

2020 Enrolled Agent Tax Season Survey
IRS Operations Biggest Concern for Current Filing Season

NATIONAL ASSOCIATION OF ENROLLED AGENTS

This survey conducted by the National Association of Enrolled Agents (NAEA) reveals that enrolled agents, federally-licensed tax experts, believe more consumers will find tax preparation more challenging this year due to the **Tax Cuts and Jobs Act** and will seek the services of tax professionals. The online survey presented a series of statements and asked NAEA members to **choose the statements with which they agreed most strongly**. The statements were grouped into three broad categories: Government operations (what impact does IRS operations have on the filing season), tax code and regulations (the Tax Cuts and Jobs Act), and taxpayer behavior (who is likely to seek the services of tax professionals this tax season).

Overview

Withholding Miscalculations

Even though many taxpayers were surprised to receive smaller refunds for the 2019 tax season, it is likely many still did not heed warnings about adjusting their withholding before the 2020 tax season. According to this survey, 56 percent of enrolled agents believe that taxpayers did not check their tax year 2019 withholding.

SECURE Act

While much of the buzz is still on the Tax Cuts and Jobs Act (TCJA) (57 percent of those surveyed do not believe that taxpayers are knowledgeable about changes to the tax law), the NAEA membership also believe (56 percent) that taxpayers, in general, are not knowledgeable about the impact of the SECURE Act on retirement savings.

Lessons Learned

When asked to compare the 2019 filing season to the 2020 filing season, 51 percent of enrolled agents believe the 2020 filing season should run more smoothly. For the 2020 filing season, enrolled agents have been proactive in mitigating these major issues which were challenging in 2019:

1. Taxpayers unaware of changes in withholding
2. Clients misinformed about tax law changes
3. Taxpayers confused about choosing between itemizing or taking the standard deduction
4. Increasing rates to deliver tax returns that took much longer to prepare
5. Taxpayers unprepared for impact of SALT deductions.

Actions taken by enrolled agents to better prepare clients for the 2020 filing season include the use of engagement letters, reinforcing year-round financial planning, and educating clients about recent legislation.

Taxpayers, Be Prepared

According to NAEA Executive Vice President Robert Kerr, EA, “Beware of offers that seem too good to be true—guaranteed refunds, “secret” deductions, and the like. The key metric for your tax return isn’t the size of the refund but the degree of accuracy. Does it accurately reflect your circumstances? We all sleep better at night knowing our returns are accurate and defensible if IRS comes knocking.”

“This filing season, NAEA encourages you to find a federally-licensed enrolled agent in your area today by using the free ‘Find a Tax Expert’ directory at www.eaTax.org. With recent tax law changes, we continue to see tax prep becoming more, not less, complicated. Enrolled agents are uniquely positioned to help during this tax season and throughout the year.”

— Robert Kerr, EA, NAEA Executive Vice President

Survey Methodology

The National Association of Enrolled Agents conducted an online survey of its members between January 31, 2020, and February 7, 2020. The survey yielded responses from 528 NAEA members, all enrolled agents, 76 percent of whom have more than 20 years of professional experience preparing and filing taxes.

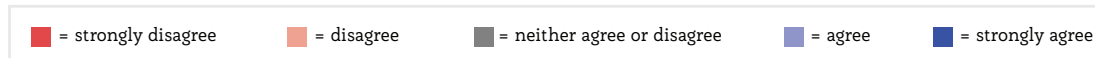
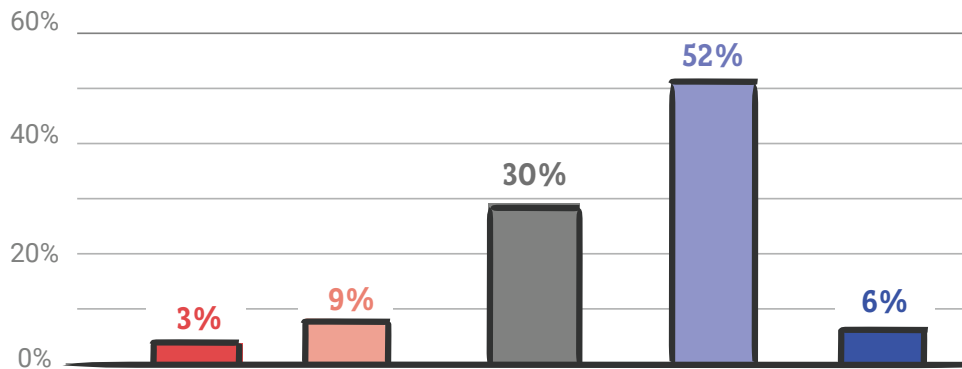
Q1

What do you see as the lessons learned from last tax filing season?

1. Taxpayers unaware of changes in withholding
2. Clients misinformed about tax law changes
3. Taxpayers confused about choosing between itemizing and taking the standard deduction
4. Tax professions need to increase rates to deliver tax returns that took much longer to prepare
5. Taxpayers unprepared for impact of SALT deductions

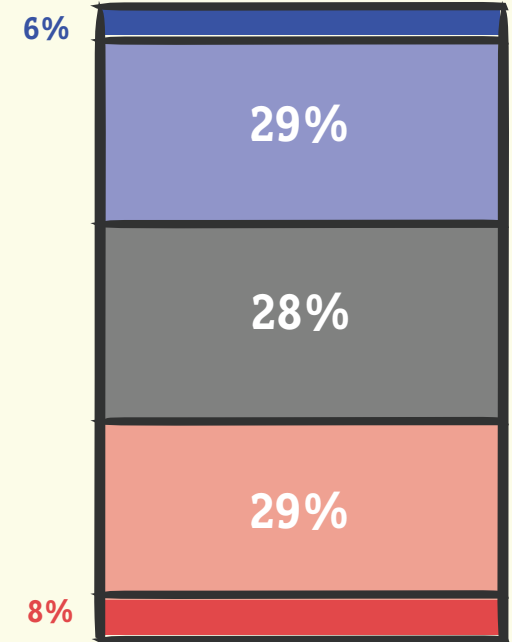
Q2

To what extent would you agree or disagree with the following statement: "The 2020 filing season should run more smoothly than the 2019 filing season."



Q3

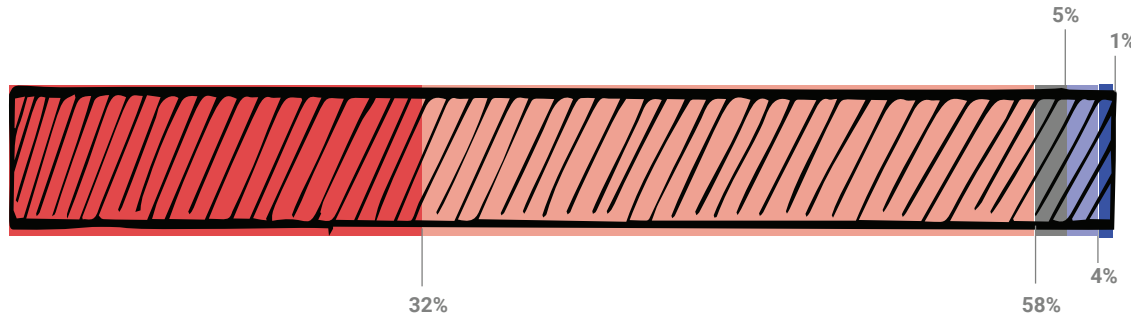
To what extent do you agree or disagree with the following statement: "I am confident in my understanding and knowledge of IRS Notice 2014-21 (virtual currencies) and am able to easily address taxpayer's needs during the 2020 tax season."



Q4

To what extent do you agree or disagree with the following statement: "Taxpayers are knowledgeable about changes to the tax law."

- = strongly disagree
- = disagree
- = neither agree or disagree
- = agree
- = strongly agree



Q5

By how much did demand for your services increase last year, the first tax year in which TCJA became effective?

7%
Much higher
than the prior year

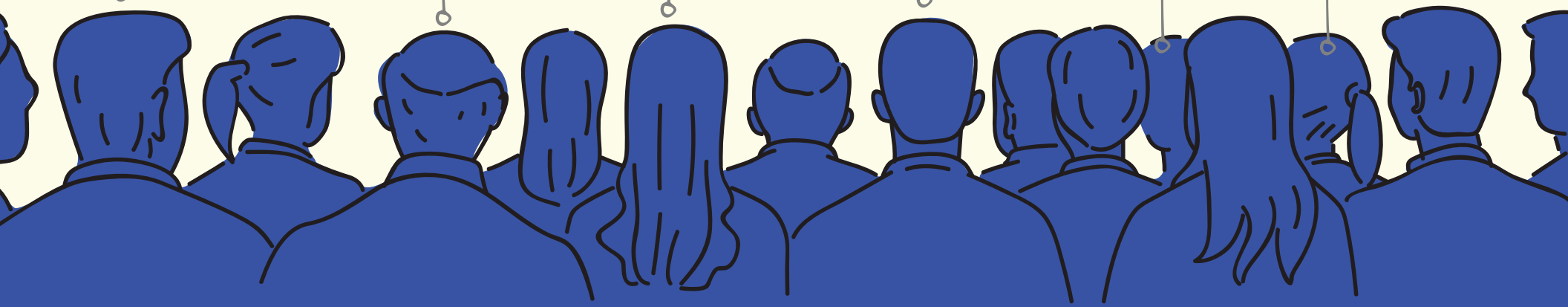
40%
Somewhat higher
than the prior year

44%
About the same

6%
Somewhat lower
than the prior year

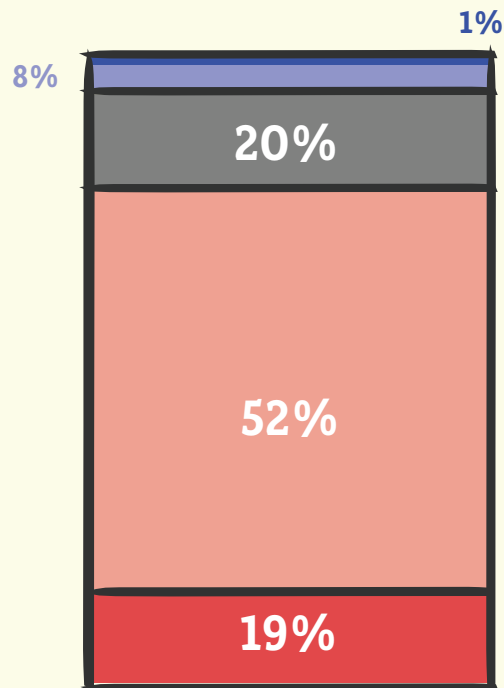
1%
Much lower than the prior year

2%
Undecided/can't determine



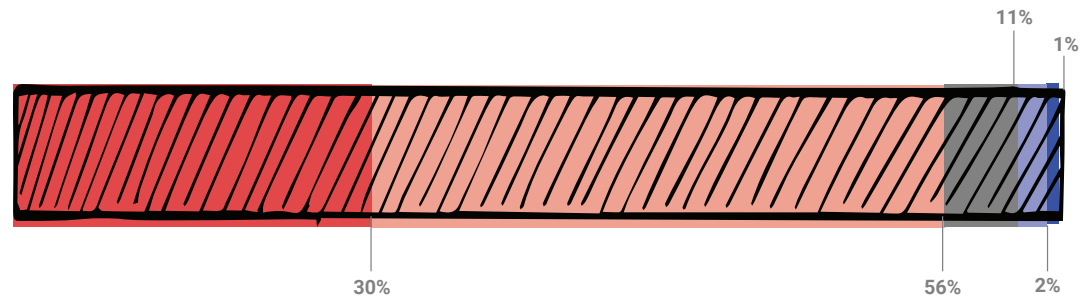
Q6

To what extent would you agree or disagree with the following statement: *“Nonprofit organizations and taxpayer donors are knowledgeable about the use and impact of donor-advised funds for charitable giving.”*



Q7

How much do you agree or disagree that taxpayers in general are knowledgeable about the impact of the SECURE ACT on retirement savings?



Q8

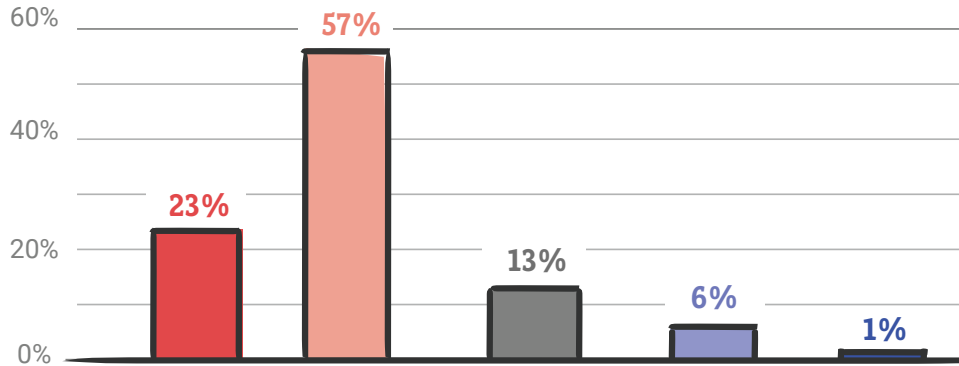
What do you see as the biggest challenges/concerns for the 2020 tax season? Please rank each item in order of importance.

- | | |
|---|---|
| 1. IRS operations (including unclear or nonexistent tax guidance) | 5. Security/privacy/identity theft issues |
| 2. Clients unprepared | 6. Technology/software problems |
| 3. Late/incorrect tax documents (Form 1099, Schedule K-1, etc.) | 7. State or international tax issues |
| 4. TCJA-related code and/or regulation changes | 8. Other |

■ = strongly disagree
 ■ = disagree
 ■ = neither agree or disagree
 ■ = agree
 ■ = strongly agree

Q9

To what extent would you agree or disagree with the following statement: *"Taxpayers checked their tax year 2019 withholding."*



Q10

What is IRS doing well?
[open ended question]

1. Better staffing the practitioner hotline
2. IRS.gov website has improved for both the taxpayers and tax professionals
3. Improving identity theft efforts
4. Guidance on tax changes
5. E-filing process

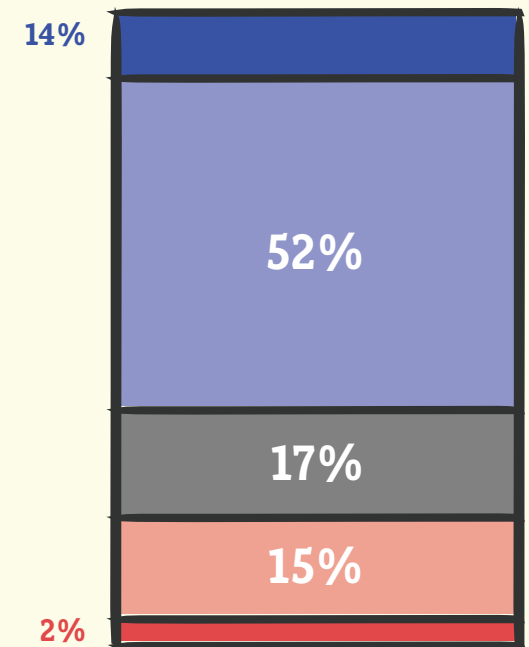
Where does IRS need to improve?

1. Reduce telephone wait times
2. Reduce time to settle a tax problem
3. Invest in better technology systems
4. Overall staff training/customer service
5. Audits

■ = strongly disagree
 ■ = disagree
 ■ = neither agree or disagree
 ■ = agree
 ■ = strongly agree

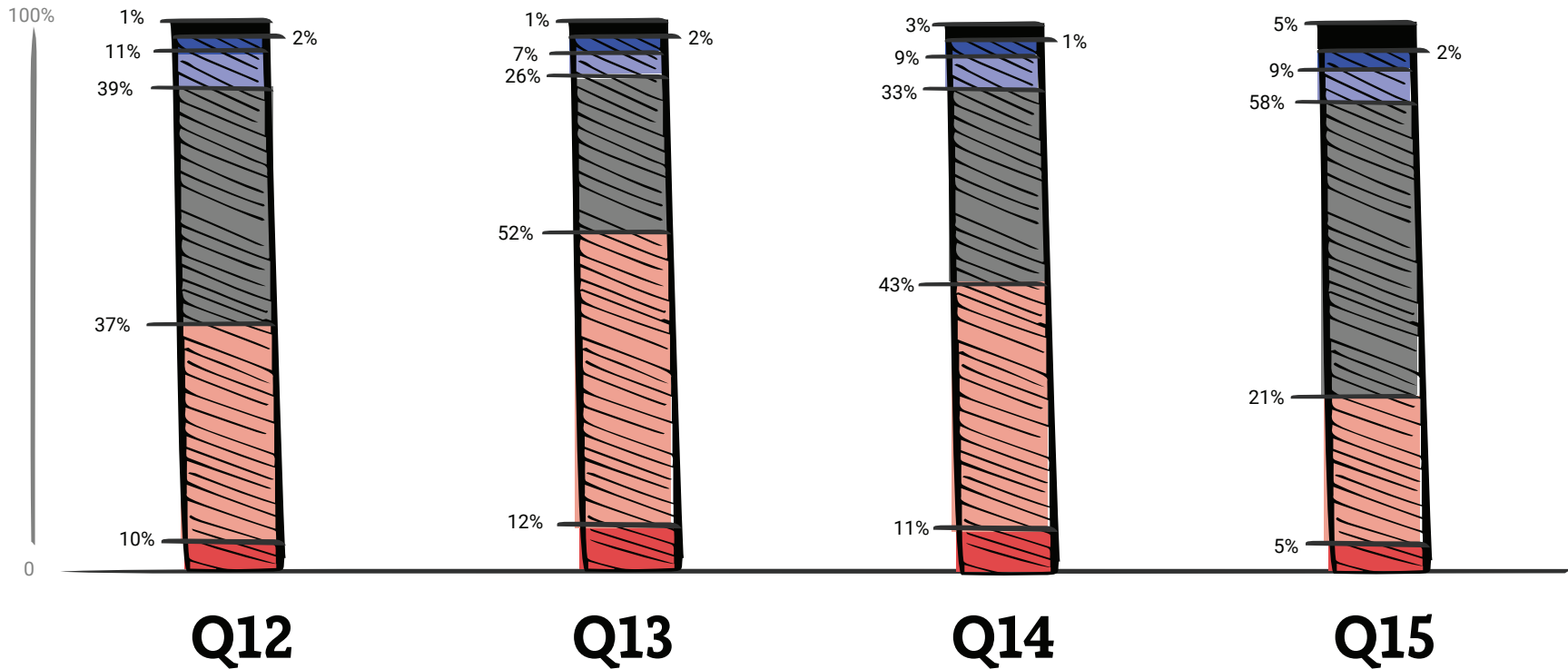
Q11

To what extent would you agree or disagree with the following statement: *"My business will raise its rates for the 2020 filing season."*



The Survey

For questions 12-15, we are asking you to estimate how you expect your business to perform this year compared to last year based on several metrics.

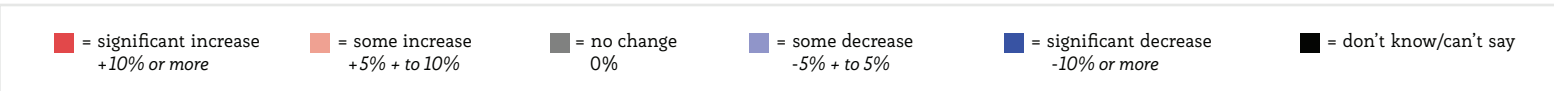


Please rate how you expect the number of clients you serve this year to compare to the number of clients you served last year.

Please rate how you expect your business this year to compare to last year for total revenue?

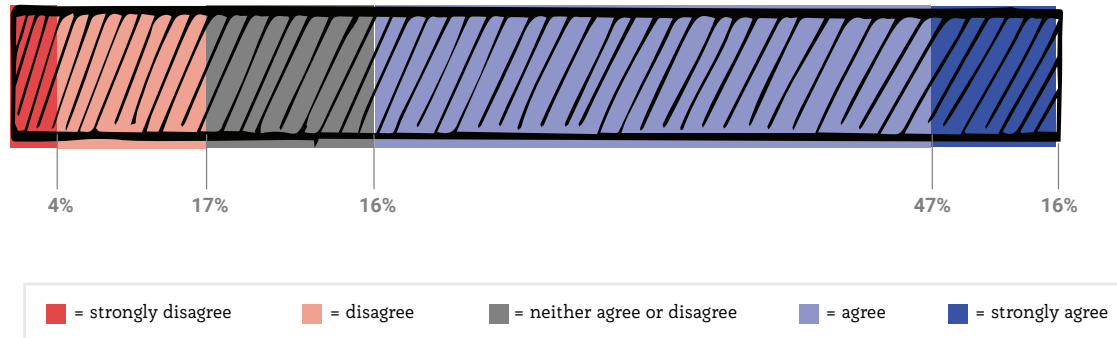
Please rate how you expect your business this year to compare to last year for net profit?

Please rate how you expect your business this year to compare to last year for number of extensions?



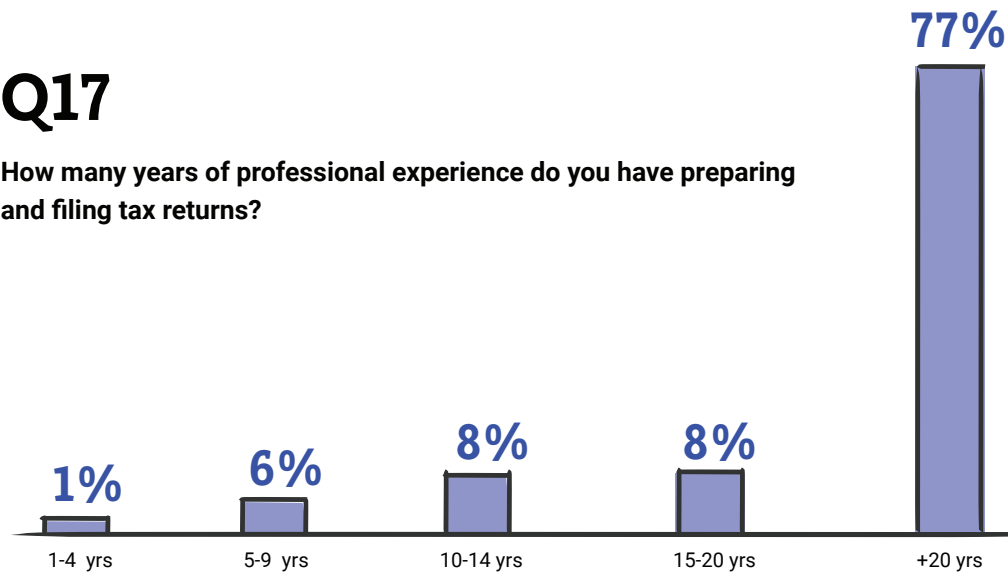
Q16

To what extent would you agree or disagree with the following statement: "My business has changed due to changes in the industry."



Q17

How many years of professional experience do you have preparing and filing tax returns?



Thank you ;)

NATIONAL ASSOCIATION
OF ENROLLED AGENTS

www.naea.org