact Payments, and
2 dealing with the pandemic and the challenges of a
3 filing season that is unprecedented, it's really
4 remarkable progress.

5 MR. RETTIG: Yeah. You know, Phil, I mean, let me
6 also comment on the security side.

7 As you can imagine, I think the number last year
8 was somewhere around 1.8 billion cyber attacks on IRS
9 alone, but when the government announces it's issuing
10 payments to people who contact us in one of a variety
11 of methods, obviously a spike in fraudulent activity,
12 too, coming in our direction.

13 And so, you know, I was a little remiss in not
14 touching on the security side of it, but, you know,
15 through ETAAC Security Summit, lessons learned,
16 interactions, and sometimes some of the defenses we
17 have come up as a result of hallway conversations with
18 folks on ETAAC of, you know, hey, I heard about this, I
19 heard about that, and so similarly, you know, you don't
20 always have to -- we appreciate things coming in
21 formally through ETAAC and others, but it does not
22 always have to be a formal engagement with us.

1 of the Security Summit Workgroups and the ISAC. All
2 three of these individuals have been actively involved
3 in the Security Summit since its inception in 2015.

4 As the Commissioner noted, the IRS has achieved
5 significant progress against identity theft tax refund
6 fraud since the formation of the summit in 2015. He
7 noted the key indicators on identity theft over the
8 past five years, about the significant reduction in
9 numbers of taxpayers reporting that they've been
10 victims, the number of confirmed identity theft returns
11 that are coming into the IRS, the protection of
12 billions of dollars in fraudulent refunds by stopping
13 them before they go out the door, and then for the
14 support of the financial services industry recovering
15 additional refunds that have issued before they get to
16 the criminals.

17 And this progress is not coincidental. It
18 reflects the continuing commitment and collaboration of
19 the members of the Security Summit, the IRS, the state
20 revenue agencies and industry, and all the steps
21 they've taken to fight identity theft tax refund fraud,
22 and some of those steps include increasing the

1 collection and sharing of data associated with
2 electronic returns and that additional information is
3 making the IRS more effective in identifying and
4 stopping questionable returns.

5 The IRS has made significant progress in expanding
6 and refining its identity theft fraud filters. As I
7 just noted a minute ago, a second ago, the IRS is
8 coordinating closely with financial service providers
9 and debit card companies to identify and return
10 questionable refunds, and some of those relationships,
11 working relationships that have been built are also
12 being leveraged to issue and deliver the Economic
13 Impact Payments.

14 So Joe's going to talk a little bit more about
15 that.

16 There have been increased measures to authenticate
17 software users. Everyone knows the challenge of
18 authenticating yourself online in order to verify that
19 you are in fact who you say you are and the legitimate
20 person to access that information or your bank account
21 information, for example.

22 The IRS has been very active in expanding public

1 campaigns to increase awareness of ways to protect
2 identity theft and protect against identity theft. In
3 fact, the IRS has even created an online hub called
4 Identity Theft Central that makes it easier for
5 identity theft victims to find the information they
6 need.

7 Another thing the IRS has done is expand an
8 identity protection pin availability. So all of these
9 actions, and this is only a sampling of the actions
10 that have been taken, are helping to drive progress
11 against this threat.

12 I'd also like to acknowledge the importance of
13 congressional support from the Security Summit and
14 ISAC. Several provisions of the Taxpayer First Act
15 that was passed last year have focused on the Security
16 Summit, including the Act's amendment to Internal
17 Revenue Code 6103 that permits the IRS to share
18 identity theft tax refund fraud information into the
19 ISAC and the IRS has worked very diligently, along with
20 the states and with industry, to put in place a
21 framework to ensure that taxpayer information being
22 shared is being adequately protected.

1 As the Commissioner described, suffice it to say
2 the past 12 months haven't been without some
3 challenges, even before the pandemic hit.

4 On the heels of implementing the tax cut and JOBS
5 Act, the IRS was tasked with several new initiatives in
6 the Taxpayer First Act and while in the middle of
7 acting on these congressional imperatives and still
8 delivering the 2020 filing season, the pandemic hit,
9 and the Commissioner went through some of the numbers
10 in terms of what IRS has done to help Americans by
11 facilitating the delivery of hundreds of billions of
12 dollars in Economic Impact Payments.

13 The commitment, professionalism of the IRS
14 leadership and staff with the support of states and
15 industry during this period has been remarkable.

16 At the same time, the Commissioner noted the
17 cybersecurity threat and the fraud threat and, of
18 course, there's no time to rest on any laurels and take
19 our eyes off that threat and no one here is doing that.

20 The wholesale threat of huge volumes of personal
21 information across government and our economy has
22 provided criminals and other bad actors with detailed

1 and accurate taxpayer information, and these
2 sophisticated adversaries continue to use this
3 information to create and file returns that look almost
4 identical to those of a legitimate taxpayer.

5 Unfortunately, there is no silver bullet that
6 would make it easy for the IRS to spot these fraudulent
7 returns among the hundreds of millions of legitimate
8 returns. So there's going to be an ongoing impact on
9 legitimate taxpayers and our challenge is how can we
10 together reduce this impact and make it easier for
11 taxpayers to have their returns processed as
12 efficiently as possible.

13 ETAAC thinks that the continuing threat highlights
14 the importance of two critical factors that have
15 enabled the success of the Security Summit.

16 The first is IRS's continued leadership and the
17 second is the strong stakeholder engagement from the
18 states and industry.

19 Each stakeholder community has made substantial
20 commitments in funding and personnel to the Security
21 Summit and the prevention and mitigation of identity
22 theft tax refund fraud. So we need to stay focused on

1 how do we sustain the energy and momentum of existing
2 and new partners in the summit.

3 So with that context around the Security Summit,
4 let me just turn briefly to the 2020 Report and some of
5 the context in a very high level perspective on our
6 recommendations.

7 So we observed, if you look at the Executive
8 Summary in the report, which is at the beginning of the
9 report, ETAAC has observed several factors that we
10 think are going to affect the future of the tax system
11 as we look ahead.

12 Let me just mention four. The first, Number 1, is
13 the fiscal condition of the Federal Government is under
14 tremendous strain. We were already in excess of a \$20
15 trillion national debt and that was before the pandemic
16 and so there's going to be increased attention on
17 narrowing the \$308 billion tax gap and continuing to
18 mitigate the impact of identity theft tax refund fraud.
19 All you have to do is look at IRS's strategies or the
20 Commissioner's speeches or reports that he issues to
21 know that the IRS is heavily focused in these areas.
22 So that's Number 1, the fiscal position.

1 The second is this year, we've spent a lot of time
2 with the IRS Modernization Office looking at the
3 business modernization plan and after reviewing those
4 plans in pretty good detail, it's very clear that the
5 continued modernization of the IRS is an essential
6 component of not only narrowing the tax gap but
7 improving taxpayer services.

8 So that takes us to the third point, which is, in
9 order to modernize, the IRS needs its budget request
10 approved and that includes not just the base budget
11 request but also the program integrity cap adjustment.
12 I think it was either \$240 million, which will be
13 focused on enforcement. We'll talk a little bit more
14 about that. We'll talk about the return on investment
15 of those dollars.

16 And then the final point is that the cyber
17 criminals are continuing to probe for new
18 vulnerabilities and look for ways to disrupt our tax
19 system.

20 So we know that we need the money, Number 1. We
21 know that modernization is a key enabler to helping
22 taxpayers in using enforcement. We know that funding

1 is critical to that effort, and we know that the cyber
2 criminals and other adversaries are still at the door.

3 So with that context, we've organized our
4 recommendations around some key themes. Three of those
5 themes are consistent with our past reports and the
6 themes, those three themes are, first, defending and
7 protecting the tax system. The second is improving the
8 taxpayer experience, and the third is strengthening the
9 Security Summit and ISAC, and those aren't in priority
10 order. They are all important.

11 The fourth theme we've added this year is funding,
12 modernizing, and enabling the IRS, and when we talk
13 about our recommendations, you'll see how we've
14 organized our recommendations under these themes.

15 So in the second section of this meeting, Geno
16 Salo, the Vice Chair of ETAAC, is going to coordinate a
17 deeper review of these themes and recommendations, but
18 before we start talking about the recommendations, let
19 me hand the program off to Joe, Mark, and Kathy to
20 review the work of the Security Summit and ISAC.

21 So, Joe, you're up.

22 Oversight and Significant Issues

1 MR. SICA: Hey. Thank you, Phil, and good morning
2 to everybody.

3 My name is Joe Sica. I'm the Chief Public Policy
4 Officer at the Green Dot Corporation.

5 I'll be focusing my comments on the activities of
6 two Security Summit Workgroups. First, the
7 Authentication Workgroup, they're tasked with
8 identifying opportunities for strengthening identity
9 assurance and taxpayer authentication practices. Also,
10 the Financial Services Workgroup, they're tasked with
11 examining and exploring additional ways to prevent and
12 deter criminals from accessing tax refunds, tax-related
13 pension products, deposit accounts, prepaid debit
14 cards, along with coordinating the framework required
15 for banks to determine suspect refunds filed with the
16 IRS.

17 So these two working groups made progress in
18 several areas last year. Just give me five minutes to
19 mention a few of them. The Authentication Workgroup
20 made progress in several areas. They continued to
21 analyze individual tax return authentication data
22 elements and they're looking to find correlations

1 between their findings and confirm previously-confirmed
2 identity theft tax return fraud to further improve
3 suspect fraud selection models.

4 Equally hoping to repeat the success of the
5 individual return segment, they stepped up the pace on
6 analyzing business tax return data elements and are
7 identifying the next steps necessary to include due
8 date elements again on suspect fraud selection models
9 and filters.

10 The Authentication Group also identified
11 additional data elements related to employment tax
12 returns for inclusion in the business return
13 authentication process.

14 And finally, they provided industry partners with
15 specific content and actions to be required by
16 taxpayers for inclusion in all letters and notices
17 issued by the IRS relating to identity theft, so
18 thereby enhancing customer service in coordination with
19 tax preparation.

20 Looking ahead, we expect the Authentication
21 Workgroup to focus upon continuing its pilot on real-
22 time validation of the all-important electronic filing

1 and identification numbers and to begin development of
2 a plan to incorporate many of the trusted customer
3 requirements into the business return preparation
4 software.

5 The Financial Services Working Group made progress
6 in continuing to implement, rather, its rejected direct
7 deposit opt-in program, including outreach for review
8 member participation in the R17 Reject Program.

9 So since inception, 494 financial institutions
10 have opted into the R17 refund deposit reject effort
11 and since 2016, I believe well over 200 million suspect
12 refunds returned to the IRS as a result.

13 So looking ahead, the Financial Services Working
14 Group will be focusing on working with the National
15 Automated Clearinghouse Association, the state
16 departments of revenue, to further promote even more
17 participation in the R17 Opt-In Program, both for
18 federal and state return refunds.

19 Closely related to that, they will continue to
20 evaluate the Treasury Department's Bureau of Fiscal
21 Services pilot to encourage participation in the
22 External Leads Program and the reject process I've just

1 outlined across other government agencies.

2 So to conclude my brief remarks, one thing that
3 clearly jumped out at us this year is the summit's
4 contribution, maybe somewhat inadvertently, finding
5 itself in a position in helping to get millions and
6 millions of stimulus or EIP payments in the hands of
7 waiting recipients through direct deposit and much
8 quicker than if they had to wait for stimulus checks to
9 be printed and mailed.

10 Through direct action to help identify suspect
11 identification tax refund fraud since its inception
12 through some of the ways I just discussed, along with
13 others, it's advocated and operationalized and gathered
14 certain data that subsequently helps the IRS and states
15 recover refund errors.

16 So without too much detail here, that collection
17 of data and that industry suggestion was used by the
18 IRS to identify recipient bank accounts for deposits of
19 their EIP and, as mentioned, not have to wait for the
20 printed checks in the mail.

21 So once more, its construct firmly in place with
22 public/private collaboration exists to identify the tax

1 refund, it's sparked a very workable solution that's
2 assisted many Americans during a national emergency and
3 as we watch the daily news unfold, it indeed may again.

4 So when public and private entities build trust
5 and work collaboratively with each other, like the
6 recent space launch, for instance, great things can
7 indeed be achieved.

8 The summit is also an exemplary example of such a
9 trusting collaboration that's in a position to do great
10 things for the American public.

11 So after ending my four-year ETAAC term, my
12 personal belief is that it's definitely worth taking
13 note of.

14 So now I'd like to hand it off to my friend and
15 ETAAC colleague, Mark Steber.

16 Thank you.

17 MR. STEBER: Thank you, Joe.

18 My name is Mark Steber. I am the Chief Tax
19 Officer for Jackson Hewitt with responsibilities that
20 include tax compliance oversight, IRS tax and tax
21 preparation rules adherence, and overall system
22 monitoring for tax fraud schemes.

1 I'm going to focus a little bit on the
2 recommendations and accomplishments or at least the
3 accomplishments of three Security Summit Workgroups and
4 all three have a focus on information security.

5 The Strategic Threat Assessment and Response or
6 STAR Workgroup, which is tasked with identifying points
7 of vulnerability related to the detection and
8 prevention of ID tax refund fraud and executing a
9 strategy to mitigate and prevent them, the Tax
10 Professional Working Group, which is tasked with
11 examining how new requirements may affect the tax
12 preparation community and how the tax preparation
13 community can contribute to the prevention of identity
14 theft and tax refund fraud, and, finally, the
15 Communication and Taxpayer Awareness Workgroup, which
16 is tasked with increasing awareness among individuals,
17 taxpayers, businesses, and tax professionals on the
18 need to protect sensitive and important tax and
19 financial information.

20 These working groups made great progress in
21 several areas last year. For example, the Strategic
22 Threat Assessment and Response or STAR Working Group

1 completed the third year of a three-year plan
2 implementing the National Institute of Standards and
3 Technology or NIST Cybersecurity Framework Controls for
4 the tax industry.

5 The group established a new three-year plan to
6 implement the NIST Controls for the Payroll Community
7 Subgroup and received four one-year self-assessments
8 for Payroll Subgroup Teams.

9 Finally, they established a three-year plan to
10 align the Trusted Customer Requirements with NIST and
11 the Digital Identity Guidelines and looking ahead, we
12 expect the STAR Working Group to continue these NIST
13 Controls implementation for the tax software community
14 and payroll industry and conduct cybersecurity
15 exercises for the tax software community.

16 The Tax Professional Workgroup also had a good
17 year. They delivered basic data security messages
18 directly to PTIN account holders held by over 700,000
19 active return preparers.

20 The Tax Professional Workgroup supported the
21 return preparer offices communications strategy to
22 disseminate the availability of continuing education on

1 data protection and security courses using traditional
2 and social media platforms.

3 They conducted various tests and messaging to the
4 preparer community to determine which messages
5 preparers were more likely to open. They worked
6 directly with the Stakeholder Liaison Office in
7 designing focus group questions for preparers virtually
8 attending this year's nationwide Tax Forum.

9 Looking ahead, we expect the Tax Professional
10 Workgroup to enhance the PTIN or Preparer Tax
11 Identification Number registration and renewal process
12 to include important language outlining preparer
13 requirements to maintain and uphold data and system
14 security standards, to design information handouts on
15 security plan basics and make those available for the
16 2020 National Tax Forums.

17 Finally, the Communication and Taxpayer Awareness
18 Workgroup developed and continued to conduct an
19 aggressive and multifaceted social media campaign
20 focused both on taxpayers and the tax professional
21 community, highlighting security and protection against
22 identity theft, tax refund fraud, and related scams.

1 They continued to have a taxpayer-focused
2 protection and security awareness campaign. They
3 conducted its fourth annual Tax Security and Cyber
4 Awareness Campaign jointly with industry and state
5 Security Summit partner members, including events in
6 over 30 large and medium markets.

7 They developed a new partner toolkit, including
8 do-it-yourself news conference scripts, daily news
9 releases, drop-in articles, social media, and more,
10 designed to allow partners inside and outside the tax
11 community to share information and message more widely
12 to their internal members and external audiences the
13 importance of these topics.

14 Looking ahead, we expect the Communication and
15 Taxpayer Awareness Group to continue to highlight
16 security tips with communications throughout the filing
17 season focused on traditional and social media
18 platforms with special emphasis on emerging schemes,
19 rapid response to combat threats, and to protect data
20 and what to do if a possible data compromise in the tax
21 community happens.

22 The area I've just reviewed has one common theme

1 as does many of our recommendations in the ETAAC
2 Report, defending and protecting the tax system and
3 strengthening the security of various stakeholders in
4 that system.

5 The summit has made tremendous progress, as Phil
6 and others have covered over the past five years. It
7 has mitigated stolen identity tax refund fraud and put
8 us on the path to strengthen our tax system much more
9 so than any time in the past.

10 However, despite this progress and all the good
11 news we've heard and shared and read, the Security
12 Summit participants, the IRS, the state, and industry
13 can never lose focus of the continued risk and exposure
14 to the tax system if we are to lower our guard or
15 become complacent.

16 There has been no reduction in attempts to gain
17 the system or to steal. Just the success of those
18 attempts have been thwarted to some degree and very
19 much so for now. Even though we can count many wins
20 and point to much success, many tax dollars saved, the
21 tax system remains under attack, probably more so now
22 than any time in the past.

1 The tax system attacks, as the Commissioner's more
2 than once mentioned, are more sophisticated. The
3 targets range from states now, payroll processing
4 companies, to corporations in general. But make no
5 mistake, the criminal's goal is the same: to steal
6 money from the government through the IRS through the
7 tax system.

8 All of us must be vigilant and focused and
9 continue to reinforce this existing and potentially
10 expanding in some cases the protections and safeguards
11 currently in place or we'll pay a terrible price, as
12 the Commissioner mentioned, both in money and system
13 confidence, if a large-scale fraudulent scam were to
14 hold and explode.

15 In summary, even though the summit's report and
16 successes can be counted largely and significantly
17 slowing the outflow of fraudulent refunds, more
18 sophisticated attacks are currently being planned and
19 done right now and in the offing.

20 IRS and summit members should plan accordingly on
21 many fronts. Funding, as Phil mentioned, staffing, as
22 has been requested many times by the IRS, systems

1 modernization and all that go with it, and generally
2 the ETAAC recommendations are aligned on those points,
3 and if we do not do these things, loss of money and
4 confidence and system trust and respect may be lost.

5 Those were my highlights, and at this point, I'd
6 like to turn it off to my colleague and friend, Kathy
7 Pickering.

8 MS. PICKERING: Thanks, Mark.

9 My name is Kathy Pickering, and I'm the Chief Tax
10 Officer for H&R Block.

11 My comments are focused on two areas: the
12 Information Sharing Working Group, which is tasked with
13 identifying opportunities for sharing information
14 within the Security Summit to improve the collective
15 capabilities across the tax industry, the state
16 agencies, and the IRS for detecting and preventing tax
17 identity theft fraud, and the ISAC or the Information
18 Sharing and Analysis Center, which is a platform that
19 has aggregated anonymized data, enhanced by
20 standardization, analysis, and, most importantly,
21 centrally accessible so that authorized users can use
22 the benefit of this information and analysis to

1 facilitate sharing actionable data and information.

2 Let me review some of the accomplishments of these
3 two efforts.

4 First, the Information Sharing Working Group
5 enhanced and automated the lead submission process.
6 This has evolved over time to gaining a better
7 understanding of the issues and challenges that the
8 states face in using the leads specifically with
9 limited access to federal tax information and the
10 states' ability to use lead information is necessarily
11 different than how the IRS uses it. That understanding
12 and collaboration has driven continuing improvements in
13 the lead submission processing.

14 Also developed an enhanced process and new alert
15 form for issuing ISAC alerts based on efforts by the
16 Rapid Response Team. The key here is that alerts are
17 meant to provide information about suspicious activity
18 that needs immediate attention and action to prevent ID
19 theft.

20 Looking ahead, we expect the Information Sharing
21 Working Group to explore opportunities to enhance
22 information and data sharing with expanded and much-

1 needed authority provided by the Taxpayer First Act
2 which authorizes the IRS to share federal tax
3 information for the purposes of detecting and
4 preventing identity theft tax refund fraud and
5 collaborate with the Authentication Working Group to
6 identify data and analyze information that will enhance
7 and improve leads reporting for business entity
8 returns.

9 Second, the ISAC, again the Information Sharing
10 and Analysis Center, increased its membership to 72
11 member organizations, including partners and endorsing
12 organizations.

13 With the authorities granted through the Taxpayer
14 First Act, the IRS is now for the first time able to
15 share FTI, Federal Tax Information, into the ISAC with
16 authorized users. This requires appropriate security
17 protocols, ability to track data entered and accessed,
18 creating specific authorized user accounts, and
19 providing training and guidance on how to use the
20 functionality to protect the information. It's an
21 important next step in the evolution of the ISAC.

22 The states, through the FTA or the Federation of

1 Tax Administrators, has added a new feed of information
2 about data breaches reported to the states into the
3 ISAC operational platform. This consolidates the
4 information to a single accessible location and allows
5 for additional analytics.

6 Prior to the use of the information from the
7 Secretary, the states had to determine linkage with
8 identity theft and testing new data sources. This
9 created the pre-validation effort from the Financial
10 Services Working Group on to the platform which enabled
11 a more holistic view of the patterns and trends
12 associated with this effort and coordinated with the
13 ISAC analyst community practice to improve the ISAC
14 alerts process to gather more meaningful data to
15 identify threat activity.

16 The community of practices, the crown jewel of the
17 ISAC efforts, by bringing together the fraud analysts
18 to collaborate, share best practices, and raise the
19 efficacy of all involved.

20 Looking ahead, we expect the ISAC to continue to
21 refine its committees to improve strategic planning and
22 enabling its analyst community, continue to execute the

1 ISAC strategic goals, improve analyst training and
2 build skills of the analyst community, continue efforts
3 to optimize use of the data currently available for the
4 ISAC membership by the creation of new data dashboards,
5 work with the Senior Executive Board Metrics Committee
6 to develop and monitor metrics and measure value-added
7 of the ISAC and further implement the ISAC-related
8 provisions of the Taxpayer First Act.

9 In our past two reports, we've made several
10 recommendations in the above areas and the steady
11 progress being made is commendable. However, if I had
12 to identify one big issue in these areas, I'd say that
13 we have experienced unprecedented challenges this past
14 season because of the COVID-19 pandemic.

15 We saw a lot of chaos, rapidly-changing
16 information about extensions to filing and payment
17 deadlines, a myriad of local orders about shelter-in-
18 place, a rapid shift to enable work-from-home or
19 telework, and in times of chaos and change, fraudsters
20 and cyber criminals thrive.

21 That said, because of the structure and
22 partnership of the Security Summit and the ISAC, we

1 were able to communicate effectively during the crisis
2 and we now have a partnership for continuing to harvest
3 the lessons learned from COVID-19 and use that in a
4 strategic planning forum to think bigger, bolder, and
5 faster about how quickly the world can change. Things
6 we could have never imagined a year ago have just
7 occurred and we can use that to think and plan
8 differently going forward to continue the fight against
9 identity theft for refund fraud.

10 And at this point, I'd like to hand off now to
11 Phil for some closing comments in this area.

12 MR. POIRIER: Thanks very much, Kathy, Joe, and
13 Mark, for your comments.

14 At this point, I'd like to turn it over to
15 Commissioner Rettig, if he has any final comments
16 before we take a short break.

17 Thank You to Members

18 MR. RETTIG: Yeah. I just wanted to say thank
19 you. It took me a second to unmute. I apologize for
20 that. I just wanted to say thank you and, you know,
21 you really are hitting on the topics and a lot of this
22 is certainly behind the scenes. So it's not only

1 protecting but, you know, each year the cyber
2 criminals, you know, and everybody else, they do get
3 more sophisticated and so, you know, when we get there,
4 they're chasing us, and so having your continued
5 involvement and then dedication, you can hear it. You
6 know, you can hear it in the voices of the folks who
7 are reporting.

8 I just want to personally say thank you. We very
9 much appreciate the efforts of each of you and I get it
10 that these committees are often sort of the planes,
11 trains, and automobiles, and behind the scenes. You
12 know, you're giving up personal time. You're giving up
13 business time. I understand that.

14 I want you to know that I do appreciate it and I
15 look forward to the opportunity to thank each of you in
16 person.

17 So with that, I'll turn it back. Thank you very
18 much.

19 MR. POIRIER: Thank you very much, Commissioner.

20 At this time, I'd like to take a short five-minute
21 break. So we will -- actually, let's just make it a
22 10-minute break, in case somebody wants to grab a cup

1 of coffee, in addition to other things.

2 We will reconvene at 10 a.m. Eastern. So if you
3 could just put your phones on mute and then we will
4 reconvene at 10 a.m. Eastern.

5 Thank you.

6 (Recess.)

7 MR. POIRIER: It's just about 10 a.m. Eastern.
8 Mel, did you have anything you wanted to do or say
9 before we check back off?

10 MR. HARDY: Yes, Phil. Thanks so much. Phil, we
11 made one small snafu. Things are going so well, but we
12 have to add in a little bit of opportunity for
13 mistakes. We still have Commissioner Rettig on the
14 line. He is anxiously awaiting to thank those members
15 of ETAAC that are rolling off this year, a very
16 distinguished group.

17 So, Commissioner, I'll turn it over to you, sir.

18 MR. RETTIG: Yeah. And I apologize for that and,
19 as much as anything else, it's a casualty of sometimes
20 we move too fast but also the virtual nature of it.

21 Like I said, historically what I've done for
22 different advisory committees since I've been onboard,

1 I really do appreciate thanking each individual and
2 especially the individuals who are rotating off at the
3 conclusion of their term and this year, we have Michael
4 Jackman, we have Suzanne Kruger, Ada Navarro, Kathy
5 Pickering, Phillip Poirier, John Sapp, Joseph Sica, and
6 Mark Steber, and, you know, as I said when I opened my
7 comments, I get it, and, you know, you and those
8 immediately around you understand what you do, but, you
9 know, sometimes a lot of other people don't and I do
10 appreciate the efforts and the care and the concern of
11 those of you that are rotating off.

12 You've gotten us to a better place. It doesn't
13 mean that you should be strangers going forward. You
14 should continue to interact with us in any way, shape,
15 or manner that's possible, and I encourage those who
16 are staying on to be as engaged as possible.

17 The other thing I will say is I do get it that
18 people have day jobs and they have, you know, family
19 life and this and that. So what you can give we
20 appreciate and we want you to know that.

21 So for Michael, Suzanne, Ada, Kathy, Phillip,
22 John, Joseph, and Mark, thank you very much. I

1 apologize for missing that on the earlier part.

2 MR. POIRIER: No problem. Thank you very much,
3 Commissioner.

4 MR. RETTIG: Thank you.

5 MR. POIRIER: And thanks for taking the time to
6 speak with us this morning.

7 MR. RETTIG: My pleasure. It's an honor and a
8 privilege and I just wish I could do it in person but
9 we'll get there.

10 MR. POIRIER: Absolutely.

11 MR. RETTIG: All right.

12 MR. POIRIER: Okay. At this time, we're going to
13 commence the second part of our meeting and review the
14 recommendations. Please remember the guidance I
15 provided about Star 6 to mute and unmute and remute it.
16 It's early in California. Remute your phone.

17 And so at this time, I'd like to hand it off to
18 ETAAC's Vice Chair Geno Salo to continue the meeting.

19 2020 Recommendations Review

20 Overview of Recommendation Areas

21 MR. SALO: Thank you very much, Phil.

22 Again, I'm Geno Salo from Thomson-Reuters where

1 I'm Senior Director of Government Relations.

2 This phase of our public meeting, we're going to
3 provide a brief oral summary of our 2020
4 Recommendations.

5 ETAAC has 16 recommendations, some of which may
6 simply restate or clarify past recommendations in the
7 areas that we still deem critical. We have organized
8 our recommendations around four central issues, the
9 first being Fund, Modernize, and Enable the IRS. We
10 have four recommendations in this area focused on
11 congressional actions to enable the IRS to provide
12 high-quality taxpayer services, enhance enforcement,
13 and build 21st Century capabilities.

14 Phil Poirier will summarize this area which deals
15 with the IRS Fiscal Year 2021 Budget Request,
16 Government-Wide Digital Identity Policies and
17 Initiatives, and IRS Authority and Funding to Enforce
18 Such Understandings.

19 The second theme is to Defend and Protect the Tax
20 System. We have three recommendations in this area
21 focused on ensuring the uninterrupted secure operations
22 of our nation's integrated electronic tax

1 administration system. Jenine Hallings will summarize
2 this area which deals with mitigating potential
3 disruptions throughout our end-to-end tax system, IRS
4 engagement to assess the impact and implementation of
5 the Federal Trade Commission's proposed changes to the
6 Safeguard Rule, and IRS actions to understand the
7 security risks and vulnerabilities in the tax preparer
8 community.

9 The third theme is to Improve the Taxpayer
10 Experience and we have four recommendations in this
11 area, John Sapp will summarize them, which deal with
12 collaboration on promising digital identity solutions,
13 taxpayer-controlled real-time protections, design of
14 the IRS Form 1099 Internet-Based Service, and the
15 accuracy of EIN responsible party information.

16 And lastly, the fourth theme, Strengthen the
17 Security Summit and ISAC, we have five recommendations
18 in this area, and Lynne Riley will summarize them, and
19 they deal with the Taxpayer First Act's impact on the
20 Security Summit, implementing the TFA-ISAC-related
21 provisions, mitigating the adverse impact of
22 participant turnover in the ISAC, and the

1 implementation of real-time ETIN and PTIN validation
2 capabilities.

3 With that, I'm going to hand off to Phil Poirier,
4 who will summarize the first set of recommendations.

5 Phil?

6 Fund, Defend, and Enable IRS

7 MR. POIRIER: Thanks, Geno.

8 Can you hear me okay?

9 MR. SALO: Yes.

10 MR. POIRIER: Okay. Great. Thank you.

11 As Geno mentioned, I'm going to open with the
12 recommendations in the area of Funding, Modernizing,
13 and Enabling the IRS.

14 In past years, we have tended to have
15 congressional recommendations sprinkled throughout our
16 different themes. This year, what we did was we
17 assembled all of our recommendations for congressional
18 action in one area and are referring to it under the
19 heading of Funding, Modernizing, and Enabling.

20 So let's start with congressional funding. I
21 already mentioned a few minutes ago about the
22 overwhelming national debt, the annual budget deficits

1 of over a trillion dollars a year and certainly greater
2 than that this year, and the need to narrow the tax gap
3 as well as to fight identity theft, tax refund fraud,
4 and the COVID response obviously has accelerated that
5 need and that challenge.

6 To accomplish this objective, the IRS needs
7 adequate funding to make it easier for taxpayers to
8 comply and to enhance its enforcement capabilities and
9 as well as to protect the tax system from cyber
10 criminals and to modernize its systems.

11 In considering IRS funding, it's kind of in a
12 unique position because IRS estimates that it has a
13 direct return of investment or ROI on enforcement on
14 corporations of approximately five to one and
15 indirectly it believes it has an ROI of about 11 to one
16 or greater.

17 So it does cost more, but investing dollars in IRS
18 enforcement actions and other improvements to help
19 taxpayers comply actually delivers increased revenue
20 for the Federal Government.

21 So under the circumstances, Recommendations Number
22 1 and 2 in the ETAAC 2020 Report recommend the full

1 funding of the IRS's Fiscal Year 2021 Budget Request,
2 including its \$400 million program integrity cap
3 adjustment.

4 We believe these two recommendations are
5 fundamental to enable the IRS to narrow the tax gap and
6 improve taxpayer services as well as to modernize.

7 The second area of our recommendations under this
8 theme relates to digital identity. Digital identity is
9 one of the toughest things to implement in the online
10 and mobile environment. This is a very challenging
11 area.

12 A few years ago when there were security issues, I
13 believe it was this issue with getting your transcript,
14 IRS was very quick to implement an enhanced identity-
15 proofing solution and authentication solution called
16 Secure Access and is now working to upgrade that system
17 or replace that system with SADI and John Sapp is going
18 to talk more about that particular implementation.

19 But digital identity is the front door to any
20 personalized online and mobile services and OMB, the
21 Office of Management and Budget, has provided federal
22 policy guidance in this area.

1 But given the critical and challenging nature of
2 this area, we believe congressional attention and
3 support is warranted.

4 The OMB guidance not only helps to set a framework
5 within that but it also creates dependencies on other
6 agencies.

7 So our Recommendation Number 3 proposes that
8 Congress monitor and support government-wide policies
9 and initiatives to enable agencies to implement digital
10 identity solutions and John will touch on this a little
11 bit more.

12 The final recommendation in this area relates to
13 cyber attacks and to, I should say, security. Our
14 federal tax system can consist of both public and
15 private infrastructure between the IRS, states, and
16 industry, and all of these solutions or, I should say,
17 systems are under attack every day.

18 To achieve a secure tax system, we think the IRS
19 needs to have the clear authority and the associated
20 funding to lead a coordinated effort to understand the
21 risks to the tax system and to execute an effective
22 cybersecurity strategy.

1 So whether that involves education or standards or
2 whatever it involves, we believe that the authority
3 needs to be clear, and we believe the funding needs to
4 be there.

5 So Recommendation Number 4 proposes that Congress
6 provide IRS with the authority and the necessary
7 funding to set and enforce security standards or take
8 other actions to enhance the security of our tax
9 system.

10 So with that, I'm going to hand it off to Jenine
11 Hallings who will summarize the next set of
12 recommendations.

13 Defend & Protect Our Tax System

14 MS. HALLINGS: Thank you, Phil.

15 Good morning. My name's Jenine Hallings, and I am
16 a Compliance Manager with Paychex, Inc. In this role,
17 my main areas of focus include payroll tax, employment
18 tax filing, and privacy regulation.

19 The recommendations I'll be speaking about this
20 morning are focused around the second theme referenced
21 in ETAAC's 2020 Annual Report, which is Defend &
22 Protect Our Tax System.

1 Phil just mentioned the importance of a secure tax
2 system. ETAAC has three recommendations in this regard
3 that focus on ensuring the uninterrupted secure
4 operation of our nation's integrated public/private
5 electronic tax administration system.

6 First, every year the federal tax system generates
7 approximately \$3.5 trillion in collections. These
8 collections fund approximately 95 percent of government
9 and, moreover, deliver approximately 350 billion in tax
10 refunds.

11 This system is under attack every day. Although
12 current attackers seem to be focused on monetary gains,
13 future attacks could shift, disrupting government
14 operations and the economy, which raises business
15 continuity concerns.

16 With Recommendation Number 5, ETAAC recommends
17 that the IRS work with the Security Summit to evaluate
18 and respond to potential disruption threats to our end-
19 to-end tax system.

20 Second, the Federal Trade Commission Safeguards
21 Rule mandates security requirements for tax preparers
22 and this is inclusive of consumer tax software and tax

1 preparers serving consumers, whether paid or unpaid.

2 The FTC Enforced Safeguards Rule as currently
3 written provides fairly high-level requirements. As we
4 see the cybersecurity threat has increased, the FTC has
5 reconsidered the adequacy of the existing rule.

6 Upon completion of their re-examination, the FTC
7 issued a proposed rule that would substantially expand
8 the current Safeguards Rule and Requirements. The
9 impact of these changes on the tax preparation industry
10 is unknown.

11 In Recommendation Number 6, ETAAC encourages the
12 IRS to promptly engage with the FTC and the tax
13 preparer community to assess the impact around the
14 implementation of FTC's proposed changes to the
15 Safeguards Rule.

16 With all that's going on in the world today, ETAAC
17 suspects a large portion of the tax preparer community
18 has not yet had the chance to fully absorb and reflect
19 on the potential outcomes the proposed changes will
20 have, making compliance challenging.

21 Finally, ETAAC has already commented on the need
22 for the end-to-end public and private tax system to be

1 secure.

2 In regards to this, ETAAC believes this requires
3 that the IRS have clear authority and adequate funding
4 in this area.

5 To achieve a secure tax system, ETAAC also
6 believes that the IRS must lead a coordinated effort to
7 understand the risks to the tax system and develop and
8 execute an effective cybersecurity strategy.

9 As a foundational first step, Recommendation
10 Number 7 recognizes the gap in the understanding of the
11 security risks and vulnerabilities in the tax preparer
12 community and repeats ETAAC's 2019 recommendation for a
13 study of this area.

14 Now I'm going to hand off to John Sapp, who will
15 summarize the next set of recommendations.

16 Thank you.

17 Improve the Taxpayer Experience

18 MR. SAPP: Thanks, Jenine.

19 My name is John Sapp. I'm Vice President of
20 Strategic Development at Drake Tax Software.

21 I'm going to review Part 3 of the ETAAC Report,
22 Improving the Taxpayer Experience.

1 ETAAC has four recommendations in this area
2 focused on improving taxpayer services and the customer
3 experience, but before I review those recommendations,
4 I'd like just to just take a step back and ask, well,
5 why do we really care about that?

6 You know, it's easy for us that are involved in
7 this industry to get so engrained in the tax business
8 or tax processing, writing tax policy or reporting on
9 tax policy, reporting on the tax system to think of
10 things like authentication or digital identity, data
11 insecurity, things like that as just jobs to be done or
12 tasks to be performed to make our processing more
13 efficient or secure.

14 But I will point out that all of these efforts,
15 and ETAAC focuses on this, all these efforts have a
16 real impact on people's lives, on real taxpayers. So I
17 would caution us not to forget that individual taxpayer
18 because when they're having a tax problem and that's
19 coupled with an unknown of how the tax system works or
20 how to interact with the tax system, that breeds
21 anxiety and it's driven by a feeling of not having any
22 control over the process or the interactions with that

1 process of our tax system.

2 So, you know, the former Taxpayer Advocate called
3 this the Taxpayer Anxiety Index and she presumed the
4 less anxiety a taxpayer experiences in dealing with the
5 tax system, the more likely they are to comply with
6 their tax filing obligations.

7 So these recommendations that we have should bring
8 options to the taxpayer and some semblance of control
9 as they try to comply with their tax obligations and
10 have to potentially interact with the tax system.

11 So the collaborative effort between the IRS,
12 industry, and states does just that. It builds
13 additional ways for taxpayers to interact with the tax
14 system, hopefully building trust that those
15 interactions are fair for everyone and actually make
16 sense.

17 So some of these interactions are technology-
18 driven through a web-based portal or technology that
19 would provide protections to taxpayers' data through
20 authentication but also more logical solutions to
21 resolve their tax issues.

22 So, for example, something simple like having

1 access to their account at the IRS so they know the
2 activity that has occurred. So this trust hopefully
3 with that interaction should lead to additional
4 compliance security and hopefully, you know, easier-to-
5 use systems.

6 So if we start with the critical area, as Phil
7 mentioned before, of digital identity, which is the
8 ability to remotely identity proof and authenticate a
9 person is who they say they are. So as Phil suggested,
10 this capability is a critical dependency for the IRS's
11 modernization strategy and therefore the IRS's ability
12 to meet its future taxpayer service and enforcement
13 responsibilities.

14 But on a day-to-day basis, you know, ETAAC pointed
15 out last year that taxpayers, only 40 percent of them
16 successfully could utilize the secure access system to
17 see their account at the IRS or to interact with the
18 account that way, and tax professionals were only
19 slightly better at 65 percent.

20 So a critical function of this digital identity is
21 to bring, you know, the ability to interact with the
22 system for everyone. So it's fairness and a level

1 playing field.

2 For example, it doesn't seem fair to provide
3 access to the tax system digitally simply because
4 someone has the ability to authenticate that someone
5 else doesn't have. For example, they have a mortgage
6 or they have a cell phone in their own name and someone
7 else doesn't. That could be the delineating factor
8 between someone having access to an easy way to
9 interface with the tax system and someone who doesn't
10 in the current system.

11 So the goal for this solution is to allow a larger
12 population of taxpayers and tax preparers to access the
13 information needed to solve tax issues and comply with
14 their obligations.

15 So the IRS has been diligent and thoughtful in its
16 pursuit of this. It's been designated the Secure
17 Access Digital Identity or SADI and ETAAC supports the
18 IRS's work in this area and that's what Recommendation
19 8 does.

20 We encourage the IRS to collaborate and continue
21 that collaboration, bring in subject matter experts to
22 identify and pilot promising digital identity

1 technologies in this area.

2 So in responding to ID tax refund fraud threat,
3 the IRS has considered several methods of providing
4 increased transparency and control to taxpayers. This
5 approach is consistent with other areas of the
6 consumer's or taxpayer's financial lives where they
7 have security features with their bank, for example,
8 proactive notifications, and account controls. Someone
9 uses a credit card in an odd way, they may get a text,
10 those types of things that have become commonplace in
11 our day-to-day lives.

12 The IRS should be able to get the -- the taxpayers
13 should be able to get with their tax-filing and tax
14 account the same type of interactions.

15 So Recommendation Number 9 encourages the IRS to
16 extend its taxpayer-controlled real-time protections
17 for individuals and business taxpayer accounts.

18 Recommendation Number 10 proposes the IRS expand
19 its current collaboration with key stakeholders on the
20 design and launch of the 1099 Internet-Based Service
21 Required personal to the Taxpayer First Act, which
22 directed a number of significant actions by the IRS,

1 one of which in Section 2102 directed the IRS to make
2 available an internet platform that allows people to
3 separate -- I mean, sorry, to prepare, file, and
4 distribute Forms 1099 and maintain a record of those
5 after they're filed. That service will impact a number
6 of stakeholders, some of which have already undertaken
7 their own initiatives in this area.

8 So, finally, the accuracy and integrity of the
9 responsible party as it pertains to an employer
10 identification number is essential to the IRS's ability
11 to resolve potential ID theft and tax refund fraud
12 returns quickly. That information, if it is out of
13 date, someone changes the responsible party with an EIN
14 and doesn't change that at the IRS, legitimate
15 taxpayers are disadvantaged when the proper handling of
16 suspect but legitimate returns is delayed.

17 So Recommendation Number 11 recognizes the
18 opportunity to make it easier for the IRS to release
19 legitimate business returns by increasing the accuracy
20 of the EIN responsible party information.

21 Now I'm going to hand off to Lynne Riley who will
22 summarize the final set of 2020 Recommendations.

1 Lynne?

2 Strengthen the Security Summit & ISAC

3 MS. RILEY: Thank you, John.

4 Good morning, everyone. My name is Lynne Riley.

5 I'm the State Treasurer of Georgia, but I was formerly
6 the State Revenue Commissioner, and my service in tax
7 administration began in 2015 during the identity theft
8 crisis that inspired the IRS to create the Security
9 Summit.

10 Under the IRS's leadership, the efforts of the
11 Security Summit contributed significantly to the
12 reduction and prevention of identity theft tax refund
13 fraud. Having been directly involved in the successful
14 efforts as a workgroup co-lead and a member of the ISAC
15 Senior Executive Board, I can personally attest to the
16 positive impacts that this collaboration has achieved
17 for the benefit of individual taxpayers and for the
18 preservation of public funds.

19 The Taxpayer First Act directs the Treasury
20 Department to develop a comprehensive plan for the
21 organizational redesign of the IRS and for the IRS to
22 work collaboratively with the public and private

1 sectors to protect taxpayers.

2 ETAAC believes the IRS must assess and address the
3 impact of the redesign on the Security Summit. This
4 assessment should consider the Security Summit
5 structure, management, goals, and operations to sustain
6 its future success.

7 An extraordinary level of effort has gone into the
8 empowerment and deployment of the Security Summit and
9 the strong bonds of trust that have been forged among
10 the participants must be sustained.

11 ETAAC has five recommendations focused on
12 strengthening the Security Summit and the ISAC.

13 Recommendation 12 focuses on the IRS redesign
14 effort. IRS must contemplate the Security Summit in
15 the redesign and use the organizational review process
16 as an opportunity to identify actions to strengthen it.

17 The ISAC is the collaborative information-sharing
18 platform that enables participants to identify,
19 analyze, and act on tax refund fraud in real time. The
20 ISAC's broad membership of the IRS, state revenue
21 agencies, and the tax industry provide it with the
22 unique visibility across the tax ecosystem. This

1 enables stakeholders to act quickly to protect
2 taxpayers and the tax revenues.

3 Congress has clearly expressed its support for the
4 ISAC. Amendments to IRC Section 6103 permit carefully
5 limited disclosures of federal tax information by the
6 IRS into the ISAC to prevent identity theft tax refund
7 fraud.

8 ETAAC believes there are opportunities to improve
9 ISAC performance. Participant turnover can create
10 inefficiencies and suppress participation in the ISAC
11 as new personnel must learn the policies and procedures
12 to successfully utilize the platform.

13 ETAAC also recognizes that opportunities exist to
14 implement more structured ISAC training.

15 Recommendations 13 through 15 focus on
16 opportunities for participant collaboration on ISAC-
17 related provisions in the Taxpayer First Act and to
18 take action to mitigate risks posed by ISAC participant
19 turnover.

20 Finally, the accuracy and integrity of electronic
21 filing identification numbers and preparer tax
22 identification numbers is a key tool in preventing and

1 resolving tax refund fraud.

2 A shift to real-time access and validation of
3 ETINs and PTINs would increase efficiencies in this
4 effort.

5 Recommendation 16 of our report supports the IRS's
6 effort to implement real-time ETIN and PTIN validation
7 capabilities.

8 Now I'm going to hand back to Geno Salo. Thank
9 you.

10 MR. SALO: Thanks very much, Lynne.

11 In closing this section of the meeting, the 16
12 recommendations that the committee has put forward are
13 the work of a yearlong process. The unprecedented
14 events of the last few months shine a brighter light on
15 certain recommendations but before talking about that,
16 I would just like to say thank you to all the IRS staff
17 for handling the filing season in exemplary fashion
18 despite all the challenges, including taking on the
19 task of managing the Economic Impact Payments. It's a
20 job well done under a tremendous burden. Thank you
21 very much.

22 The challenges of the pandemic highlight that the

1 full funding of the IRS is paramount so that it can
2 continue their modernization efforts. As taxpayers and
3 tax professionals adopt new methods of conducting
4 business, they need the ability to work with the IRS
5 digitally now more than ever. The IRS needs to
6 continue to push for their secure digital identity
7 solutions but with that push potential fraud issues
8 have to be at the forefront of their thinking. Change
9 can be seen as an opportunity for the cyber criminal as
10 they try to poke holes in new systems.

11 In a simple sentence, fully fund the IRS so that
12 they can continue to enhance the taxpayer digital
13 experience securely.

14 Then before I close, I would just like to take an
15 opportunity to thank our chairman, Phil Poirier, for a
16 job well done.

17 Phil, your leadership during this year of
18 adversity has been outstanding. Just as everything was
19 coming together for this report, the pandemic was
20 trying to tear everything apart. You held us together
21 and we were able to cross the finish line in great
22 shape.

1 ETAAC members are proud to have served with you
2 this year, Phil. Thank you for everything.

3 At this time, I'd like to turn the meeting over to
4 Michael Beebe from the IRS.

5 Operating Divisions

6 Security Summit Leads

7 MR. BEEBE: Thank you, Geno.

8 Again, I am Michael Beebe. I'm the Director of
9 Return Integrity and Compliance Services in the Wage
10 and Investment Division, and the Lead Executive for the
11 Security Summit.

12 First, I'd like to thank all of the ETAAC Members
13 for their commitment and dedication. It's been an
14 especially challenging year and very much appreciate
15 your volunteerism.

16 For Kathy Pickering, Joe Sica, John Sapp, Mark
17 Steber, I look forward to your continued involvement
18 and leadership roles in the Security Summit and working
19 with those recommendations that will be worked in
20 collaboration with the Security Summit working teams
21 and with the ISAC.

22 Geno Salo, congratulations on being the chair for

1 next year, coupled with your recent appointment as the
2 circuit chair. You'll have a very busy year. We'll
3 miss you on the Security Summit Tax Pro Working Team.
4 However, we look forward to working with you in your
5 new expanded leadership role.

6 Special thanks to Phil Poirier for the last two
7 years, last year as the vice chair and this year as
8 chair. I appreciate your directness, your passion,
9 your understanding of the operational realities that
10 the IRS faces when it comes to funding challenges
11 around staffing and technology and the authority that
12 the Service has and does not have.

13 As the report points out, the IRS, states, and
14 industry have been working together the last five years
15 at the Security Summit and have been successful in
16 reducing tax refund identity theft victims by 80
17 percent and protecting billions of taxpayer dollars.

18 There are many things that go into making that
19 happen and part of that is the work done by ETAAC to
20 look at what is being done and in some instances not
21 being done by the IRS and the Security Summit and the
22 ISAC and providing strategic and tactical

1 recommendations for implementation. So thank you.

2 As pointed out, fraudsters are well funded. They
3 have accumulated an abundance of taxpayer data through
4 a variety of ways and continue to try and commit tax
5 refund identity theft.

6 Our approach, as the Commissioner mentioned, one
7 victim of tax refund identity theft is one too many.
8 So we still have much work ahead of us and this year's
9 recommendations will help with that work. So again
10 thank you.

11 I'd like to turn it over to Phil.

12 MR. POIRIER: Geno, any final thoughts before I
13 wrap up?

14 MR. SALO: No, Phil. It's all yours.

15 MR. POIRIER: Okay. Thank you, Phil, for your
16 kind comments. The \$20 cash is in the mail. Hey,
17 Mike, thank you very much.

18 Closing Remarks

19 MR. POIRIER: You know, one thing I want the IRS
20 team to know is, as we have in the past few years, we
21 try to set up meetings with congressional staff on the
22 Oversight Committees and Appropriations Committees.

1 This year is particularly challenging to do that, but
2 Geno, Lynne, and I will be talking with members of the
3 House and Senate staffs later today.

4 I know that we have Senate Finance and Ways and
5 Means. I don't know if the appropriators will be on
6 the call.

7 But our primary objective is to build confidence
8 in the IRS and in the Security Summit and then to
9 communicate the key recommendations we have, for
10 example, around funding and support.

11 So please know that, as I mentioned at the outset
12 of this public meeting, we appreciate everyone's
13 commitment and efforts at the IRS, along with the
14 support of the states and industry, to attack this
15 problem and make tax administration better for
16 taxpayers and for our country.

17 Mel, before I conclude the meeting, do you have
18 any final comments?

19 MR. HARDY: That mute function really takes a
20 minute or two.

21 You know, Phil, as I mentioned at the top of the
22 meeting, it's just been an incredible year and, you

1 know, the challenge was there and everybody on this
2 ETAAC Team really pulled together to make sure that,
3 you know, we were able to continue on with this and
4 make it as engaging and, you know, just high quality,
5 as it always is, and, of course, you know, it's
6 bittersweet for me because I truly enjoy working with
7 all the members of the ETAAC but you and Kathy and John
8 and Mark, I would include Joe but not so much, but, no,
9 you guys have really been not only great members but
10 just a wonderful addition to what we have to do getting
11 this hard work done.

12 So I want to really say thank you to all the
13 members who are rolling off and looks like Mike Beebe
14 stole a little bit of my thunder but that's okay
15 because Mike is a friend. We just want to say
16 congratulations to Geno for being the new chair. So
17 everybody kind of do a little virtual hand clap, if you
18 will, and I'm just very, very excited about next year's
19 ETAAC.

20 So with that, I will turn it back to you, Phil, my
21 good friend, and again so thank you so much for your
22 steady leadership. You were in the right place at the

1 right time to bring us to the finish line during this
2 pandemic and it's not lost on the agency.

3 MR. POIRIER: Thanks very much, Mel, and again I'd
4 like to thank all my ETAAC colleagues for their efforts
5 and support over the past year and multiple years.

6 So at this time, I'd like to thank everyone for
7 attending our public meeting. Again, if you have
8 questions you would like to pose about the ETAAC
9 Report, please send those questions to
10 publicliaison@irs.gov, and with that, the 2020 Public
11 Meeting of the IRS Electronic Tax Administration
12 Advisory Committee is officially closed.

13 Thank you again, everybody, and thanks for setting
14 up this call, Mel, John, and Sean.

15 (Whereupon, at 10:35 a.m., the meeting was
16 adjourned.)

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