Transcript of ETAAC Public Meeting

Wednesday, June 23, 2021

Public Meeting for IRS
INTERNAL REVENUE SERVICE

ELECTRONIC TAX ADMINISTRATION ADVISORY COUNCIL
(ETAAC)

9:00 a.m.

Wednesday, June 23, 2021

Webcast
ETAAC MEMBERS PRESENT

Dmitri Alexeev
Jared Ballew
Luanne Brown
Latryna Carlton
Daniel Eubanks
Larry Gray
Jenine Hallings
Eric Inkrott
Courtney Kay-Decker, ETAAC Vice Chair
John Kreger
Carlos Lopez
Laura Macca
Julie Magee
Sherice McCarthy-Hill
Kimberly Pederzani
Andrew Phillips
Lynnette T. Riley
Cynthia Rowley
Gene Salo, ETAAC Chairman
Timur Taluy
Lindsey West
AGENDA

Welcome
Geno Salo, ETAAC Chair
Mel Hardy, Director, National Public Liaison

Remarks
Charles Rettig, IRS Commissioner

ETAAC Report Overview and Significant Issues
Geno Salo, ETAAC Chair

Thank You to Members
Charles Rettig, IRS Commissioner

Recommendations Review
Overview of Recommendation Areas
Courtney Kay-Decker, ETAAC Vice Chair
PROCEDINGS

(9:00 a.m. EST)

(Welcome statements by the ETAAC Chairman, Mr. Gene Salo, and the Director of the National Public Liaison Office, Mr. Mel Hardy, were given and the transcript begins with the Remarks of the IRS Commissioner, Mr. Charles Rettig.)

COMMISSIONER RETTIG: -- when I was on the outside, I was on the IRSAC, and among other things really valued the interpersonal relationships that you develop by sitting in rooms, meeting with people and you know, and all of that. And then similarly between all of you and folks at the IRS and the virtual environment is great, but you know, we miss out on the 10 minutes after an agenda -- on a Zoom meeting -- if you will, of chatting how are you? Did you go on vacation? How was your flight? All those kinds of things.

So for those of you who are staying on, I'm hopeful that we can do more in-person interactions. For those of you who are rotating off, and we'll touch that, you know, in the end, special thank you for this past year.

And as we get back to sort of a travel schedule, if we come into your town please, please
reach out to me. I'd like to thank you in person.

For the people who just completed your first year, as you know, with a pandemic every year is not like the year we just had. We look forward to, you know, more interaction, more personal interaction and some really great things.

I can't say enough about folks who give of their own free time to help others, to help the IRS, to help taxpayers, to help tax administration. As the IRS Commissioner, you know, I continually am saying, we need your help, you know, help us help others, whether that's in terms of some technical things or just outreach. We have a lot of different programs going on. ETAAC has been huge together with the Security Summit in terms of identity theft. And really we're not where we want to be. We want to be where we can eliminate, you know, the bad actors and the bad actions. But if you go back to 2015 and you come forward to today and you see the improvements, it's spectacular. And I know I share with each of you, one person having an identity theft problem is one person too many. That person's going to have some real serious challenges, you know, for a year or two or more thereafter. You all have been huge in helping
us make a major impact on reducing those situations. And you know, we need creative people. We need thoughtful people and we need people who want to give back.

And, you know, I'm very proud to continually say that I'm a tax guy from the tax community. I'm a tax practitioner, which is what I said when I was on the outside. And I still say it today that nobody owns tax administration. It belongs to everybody.

And I think those of us who specialize in tax, it not only belongs to us, but I see it as, as a responsibility for a tax professional to give back to the community, give back to other tax professionals, give back to tax administration, and importantly, to give back to the underserved communities, the people who don't have a voice.

It’s our responsibility and privilege to help those folks. We've had a lot of opportunities during the past year. The IRS was called upon to do three rounds of economic impact payments during two tax seasons. One around EIPs. The third one is obviously going on now.

So three rounds of EIPs, two tax seasons, and it all comes on the heels of having -- myself --
having shut down the IRS. So those of you who
struggled professionally because you couldn't reach
the IRS. I am the guy, as I keep saying, who shut
it down.

I think history will be polite to the Internal
Revenue Service. We shut it down for the
perspective of the health and safety of employees,
the health and safety of tax professionals, the tax
community. And I think as fast, if not faster than
any other federal agency, we got back to our
mission, started figuring out how to get us into a
more virtual environment. I think we've been very
successful at that.

And when I say, I think history will be polite
is, is acknowledging that we didn't always get it
right. We tried. We tried really hard. And with
your effort and your support and your patience, I
think that we did extremely well.

We missed in certain areas. Yes, there are
certain people that didn't get the EIP one, two, or
three. But when you look at the volumes that went
out on the three rounds of the EIPs, we've issued
more than 474 million payments over $800 billion
during the pandemic.

You add in about another $600 billion in
refunds for filing season ‘20 and filing season ‘21
so far, you know, you get to $1.4 trillion going
into a community funneled through an agency that
basically we sent home 83,000 people in March of
last year and shut 511 facilities. That's where I
come from when I say history will be polite. But
you know, with a huge acknowledgement that there's
more work to do.

You know, we’ve recently inherited the
privilege under the last round of legislation for
the Advanced Child Tax Credit. I'm very pleased to
report that we are ahead of schedule. We launched
two online tools; one last week, one this week.
The non-filers portal and what we refer to as CTC-
UP. If you have not taken a look at it, I would
encourage you to take a look at those so that when
you're talking to people, you can help people
understand how to get in.

We see them as pretty seamless. I've seen
some comments saying that we don't have this or
that in a mobile friendly format. And, you know,
Chuck Rettig, individually, and Chuck Rettig,
Commissioner, would ask the people that are making
those comments to come on board with us a little
bit and see what we have done rather than try to
poke at the agency and see what we haven't done.

And I really take personal those comments where they're implying that we're not here servicing, if you will, the underserved communities. Every employee at the Internal Revenue Service is here to service everyone, but especially the underserved communities.

Last year, as you all are aware, we launched a huge footprint into underserved communities with particular emphasis on those who are not comfortable in the English language. In September of last year, we announced and we're in filing season with a 2020 Form 1040 that's in English and Spanish. For the first time in history, you can check a box, the schedule LEP -- more than 220,000 people have checked that box to indicate that they want us to interact with them in a language other than English and writing, and call into the service center, the call centers, the CSRs, and can get translation services in more than 350 different languages.

There was a lot of other areas that we came out in a language friendly scenario in September. And we easily could have said we were trying to launch that in September of last year, but because
of the pandemic, we're going to put it off to 2022, 2023. And we didn't. With all the other challenges we were facing, we launched that. We're going to expand that. And the portals that we have will be in Spanish at a point in time.

But when you look at -- another thing, I know a lot of you prepare tax returns. We did extend the filing season this year one month to May 17 from April 15 to May 17. The same people monitoring filing season are the same people we called upon to launch the portals, the online portals, the IT people. The same people we called upon for the EIP one, the EIP two, EIP three, filing season 2020.

And when I indicate that our folks, our IT folks and W&I folks have not slept since March. That's only half in jest. Its half of these folks have not slept since March and we continue to give them new projects and to their credit and I think the credit of every IRS employee, they step into that challenge with a high degree of pride. We have people who are working, and I'm not saying that people on the outside don't do this, as you know, you know, my wife is a tax preparer and I get the, you know, 24-hour tasks to get returns done
1 and all that. But our people are there as well.

2 So what I would look for is if you're making comments, take a look at it, maybe from the eyes of what the IRS challenges have been to get us where we are, sort of a half full part of that glass.

3 With an acknowledgement, we've announced on the CTC, a schedule of enhancements to the portals that we have launched over the course of this year.

4 I'm very proud to be here, very proud to be interacting with ETAAC. We, you know, I really do wish that I could be in-person. It's hard to convey personal appreciation, remote in a Zoom and all the rest of that. And it's easy for me to say, y'all know what I mean, but you know, I would really like to be there with you.

5 Some of the steps this year, you know, ISAC, Identity Theft Tax Refund Fraud -- I have to read this. Identity Theft Tax Refund Fraud Information Sharing and Analysis Center, which we all refer to as ISAC. Is fully operational, 260 different threats and alerts that were shared by the partners with over 120 during filing season.

6 If you go back that did not exist, right? Not all that long ago, that did not exist. Each one of these is a threat to tax administration. Which
every threat to tax administration is a threat to,
if you have the respect and trust that we all try
to get for tax administration and the IRS, and this
all ties together. And so my earlier comments tie
into really what ETAAC has been able to provide.
It's critical. We need you.

I know some of you are rotating off and you
know, my call for you would be stay involved. We
have a lot of other advisory committees who are
just directly or through associations, that when I
was on the outside, was privileged to help others.
And I hope you've found that through ETAAC and I
would encourage you to, in some manner, stay
involved. We do need your help and, you know,
personally help us help others. We can make a
difference.

We're continuing our education awareness
efforts, IRS nationwide tax forums. And I know a
lot of you participate, you know, one of the first
people here on the Zoom, Larry Gray. I think Larry
and I met at a tax forum I think about a hundred
years ago. I'm about a hundred years old. I think
Larry was about three, but you know, you create
lifetime friendships through these organizations
and these interactions and you don't forget, you
know, you have people where you can reach out and
you can call and say, hey, can I get your advice?
Or, you know, the privilege of being a tax guy
coming onboard, being Commissioner.

And I'm going to say the obvious, you know,
each one of you I know are comfortable reaching out
to tell me when we got it right. But equally
important is where we might not have it right or
where we might need to tweak something.

Those relationships for me started when I was
on the outside, volunteering for different
organizations and running into people, you know
like Larry. I'm nothing without Larry. I'm
reading the notes that Larry just forwarded me.
But you know, having those relationships is
important and you know, I consider each of you a
personal friend and a professional friend, and
would encourage you to reach out in the future.

So I can't say enough how much we appreciate
you individually, collectively, the associations,
the state tax authorities that you participate you
know, that are participating here that we engage
in. I think many of you are aware, you know, I
come from California and spent more than 20 years
on the Advisory Board for the California Franchise
Tax Board, the Advisory Council for the State Board of Equalization.

And it's important. You're an important voice because you're representing so many different people who otherwise don't have that voice. So the effort, you know, the planes, trains, automobiles, hotels, fast food and whatnot that that you endure, it's worth it. And, and it means a lot to us and it means a lot to me for you to have gone through all that.

So I know I only have two hours today to speak to you, but you know, I can see Mel going -- Mel Hardy, his dream is to have the mute button for me on these things, but I should add and I know that y'all interact a lot with Mel.

I knew Mel on the outside and I know him on the inside. And he as special as you think he is. He is. And he's always there, tremendously supportive.

The one thing you know, the minute I clicked in and I saw Mel, I'm thinking I should go grab my tie. I try to look like Mel. I've never been successful at that, but I've got 17 more months here to try to look like Mel and you know, someday I'll get it right.
So with that, I hope for those of you rotating off, I hope this was an enjoyable experience. And when I say, if I come to your town, we're going to get back to our travel schedule. If I come to your town, please reach out in advance. I would like to interact with you personally and obviously to thank you personally.

And for those of you staying on, I look forward to going forward and with Courtney coming on -- you know, moving up as Chair and I'll go through the people rotating off, but Courtney, moving up as Chair, she tends to be a little shy. So, you know, she might need some incentive to tell her to go ahead and reach out to me, kind of a thing.

But I'd be the first to say, I and we encourage that. Every one of you have a road to reach out to me and anybody in the IRS directly, and collectively we can get this better.

Right.

And, you know, tax administration in our country I think it's the best in the world. That's not to say we can't get it better, but the IRS can only help marshal in changes that we're made aware of. So with that, I'll turn it back to Geno, and
thank you very much. And I realized I probably went way over and probably screwed up the whole schedule.

But you guys know I'm Commissioner, right?

CHAIRMAN SALO: That's your right, sir.

COMMISSIONER RETTIG: Geno, I have difficulty in a Zoom environment, really, I think, coming through and letting each know you're special. You make a difference. And I know when I was on committees, you know, you do a lot of work, you spend a lot of evenings, you're in airports and all the rest of that kind of thing. And now, you know, with Zoom and you're hoping it's worth it. Right?

You're hoping that, you know, you're making a positive impact and it's just a little more difficult for me to do that remotely, but I really, really do appreciate each of you. It's not easy, what you're doing. And certainly to carry on with your day jobs and I want you all to know that.

So, Geno.

CHAIRMAN SALO: Thank you, Commissioner Rettig and just let me assure you that the Committee is just as a whole, just a great group. And they really did go the extra mile this year working in a virtual environment. And again, your staff also
went that extra mile to get us where we are today.

So challenge accepted, I think by all the Committee members to continue to move forward. And you're not going to get rid of some of us, even though we're rolling off, you'll still see us.

So with that, again, the first portion of the meeting we're going to discuss the overall report and then the conversations that led to its recommendations and we're going to have five different speakers talk about that. But as we deliberate it over our annual report to Congress, the effect of the COVID pandemic had on IRS operations during the year dominated many conversations.

Commissioner Rettig, I became a member of ETAAC around the same time you became Commissioner and suffice to say, neither one of us had seen what a typical year is and it's just been an amazing journey these last three years.

ETAAC recognizes the tremendous strain the pandemic has put on the IRS staff. When Congress instructed the IRS to get payments to citizens, it came with the expectation that it happen very expeditiously. To paraphrase the saying we're all in the same storm, but not in the same boat.
Not only did the IRS need to weather the COVID storm internally, but it also needed to keep the American citizens afloat as well. And to its credit, the IRS raised the bar on how fast the payments went out each time, even during the filing season, when the IRS was doing its typical day job of processing returns during a hectic and a late and extended filing season.

In addition to dealing with the COVID pandemic, the IRS released the Taxpayer First Act report in January, which broadly outlines the IRS’s reorganization for the first time in a quarter of a century. While considering all of that and considering the abnormal conditions created by the pandemic, ETAAC also reviewed what we thought were the big three constraints on the Internal Revenue Service: budget, modernization, and security. The pandemic highlighted the chronic underfunding of the IRS understaffed and out-of-date IT systems limited the IRS’s ability to cope with the pandemic.

Accordingly, we recommended to Congress that they consistently and fully fund the IRS budget requests each year and immediately fund the backlog of technology projects described in the IRS’
technology modernization plan. With Congress enacting plans to help its citizens, current IRS technology cannot keep up with the IRS law changes in the middle of a filing season.

As a result, the IRS made difficult processing choices in the middle of the filing season to provide American people their funds as quickly as possible. ETAAC commends the IRS for successfully leveraging its partnerships to deploy tools and features to track EIPs and assist non-filers.

The non-filer tool developed in partnership between the IRS and the Free File Alliance, provided a free and easy option designed for people who don't have a return filing obligation.

As the IRS continues with its reorganization, we urge the IRS to continue to expand its partnerships, to enhance the taxpayer experience. For example, using the Security Summit as a model between the IRS, states, and the tax software industry, they have significantly reduced the identity theft refund fraud. We similarly think that the partnerships such as these can also enhance the taxpayer experience.

The IRS does a great job of communicating with its partners through various forums. However, as
we have seen over the past year tax administration is evolving and increased level of participation by all partners might be beneficial. An example of this would be the Financial Group from the Security Summit that consistently met to discuss EIP. This group was led by the IRS’s own Denise Davis.

I had the opportunity to listen into many of these calls and the details required to make the payments flow from the Treasury to the cash-in-pocket of the taxpayer work was absolutely amazing. Essential facts, such as minor as labeling the type of payment would not have risen to a critical detail for the IRS, but it was for proper distribution.

Involving the partners the way that you did in discussions before implementation was, and is, a good model for future projects. So it was a job well-done to get where we are with EIP.

Continuing with Congressional mandates, the IRS is setting up a tool and I'm a little bit behind the time on it because you’ve already released the tool, but for the child tax credit. But the IRS is introducing new ways for taxpayers to connect with them, to update their data securely. And that is what we're most excited
about. This is an excellent achievement. You pushed the schedule ahead, and we look forward to the IRS to continue to expand that security accessibility to other transaction points for both taxpayers and tax professionals.

As a Committee, we focused our discussions also in several different areas. One of our own ETAAC members of the Latryna Carlton is a VITA site leader and trainer. She discussed with the Committee that difficulties VITA sites had during the year in coping with the pandemic and still serving the American taxpayer.

We know Commissioner Rettig that this -- the underserved non-digital population, has been a focus area for you and we applaud that. We didn't make a specific recommendation in this area, but we did listen and we understand that the issue is -- that this segment of the population is going on going through and we urge you to continue to remain vigilant and keep pushing your agenda in this area.

As it has for the past five years, ETAAC has taken a keen interest in protecting taxpayer data. With its partners in the Security Summit, we think the IRS has done an excellent job limiting the amount of fraud, with more collaboration amongst
federal agencies that can even be better. Due to this sophisticated fraud detection that the Security Summit has developed, criminal elements need more sophisticated returns to evade detection. For criminals to get that data, those returns -- to get data for those returns, professional preparers are under attack.

Before we get to our actual recommendations, I'd like to introduce a set of five speakers that are particular -- that are thought leaders in their areas of expertise.

As you know, Commissioner, Rettig, not everything can be made a recommendation, but that doesn't mean that the thoughts and the ideas behind the discussions are not important. They'll give some perspective on the talks in their respective subgroup meetings and offer insights into the current situation.

Let me introduce our first speaker Timur Taluy who is going to discuss the Security Summit.

Timur.

MR. TALUY: Thank you Chairman Salo, Commissioner Rettig and my fellow committee members and members of the public today.

I was asked to talk about the Security Summit
and how it impacts our work. Just a few years ago, the IRS was faced with an exponential rise in identity theft refund fraud, people with ill intentions were developing a sophisticated plan to fraud the federal government and state governments by filing fake tax returns and expatriating tax refunds.

These people were weaponizing stolen information they obtained through data breaches cross-pollinating it with information they sourced from our public information we share on social media to build profiles, access our online resources, and then file tax returns with refunds. They take those tax refunds and disappear.

So much so that 60 Minutes did a report on it and the numbers were growing each year. The IRS had to act and they did this by calling on the state tax commissioners and CEOs of tax software companies and pulled them into the Commissioner's office back in March 2015.

I was one of those CEOs and I recall that day. A phone call came in and one of my staff said Timur, the Commissioner of the IRS is requesting you in office next week. It turns out when the Commissioner of a federal agency requests your
presence, you go.

What is interesting though is we the CEOs and the state cat tax commissioners, really had never been in a room together and we had a lot of misconceptions about each other. The IRS used what is called its convening authority to bring us all together and that we would learn to work together.

For the first time there was a collaborative group in the senior leadership of the state governments, the federal government, and the private industry, all working together, patriotically to thwart what was trying to disrupt the operations of the United States and our states and the political subdivisions therein.

Well, the collaboration worked. IRS.gov chronicles that since 2015, the numbers of taxpayers reporting that they are identity theft victims fail significantly. We're talking like 80, 90 percent. A lot.

As industry, IRS, and states collaborated, we grew from the three working groups and added more working groups like the Financial Services Working Group that orchestrated more interdiction. Since 2015, Summit financial industry partners recovered additional billions in fraudulent refunds.
Today, the Summit represents 42 state agencies, 20 industry participants, in addition to the IRS. Each has committed to combat identity theft tax refund fraud to protect our public coffers.

Commissioner Rettig supports the Summit’s efforts. Under his leadership, she collaboration of the Summit has continued to reduce the number of taxpayers who experience identity theft refund fraud.

Just today. He said that one person falling victim to identity theft is one person too many. And I really recall him saying that when you look the number of those who are experiencing identity theft, it's not a number. Its actual people who have their lives disrupted, who had to take time from their jobs and their families to try to fix that. Thoughts like that drive our work, the recommendations in the report, and the work of the Security Summit.

One of the unique innovations and Commissioner Rettig's tenure is to use the expertise developed in the Summit to tackle new challenges posed by the tax ecosystem. As an example, with the issuance of the economic impact payments authorized by
Congress, the IRS used the Financial Services Working Group to pull together a group of industry and state experts to ensure Americans in need of these payments are able to receive them.

In this case, the group was expanded to include more folks like the National Credit Union Association, the Federal Reserve, and Walmart. Geno mentioned earlier that the Security Summit is a model that's being used and the design of the Summit was used as a blueprint for this mix of industry and government to collaborate, to try deliver the best experience and reduce fraud as the IRS worked quickly to execute its mission and get the money into the hands of people that need it.

Six years into our efforts in the Security Summit, we still have a lot at stake. The fraudsters are trying new ways to defraud our nation's tax system and steal our friends and neighbors personal information and tax refunds. Tax return preparers have become more of a target for these criminals. They're using advanced techniques to assault their industry, like we have seen the news with other organizations.

Within the Summit, we have a collaborative information sharing assessment center -- I think
the Commissioner mentioned that today, or ISAC, and our working group to look forward at strategic threats.

The Summit process continues to have opportunities. As time goes on, individuals come and go from their positions and the member organizations, each of our working groups I talked about earlier is led by a team made up of individuals from IRS, states, and industry. As those individuals change within their companies and organizations, there is a need to bring new people from each constituency into the leader's position.

Sometimes that takes time or the challenge to find someone with the right technical skill and the time to devote. Fortunately, we have endorsed organizations like CERCA and the FTA that are able to help us find and recommend qualified candidates.

ETAAC, even before the Summit, is comprised of representation of the states and the industry, and its reports historically represent the amalgamation of the thoughts of this diverse set of individuals. This year is no different. One of our themes you'll see resonate through our report is transparency into the tax filing process. You'll see us suggest that taxpayers and their authorized
representatives should have greater visibility to the processing of their tax return and issuance of refunds or processing of their tax payments.

The challenge is to balance that with the security and privacy concerns, providing more transparency for them. This is someone's tax information. While we need to make, we need to provide visibility in the process of that return. We also must make sure that only the taxpayer and those authorized get that access. (Inaudible) it generates a lot of productive discussion. And you will see the results of that discussion in our report that we released today and its subsequent work recommendations.

And with that, I’d like to turn it off to Larry Gray, who I think knows the Commissioner since he was three-years-old, and the challenges and the tax professional area. Thanks everybody.

MR. GRAY: Thank you Timur. And thank you, Chairman Salo, Commissioner Rettig, my fellow Committee members, and the members of the public. I've been asked to speak on the tax professional world. With the pandemic our world has more recently changed, but following is a brief history of the past four decades of trying to regulate tax
professionals to reach the same goals that we are currently addressing.

As an overview, before I go into the details and the recommendations, the last year and a half with the pandemic, the tax professionals had to deal with keeping employees healthy, moving to a much larger percentage of employees working from home, new legislation changes almost quarterly, PPP, ERC, advanced child tax credit as examples.

But it didn't stop here. For example, a new Form 7200 has changed four times in a year. The 941 X has been changed also. As a matter of fact, in the last few weeks, there's another new 7200, another new 941X and another new 941. Having to explain the task payers and small business, we must have to wait for the forms or updated forms have been challenging, maybe no instructions or guidance.

Another example is that many 2019 returns are not yet processed. Mail to the IRS is “opened,” but we cannot explain to the taxpayers that while it's been opened, millions of items of mail have not yet been responded to and millions of returns are being held up for weeks and months.

The pandemic is larger to the tax professional
because we are the frontline of the complexity of
the tax law and its changes, while our business
model is being modified by the pandemic, shutdowns
remote work, and forced into new ways of
communicating with taxpayers and the IRS.

The aforementioned overview is what I would
call part of our responsibility to partner the IRS
with helping taxpayers through the pandemic and the
needed monies. But on behalf of the ETAAC and the
tax ecosystem, I would like to speak to what I
would call a foreign language.

Commissioner Rettig, one of the biggest things
you brought to the IRS is the importance of
language. And I admire that. Technology,
especially cybersecurity. There are foreign
languages to this group and their tax office
ecosystem. Looking at the history and the
background about the experience of the tax
professional in terminology and regulation, you
know yourself that we are truly a diverse group of
professionals.

So how did we get here? And what is the
future?

Over 40 years, I've been a part -- so that
makes me now 43. Over 40 years, I've been a part
of tax education to professionals. As a tax professional, I have walked by this community side. In the early ’90s, I served on the Commissioners Advisory Group called CAG. One of the subgroups was called Ethics and Integrity. We worked on Circular 230: Ethics and Standards of the Tax Professional. We looked at changing Circular 230 and the regulation of the profession.

Also, I served on a small business subgroup. One project, data warehousing, today would be called 1099 Platform, which is part of the Taxpayer First Act. This warehouse would be a centralized, electronic data warehouse sharing information returns based on the need of the IRS, Social Security Administration, states, and even real-time access by taxpayers and the tax professional.

There was also another project called STARS. Another dream that is happening today.

I jumped forward in time, starting with Y2K and the early 2000s. I served my first term on ETAAC. We focused on “a tax ecosystem.” What are the relationships in the system? Who are the players? We spent a lot of time defining from the ’98 act that created the ETAAC. What is 80 percent of tax returns?
If we took information returns, W2s, and 1099s, and looked at the raw numbers, we could easily get to the 80 percent. But most importantly, we realized that it was all returns, including 1040s and business returns. And then our focus turned to how to get to that goal by type of return.

If we turn the clock forward to 2010 and 2014 era, I served on IRPAC, I also served on IRSAC, and Commissioner. I served on IRSAC when you were our Chairman. I served on the OPR subgroup RTRP, the Registered Return Preparer was the name of the game. P10 came about tracking preparers, signing and non-signing prepares, education, examination. And along came the Loving case.

Moving forward to 2015, I was in n NPL meeting here in the building in March, and I was thinking we might be live and because of participating in NPL and IRS tax forums, I knew many of the people who were in the lobby at 1111 Constitutional Avenue. There were software and finance CEOs and state representatives.

I asked what was happening and there was the same call “cybersecurity.” At the time, their focus was on the fraud in pre-file.
As we all know that players move toward a more lucrative target and bigger gold mines, the tax professional.

I want to thank the Security Summit and its leadership for the following year creating the Tax Pro subgroup. And since its inception, I've been a member of that group, as well as the Communication subgroup, which reports to the tax profession. I would also like to thank Terry Lemons and his NPL leadership. John, Mel, you're here on the call today, for cybersecurity education at the IRS forums and also SBSC for local liaison education and outreach.

In partnering with NPL, IRS Criminal Investigation Division, SBSC Local Liaison, the Federal Trade Commission, national and state tax professional associations. I've done in excess of 200 presentations on tax professionals on cybersecurity. ETAAC each year reports out on the tax profession and the related issues.

Today, I want to thank ETAAC and the Security Summit for changing the direction of the relationship with our profession.

As part of ETAAC behind the scenes, there's been very candid conversations. Even during this
pandemic I see real change happening. With

guidance of ETAAC and the Tax Pro subgroup, which
one could say was a weak link in the Security

Summit. There a very real collaboration and action
steps being taken between the tax software and the
tax profession in the Tax Pro subgroup.

We're developing guidance and action steps to
assist tax professionals in starting to understand
a foreign language of cybersecurity and its impact
in their offices.

Commissioner, this is the beginning of a
future of education guidance. Remember, we are tax
experts, not IT or security professionals,
cybersecurity, again, is a foreign language to us.

And finally, like tax software and security
software, not all tax professionals are the same.
It might be a part-time preparer. It might be a
new preparer or a partner or a firm. It could be a
tax attorney or it could be someone doing payroll
only, but in all cases, it's not an IT or security
professional.

In the area of where I live poverty is in the
upper 20 percentile. Like in the inner city where
technology is not always available, many tax
professionals and their taxpayers they serve, do
not have access to technology. For example, my cell phone does not always work in my home and a side note, the school district I live in, if I'm in the Northern part of it, you can go for over 30 miles south and there's not a single cell tower for telephone communication. And during the pandemic, when everybody's supposed to stay at home, that rural, poor area parents had to take their kids to parking lots at the school or a church house in order to download their homework.

Also, in addition to all the new tax law changes that we were required to understand, we were also required to have a written information security plan, which comes with many new terms and who understand it. Examples of those foreign terms to tax professionals: GLB, WISP, risk assessment, FTC, NIST standards.


If these questions cannot be transparent and clear through the eyes of the practitioner, help, please.

Again, I thank ETAAC in taking us in the right
direction, but the IRS needs funding for technology, better tax compliance, and faster information availability. Implementation of Taxpayer First Act. And I agree with what Timur has just said in his recommendations, IRS funding and information sharing are the most important to help tax pros partner with the IRS in helping taxpayers stay compliant.

Thank you again. Commissioner, thank you.

And now I'd like to introduce our next speaker, John Kreger who will speak on information reporting.

MR. KREGER: Thank you, Larry. I was asked to speak today on behalf of the representatives of the information reporting industry, as the Director of Product Management for tax and regulatory reporting at Sovos Compliance. I've spent the past eight years working closely with financial institutions, insurance companies, and employers meeting their 1099, 1042S and Affordable Care Act reporting obligations. Needless to say, we follow IRS regulatory changes and digitization efforts very closely as we hope to simplify our client's compliance efforts.

The past year operating through the pandemic
has been a challenge for businesses and government agencies alike. This truly unprecedented shift to a primarily remote workforce has further highlighted the need for continued focus on technology solutions that make compliance with tax reporting obligations simpler while also maintaining a high level of information security and data accurate.

Many of our clients, some of the largest financial and insurance institutions in the U.S. have shared with us, the lengths they've had to go to, to keep their employees safe and healthy while also ensuring data privacy and timely, accurate tax information reporting. This is no small feat for businesses of any size. But at the same time, the promising shift in focus we're seeing from the IRS over time should lessen this compliance burden.

The new focus on taxpayer experience and the significant progress being made on various facets of the IRS Integrated Modernization Plan are very welcome evolutions for members of industry.

In the information reporting space, we've seen continued improvements to various IRS systems over the past few years. Performance and stability of critical systems like AIR and e-Services have
improved even while filing volumes and usage have continued to increase. The success of modern filing systems like AIR, highlights the need for continued evolution in the information reporting space. And so far I've been very impressed with the IRS’s progress on new self-service tools like the upcoming 1099 filing portal.

As ETAAC was brought into conversations around the Taxpayer First Act and the new 1099 portal for our report last year, we've been able to follow along with the very comprehensive approach that the service has taken towards meeting this new system requirement. The research conducted by the IRS to make sure the new system meets the needs of its target user base has been commendable. The proactive engagement of broad industry stakeholders throughout this process has been very helpful in not only allowing us to have input, but also to have a level of comfort with the approach that the service is taking.

The continued engagement with those of us in the 1099 filing industry, as well as further engagement with the states, is key to the success and adoption of the new platform. Streamlining the sharing of information between agencies is critical
to removing the reporting barriers and reducing fraud. Further, it's been very positive to the acknowledgements of the needs of the high volume filing community.

For software providers filing thousands to millions of forms on behalf of some of our clients, and tracking thousands of IRS filings in a given filing period, the capabilities of the IRS FIRE system are no longer meeting our needs.

A modern application-to-application approach to 1099 filing is becoming a critical need of the tax system as the volume of reportable tax information continues to increase. IRS has made it clear that these needs are being considered in the design of the new 1099 filing platform. And I'm hopeful that further engagement will take place, allowing us to provide direct feedback on the technical integration needs for us and our broader user base.

All of this progress made towards the launch of the new 1099 platform shows what the IRS is capable of with a properly funded technology initiative.

Finally, I'd like to thank the IRS employees that we met with over the past year that helped us
better understand the ongoing challenges the
service is facing for both budgetary and staffing
perspectives. Your continued engagement with
industry partners through various channels
strengthens us as a key component of a strong tax
system and helps us better meet the needs of the
information reporting and taxpayer communities.

Now let me introduce our next speaker, Jenine
Hallings. Jenine will share some insights from the
payroll community perspective, with respect to
employment tax filing and changes that were made to
Form 941 this past year.

MS. HALLINGS: Thank you, John. As John just
mentioned, my name's Jenine Hallings and I've had
the privilege to work in the payroll industry at
Paychex for over 20 years. Additionally, I'd like
to say thank you for the opportunity to speak this
morning at the public forum and provide a payroll
community perspective.

The payroll community had a demanding year
full of activity in response to the COVID-19 laws
that impacted Form 941. In second quarter, there
were significant changes made to Form 941 to
include the paid and family leave tax credits
contained in the Families First Coronavirus
Response Act, the employer deferral, and the Cares Act Employee Retention Credit. In third quarter, the payroll community revised the Form 941 again to reflect the changes in reporting to accommodate the guidance for the Presidential memorandum deferring certain employee’s Social Security tax withholding.

The changes to Form 941 in second and third quarter were a big challenge to employers. There was a substantial amount of complexity that employers needed to quickly get up-to-date on in a compressed period of time. Moreover revisions to the Form 941X amended return also needed to accommodate these changes to allow an employer to make corrections to a previously filed Form 941.

Even though the COVID-19 pandemic triggered unprecedented challenges to U.S. tax administration, it also demonstrated the strength of the IRS public and private stakeholder partnerships.

The IRS with meager resources, skillfully leveraged these partnerships as a force multiplier to disseminate information out to employers quickly.

Throughout the pandemic, IRS was responsive to stakeholders and receptive to feedback industry
provided based on the questions we were receiving from the taxpayers we mutually serve. The IRS needs to be commended for the level of engagement and collaboration they've maintained throughout the crisis.

The pandemic also revealed some gaps that were not readily apparent prior to the pandemic. In employment tax COVID-related legislative changes allowed businesses to take the Employee Retention Tax Credit, ERTC, retroactively for 2020, even if they received a Paycheck Protection Program loan. Employers can take advantage of the credit, but in order to do so, they must file a paper Form 940X to amend the originally filed return.

This highlights the downside of paper processing that still remains in U.S. tax administration. The need to file on paper has created a delay in processing, which in turn is causing a delay to businesses impacted by the pandemic. The pandemic has been an experience we've all shared, and as we emerge from it, the lessons we walk away with will help guide modernization decisions as IRS moves forward from here.

In closing, I'd like to say thank you to the
IRS for the opportunity to serve as a member of ETAAC. It has truly been an honor. Now I'd like to hand off to Carlos Lopez.

MR. LOPEZ: Thank you Jenine. Good morning Commissioner. Good morning Geno and the rest of the community online here.

So COVID-19 is accelerating the rate of entrepreneurship. With more than 20 million jobs lost during the pandemic, many people are now looking for a way to provide for their families. High unemployment rates typically lead to higher rates of entrepreneurship. Many of these new entrepreneurs are former W2 employees who never had to worry about paying Social Security and Medicare tax, as this was usually automatically deducted from their paychecks.

One of the biggest challenges of the new American small business owner is the myriad of taxes: self-employment tax, estimated taxes, payroll taxes, sales taxes, tangible personal property taxes. And the list goes on.

This often catches the new business owners by surprise. They complain, “I never had to pay this before.”

How are these new business owners introduced
to their new fiscal responsibilities? Typically they seek out the same person who helped them report their W2 income. However, is this person qualified to advise a small business owner? Do they understand what business expenses they can deduct? How to properly calculate an assets basis? How does depreciation work? Where and how do they make their tax payments?

Over 70 million people seek the assistance of a tax preparer to file their taxes every year. Some of these prepares are CPAs enrolled agents, but the majority are unregulated and unenrolled. This is a major challenge for the new small business owners who assume the person preparing their tax return has the knowledge and skill set to do so accurately. Under-reporting income and improperly claiming deductions account for a large percentage of the tax gap. New business owners need more than a simple tax preparer. They need a business advisor. Someone to explain the difference between employees versus contractors, capital improvements versus repairs, payroll taxes and more.

While the rates of some businesses is astonishing. For example, 2019 projected e-file
rate for employment forms and 940X series is at 47.1 percent versus an overall goal of 80 percent e-file rates for most other individual and business forms. Employment forms in 940X series account for the majority of tax forms being mailed in and not e-filed. Why is this?

As a result of the Taxpayer First Act, many businesses will no longer be able to submit paper forms. Over the next three years, thresholds will be significantly reduced. These new thresholds affect more established businesses than the new startups.

Is legislation going to assist the IRS with its e-filing goals? How is the new American small business owner going to work her way through the maze of regulations?

The fact is most new business owners will ask other business owners for a referral for guidance, and probably follow up with the recommendation. The question becomes, is this preparer qualified? Are they up-to-date? Do they know about the new thresholds?

As an immigrant entrepreneur the challenge becomes even greater as the language barrier, and a minimal understanding of U.S. tax laws, and...
regulations play a critical role. Small business owners believe they can do more by working hard, coming up with good strategies, and taking input from others.

The IRS interprets legislation and provides guidance to those who prepare tax returns with small business owners. To increase electronic filing and tax and information returns, tax preparers need to be trained and held accountable. They are the channel between the IRS and the small business owner. Regulation and training need to be a priority to achieve the IRS electronic filing goals.

Small business owners also need user-friendly tools to satisfy their obligations when hiring a tax professional isn't in the budget. This is particularly true in the payroll area and information reporting area. Offering easy solutions to small businesses has a multiplier effect. If the small business gets a return right, the odds of their employee filing correctly increases.

Due to a statewide lockdown, the Treasury and the IRS should expect significant number of business failures in 2021. As communities and
small businesses are struggling to survive, the
dates of non-compliance are likely to increase.
Tax remittances and tax filings are likely to be
impacted by COVID-19 as many small businesses, no
longer have access to financial or other resources
to comply. Many taxpayers will not be able to hire
and retain tax professionals and will have to
choose between feeding their families and paying
taxes.

The Corona relief and spending bill signed by
President Biden maybe a little too late to help
many small businesses. Restaurants, beauty salons,
and other small businesses are failing in record
digits. The number of bankruptcy filings are
expected to be significantly higher than in prior
years.

We commend the IRS for its People First
Initiative, striving to provide mercy within the
scope of the IRS's authority during the pandemic.
It is important to recognize that the small
businesses and underserved populations may not
recover from the pandemic as quickly as others.
And that the People First Initiative may need to
continue in some form, perhaps indefinitely.

The IRS and Treasury should strongly consider
providing access to the population who did not have access to technology for the EIP, EITC. Basically, the working poor. To be able to take advantage of the help that is being offered by the American Rescue Plan. Many of these people have no access to a laptop, iPad, smartphone, but they may have access to United Way, the Salvation Army, Goodwill, et cetera, for access.

The IRS and Treasury should provide resources to reach the underserved, means for these nonprofits to be able to offer access and a way for this population to get some relief from COVID-19.

Thank you very much. And I'd like to hand it back to Geno.

CHAIRMAN SALO: Thank you very much Carlos, and Commissioner Rettig with our five speakers, we wanted to share with you the breadth and the depth of the conversations and the different viewpoints that were shared by all Committee members.

Larry called them candid conversations. I've used the term robust, but being in a virtual environment we don't have any wallflowers on ETAAC and everybody was able to express their opinions and it's been a very interesting year to develop the report. But my thanks to our speakers here, to
just share some of their thoughts, their expertise, as well as the expertise of all of our other Committee members, just led to a great year for ETAAC.

With that Commissioner, I'm going to hand it back over to you for your final thoughts.

COMMISSIONER RETTIG: Yeah. I was remiss earlier. I should acknowledge, and Carlos, I'm going to say this. I sent Carlos an email when I actually got to Carlos' picture on here, you know, that we need to catch up. And so, we're going to catch up. You know, some of my best moments --

MR. LOPEZ: Thanks Commissioner.

COMMISSIONER RETTIG: You know, when I mentioned the idea of the languages, the languages, the concept of getting heavy into languages may have been, those doors were open inside IRS, but the people that went through those doors were not just IRS employees, they were Carlos and many, many other people who helped us focus on what we needed to do in that particular space.

And, you know, Carlos personally, and again, professionally, I want to call you out for somebody who's not shy to reach out and say, "What are we doing here? What are we doing there? You know,
we’ve got to do this.” And acknowledging that where we can, we will do it. And, you know, as I throw the word around that I have 17 months left. That’s, you know, y’all know me. I know virtually every one of you. And you know that collectively with you, we're going to try to do everything we can do.

And Carlos, you know, speaking to the underserved, you know, historically underserved communities y'all have heard me say I'm very proud to be the son of an immigrant. I'm proud to be the husband of an immigrant who came to this country is with refugee status. I'm extremely proud as well to be a father of a career, Army medical officer, and of a daughter who is a veterinarian who likes to say that when her brother retires from the military in functions like this, I'll be able to say I'm a father of two vets.

And as people have said to me, as we're coming into the last 17 months, you know, I tend to get interviewed and people are like, “Well, what do you consider your legacy?” I did not come on board to the IRS, you didn't come on board to ETAAC to create a legacy. I didn't come on board IRS to create a legacy.
I have two exceptional children and an exceptional wife. Grew up with tremendous respect for family, neighborhoods, people, and in particular underserved communities. You know, I grew up in a small business environment. My dad had a truck and he had two boys who were -- who grew up to be, you know, 6-foot-6. And those were the resources that we had in order to put food on the table. In my dad's language, “to always maintain a bags of potatoes under the sink.” Which meant to feed the family. And that was the bar that I grew up with.

So Carlos, when -- some of your comments as you know, resonate quite well with me and for all of us to be in positions today, where we can make a difference for vulnerable, underserved communities; people who don't know that we exist. People who don't know that what we do exist. It is something that I think each of us -- and Carlos, I could hear it in your tone as you got into this, it's the privilege we have of being people in this country to give back to others who are vulnerable, who don't know that we exist, but who absolutely need our assistance for what we're capable -- the assistance we're capable of providing.
I'm hugely proud of each of you for assisting each of the IRS employees. We, the IRS, has brick and mortar. We operate, you know, still in buildings, we've gotten into virtual, we've got systems, we've got all the rest of this. But at the end of the day, this IRS is an agency of people who care about other people. Our eyes and ears are open. We live in the communities, as Carlos is referencing. We want to improve those communities. And it's beyond our, if you will, professional skills. During the pandemic, IRS employees gave record numbers of assistance to local communities, to food banks, and the rest. And, you know, we have that information and I couldn't be more proud today of IRS employees going into the communities to do community assistance and letting people know they work with the IRS, right?

I mean, you know, we all live the world where IRS employees said and others, you know, “I work for federal government or I worked with the Treasury Department.” Our IRS employees today go into the communities and say, “I work with the IRS.” And you all are part of that. You know, when you reach out to our people and you show them, you know, it's in your eyes, it's in your voice.
And you know, like Carlos, it's in the tone. That you get it, you understand what we're going through and we do understand what you're going through. We do understand that I and the employees of the IRS, in our reaction to the pandemic, shutting down, trying to get back, going into a virtual environment.

We get it that we made your professional careers and your interactions with your clients more difficult, but we also feel your patience and understanding and desire.

And Larry, you touched on this as well, to work with us, to pull through.

The digital IRS, if you will, the virtual IRS that we have today, and we're going to continue down these paths, would not exist today, but for the fact that this risk averse agency needed to react to the pandemic to carry on our mission. Right?

So if you will, you know, it's hard to say, but a silver lining from the pandemic is it caused people in this agency to agree that we need to assume certain risks and move forward to do what we can do. And for this, I thank each of you for again, the patience and understanding. It has not
been easy. It will get better.

But at the end of the day, no single person has a legacy. No single person owns this. No single person owns tax administration. It's our collective privilege to do this. So, you know, let's continue on the path that we're on. I am hugely proud to consider each of you, not just my, you know, if you will, professional friend, but personal friends, you know, many of you I've shared you know, a beer or a burrito, or both, someplace in the country. And I look forward to that again whether I'm Commissioner or otherwise.

So with that, getting to my, it was supposed to be a one minute closing for me, I guess, but to thank the ETAAC members who are rotating off and I hope most of you took Larry's notes of other advisory councils, committees, groups, both with us and with the states that you could participate in because you should stay involved and directly and indirectly, you know, stay involved. We need you. You are making a difference one-by-one, collectively.

So it's kind of awkward for me to say people rotating off, but rotating off of ETAAC, maybe temporarily, because you heard Larry say his first
time at ETAAC. But you know, a huge thanks to Luanne Brown. Huge, thanks to Jenine Hallings. And, you know, I took notes during your presentation, Jenine and I have had the privilege to do several presentations and interactions payroll associations and payroll providers. You are a huge contact for us with individuals, you know, that we care a lot about.

Lynne Riley, I can't say enough. I've known Lynne a long time. I made a comment to her the other day. You know, down in Georgia, that my son actually -- I've had the privilege of being in the same town with my son for the first time in 10 years. Military people move all around the world. We've never been within thousands of miles. I've been across the river from him, but I told Lynne the other day, you'll see me more in Georgia because my son's been reassigned to Fort Benning, Georgia. So we're very proud of that. And Lynne, I look forward to coming down and seeing you in person. As an excuse maybe to see my son, but maybe -- either way that goes, but very proud.

Cynthia Rowley. Again, you know, the same thing. You give. You give every day. You participate here, both individually and
collectively, and thank you tremendously for what you've done.

Matt Vickers. Geno says we couldn't have done it without you. I know others disagreed with that, but you know, your contributions have been huge.

And you know, Geno, this is why not to give me the microphone, right? I'm an equal opportunity abuser. But my daughter always says, I tell my daughter, you know, like when she was younger, "Dad, why do you pick on me?" I said, you know, "I only pick on the ones I love." So Matt, you should read between the lines, we care a lot about you.

And coming up to Geno, moving off as Chair. Geno, I have the list of the other agencies we want you to get involved here in the advisory councils. It's one thing to be involved in a group, it's another to step into a Vice Chair or a Chair position, and there's a lot of responsibilities. And Geno you've been exemplary, you really are the role model. You set the bar very high for Courtney. And I know you said, you think she can do it, but we're just not sure. We'll keep a close eye and see how it goes with Courtney.

But no, you know, I'm saying that in jest. Complete appreciation Geno for you, for your time,
the personal interactions, as well as interactions through ETAAC mean a lot and the support of each of you, not just for myself, but for IRS, and many of you made the comments about our employees.

I care deeply about each and every employee of the Internal Revenue Service. And many of you identified another spot that I care deeply for, which is really the underserved communities and, you know, Carlos, you called it out. And this is an agency that needs to provide quality, timely guidance, and service to the most remote portions of our country that don't have broadband. They don't have cell phones.

To the communities in this country, and we use the term and I use the term that are not comfortable interacting in the English language. They may be able to understand English, but we need to get in to earn trust and respect in a lot of these communities, we need to get into the community. And to the communities that are not comfortable in English language, we need to get them the community in their language with people from their community. You know, we don't take somebody from Washington, DC and walk into a particular community and say, “Hi, we're here to
help."

We've got to get into their community and have the community help. That's where the respect is going to come from.

As you know, I've got in-laws who do not speak English and I've learned a lot about a lot of different communities. And I'm proud to be part of a team with you that has made huge inroads into a lot of these communities in our country. It shows a respect. You know, our arms are open to people from throughout the world to come to this country. And as I said, you know, my father and my wife, my wife's entire family.

But to really carry that through, it's not just to invite people and let them know we want them here, but to show them when they're here, that we respect them and we want to assist them particularly in the zone where people are required to do certain filings. So they're reporting and filing requirements, all in with respect to VITA, all in with respect to tax counseling for the elderly. All in with respect to Military VITA, I recently had a huge privilege with Mel interacting with Military VITA posts from throughout the world. Two of them happened to be deployment areas where
my son had deployed.

I couldn't be more proud to be able to help people who are helping others. And you know, if you're not involved with VITA, get involved with Vita. Helping the helpers to sleep well at night.

So with that, I'm going to turn it back and Geno, a personal thank you. You know, normally at this time we get to shake hands and really let each other know. So virtually for those of you rotating off we will be back. That's a famous line from some movie, somewhere, but I mean it in a positive sense and our appreciation to you.

My one ask is continue -- help the people who are most vulnerable, who can't help themselves, who don't know that we exist. There's nothing in it, if you will, for us other than to sleep well at night. And we will sleep really well at night. Don't look at, you know, hey, this is a good idea that can -- you know, because I'm getting this and I'm kind of pushing back legacies for the Commissioner's term.

The Commissioner's legacies are his children, his family, the family he grew up in, and the country that the Commissioner supports. We are here to help everyone. And we do go from the most
remote folks with no broadband individuals. But remember this agency is also responsible to interact with the most sophisticated corporate and individual taxpayers on the planet. And we have our eyes in that direction as well. We have our eyes in the direction of enforcement significantly as well.

The ETAAC support for us with the President's budget proposals has been outstanding. We are, I think, in a good place with respect to Congress and the budget proposals. The Administration has been just amazing in the support of the Internal Revenue Service and the acknowledgement of the employees of the Internal Revenue Service and what's transpired during the past year. The Secretary and Deputy Secretary of Treasury could not have been any better in terms of their support of us during this period of time.

And we are, I think, possibly going through a gateway to really making a historic change for this country through the auspices, if you will, of the Internal Revenue Service.

The Advanced Child Tax Credit, in closing, people not only will be able to use the online portals. People will be able to walk into an IRS
office. People will be able to call in to interact with us with respect to their Advanced CTC and you know, part of the funding which they're supportive of includes us fully staffing and opening our taxpayer assistance centers throughout the country. That's huge to us.

And you know, the low-income taxpayer clinics, and VITA/TCE getting those funded, they are as much a part of tax administration as every employee inside the Internal Revenue Service as every tax practitioner on the outside of the Internal Revenue Service.

So, you know, either through time or if you have the ability financial assistance, give them a hand. They're doing the work that really needs to be done as you are. So help us help others. I will sign off. I realize I'm like 80 percent over my timeframe and I can see Mel trying to turn off my mic, but you know, part of me carrying on is -- I don't like to say goodbye, but you know, until the next time, so to speak, that we get together.

Thank you for your efforts. Thank you for your report. I have looked at the report. I'd gone through the report. We do react to the report internally. Sometimes our reactions are not
instantaneous, but we do pay attention as we have
during the year.

And bottom line, thank you to each of you:
Geno, Courtney for your expressions of appreciation
on behalf of our employees. I have asked more of
the folks at the IRS during the last year than we
ever would have considered in a private sector
environment. And their response has been nothing
short of spectacular, and their ability and desire
to reach in and make a difference they carry it as
a privilege during the most difficult times in the
country to be able to make a difference.

So thank you to each of you and I will turn it
back to Geno.

CHAIRMAN SALO: Thank you very much,

Commissioner.

And let me speak for all of us who are leaving
the committee saying that we’ve been honored to be
able to serve the American taxpayer, the IRS, for
the last three or four years, in Jenine and
Luanne’s case, and we look forward to continuing
that service in some form or another to both to the
IRS or again, to the American taxpayer. And we can
walk out with our heads held high, knowing that
we’re leaving the Committee in good hands with the
remaining members led by Courtney.

So you're in good shape Commissioner, you got a great team coming back. They were a great team. And I'd also like to thank the previous two years of Committee members that I've had the opportunity to work with. It's been a great three-year ride for me. So thank you very much Commissioner.

With that it's 10:19, let's take a five-minute break and we'll return at 10:25 and then we'll begin reviewing the actual recommendations in the report. Thank you.

(Recess.)

CHAIRMAN SALO: Welcome back everybody to the second half of our 2021 ETAAC meeting, where we're going to be discussing the actual recommendations in the report. This part of the meeting will be led by our incoming Chair or current Vice Chair Courtney Kay-Decker.

Just a quick moment to say about the recommendations, it's very iterative process. I think the highest we got was a version nine on any particular recommendation. There's a lot of give and take going back and forth between the members, a lot of ideas, a lot of fobs, and that's a credit to the entire committee. I really appreciate
everybody’s work on that.

But without any further ado, let me turn it over to Courtney to lead this part of the meeting. Courtney.

VICE CHAIR KAY-DECKER: Good morning. Thank you to everyone for being here. What I wanted to do this morning is give a quick framework for how we organized our thinking in deciding what recommendations or topics we wanted to approach in that analysis. And in a nutshell that approach centered around the taxpayer experience. That was a guiding principle for all of our research and ultimately for our recommendations.

The reason that we decided to take that approach when perhaps it doesn't seem on its face to be totally about electronic administration was because of the Taxpayer First Act and the conceptual framework put forth in that law. And by putting taxpayers first, you have to start early in the process which is a lot of the electronic processes that are within our lane of providing advice.

So not only did we have the framework of the Taxpayer First Act that included some pretty specific recommendations or concrete tasks for the
IRS to address the 1099 portal, the IP pin, ISAC participation but it also had an overarching conceptual component that talked about human resources, restructuring, and so forth. And in our view, this conceptual mandate -- again, to put taxpayers first and culturally think in that manner, is as important for the taxpayer experience as those specific items identified by Congress.

And what we've seen so far from the IRS in its Taxpayer First Act report, and in particular, the Commissioner's appointment of Ken Corbin as the Taxpayer Experience Officer, which ETAAC unanimously views as an excellent choice.

The focus has become learning to be fluent in the taxpayer’s own language. As the Commissioner said, you know, one taxpayer impacted by identity theft is too many. The Taxpayer First Act report talks about meeting taxpayers where they are. That is a high bar that the IRS has set for itself and I think every one of us on this Committee is passionate about helping and supporting the IRS and all of us who participate in the tax ecosystem to achieve that goal.

One of the things that we learned through the Security Summit and ETAAC and other committees, and
Timur alluded to this, is that once all of these different constituencies: the industry, states practitioners, industry, including financial services, payroll, et cetera. When we get ourselves in a room, we realize not only that we have things in common, but the most important thing that we have in common is our taxpayers and we all want to serve them well. So it makes it easier for us all to be passionate toward that end goal. And certainly, we're all interested in helping that cause.

We truly believe that the IRS at this moment is poised to do the things necessary to improve the taxpayer experience and has demonstrated a remarkable ability over the past year to accomplish things that you know, to some of us -- are absolutely stunning.

So our report has a lot of recommendations related to processes and technologies that really aren't apparent to the taxpayer. So you say, how does that further the taxpayer experience? Our goal is to say that we have processes and technologies in place early in the process so that down the road, when something happens to a taxpayer that we've anticipated and corrected the
challenges. So that the number of people who
actually need to interact with the IRS is
decreased. And when they do need to interact, that
interaction is less challenging and is able to be
resolved quickly, easily, and so forth.

To do that, these background things that we
think are necessary includes security. Obviously,
we're focusing on the Security Summit and the ISAC
in a number of our recommendations. Nothing can be
done without security. The data that's maintained
across the various sectors of the ecosystem is very
personal information of our taxpayers and, you
know, coming from my former role as a tax
administrator it's the Holy Grail of what we need
to protect.

Funding is critical. You know, as the
Commissioner mentioned the President's budget is
supporting budget for the IRS and the Congress, we
appreciate their interest in also increasing that
budget. There is so much pent-up demand for
technology improvements that a sustainable budget
is critical to move that forward.

You've heard our earlier speakers talk about
seamless delivery and experiences that
transparently allow a taxpayer to accomplish the
tasks that they need to do using the path that is most convenient and easy for them. Which may include using their tax practitioner, their software, interacting directly with the IRS and state interactions as well.

That interaction requires public-private engagement in a secure manner. And, you know, we mentioned throughout our report that the Security Summit, itself, is in fact that model. That coming together that Timur mentioned has proven to be a group that can deliver success and can deliver it in a timely fashion. So that is a model that should be emulated across the IRS. And there are plenty of people on this Committee and on other committees who are ready, willing, and able to support those endeavors.

Finally, trust. Taxpayers need to know that their information, not just in the hands of the IRS or state revenue agencies, but also in the hands of their preparer, their software company, financial institution, or payroll provider is safe and not going to be stolen.

Those are some of the critical back of the house things that we have focused on in our envisioning of the taxpayer experience. And with
that, I'd like to hand it off to Daniel Eubanks to
begin discussions of our actual recommendations and
he'll start with the ones directed to Congress.
Daniel?

MR. EUBANKS: Thank you, Courtney.
Commissioner Rettig, fellow ETAAC members, and IRS
staff, and thanks to everybody for joining us
today.

This report comes at a critical time for tax
administration and it's been a true honor to work
with such an outstanding team. We spent a
significant amount of time and thoughtful
consideration of valuating the recommendations that
we might make to Congress as they consider the
future of the IRS. Our goal was clear, enable the
IRS to better serve taxpayers and accomplish their
goals of tax administration.

Generally speaking, these recommendations will
help the IRS continue its progress towards
modernization.

During our planning, it became rapidly clear
that none of the recommendations would be possible
without additional funding for the IRS. The task
is enormous and increased funding for the agency,
particularly in light of historical budget cuts is
more critical now than ever before.

While the IRS budget has decreased over the years. Its mission has continued to expand. The addition of the monthly Advanced Child Tax Credit option later this summer is just the latest example of how the service’s role has grown in recent years.

We at ETAAC view the biggest challenge facing the IRS is the lack of appropriate funding and thus recommend the following:

First restructure the IRS’s funding to eliminate appropriations categories. Predictably and fully fund the IRS’s budget requests each and every year. Establish a pilot benefits-based funding tool that allows the IRS to retain a portion of the fined amounts that it collects for technology or staffing related projects.

Immediately fund the backlog of technology projects describing in the IRS's Technology Modernization Plan. And ensure that inapplicable budgetary limitations do not continue to impact IRS funding.

Next, we recommend the Congress accelerate the filing deadline for certain information returns to January 31st. Third-party information returns are
a proven tool that encourage voluntary compliance and will help reduce the tax gap. Accelerating the filing deadlines and these information returns has proven to be an effective tool in reducing fraud and increasing efficiency across the tax ecosystem by allowing for more real-time matching of information reporting to tax returns.

The IRS then should then rapidly share the applicable state return information with state departments of revenue as soon as possible after receipt. The earlier filing deadlines will ensure that relevant data is available when it's most needed, improving the filing season for taxpayers, tax preparers, issuers, the IRS, and the states.

We also recommend that Congress review and modify IRC 6103 to expand data sharing across federal and state agencies to combat stolen identity refund fraud. The IRS is currently limited to sharing data with those agencies for tax administration purposes only. This limitation prevents the IRS from sharing detailed data related to existing and emerging schemes with other agencies that combat stolen identity refund fraud.

These are not small asks. They will require significant work to achieve. That work, however
will be worthwhile and it will set the IRS up for success into the future. That success ultimately benefits us all.

I would now like to hand it over to my friend, and colleague, Lynne Riley to discuss recommendations related to electronic filing.

MS. RILEY: Thank you, Daniel.

And good morning, everyone. It's been a pleasure to serve on ETAAC with colleagues who are dedicated to all the very best in tax administration. And despite the challenges faced over the past 18 months, I am very proud of the outstanding performance of IRS professionals during the pandemic and equally proud of the annual report that ETAAC has produced to highlight IRS accomplishments and offer recommendations for services and enhancements to America's taxpayers.

Our subgroup focused attention on the taxpayer experience in the electronic filing of tax and information returns.

The challenges experienced in processing of paper returns during the pandemic illustrated the benefits of electronic filing and the opportunity to increase the filing rates of returns of all types. While the IRS goal of 80 percent paperless
filing of major tax and information returns has been exceeded for the past few years, the efficiencies in electronic processing support raising the electronic filing goals across all return types.

The subgroup investigated return filing rates and filing deadlines to evaluate filing trends and how the pandemic has impacted processing times, and the successful detection of attempted identity theft tax refund fraud.

We heard from representatives of Free File Incorporated of the increased use of Free File resources during a pandemic. We learned about the adaptations required by the volunteer income tax assistants and tax counseling for the elderly providers to serve their customers effectively.

We investigated the barriers to successful electronic filing by non-traditional taxpayers who were eligible for the economic impact payments. We reviewed the communications efforts by the IRS to engage taxpayers for whom English is not their native language. Section 2102 of the Taxpayer First Act directed the IRS to create a website platform where taxpayers may directly file forms 1099. ETAAC received briefings in November of 2020
and June of 2021 on the progress of this initiative and we were provided demonstration of the prototype design.

While these briefings illustrated the collaborative efforts with stakeholders across the tax ecosystem that is occurred to-date, it underscored the need for more robust collaboration as the development of the platform proceeds. The investment of resources in this vital technology must yield the results envisioned by Congress when they enacted the Taxpayer First Act. The 2021 ETAAC annual report to Congress includes recommendations in these focus areas.

Our recommendation number four states: The Form 1099 portal should have functionality that integrates with key stakeholders at the time of rollout. ETAAC recognizes the positive outcomes that have been achieved through stakeholder collaboration as evidenced in the work of the Security Summit and the Identity Theft Tax Refund Fraud ISAC. The IRS must continue this approach as the work on the Form 1099 platform progresses.

The IRS must continue this approach and the platform should include functionality for authentication before a user enters the platform.
and offer communication of usable real-time information related to such filings from the states and other appropriate stakeholders. Future-focused design and the platform security and IRS facing components will be vital in ensuring that the new customer platform achieves Congressional goals.

If necessary, Congress should extend the deadline for completing the Form 1099 platform to ensure that the tax ecosystem can quickly detect and prevent a fraudulent Form 1099 from being used in identity theft tax refund fraud.

ETAAC’s fifth recommendation challenges the IRS to increase its electronic filing goals to further enhance the taxpayer experience. Congress set the IRS goal of 80 percent paperless filing for major federal tax and information returns 23 years ago. The IRS considers that they met their goal for major return times four years ago. ETAAC believes it is time to reset the electronic filing goal to better match digital communication progress since 1998.

The IRS could do this either by raising the 80 percent goal or by being more inclusive of what it considers a major return, or both. Estimated tax returns, extensions, and amended returns should be
added to the goals.

Additional focus is warranted on the employment series of tax returns, which currently languishes in an electronic filing rate of around 53 percent.

Thank you for allowing me to be part of ETAAC. And now I'll hand over to my good friend Eric Inkrott to talk about the work of the Security subgroup.

MR. INKROTT: Thanks Lynne and thanks for all your years of service on ETAAC, and thank you to everybody for joining us today and allowing us to share our thoughts on our newly released report.

It was a pleasure leading the Security subgroup, partnering and learning from experts across the industry from software providers, tax professionals, payroll companies, and financial institutions.

As Courtney mentioned earlier today, taxpayer information security must be at the forefront of all discussions but it also must be balanced with the overall tax filing experience. As you have heard from others already today, the Taxpayer First Act and the recent release of the IRS playbook around the implementation of this act created the
perfect roadmap for our teams this year.

Within the Security subgroup, we focused on three main themes that we felt complimented the strategy and direction laid out by the IRS. We strive to ensure that our recommendations were aligned with the direction the IRS was already heading through their monitorization and digital efforts and would help augment their strategic plan.

The first thing we focused on was around improving the taxpayer experience throughout the entire tax filing life cycle, but from a security viewpoint. The ultimate goal for any taxpayer is to be able to file their taxes in the most seamless way possible while feeling confident that their identity and financial information is protected.

One of the main tools that the IRS has in its arsenal for taxpayers to combat identity theft, is the IP Pin Program. Enabling taxpayers to pre-authenticate themselves and know that their unique pin provides protection against someone else filing on their behalf.

The ETAAC team would like to recognize the IRS’s efforts on the national rollout of the IP Pin Program in 2021. And we look forward to realizing
the results of this program.

ETAAC believes that additional tools and education are needed to pre-authenticate as many taxpayers as possible prior to filing their taxes to dramatically reduce the opportunity for false tax returns. Pre-verification of tax returns by the actual taxpayer can also reduce the processing time of tax returns, improving the taxpayer experience, and reducing call volume and concern coming into the IRS call centers.

The Security team also believes that providing more transparency to taxpayers and the tax industry regarding the status of their tax return would greatly reduce confusion and unnecessary calls and inquiries into the IRS.

ETAAC recommends that the IRS explore existing taxpayer and tax preparers third-party partnerships to expand online taxpayer service options, enabling the tax industry to help answer, resolve any questions or concerns taxpayers may have.

The Security team would also like to recognize the great work of the Secure Access Digital Identity Team and the recent deployment of the secure access enhancements. These newly developed verification tools and the addition of third-party
credential service providers will significantly improve a taxpayer success rate in verifying their identity while providing stronger and more reliable authentication standards.

The second area of focus for our team was around data security within the tax professional’s office and ensuring that those that assist taxpayers have the tools they need to properly protect their client’s information.

ETAAC recommends that the IRS enhance its security planning guidance for tax practitioners. There’ll be a significant benefit to taxpayers and tax administration if the IRS in collaboration with the Security Summit partners, refines its guidance to include additional tools that are easy for practice to understand and implement.

Additionally, the Security team recommends that the IRS should expand the taxpayer protection tools, creating real-time validation of tax professional ensuring only properly established tax professionals are interacting with taxpayers and their information.

Daniel just mentioned the third focus of our team, and that was around increasing data sharing abilities between the IRS and other federal state
agencies to combat stolen identity fraud. As he mentioned, currently, the IRS is limited to what it can share while other agencies may have significant amount of information that could greatly increase the effectiveness of the tools and filters leveraged by the IRS, the Security Summit, and within the ISAC.

Now, before I pass it back to Courtney, I really want to give a heartfelt thank you to the entire IRS team for their partnership, collaboration, and the time they provided this ETAAC team. Without their expertise and openness, we could not effectively do the job that we've been asked to do. So thank you for everybody involved.

And with that, Courtney, I'll pass it right back to you.

VICE CHAIR KAY-DECKER: Thank you Eric.

And not to pile on, but you know, I think we can't say enough how impressive the IRS work has been during this pandemic period. The things that you've accomplished, the things Congress asked you to do, plus all of the new initiatives that you've been continuing to develop and roll out, particularly the secure access, to be behind the child tax credit is just phenomenal and our
recommendations are offered in the spirit of, you know, continuous improvement for the taxpayer and certainly not as a criticism.

I think it's obvious that each of us here is a big supporter of the good work that you all do. The NPL team has been phenomenal helping us as has so many people on the call, and we couldn't be more thankful for that.

And with that rambling on I get to pass it over to management folks at the IRS for any comments they may have at this point.

So Terry, Mike Beebe, any of you? Or the Commissioner?

COMMISSIONER RETTIG: I'm not seeing Terry and Mike and others step in. So your worst nightmare is to give me the microphone back. It's just sort of -- the IRS folks are well-aware of that. I am the guy that can turn a two-hour meeting into a four-hour meeting. I have stepsons I haven't even talked about yet.

[Laughter.]

VICE CHAIR KAY-DECKER: I see Mike Beebe here so, he saved us.

MR. BEEBE: Great. Thank you, Courtney. And thank you Geno. I appreciate it. I certainly want
to take the opportunity to thank the ETAAC for all
the work that you do. And I certainly appreciate
the recommendations that you've provided to us.
You know, certainly, in the Security Summit we'll
take those away.

We'll work them jointly, you know, with
industry and the states to continue to work with
the Security Summit Working Group as to how best we
can implement them.

And certainly again, appreciate the feedback
that you provide us. And again, the
recommendations because they help us to
strategically approach things going forward.

So much appreciated. Thank you.

MR. LEMONS: Hey, I couldn't jump in there
quick enough before the Commissioner took the helm
there.

But you know, appreciate all the work
Courtney, Geno, and everybody -- that you guys have
been doing. You've been great partners over the
last year. And a lot of the individual members
have been great supporters in the Security Summit
effort.

It really is. I think, a unique effort that's
been underway and ETAAC’s been an important effort.
And if you look at what's going on at the private sector with identity theft, data security, the Security Summit effort, I think really helped the tax administration community get ahead of the curve on this challenge.

So I really appreciate all the ongoing support and appreciate all the kind words and, you know, again, to echo what the Commissioner said, a big thanks to all the departing members for your great work on this.

COMMISSIONER RETTIG: Is Mel going to step in because --

VICE CHAIR KAY-DECKER: Mel --

COMMISSIONER RETTIG: The party isn't over until Mel speaks.

VICE CHAIR KAY-DECKER: Right. Or maybe I'm supposed to send it back to Geno now?

MR. HARDY: So I will temper my comments because the Commissioner obviously has had quite a few cups of coffee and his comedy routine has been superb. So I don't want to step on that.

But I do want to say in closing that again, I've said it many times and it cannot be emphasized more. Geno, Courtney, the rest of the team, but especially Geno and Courtney, your leadership
guiding this ETAAC through this very difficult time
you both are to be commended and everyone on the
ETAAC is to be commended for stepping up, following
their lead, and presenting a great report.

And one of the things that I think is so
important from the Commissioner's comments to the
closing comments, is that everyone was invested in
a real way of making real important decisions.

So thank you. Thank you. Thank you so much.

And for the members who are rolling off, I'm
so sorry that we're not at 1111. A lot of you
know, that I'm a very personable guy. So the fact
that I can't give big hugs and goodbye kisses is
really breaking my heart. But I know as they say,
our paths will cross again. So thank you very
much.

And I would be remiss in closing without
saying John and Sean and the rest of the NPL team,
you all have done a stellar, stellar job. These
things don't happen in a vacuum. And I always say
you're only as good as your last evaluation.

So you guys did a great job. Great job.

With that Geno, do you want to close out the
2021 ETAAC public meeting my friend?

CHAIRMAN SALO: Yes, Mel. I just -- before I
do that, I just want to echo your thoughts on the staff, on your participation, John’s, and Sean’s. But also I want to include Peggy Martin, Tanya Barbosa and Stephanie Burch, who just did a tremendous job as liaisons, to our leadership team. And this is my opportunity to thank that leadership team, Courtney, Daniel, Lynne, and Eric for just doing a fantastic job in keeping everything together. The amount of time that you put in through these virtual meetings, and keeping your groups moving along, just fantastic work. You're the reason why the report was so successful and this meeting was successful. So, thank you very much to the leadership team. And again, to the entire Committee.

VICE CHAIR KAY-DECKER: We had a good leader in Geno. And if, hopefully, I can fill your shoes even a little bit.

CHAIRMAN SALO: Well, I'm sure you can. So we are at the conclusion of the 2021 public meeting. I've passed the Chairmanship over to Courtney and with that thank you very much.

And as a reminder, any questions can be emailed to Public Liaison@IRS.gov. This concludes the ETAAC 2021 public meeting. Thank you very
much.

(Whereupon, at 10:56 a.m., the Electronic Tax Administration Advisory Committee meeting was adjourned.)
<table>
<thead>
<tr>
<th>Page 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ETAAC Public Meeting</strong></td>
</tr>
<tr>
<td><strong>6/23/2021</strong></td>
</tr>
<tr>
<td><strong><a href="http://www.aldersonreporting.com">www.aldersonreporting.com</a></strong></td>
</tr>
<tr>
<td><strong>800.FOR.DEPO</strong></td>
</tr>
<tr>
<td><strong>(800.367.3376)</strong></td>
</tr>
</tbody>
</table>