INTERNAL REVENUE SERVICE

ELECTRONIC TAX ADMINISTRATION ADVISORY COUNCIL

(ETAAC)

9:00 a.m.

Wednesday, June 29, 2022

Internal Revenue Service
Office of Chief Counsel
1111 Constitution Avenue, NW
Washington, DC 20224
ETAAC MEMBERS PRESENT

1. Robert Annusazewski
2. Jared Ballew
3. Peter Barca
4. Vernon Barnett
5. Latryna Carlton
6. Mark Godfrey
7. Larry Gray
8. Mel Hardy
9. Jihan Jude
10. Courtney Kay-Decker, ETAAC Vice Chair
11. John Kreger
12. Carlos Lopez
13. Julie Magee
14. Sherice McCarthy-Hill
15. John Paille
16. Kimberly Pederzani
17. Andrew Phillips
18. Terri Steenblock
AGENDA

Welcome
Courtney Kay-Decker, ETAAC Chair
Mel Hardy, Director, National Public Liaison

Remarks
Charles Rettig, IRS Commissioner

ETAAC Report Overview and Significant Issues
Courtney Kay-Decker, ETAAC Chair

Thank You to Members
Charles Rettig, IRS Commissioner

Recommendations Review
Overview of Recommendation Areas
Jared Ballew, ETAAC Vice Chair
Welcome statements by the ETAAC Chairman, Ms. Courtney Kay-Decker, and the Director of the National Public Liaison Office, Mr. Mel Hardy, were given and the transcript begins with the Remarks of the Director, Mr. Mel Hardy.)

MR. HARDY: Good morning, everyone. We want to be respectful of everyone's time, especially our very, very special guests. This is the first time that we've been able to do anything in person.

And so, as I mentioned yesterday, coming out of this global pandemic has been tough. But being here with all of you, it's just been wonderful. And we're now back to some semblance of normalcy. So welcome to the 2022 ETAAC public meeting, and we have a lovely panel coming to the stage.

CHAIRMAN KAY-DECKER: We have to make an entrance now.

MR. HARDY: Oh, you have to make an entrance? Okay. All right.
CHAIRMAN KAY-DECKER: Yes, yes. Thank you, MR. Hardy. Good morning. My name is Courtney Kay-Decker. I'm this year's chair of ETAAC, the Electronic Tax Administration Advisory Committee, and we're delighted this morning to present to you our first live post-pandemic annual report after the pandemic.

Our report looks a little different this year, and I'll tell you a little bit more about that, and the folks on our committee will tell you about that, but first, and most importantly, Mel has an important introduction to make.

MR. HARDY: Okay.

MALE SPEAKER: We all want to be Mel. When she said, Mr. Hardy, I was looking for Mel's dad.

(Laughter.)

MR. HARDY: So we're here today, obviously, for this public meeting. But I do want to stress the importance of one thing, and the Commissioner will touch on this because he always does, the fact that all of you have put in such valuable time, energy, and talent to this report.

And the IRS, the Commissioner, NPL, the whole agency, really, truly appreciate your efforts. So,
ladies and gentlemen, it is my distinct honor and
privilege to introduce to you the 49th Commissioner
of the Internal Revenue Service, the Honorable
Chuck Rettig.

(Applause.)

COMMISSIONER RETTIG: So, you know, I got to
say, we all love Mel, right, I mean just --
(Laugh.)

COMMISSIONER RETTIG: And following Mel -- you
know, I'm only half kidding. I just did the
superman act at my office, you know, getting the
suit on, and the guys come in and go, we've got to
go. I go, Mel Hardy is going to be there, you know
--
(Laughter.)

COMMISSIONER RETTIG: How do I look and
whatnot? You know, first and foremost, it's just a
huge thank you. It's been rough. And the fact
that people continue to volunteer to help us, sort
of -- even in a remote atmosphere, the planes,
trains, and automobiles concepts, the ability of --
you know, everybody's busy, you know, and you've
got plenty of other things to do and personal
things to do and all the rest of this, right. And
then you get back and you get back to help us.

And it's no secret, we are on our heels and we're still on our heels, you know, with -- everything IRS does is highly visible. So the idea that people give of their time -- people already busy give of their time is impactful and means a lot to every employee at the IRS, means a lot to me, and obviously it means a lot to the country.

And so, you know, really, everybody says thank you and it's kind of like a drive by. I don't want that to be a drive by from us. I want you to know that we do appreciate what you've done, where you're helping us get things right. When we don't get it right, calling it out and helping us in that regard. You know, when you sit in an organization like this, you tend to get a little isolated.

And certainly if you're the Commissioner, you tend to get a little isolated. And so the outreach with people, you know. I look up and I see Carlos and it's been like, you know, the interactions have been nonstop. And Larry, you know, same thing.

And the best of the best comes out in the most difficult times and the most challenging times. And COVID has been a challenge for everybody.
And I will say, I think you're all aware, so I am in my last like couple of months as Commissioner, it's a statutory term and you rotate off. And a lot of people are like, you know, what are you thinking? Not a whole lot, you know.

(Laughter.)

COMMISSIONER RETTIG: Same thing I thought for the last four years. 10 minutes at a time. 10 minutes at a time. You know, when's the next inbound and what's the impact of that, that kind of a thing. But I will say that looking back, the pride factor has been the interactions with certainly the IRS employees.

I think you're all aware that I came for the IRS employees and that was my highest priority, tax professionals, tax practitioners, no matter what the designation is, after the name. You know that my designation was a lawyer, but I only introduced myself as a tax guy my whole life, other than to my mom because she thought the lawyer thing -- I'm the only one of my family to go to college and so to my mom it was, and I went to college because my mom wanted a child to go to college, and I am number three of three.
You do the math, you can figure out in a hurry. And I wasn't in the college area. You know, I'm in the Vietnam era. So everybody -- I have a brother who's sixteen months older. Everybody in our era went to war. And so when you're going through junior high and high school and you see your whole neighborhood go off, the idea of, oh, I'm going to college, the ones who were going to college were the ones who didn't want to go in the military, right.

And I joke and say, if at 13 or 14, I said to my dad, I'm -- they were thinking Canada. I haven't been in the military at 13 or 14. That's just how the math worked in our family. So the idea of coming in, the ability to give back, and whatever individually, whatever little piece we can do is huge.

But collectively, I think that history will be very polite to the Internal Revenue Service and to everybody who's helped the Internal Revenue Service during this period of time. If you look at the volume of contacts -- everybody writes articles about what contacts that didn't happen, right. A couple of quick points, right. Three rounds of
economic impact payments issued, launched within
two weeks, within 48 hours, and within 24 hours.

EIP one, two, three. You include the first
two rounds, not filing season '22, but include the
first two filing seasons, it's $1.5 trillion of
relief to real people during a pandemic, most of
whom have never been unemployed before, never lost
a business before, never, never, never, never --
ever been in a food bank line. And not like the
EIPs got them out of the food bank line because
it's limited to $1,200, $600, $1,400. But what it
did is it showed these people that this country
cared, right.

And so we all go -- I was, you know, an
accounting and economics major. We all go to the
numbers, and I do, too. You know, million -- $1.5
trillion, etcetera, etcetera. But think about the
emotions, you know.

For the first time your life is unsettled and
all of a sudden you looked in your account, direct
deposit, boom, something's there. So a lot of
articles on the, what didn't happen, you know, I
call it the 2 percent. You know, that TIGTA on
round one issued a report in May of 2020 that the
IRS got the amounts accurate 98 percent of the time.

Around three, accurate 99 percent of the time.

Spectacular. You guys are part of that, right. I mean, we didn't do what we did in isolation. We did it as part of a large group of people who care about people. So really, you know, thank you for — I think, you know, I was on your SAC, and, you know, I've run into a lot of you in a lot of different spaces and all that, and I get it.

I get the difficulty of, gosh, I have to get this done, and you also have the clients calling and then we're not answering the phones. You know, I understand the math to this whole thing. And notwithstanding all the rest of the world, you guys did it and you helped us. And I want you to know that we really do appreciate that.

And then certainly, you know, Courtney and Jared helping kind of steer the ship and reaching in. And I think most of, you know, Courtney is not shy about reaching --

(Laughter.)

COMMISSIONER RETTIG: -- about reaching in and touching base. And, I say that affectionately. I
hope that came across right, you know. But you got
to be that way, right. Like, you know, from now on
-- if you weren't before, from now on, just reach
out. And if you're at any program, any arena,
anywhere, and as an IRS employee, no matter what
their capacity with the agency, if you have
something to say, tell them. It will get to the
right people in-house, right.

So my only real thing here is to thank you,
that from a participation and, you know, all the
stuff that you guys interact with, right, CERCA,
Security Summit, and all the rest of this. When
you kind of leverage it up and you say, what
happened? Remember that everything is a person.

Everything we touch is a person. So every
phone call is a person, every document, every
paper, something, is a person, whether it's a
letter or whether it's a tax return or whatever,
right. And the emotions have been flying through
the pandemic, internally, as well as externally.

And I will say that I know you all gave, and I
want you to know that the people of the IRS gave,
you know, so much, so often, and I don't want that
lost in translation.
Inventory amounts don't translate into a lack of desire or dedication. And the work arounds that had to occur, with your help, right. Hey, have you guys started trying this and trying that? People tried.

And so I think we took a very collectively, we took a very risk averse agency and stepped into this challenge big time. And I think that, like I said, when you're in the middle of it, you know, somebody who hasn't yet got their refund, it is hard for them to accept things went well, all right. We all get that, you know. But when you look back over time and you see what was accomplished and, you know, with, you know, everybody says, but if you drop the line, it's kind of sounds like it's more of an excuse.

Limited resources, right. It's no secret. You know, we've got some people that are doing ten different jobs. We should have 12 people doing those 10 jobs as in the private sector. I know about, you know, hiring issues and whatnot in the private sector. Everybody's struggling in that regard. But I think when you step back, and history steps back, yes, it wasn't perfect, right,
but I think overall, and I'm going to close with one thing that a lot of people haven't focused on is our relationships with different community groups.

We went into this with like about 3,000 community groups that we had relationships with. We now have relationships with about 18,000 community groups. We have relationships with 13,000 public school districts. I actually, one of my high points as Commissioner during the advanced child tax credit, I got asked to do a zoom call with L.A. Unified School District, right. It was like 11:00 p.m. at night.

And the superintendent of schools introduced me, and she introduced me as one of their most important alumni. Well, going through school, L.A. Unified is the second largest public school district in the country, I knew a lot of principals, school principals, but I was never on student council just to let you know --

(Laughter.)

COMMISSIONER RETTIG: I had a tendency to talk in the class and it's you know -- it got to the point where there's just the hand motion. I know
what that meant, go to the principal's office. I
could leave my friends there. I knew the path,
right.

But to have the superintendent of the second
largest school district in the country introduce me
as one of their most important alumni, I will tell
you, it was emotional for me and it was, you know,
a little piece of my getting back to my community,
talking about advanced child tax credits was really
significant. And she went through kind of my
background and the schools that I attended, and
it's like in D.C. time, I think it was about 10:30
p.m. or 11:00 p.m. at night.

And then, you know, I'm at home in the screen
and my wife's behind the screen. And I tell them,
my wife came into the country as a refugee from
Vietnam. She had to repeat 12th grade because you
don't get on a boat in that context with your
paperwork. And she went to Los Angeles High
School. And then after the superintendent
introduced me, she says, and Mrs. Rettig went to
Los Angeles High School.

So, you know, I had my jeans on, but I had a
suit here, right, it's zoom at home and behind the
screen is my wife going, yes, yes.

(Laughter.)

COMMISSIONER RETTIG: Yes, you know. We're not people that we look for somebody to go, oh, and they did this and now they live in Washington, D.C. And you know, by a lot of people standards that I hung out with, I could be working at 7/11 here and they go, do you know Chuck lives in Washington, D.C., like, whoa, right.

So, those kinds of things and the ability to do these kinds of things and to help people. And then we have relationships with 400 different homeless shelters. We got checks out to unsheltered homeless people through these, we call it trusted partner relationships. And again, I'll come back to, and you can say $1,200, $1,400, $600, whatever, the lifespan of that for a homeless person is not going to be significant.

But understand, for an unsheltered homeless person, what that connection did, the first time for them, by definition, they reached out and touch that door handle and that shelter, at which point the counselor who's trained on how to deal with this takes over, right. So I'm confident that
there are thousands of people who are better off as a result of this, not necessarily economically, because that's, you know, goes by, but are better off because now they have to like counseling and there have somebody who's kind of watching their back, right.

And maybe they're still out on the streets because that might be a choice thing, but they're still in better shape today and it's that other piece. So I tell the employees, you did that, right. You got this person, where they reached out, they touched the handle, and life is better.

The last thing, and I'm just going to say proudly, I'm the 49th Commissioner.

The fact that we all went into languages, right -- can you make a difference? Can one or a small group of people make a difference in one of the largest organization that has touched more Americans than any other organization on the planet? Second week, third week, something like that I think it was Terry, I raised with somebody, how many -- I'm from L.A., right.

And by the way, the community, the best way I can describe my community was, we used to brag to
my friends that my mom was born in the United States. My dad was not. But that kind of tells you, the community we grew up in and our friends just go, no way, your mom's not born in -- I say, yeah, my mom's born in the United States, right.

And so a real eye to everybody is important. I asked the question, how many languages do we operate in? And they would say -- I was just with Dave Alito and King Corbin, and they were replaying this meeting and said they had a heads up that I was going to go there, right. Well, you're from Los Angeles.

And so how many languages we do things in? And Dave Leo says, you know, we had our stuff, we had our statistics. And he says, I said four, and this is -- I'm quoting David Alito. And he said, you were -- you gave us a look, you were so disgusted in us. And I go, I don't know that he used disgusted.

I had a bit of more harsh words like, you touch everybody. And, you know, we're not a country where we expect people to conform to us.

My grandparents, my German grandparents came in and we answer the phone, it would be in German, and we
said, grandma, I think it's for you. We had no clue.

And she'd answer that phone. She'd say, speak English, speak English. That's that generation.

This generation, we respect the fact that they have the language they're most comfortable. And, you know, my in-laws don't speak English. And so we're operating, you know, coming into 2020, 2019, in four languages? And you want people to trust us? And so we're -- the languages were an opening to get us into the communities.

We need to have people from the communities bring the message that we want into those communities. And that's just the way it works.

And, you know, my wife has come in here and she's worked with Taxpayer First Act.

And I'll just say that it was one occasion where she just said, she was the only person of Asian culture heritage in the room and they asked her, can she come in and we want to talk to her about how we can interact more with different ethnic communities and in her case Vietnamese. Her parents live in Little Saigon and don't speak English.
I wasn't invited to the meeting, but I heard the night before she had talked to her dad and she had 15 pages, handwritten notes that she's going to talk to the IRS employees. And she's like, honey, do you want to hear what I'm going to say? No, I'm good, you know. And then she starts giving me tidbits and then I start looking at her notes. And then I figured I better come in and protect the IRS, right.

But something happened in that room that I think is important. And it was important for me, and I think it's important for us. 20 minutes, and she only person of Asian cultural heritage in the room, 20 minutes in the elbows came up on the table right, and there were maybe eight or ten people, elbows come up on the table and she says, we need to pause. And I'm like, oh, man, you know, I'm going to lose my job today. She's going to like say something here.

And she says, you all know you can't go into the Vietnamese community and be accepted, right. You're not from there, and you will never be from there. Message being, in their culture, you know, you talk to people from Vietnamese culture here,
they, their parents, or their grandparents came from a pretty horrific environment and their exit strategy from Vietnam after Vietnam fell was not user friendly.

So if you don't have immediate family members who were executed, right, or who were put into a prison camp, or who lived on a boat, you know, half people -- she was a boat person. Half the people left by boat didn't make it. If you don't have that history, you're going to come in and talk my language? You are not. It is not -- and so the point being, be proud of who we are. Be proud of the country that we live in. Respect and value the different people for their backgrounds, right. Don't speak English.

We need to get into their language and show them that we care about them for who they are, and we respect them for who they are. That makes the world better. So as I'm leaving the IRS shortly, I hope and I want it to stay as an agency that's not brick and mortar, it's not institutional, it's a group of people coordinating with folks on the outside, highly, and respecting everyone.

We can make it better if you are one person,
one taxpayer, one tax professional at a time, and I think we're headed in a good direction. When you look and go, 49th Commissioner, and for the first time ever, the Form 1040, which, you know, 168 million or something come through globally for us, just on the 1041, first time in the history of this country the form 1040 was in a language other than English, and the 2020 1040 was in Spanish, 2021 1040 is in Spanish, right. I mean, I don't want to say where have we been, but I will say where have we been, right. How are people supposed to respect you -- what I've said to the IRS in place, go to Portugal, file a Portuguese tax return. You know, Portuguese is not Spanish, right. Good luck to you. You earn money in Portugal, you're required to file a return. What they're left with, and this comes back to the different ethnic communities, what they're left with is finding a tax professional who's fluent in both languages. These ethnic communities, you guys all now, get preyed upon by people who come into their community, oh, I can help you. And a lot of the communities, you know, I use my wife as an example,
my wife sees somebody with a title and you'll see her stand up, right, like the community. So, you know, enrolled agent authorized by Internal Revenue Service, they're going to like salute, you know, and that's the world.

But there are people in those capacities that prey upon people who don't know the difference. So, us getting into those languages and with you guys making an impact, I think we're set, what I call it on rails, to head in a good direction to benefit real people in a really good way. And the pandemic has been horrific for all of us.

It's been a real struggle for all of us. But it did open these doors and it did allow tax administration to be looked at differently. It allowed us to distribute a lot of benefits. And so people don't look at us as just sort of the tax collector or tax examiner or whatever.

And the employees, you know, my pride factor of being on this journey with the employees will last forever and similarly to being with all of you. So, thank you. You know, you might not have wanted the soapbox piece, but, you know, I'm almost -- within a couple of months my term is expiring,
COMMISSIONER RETTIG: Many of you've heard me say, when I say what echoes in my head is, I'm 6.6 ft and I like to say 300 pounds. And every time I say that I can hear my daughter saying, it's kind of been throughout life, dad that's your goal, it's not your weight --

(Laughter.)

COMMISSIONER RETTIG: But it's my story, that 300 pound thing. It has been a privilege to be Commissioner. It's been a privilege to work with you. As I, you know, leave the IRS, I think that we should all be proud, and whoever the next Commissioner is, we should all support tremendously.

So whatever the person's background is, whether they are or are not a tax person -- you know, I was the first tax person since Peggy Richardson in 1997. A little unique in that respect. And the next person will be who the next person is. This is a really great group of employees. The relationships are solid.

We've expanded those relationships, being in
the communities. 13,000 public school districts, so we have information we want to get out, poof, right, it goes into those districts. I will say in closing, the L.A. Unified District found out quite quickly, their zoom, they can do 10,000 people, 4 languages. I was so excited when I got off the call with them, the zoom with them.

Next morning I come in, I said to Jeff Tribiano, Deputy Commissioner for Op Support, I said, hey their zoom can handle 10,000 people in 4 languages. And tell -- you put the language in as you go in. And, you know, we actually have to have people turn off their cameras at certain points because it's loading our system.

So Jeff says, well, that's zoom.com, I think -- that's, you know, owned by the Chinese. We're not allowed to use that. So my next comment was, so the Chinese have a better zoom than we do. He goes, well, you know, let me look into this. And I think that's kind of the hallmark of me as a person, and I want it to be of you as a person. Don't take an excuse or an answer at face value.

Keep going, keep testing it because we'll get to a better place. And bottom line is, you know,
to each of you and you know we've got more going on
is this, is thank you. I appreciate being here. I
certainly personally myself and my family
appreciate, you know, your friendship and your
support to us. It has not been easy.
You know, we've had challenges, and the
challenges have challenges inside of those
challenges. But I will say throughout for myself,
my family, and my IRS family, we know that you guys
had our backs on the outside and we do appreciate
the exchange and interaction. So, thank you very
much.

(Applause.)

COMMISSIONER RETTIG: Somewhere, I have
prepared notes. We'll send those out to you.

(Laughter.)

CHAIRMAN KAY-DECKER: I'm so glad you don't
have prepared notes, because it's always so much
fun when you don't. Thank you, Mr. Commissioner.
We are very honored to have you here today to
listen to us share some highlights and some other
thoughts about our annual report. So on behalf of
our committee, we are delighted to unveil our 2022
Electronic Tax Administration Annual Report to
Congress.

That annual report should be live now on irs.gov if you search ETAAC. And I'm told it may be listed under the 2021 link at the moment and it should be changed to 2022 pretty soon. Our report this year looks a little different from what it has in the past. We have about 32 pages, maybe only 30 pages of content if you look at the back pages left intentionally blank, so, and then the front page starts at 2.

So 30 pages of content as opposed to in prior years, sometimes over 100 pages. So, you know, why is that important? Our recommendations are also down. Typically, those recommendations range from 10 to in the 20s.

This year, we took a step back and said, you know, in light of everything that's happening in the world around us, let's look at tax administration from, you know, a holistic sort of 30,000 foot approach, and figure out what it is that would mean most to the taxpayer experience, recognizing that many of the things that we're looking at are a little bit in the weeds and taxpayers may not realize at the end of the day
that the things we recommend will help them have a better experience.

So, shorter report. Another thing that we're I think quite pleased with in our report is that we used some of the learnings of the pandemic and experiences of, you know, many things that were really successes of the IRS over the past few years to better structure our recommendations to leverage those things that the IRS is really good at.

You know, the Commissioner is proud of everything that the IRS has accomplished, but also recognizes, and we quote him in our report, that, you know, one person having a bad experience is too much. You know, they are people, and so we get, you know, in this experience to reflect on the things that could be better, but there are so many things that are going well.

And we always hear about the bad stories, the difficult experiences, but there is another side to this story. And we'll spend some time talking about those experiences as well, and those are woven into our recommendations throughout the report. So at this point, I'd like to turn the meeting over to my co-chair, oh, my fabulous co-
chair, who I have to say publicly has been the best co-chair ever on the best committee ever.

And I mean, we've had our virtual times -- yes, the bar is high. We've had virtual meetings up until now. Most of us met each other for the first time yesterday in person and realized we're all three dimensional beings. So the team has worked so hard and I'm so proud of the work that we've done together.

And the together is also with all of the great people of the IRS who make their time available to us to help us understand issues and so forth. And now I will turn it over to Jared to share a little bit more about our committee.

MR. BALLEW: Thank you, Courtney. And I appreciate the co-chair comment. We all know it's vice chair because Courtney leads the way, and this year that is certainly true. And I've played the supporting role and it's been an honor to do so with this committee. Oh, thank you very much.

Commissioner, I want to thank you this morning for your admonishment to this ETAAC that we continue to push forward, and we continue to fight and dig into look into the issues in tax
administration.

I want to give a kudos out to the IRS this morning. This year, as we've gone through our report, we have had access, openness, candor from your staff as we have dug into the issues and that is something that, you know, I think the pandemic has brought about where we've been able to have access to employees where we may not have.

But more importantly, our employees were willing to meet with us and willing to have those conversations. So that starts from the top, from administration down, and from that I think all of us in the ETAAC would say thank you so much for your leadership in that area.

It is my distinct honor this morning to be able to introduce to you our committee for the ETAAC this past year, 2021 to 2022. And the members of our ETAAC bring many different experiences across tax administration. The members represent a diverse and talented and engaged group of individuals who volunteer their personal time in an effort to find ways to make electronic tax administration across this nation better, ultimately serving the American taxpayer.
To the committee, I say thank you for your countless hours, that you've volunteered not only this year, but through a pandemic. On behalf of Courtney and myself, we want to thank you for your service. The ETAAC is a shining example of a successful committee that demonstrates how successful tax administration requires collaboration.

The committee is comprised of three main demographics, both current and prior tax, State tax administrators. We have software developers and tax practitioners. This past year, our committee comprised of 23 individuals, 4 coming from our State delegates or State sector, 13 from industry, and 6 practitioners.

To learn more about each and every one of our distinguished individuals, you can look in the back of the ETAAC report this year to go through their bios and demographics. With that, I would actually like to turn it over now to Mark Godfrey, who will be covering the mission and function of ETAAC.

Mark.

MR. GODFREY: Good morning. My name is Mark Godfrey. Across the nation, few organizations
serve more customers than the IRS. A nation that cannot tax is no longer a nation, and this nation deserves defending. Our committee is focused on electronic tax administration.

We are not a council. We are not oversight. We have no hammer. We have only our advice based on our experience. We are one of only a handful of IRS advisory committees. Uniquely, we report to Congress.

It is our job to engage Congress to give the nation the tax agency that it deserves, providing accuracy, clarity, and turnaround time to our customers. And now Sherice McCarthy Hill will discuss the attributes of successful initiatives.

MS. HILL: Hello, everyone. I am Sherice McCarthy Hill, and I am to start us off today. So appropriate funding for our IRS initiatives are generally more successful when these certain attributes are present. ETAAC has identified four key attributes of successful initiatives. One, collaboration of stakeholders.

Two, modern technology. Three, prioritization of projects. Four, balance of machines and people.

ETAAC believes that acceleration of improvement can
occur by leveraging the strengths of the Internal Revenue Service. The first attribute will be presented by Vernon Barnett.

MR. BARNETT: Good morning. My name is Vernon Barnett, and I would like to start by thanking our partners at the IRS. It's been a phenomenal year. I was repeatedly struck by the openness and the dedication that our IRS partners showed in giving of their time and their expertise throughout this process.

And as you review the report, you will notice several of the recommendations have this common theme of collaboration. When the IRS collaborates with the State tax agencies and industry partners, they can leverage the collective strengths, knowledge, and work products.

The outcome of this collaboration is more comprehensive and effective -- the outcome of this collaboration provides more comprehensive and effective results for the IRS, State agencies, the industry partners, and, most importantly, the taxpayers.

Tax law and administration is very challenging and can be very confusing for our taxpayers. This
is evidenced by the fact that every year the State agencies are inundated with calls from taxpayers who are actually wanting to talk to the IRS and not us and are very confused that we don't administer Federal taxes.

External stakeholders who are the users and often the champions of IRS improvement are engaged in collaborative brainstorming and troubleshooting early and often during any new initiative and its rollout.

MEF, the Security Summit, and the Identity Theft, Tax Refund, Fraud, Information Sharing and Analysis Center are all initiatives that have been tremendously successful due to the collaboration among the stakeholders of these processes and systems.

We encourage the IRS to continue to collaborate with stakeholders to rethink policies and processes for electronic return intake, to allow taxpayers to securely authenticate themselves and electronically solve the most common e-filing problems faced by taxpayers.

MEF and online accounts are promising vehicles that can empower taxpayers to resolve problems in a
way that reduces the amount of back and forth paper communication. ETAAC stands ready to provide feedback and support on the reimagining of these processes. And with that, I will yield to Kim Pederzani.

MS. PEDERZANI: Good morning. My name is Kim Pederzani. There has never been such a need for Governmental turn on a dime innovation as there has been during and following the facilitation of the varying forms of relief stemming from the COVID-19 pandemic.

Such innovation must be far reaching to unlimited backgrounds, while still cognizant of the varying familiarities and capabilities of the American populace. Technology is one such commonly accepted language, using tools that are secure and designed to handle changes such as tax law and administration changes efficiently when they occur.

The 1099 portal is one such example of a new system that implements a common language, allowing for easier system changes to be adapted near universally as needed. Further, the IRS is focused on prioritizing increased functionality over time
based on taxpayer needs demonstrates this principle. And I will now turn it over to Jihan Jude to discuss prioritization.

MS. JUDE: Good morning. I am Jihan Jude. I'll be talking about prioritization. A true strength of the IRS is making sure that the highest volume workflows are successful. This means prioritizing resources to ensure that forms with high volumes can be e-filed. The largest category of returns by volume are individual income tax returns, forms 1040.

The IRS boasts an electronic filing rate of over 90 percent for individual returns through the modernized e-filing system, known as MEF for short. And prioritizing the MEF system and all the systems that support it are at the top of the list. This is because e-filing continues to be the fastest way for a taxpayer to file an accurate return and quickly receive a refund. But there are challenges that prevent taxpayers from electronically filing their returns.

In fact, among paper filed returns, at least 50 percent were prepared with commercial software. But a portion of returns are rejected because of
errors, and resubmitting the returns electronically is not possible for several reasons. For example, a taxpayer may not have their prior year adjusted gross income information to validate their identity or say a taxpayer may be missing other documents that they need to attach with the return.

Prioritizing the MEF system and electronic filing means that there must be better understanding of the error rate and reasons that taxpayers choose to file on paper. Better processes for uploading to the MEF the supporting documents needed to resolve return issues, and a process for securely authenticating returns.

This will increase opportunities for electronic filing, and facilitate the filing of more accurate returns, and reduce the IRS's per return cost of filing. Now I will turn it over to Jared Ballew.

MR. BALLEW: Thank you, Jihan. Like the Commissioner, I think I need to subscribe to the school of Mel Hardy. I don't know where the application starts but count me in line for that one. You know, the pandemic has touched and changed just about every facet of the world that we
live in, that we work in.

And, you know, I think one positive thing that I can -- that we can take away from the pandemic is, you know, those -- I can make $100 or $1,000 a week working from home and you can too folks sending those emails, so thank you pandemic, you have squashed at least one of the fraud schemes out there, at least minimized it. But no, balancing machine and people, right. It's a complex question that you pose, whether you work at the Government or you work in private industry, how do you balance the two?

And ETAAC believes now more than ever that there's a need to calibrate an appropriate machine to human balance, which assigns simple, repeatable tasks to machines, and allocates complex tasks requiring judgment to humans. Between the two are the processes that ensure that work is completed both timely and accurately.

One of the more exciting accomplishments over the past year has been the rapid development and implementation of an automation that expedites return error processing for certain electronically filed returns. The Error Resolution System. Many
of you may be familiar with the term of errors or ERS.

That inventory is comprised of tax returns that contain errors that have been historically required to be manually reviewed by the IRS. And that manual review process has created substantial delays in the processing and has impacted taxpayers who desperately need the funds from their returns that they filed.

For example, returns filed during the tax season 2021 that required manual review often resulted in tax refund delays of 90 to 120 days or more. To put that into perspective, prior to the pandemic, the IRS typically identified about 5 percent of the total returns filed that appeared to have errors needing resolution and that would be introduced into the system.

During the 2021 filing season, the rate of returns sent to ERS for resolution was approximately 20 percent of total returns filed. This is in part due to legislation that required credits to be reconciled on the tax return and for some taxpayers to file who normally were not required to do so, creating a new experience for
those taxpayers.

The IRS, however, after that filing season of 2021 and their team came together and identify the pain points and the issues and put together a program that we know now today as FixERS. And you'll notice that is in our report this year and I recommend you to read that section.

They developed the FixERS automation tool. As of April 2022, the FixERS tool has significantly shortened the process and the resolution times needed to process tax returns that have errors in them. The tool resolved about two-thirds of the returns coming through the ERS system, minimizing human intervention for those returns and bringing returns to the ERS manual queue back to the pre-pandemic levels of around 5 percent.

To give you an idea how fast the automated tool would work, prior to the pandemic, an IRS agent could process about 100 returns per employee per day. With the new automation tool in place, it translates to about 5,000 returns per employee could be processed per day.

There resolved -- the returns are resolved through the FixERS are now processed through the
ERS in a timely fashion, allowing the IRS to issue refunds with their standard refund time of 21 days, whereas the manual process in 2020 created a delay for several months. The FixERS success shows that the IRS understood and developed a balance of both machine and people, and we applaud their efforts in that area. With that, I want to turn it over to Latryna Carlton to talk about the phones at the IRS.

MS. CARLTON: Good morning. Good morning, everyone. My name is Latryna Carlton. It's no secret that our phone lines have been busy. The IRS folks who answer the phones are typically often the same people who open the mail and handle other processing tasks as well.

In a typical year, 55 percent of a customer service representative time is spent on the phone, and 45 percent of the staff time is spent on processing, another pain point. While call volumes have increased astronomically, the IRS has not been able to hire enough staff to fill the need.

Instead, they did their best to begin to fill the gap by rolling out policies of multiple technology tools that, when fully implemented, will
provide significant benefits to taxpayers. These tools include things like chat bots, taxpayer callback, and secure document upload capabilities. We also note that the IRS has taken strides to expand the availability of communication in languages other than English over the past few years.

In 2022, multilingual telephone service was expanded to the Volunteer Income Tax Assistance, VITA Programs. Since the report issued, IRS has rolled out AI, artificial intelligence systems that can help many taxpayers who want to be served digitally to receive that service. Reserving human service for those who prefer that path.

The ETAAC appreciates Commissioner Rettig for adding the multi-language program to reach all taxpayers needing to be served. In 2020, our VITA program began using a multilingual program called the Ambassador Interpreter Program, which translates 20 languages and 40 dialects. It's used to effectively communicate with English as a second language, ESOL, and non-English speaking taxpayers, from the initial contact with our VITA program, volunteers, from greeters,
intake, taxpayers, and reviewers. This allows ESOL taxpayers to receive quality, culturally competent, and efficient tax processing services.

Our use of the Ambassador Translation Program eliminates the use of children or uninterested adult persons accompanying the taxpayers, from being the translators of pertinent information during the intake interview and, or tax return process. This all was done out of an identified need to try to decrease wait times and creating a seamless process for ESOL taxpayers.

VITA understands the desired outcome of a complete and accurate tax return being prepared for the taxpayer and the desire to return to our program. And now I'll hand it over to Courtney Kay-Decker.

CHAIRMAN KAY-DECKER: All right. It's my turn again. And now I actually get to introduce or bring up the folks who are rolling off our committee this year. And I have Julie Magee is one of them. And who else do I have? John Kreger. Larry Gray. And Latryna? No, not Latryna -- and Commissioner here, do we have them? Thank you -- I'm not doing this right.
MALE SPEAKER: There's a process.
(Laughter.)

CHAIRMAN KAY-DECKER: There's a process. And I didn't realize I was in the middle of the process so forgive me.

FEMALE SPEAKER: I'd actually done this before.
(Laughter.)

CHAIRMAN KAY-DECKER: Apparently, I'm the only one who hasn't.
(Technical problems.)

COMMISSIONER RETTIG: Did you check the names?
CHAIRMAN KAY-DECKER: Yes, I did. I understand that -- yeah.

MALE SPEAKER: Thank you, Commissioner. Thank you.

COMMISSIONER RETTIG: So my next question is, what committee is Larry getting on?
(Laughter.)

CHAIRMAN KAY-DECKER: I know. I know.
(Laughter.)

COMMISSIONER RETTIG: Lock the doors until we know what committee Larry's getting on.

CHAIRMAN KAY-DECKER: Last but not least --
COMMISSIONER RETTIG: Thank you for the shout out. You know where my heart is and so that's --

CHAIRMAN KAY-DECKER: We told her that she was the lucky one who got to talk about --

(Technical problems.)

COMMISSIONER RETTIG: It's all I could do to stay in my chair.

(Laughter.)

COMMISSIONER RETTIG: That's why --

CHAIRMAN KAY-DECKER: All right. Now, before we move into our specific recommendations, Mr. Commissioner, are you getting the hook? Do you have to go somewhere else, or do you get to stay with us a little longer?

COMMISSIONER RETTIG: Just don't look toward the doorways.

CHAIRMAN KAY-DECKER: Okay, that's how you get to stay -- I know that --

COMMISSIONER RETTIG: When they move in, it's done.

CHAIRMAN KAY-DECKER: The committee as a whole --

COMMISSIONER RETTIG: You know I'm Commissioner. I write my own rules.
CHAIRMAN KAY-DECKER: I know you write your own rules.

COMMISSIONER RETTIG: Yeah, we have a few minutes.

CHAIRMAN KAY-DECKER: Okay. If -- would you mind taking a picture with all of us?

COMMISSIONER RETTIG: I actually have, also have coins. I hope everybody else --

CHAIRMAN KAY-DECKER: Oh, my goodness.

COMMISSIONER RETTIG: This is a close call so, you know, you hate to go there, but yeah.

CHAIRMAN KAY-DECKER: I have one, so you don't need to give me.

COMMISSIONER RETTIG: Yeah. Did you bring yours because I might need it.

(Laughter.)

CHAIRMAN KAY-DECKER: No, I'm not giving mine back.

MALE SPEAKER: That is what you get --

(Technical problems.)

MR. BALLEW: And do we want to do a photo upfront here?

CHAIRMAN KAY-DECKER: Yes, we'll do a photo upfront.
MR. BALLEW: If you guys can come up. After you get your coin here, we'll come upfront here to get your photo.

CHAIRMAN KAY-DECKER: So for those of you who are on the phone, we're going to pause for a moment for photos.

(Pause.)

CHAIRMAN KAY-DECKER: Are we ready to start our -- ?

MALE SPEAKER: Badges back on.

COMMISSIONER RETTIG: So, so I'm leaving, right?

CHAIRMAN KAY-DECKER: Okay.

MALE SPEAKER: Yeah.

CHAIRMAN KAY-DECKER: Well, you're welcome to stay as long as you want.

COMMISSIONER RETTIG: So, a couple of points. You know, the language thing, it's a respect thing for people. And, you know, I'm not going to be here right after November or thereabouts. No later than November 12th, I'm no longer Commissioner of the Internal Revenue Service. So hold the agency accountable.

People here want to do it, but people here are
like people in the private sector, a lot of things on their plates and they juggle priorities. The languages, the communities, it's just the right thing to do and it also helps the agency. So as we get into languages, that takes some of the pressure off the phones, if the instructions are in a language somebody actually is comfortable with. And when you started out saying languages people are fluent in, right. And that's the wrong approach. I'm not fluent in English, you know -- (Laughter.)

COMMISSIONER RETTIG: And I struggle. So you can only imagine, you'll know some languages, but let alone the language, but then the tax aspects of the language. So there's a lot that ties into that. It's respect for the communities, respect -- and one point -- two points when you were speaking about the phones, what came to mind, there's a Wall Street Journal article today, American Airlines, the wait time on their phones is three and a half hours. Just saying. Yeah, like yeah it's now framed in my office if you want to see it, like -- (Laughter.)

COMMISSIONER RETTIG: I think we got them, you
I know, and it didn't say anything about callback, and it didn't say anything about languages and whatnot. And then the second thing is, when I think of languages, and you know, the best description I give is like from my grandmother's, you know, speak English, right.

Like assimilate, you know, to today, no, we need to be in the languages, we need to be in the communities, and the rest of that. And I've taken to saying we are the United States of America, right.

So we're not Japan, Germany, France, Italy, whatever. We are the United States of America. There's a reason the name of the country starts with the word united. And when I use the word united, I look at our arms, you know, locked arms, right. You take one of us on, you're taking us on, right.

So when you look at the flag, there's a reason there's 50 stars on that flag. There's a reason it's the United States of America. And then lastly, if you go outside of the country, you go to Asia, you've got 3,000 to 5,000 years of culture. You go to Europe, you got 3,000 to 5,000 years of
culture. We don't. It's known. We were founded by smugglers and tax evaders --

(Laughter.)

COMMISSIONER RETTIG: They were kicked out of another country. So there's something about when somebody doesn't want you and you go somewhere and you build something that when those 3,000 to 5,000 year cultures need help, whether it's financial, whether it's technology, whether it's military, they don't necessarily call each other, but they call the kids.

They call the 200 or so year old country that is much stronger than the people who don't have the concept of united. They don't have the concept that we do, to the extent we do, of respect everybody, everybody together and arms locked. So it works, keep it going. And through tax, we're able to get out and get these messages out. And so we can change the world.

We'll start with the United States, but we can change the world. And just, you know, my ask of you, this is not as Commissioner, but as Chuck, is, you know, keep this going. And so if you rotated off committees, stay involved, we can get better
and help the employees. Because I have asked and in many cases told the employees to do more than I ever would have on the outside.

We brought our people back to the submission processing centers in June of 2020. Split shifts, socially distanced before there was a vaccination. It's hard to remember sometimes, right. Before there was a vaccination, before we had masks for the employees, before we had enough sanitizers for the operations. And we told them, you've got to be back. And I think it was Ogden, when we came to 50 percent and we opened, 70 percent of the people showed up. And so they're trying. And you know, as you're out speaking and whatnot, a thank you to an IRS employee.

I always have said, you know, being a military family, a nod in an airport to somebody in uniform goes a long ways. They don't expect it. And they'll go back and say, you know, somebody like gave me the hi sign, you know, like, wow, right. Our employees don't expect it. They're not going to ask for it. But a bit of appreciation. Yes, it's been tough on everybody on the outside.

It's been tough on them as well. And they're
not machines. You know, we have a lot of human issues associated with the pressure that we've put on them and look to what they did accomplish. That's pretty important.

So, thank you. You know, for many of you, this might be the last time that we interact. Who knows where I'm headed. Well, right now they know where I'm headed.

(Laughter.)

COMMISSIONER RETTIG: But it's been a pleasure. And, you know, as you know, I'm -- forever privileged for the opportunity to stand here to interact with you. And I don't use the word Commissioner. My name is Chuck. So, thank you all.

(Applause.)

CHAIRMAN KAY-DECKER: Jared is now going to introduce our actual recommendations.

MR. BALLEW: Absolutely. Thank you, Courtney.

CHAIRMAN KAY-DECKER: Thank you.

MR. BALLEW: All right. Thank you, Commissioner. Today, what we want to do is dove in a little bit deeper into the recommendations. This year, in studying of the issues, we broke into
three different working groups. The first working
group was the taxpayer and tax professional
experience working group.

The second was the information reporting and
withholding working group. And our security
working group. Each group worked on
recommendations that ultimately were approved by
the consensus of the full committee.

As stated earlier by Courtney, we had two
recommendations to Congress and three
recommendations to the IRS, which we would like to
get into now. I would like to turn it over to our
first recommendation on budget to Terri Steenblock.

MS. STEENBLOCK: Thank you, Jared. And as
Jared mentioned, I'm Terri Steenblock. And I have
to say, it has been an absolute privilege to be a
member of this committee this year. The committee
is comprised of diverse and talented individuals
who are truly committed to excellence in tax
administration.

And our report presents recommendations that
holistically tackle issues through appropriate
funding and investments in human capital,
technology solutions, and process improvements.
And I think it's safe to say that we all know that
the IRS is responsible for one of the most pivotal
roles in Government. It's a role that helps fund
the foundational Government services for the
American people.

And as such, it's imperative that they help
the American taxpayer understand and meet their tax
responsibilities through efforts that promote
voluntary tax compliance. This year's ETAAC report
provides a portfolio of balanced investments and
process improvements, and we believe investing now
in the future of the IRS is an important key to
their long term sustainability and success.

In particular, ETAAC recommends that Congress
provide the IRS with flexible, sustainable,
predictable, and multi-year funding. For example,
ETAAC urges Congress to make IRS appropriations for
the 2023 Fiscal Year prior to October 1st of 2022.
This will allow staff to be appropriately trained
for things like the Congressionally mandated 1099
portal rollout to ensure the successful rollout of
changes and other new initiatives coming online for
the upcoming filing season.

In addition, the key components of our 2021
recommendations have been slightly updated and remain a priority. Those recommendations include restructuring the IRS's funding to eliminate appropriation categories. It includes providing predictability by fully funding the IRS's budget request each year prior to the start of the applicable Fiscal Year.

We are recommending developing and implementing a pilot benefits based funding tool that allows the IRS to retain a portion of defined amounts it collects for technology or staff related projects.

Establishing multi-year funding for the IRS Technology Modernization Plan, which will allow the IRS to contract for technology services in a more cost effective manner and will lead to timely and successful technology implementations.

And lastly, ensuring that applicable budgetary limitations do not negatively impact IRS funding.

I'd like to thank you for your time today and I will now turn it over to Peter Barca.

MR. BARCA: Thank you, Terri. I'm Peter Barca. And those of us that have been State tax Commissioners feel the partnership between the IRS
and States are absolutely vital. And that's why we
appreciate more inclusion of States in the ETAAC.

As a former member of Congress, I appreciate
how agencies that Congress funds will be able to
effectively spend the resources. The ETAAC, and
one of our more important recommendations, is that
Congress, both budgetary -- and provide legislative
support that allows the IRS to leverage its
excesses and deliver the level of services that
taxpayers expect and deserve.

Now, what is that expectation? The
expectation of taxpayers is that every one of their
calls will be answered. And in talking with fellow
State tax Commissioners, we all agree that State
policymakers have agreed and decided that every
call that goes to the States is, in fact, answered.

In Wisconsin, in fact, our whole time is only
1 minute and 45 seconds. Now, I know that almost
every member of Congress answers and responds to
each of their constituents but calls to the IRS are
equally important. Tax law can be intimidating and
complicated, and Americans need and deserve to have
the kind of critical assistance that the IRS can
provide when it's fully funded.
Now, the IRS has creatively used AI and chat bots, and that's a terrific addition to IRS services. However, that is no substitute to be able to talk to a live customer service representative on tax law. We need members of Congress to earmark funding for customer service so that people and Americans can have their calls to be answered.

We at the ETAAC believe that the formula for success also includes these four major items. Collaboration with stakeholders to ensure system design need meets user needs. Modern, iterative, flexible design in process and technology. Prioritization of projects to optimize the benefit of tax administration as a whole. And balance machines and people to ensure that repetitive tasks are assigned to machines so that people are available to answer taxpayer calls.

With that having been said, let me turn over the program to our esteemed colleague, Andy Phillips.

MR. PHILLIPS: Hello everyone, my name is Andy Phillips. As Peter and Terri spoke to our Congressional recommendations, we are now going to switch focus and I'm going to lead a brief
discussion on our first recommendation to the IRS, which aptly relates to electronic filing. Before I do that, I just have to acknowledge that over the last couple of years, a little over, I've gotten so comfortable with any presentation that's just been in my house behind a screen with shorts on.

(Laughter.)

MR. PHILLIPS: It's been so much more comfortable. And you know, getting up here, it's like, man, you forget this feeling. It's intimidating, but it feels good. It feels really good to be here. And I'm so happy we got to do this in person. And thank you to the IRS and for Jared and Courtney and making it happen.

So diving in, to just start by properly giving credit where it's due, one of the most successful platforms the IRS has ever developed is the electronic filing system, aptly called Modernized E-File, as Jihan spoke to, or MEF. I like to call it MEF, but people usually tell me that's wrong.

(Laughter.)

MR. PHILLIPS: I may refer to it as MEF here and now you know what I'm talking about. You know, the flexible design of this system allows the IRS
to continue to iterate this program, which is so crucial as the IRS is tasked every year with being as nimble as possible to continue to roll out enhancements to the taxpayer experience, especially when it comes to electronic tax administration. And so just a bit of more specific and further praise to start off. First, I want to call it a couple items that are great recent enhancements here. Jared spoke to the FixERS program this year, and I just want to briefly touch on that one because it deserves it. I think Commissioner Rettig spoke to the benefit that the, you know, the stimulus payments had for taxpayers. And a lot of that could also be said for the advance payment of the child tax credit that happened this year. Much needed funds to taxpayers at a crucial time. Us in tax administration, we also know that it is hard for taxpayers to reconcile advanced tax credits. And so this tool that expedited the process for taxpayers who made mistakes in reconciling the advance payment of the child tax credit or the third round of stimulus payments was crucial. The difference we saw this year in turnaround
time, the impact to taxpayers was fantastic, and it's something that the IRS should be really proud of. The next thing I want to talk about is a common theme. One of the seminal provisions of the Affordable Care Act was the premium tax credit. Prior to tax season '22, one of the most common reasons tax returns fell into special processing with the IRS was that taxpayers made -- received an advance payment of the premium tax credit during the year to their insurance provider to help cover the cost of their insurance premiums. But they did not include the necessary form on their tax return to reconcile that payment. So this year, the IRS made a change. They implemented a business rule for taxpayers who did not properly or at all reconcile that advance payment and include the form to reject that return. But the story does not stop there. What they did was they then gave a reject code that told the taxpayer or their tax professional what the problem was and gave the taxpayer the opportunity to either go to their State health insurance exchange and get a hold of their 1095A and properly complete their tax return, or attach a
PDF statement to say, here's why I didn't do it and I think I'm right. So what this did is, it's prior to this taxpayers experienced delays because they want the manual processing.

They may have gotten a notice. They may have seen a reduced refund. Now we pull all that up to before they submit and they have an opportunity to correct it or explain further why it's -- you know, why it's -- they shouldn't have to include that form on their tax return, pulls all of that up, and it does it in a way that preserves the taxpayer's ability to electronically file and reduces or eliminates some of that paper volume to the IRS.

And so while the current electronic filing system is certainly something to be proud of, we all know that opportunities do still exist to improve return processing and help alleviate backlogs related to paper. So to that end, our first recommendation to the IRS is as follows slightly paraphrased.

The IRS should collaborate with States and tax software providers to implement enhancements to the MEF system that remove impediments to e-filing while preserving appropriate safeguards. And so
this recommendation should not come as a surprise to the IRS. We've had a number of discussions about this over the last year, and I'm not going to go too deep on a couple of other recommendations or more specific recommendations, but I do want to call a couple out.

First, the ETAAC recommends that the IRS investigate creating a pathway to electronically accept returns in situations where taxpayers attempted to e-file, but their return was rejected by the IRS. In doing this, we recommend the IRS focus on the most common reject forms that have the highest volume. So the impact of finding opportunities to enhance e-filing are the most impactful to taxpayers and the IRS and their processing. Also briefly want to talk about amended tax returns.

Starting in the summer of 2020, the IRS began to accept, offer the ability to accept amended tax returns electronically. They've expanded the type of amendments that could be electronically filed over the last couple of years and it's something to be proud of. It has made a very cumbersome task for taxpayers, much more efficient.
However, the back end of amendment processing is still pretty manual, and so there remains an opportunity to enhance the back end processing of amended tax returns, so tax— the millions of taxpayers that do end up amending each year are able to more efficiently or more quickly get their refund processed.

And so the last piece I'll touch on is, the ETAAC also recommends that the IRS prioritize expanding e-file to ensure that all high volume forms can be filed electronically. Now, a couple of my colleagues in a few minutes will speak to opportunities for payroll forms. So I'll leave that for them and stop there.

But I just want to say thank you to you, everyone here on the phone for your time and attention today. And I really want to thank the IRS for the partnership, collaboration, and time they've given us over the past year.

Special shout out to everyone in the room. And then for those of us in our subgroup, our good friends from the Wage and Investment Group down at Atlanta who spent a lot of time with us, and we certainly appreciate it. And it really improved
our report. So I'm going to hand it off to my good
friend, Larry Gray to talk about online accounts.

Thank you.

MR. GRAY: Thank you. No, I have -- great
job. That's hard to follow so you all got to ramp
it up.

CHAIRMAN KAY-DECKER: Is that all we're
getting from you?

(Laughter.)

CHAIRMAN KAY-DECKER: I know you can't say
that words.

MR. GRAY: No, actually, what I'd like to do
is kind of switch up. We've heard about the FixERS
and ERS and all that goes on behind the scenes. So
I'm a practitioner in a rural community, and what I
like to do is give you a success story that
happened during the pandemic that impacted directly
the taxpayer and the tax professional.

See, I'd like to look at a couple of online
tools that's been added, and that is the taxpayer
account and the tax pro account. And I want to
show you how it made a difference in the last
filing season and the current filing season, how it
helped to have less returns have to go through ERS,
because remember success, e-filing is a return that is accurate.

And this is a benefit that I was so impressed with that last July, a little history, last July they stood up the advanced child tax credit on, behind SADI, the security platform. And in doing that, that was live interaction without having to be on the phone, you know, you could go direct to it.

So in doing that, last fall on the road when I was doing teaching programs, I taught about it. And during filing season, I had several practitioners call and say, hey, thank you, this was a great benefit. So here's what happened.

I set up a computer in the front of my office and we trained on staff on how to help a taxpayer go online, our clients, because it wasn't just getting through the season, but it was also this benefit goes beyond. So what we would do, we got to the point it took about 7 to 8 minutes to authenticate a taxpayer on the taxpayer account online.

But in my world, I've got to talk to the taxpayer and say, why is this a benefit? You know,
they really don't want to talk to the IRS. Well, when I started explaining advanced child tax credit, you can opt -- you know, you can opt out of it. When you go to file the tax return, you can get a report instead of a letter in the mail.

You could then get your EIP payments, you can get your estimates, you can get transcripts, wow. And again, this is available to you once you're authenticated real time. So the other thing I also did, I even did YouTube. Like see, this is a recommendation, but my recommendation as a part of it is not this is history. I'm telling you how we got here. But what we have to look at, you and I, IRS stakeholders.

The online account is a success story and what it did, it again allowed more returns to be accurately filed, timely filed, refunds more timely. And it's a partnership that works. The tax pro account was set up in November, and I think they're what I would like to look at is the fact that the future is they're going to keep putting more and more apps up there on the taxpayer account.

There's going to be more applications on the
tax pro account here. Hopefully in the next year
they'll start on the business accounts. But this
is today, the future. It's real success during a
pandemic. My hat's off to the IRS for doing this.
I've been on this group for three years.

   It's been very good to work with them. But I
think what we're going to see again, in summary,
we're going to see more accurate returns, fewer
rejects, a better success story. We're going to be
able to see less phone calls, less interactions,
and the summary of it, it's the future of
interacting on a bank account.

   So I can't say enough, it impacted my office,
it impacted my taxpayers. And lastly, I'm in
business, bottom line. So thank you all. Carlos,
my friend. You want to --

MR. LOPEZ: Mel -- boy, following Larry Gray,
huh? Thanks. Well, hello, I'm Carlos Lopez. I'm
a tax practitioner and a member of ETAAC's taxpayer
experience working group. Taxpayers who file error
free electronic returns have the best experience
with the IRS.

   For those taxpayers, the IRS lives up to its
goal of providing applicable refunds within 21
It's important to remember that these folks make up the largest proportion of taxpayers and include tens of millions of taxpayers. Year after year, the IRS delivers a successful tax season for those.

But our committee spends its time thinking about the rest of the taxpayers. Those whose returns have errors, are filed on paper, or both. The IRS's Taxpayer Experience Office has dedicated itself to meet taxpayers where they are. To ETAAC, this means ensuring that taxpayers have sufficient choices to accomplish return filing and other interactions with the IRS.

The thrust of our third recommendation is focus on identifying opportunities to remove barriers for those taxpayers who, but for issues like Andy raised and Larry, are willing and able to file electronically, either directly or with the help of a practitioner.

As our name implies, ETAAC is a proponent of increased electronic tax filing. For too many, the taxpayer's journey doesn't end when a return is transmitted. And remember, about half of the nation's taxpayers choose a practitioner to prepare
When a taxpayer hires a practitioner to file a tax return, the taxpayer has a choice at that time. Do I allow my practitioner to talk to the IRS during processing? The majority of taxpayers who hire a professional expect communication about their return to be available, both directly from the service provider and the IRS.

The taxpayer checks a box on the 1040 and adds the name of the third party designee. The authority lasts for one year or until the return is processed after the original filing date. The check the box process is an easy, cost effective way for a taxpayer to electronically identify a short term representative for a particular tax return.

Expanding this process to minimize the need to file a power of attorney in addition to checking the box, can provide significant benefits. We see potential for this or a similar process to streamline communications, which means reducing paper correspondence and reducing phone calls. Reduce taxpayer anxiety.

Taxpayers view their tax practitioner as their
qualified representative before the IRS. Increased
taxpayer voluntary compliance. Practitioners can
help their customers get into compliance more
quickly and better meet a taxpayer's express
preferences. And this means improving the overall
taxpayer experience.

Someday soon, we could improve taxpayer
experience for their third party designee to log on
to their tax pro account and be able to help
clients who consent without even picking up the
phone or mailing in form 2848, power of attorney.
How many times does a client called your office to
tell you they received a letter from the IRS? Oh,
and by the way, did you get your copy?

What if we could get a record of estimated
payments when your clients come in or their
transcripts? While we don't have a specific
recommendation at this time, we hope to continue
the conversation with the IRS on this topic of
third party designee.

ETAAC appreciate that the IRS brings
practitioners to the table through ETAAC and many
other channels. Why? If a practitioner is facing
a challenge, it's almost certain that do it
yourself. Taxpayers are facing similar challenges.

Thank you. Now I turn it over to our next speaker, Julie Magee.

MS. STEENBLOCK: Good morning, everyone. My name is Julie Magee, and I worked with the Security subcommittee, and on behalf of the entire Security subcommittee, I'd like to present our recommendation number four.

Our recommendation is we would like the IRS to promote the use of the IP PIN through a national yearlong campaign, leveraging stakeholders to include the tax and financial services industries to highlight the benefits of the program, including the overall reduction in identity theft and manual reviews and quicker issuance of refunds.

As a reminder, an IP PIN is a six digit number assigned to eligible taxpayers to help prevent their tax identification number from being used to file fraudulent income tax returns. In the beginning, it was assigned to confirmed victims of identity theft. But over the years, ETAAC has recommended that the IRS expand and add features to the IP PIN, and we continue to support those recommendations.
In January of 2021, the IP PIN was expanded nationally to all taxpayers who can properly verify their identity, which is more than three years earlier than the deadline given in the Taxpayer First Act. For taxpayers who opt into the program, a new IP PIN or cyber key is issued to the taxpayer each tax year.

There's currently no way to opt out of the program once enrolled. The IRS began significant promotion of the IP PIN through its National Tax Security Awareness Week programing in the fall of 2021.

But even with IRS efforts, as of December 2021, just 6.1 million taxpayers were participating in the program, which accounts for only about 3.8 percent of all returns received in the year.

For the filing season in 2022, though, in the first four months, more than 320,000 taxpayers have newly enrolled into the IP PIN program through one of the three processes, go online at irs.gov website or submit a form 15227, which is an application for an IP PIN, or go in-person to one of the local IRS Taxpayer Service Centers. The IRS allows taxpayers to opt in to receive an IP PIN.
after going through the secure access digital ID or SADI, as we are nicknamed it, verification process.

But the IRS should also allow the IP PIN to recover -- to allow the taxpayer to have an IP PIN to recover the IP PIN after verifying their identity through SADI should they have lost their IP PIN. The IP PIN is definitely the most effective way for a taxpayer to take control and to protect their information from being used to file a fraudulent return.

Every opportunity should be taken to ensure the public is aware of this program, including correspondence from the IRS, SSA, other Government agencies, tax practitioners, software providers, and financial services industry.

Congressional support in getting the word out would be great as well, but the communication strategy should always highlight the ways the IP PIN benefits the taxpayer and tax administration.

I mentioned SADI earlier. Online verification and authentication are increasingly challenging as taxpayers transition more of their secure information online.

Last year, we commended the IRS for the
development and rollout of SADI, and we now know that it has greatly surpassed the usability of its predecessor. Security, by necessity, creates friction for the user. We all know that. Finding the right balance between security protocols and user friendly interfaces is a challenge. We encourage the IRS to continue its work in this area and applaud its ability to quickly change course to make facial recognition an option, rather than a required path, for authentication to address taxpayer and Congressional concerns.

And we have seen amazing strides made by the IRS in allowing taxpayers greater access to critical information necessary for filing accurate tax returns. Congress passed pandemic related legislation for economic impact payments and then the Advanced Child Tax Credit, and the IRS knew that launching easier access to online accounts and tax professional accounts would go a long way to providing instant and simple access for taxpayers' questions.

They launched the Get My Stimulus Payment Account and then the Child Tax Credit Update portal, all in the past two years, which provided
key and necessary information for filing an
accurate tax return. We commend the IRS for
anticipating that many taxpayers would have
challenges with the EIPs and advanced child tax
credits, and for providing extremely timely and
helpful information and functionality within the
online account.

And finally, I would be remiss if I did not
recognize the ongoing work being done by the
Security Summit and the Information Sharing and
Analysis Center, or ISAC, as we call it. The
Security Summit was formed in 2015 and ISAC in
2017, and each remains committed to fighting
against fraudulent refund theft activity.

With input and expertise from many and various
representatives of the IRS, State Departments of
Revenue, and industry partners each year, the two
groups through various committees update, modify,
coordinate, and, or adjust standards and processes
that serve to protect more taxpayers from identity
theft situations.

They do this work quietly and with no fanfare,
but it has turned out to be a model of public,
private partnerships. The accomplishments of the
two are numerous and have significantly lowered the 
number of identity theft victims. From the time of 
the Security Summit's creation in 2015 until 2019, 
the number of taxpayers reporting their identity 
thief victims fell 80 percent, and this was the 
fourth consecutive year that the numbers fell. 

But as the criminal elements continue to 
evolve, the ISAC and Security Summit must evolve as 
well. Our cyber and identity theft defenses must 
remain vigilant, and taxpayers deserve tools of 
their own that help them to protect their identity. 

Thank you. And now John Kreger will provide 
comments regarding payroll information reporting. 

MR. KREGER: Thanks, Julie, and thanks 
committee. Today I'm going to talk a little bit 
about representing the information reporting and 
withholding subgroup from ETAAC, primarily around 
recommendation five, which is the IRS should work 
collaboratively with States and software providers 
to develop a long term roadmap for payroll and 
information return modernization, leveraging its 
experience with modernized e-file to provide 
capabilities that allow a seamless experience for 
all stakeholders using these systems.
As we've talked about earlier in the session today, as we mentioned in the report, you know, we're really, the ETAAC is really looking forward to the launch of the new 1099 portal coming this fall. The IRS has, as so far the updates we've received, is that we're expecting this really to be a success story from the IRS, from a technology modernization perspective. And this, we believe, really shows what the IRS is capable of doing when they receive a properly funded mandate.

This is very important. This is really groundbreaking work. We're very excited as well to hear that the IRS is building this new system out of modern, cloud based technology platform, allowing it to expand and scale to meet the needs of information filers and the broader industry, and also replacing potentially eight existing systems over the years ahead. And we've heard a lot about what the future of that roadmap might look like and how the IRS hopes to replace a lot of legacy technology in the future.

Just to highlight how important this really is, I want to talk briefly about some of the issues that were experienced by information return filers
in tax year '21. On behalf of an organization that
files or that its software is used to file hundreds
of millions of returns -- many of those are coming
from small and medium sized business filers, so
those filers that are filing primarily the form
1099-NEC, those filers really do end up in their
very busy Januarys, pushing right up against that
January 31st filing deadline.

And the issues that we're seeing this past
year with the IRS fire system being unresponsive
and struggling to keep up with the -- struggling to
keep up with the demand on those filing days,
really do undermine the confidence in the filing
community on being able to deliver those
information to terms timely.

So moving towards being able to replace that
system with a very scalable, high performance
system that meets the needs of the broader
reporting base is very important. The States and
industry are also very eager to partner and
collaborate with the IRS on the future of what the
road map for this platform will look like.

We've also, you know, looked at the combined
Federal State filing program as it exists today,
and it's really not meeting the needs of those key stakeholders, the States and industry. Many of the States have, you know, direct filing programs that are in place because they're not able to get the information through the CFSF that they need. They experience delays in getting that information. It comes in too late for it to be useful in evaluating information returns coming in at the State level. So we are hopeful to see that this new platform over time will allow streamlining the process of getting those information returns for both filers and for the states.

A modern API like this can also give filers greater visibility into the status of their information returns and how things are processing on the IRS side, which we think is very important. Finally, I just want to call out that a large project, multi-year project like this really does require multi-year planning and multiyear funding. We hope that the IRS can include re-envisioning the electronic filing across all of the form types that are currently identified as being in the future scope of this platform. State level data sharing and participation, we believe, is key
not only to reducing the burden on industry, but also reducing the incidence of State level identity theft, tax refund fraud. I always struggle to say that out loud.

And we believe that with the IRS building out a long term roadmap and having that roadmap in hand, that we would be able to advise Congress to provide multiyear funding for this critical initiative that will have such a great impact to States and the filing community. Thank you. I will pass it off to John Paille to kind of follow up on the information reporting withholding.

MR. PAILLE: Good morning. I do want you to know that I have my IP PIN. And it was very painless and very easy to do. I just hope I don't lose it.

(Laughter.)

MR. PAILLE: And if you look at the agenda, I want you to realize that I am the dessert.

(Laughter.)

MR. PAILLE: So paper returns are IRS kryptonite. For example, 94 series, 7200s, oh, fax it in, and wait and wait and wait and wait. Amendments all have high numbers of paper filings.
The 94 series are the lowest adoption of electronic returns, is there, is not a mandate, and no benefit really for businesses to electronically file. The goal is to come up with an easy way for businesses to electronic file these information returns ultimately to install an electronic mandate.

Benefits will be to the IRS, that they can automatically process these returns quickly, and businesses can get immediate proof of filing and accuracy. And accuracy is important. You file a paper return, you don't know if it adds up, right. And then it just sits. Collaboration, IRS and businesses, will get to the next level.

Lastly, I wanted to mention 1099-K filings this year. It's coming. I've actually received some myself. I'm not even sure why. There's going to be millions of them which will bring further pressure on the fire system, as we all knew at the end of January of last year.

So we want to keep an eye on that. But there's going to be many of them. Now, I'd like to hand this over to Courtney Kay Decker.

CHAIRMAN KAY-DECKER: All right. Thank you very much to my committee. I loved listening to
all of your presentations, even though I knew what
you were going to say. So those are our five
recommendations.

The one thing that you'll see at the end of
the report, we talk a little bit about some of our
real time communications that we've had with the
IRS.

And we have five examples of places where
we've had the privilege of having conversations
with the experts at the IRS and have had those
conversations that the Commissioner mentioned, the
have you thought of conversations or that we see it
this way, what do you think?

And the privilege of having those
certifications, you know, is that sometimes, you
know, it triggers a light bulb, and something
starts to move forward, even if it isn't in the
direction of what we were thinking.

And we just love to see that back and forth
certification when all of us in the room are really
interested in helping this tax administration thing
move forward better. So thank you all for coming
to listen to -- yes, John?

MR. PAILLE: I was going to say, before we --
CHAIRMAN KAY-DECKER: I'm about to turn it over to Mel.

MR. PAILLE: No, no, no --

CHAIRMAN KAY-DECKER: Well, Mel is going --

Mel, are you going to turn it over to -- we have Rob here. So, on behalf of the committee, we thank you for listening to us. And now Mr. Ski, because I can't see it, but that's okay, right? I can call you Mr. Ski?

MR. SKI: Yes.

CHAIRMAN KAY-DECKER: If you have any response or comments that you would like to make, we'd love to hear them.

MR. SKI: Just really briefly. My name is Robert Annusazewski. I go by Ski. I'm here on behalf of an Wage and Investment. And first before I get into my comments, I just want to let everyone know this annual report printed is probably the first IRS publication I have touched in my hands in two years now since --

(Laughter.)

MR. SKI: And I am equally grateful to hear that the report is available on irs.gov so there's no recommendation on how to get it on there. So I
just want to thank you all for doing all the collaboration with us. I mean, the partnership is very valuable to Wage and Investment. Some of you probably have talked to me or to my staff while working on this.

And, you know, the IRS would not be in the position it is without the collaboration with our industry partners. So we'll look through this report on behalf of Wage and, you know, formally send in our response through NPL and continue to, you know, strengthen that partnership and relationship, so thank you very much for putting together this annual report.

MR. HARDY: Well, that was fun.

(Laughter.)

MR. HARDY: Well, before I make my closing remarks, I want to say one thing. Couple of years ago, whenever I was a territory manager in spec, I had the honor and privilege of going overseas to teach military VITA at several of the military bases.

The first one was in Germany. There all week by myself teaching the JAG officers, Judge Advocate General, those are the attorneys, and it was very
challenging but an extremely rewarding experience.

At the end of that experience, being from a family that has a lot of members in the military, the armed forces, it was an extreme honor to have the commander of the base, the Judge Advocate General, present me with a coin.

I'd never had that honor and it was a great honor. And it was one that continued at each base that I taught at that year. So I think all of you heard the Commissioner had to run and he was very, very adamant to give everybody a coin.

So his secretary came up. He wanted to make sure that someone got their coin. So it's my great honor right now to bestow upon Jared, his coin.

(Laughter.)

MR. BALLEW: Is this the part where I kneel?

MR. HARDY: No, no, no --

(Laughter.)

MR. BALLEW: Thank you, Mel.

MR. HARDY: Thank you. Well, ladies and gentlemen, thank you so much for all of your hard work, your dedication, being here physically. And with that, as the Director of National Public Liaison, the 2022 ETAAC annual report has come to
an end. Thank you.

(Applause.)

(Whereupon, at 10:45 a.m., the Electronic Tax
Administration Advisory Committee meeting was
adjourned.)