



## Creating a Taxpayer-Focused Internal Revenue Service

*National Association of Enrolled Agents' Recommendations  
on IRS Reorganization, Workforce Training, and Technology  
Modernization*

January 15, 2020  
Washington, DC

*The IRS mission is to “provide America’s taxpayers top quality service by helping them understand and meet their tax responsibilities and applying the law with integrity and fairness to all.”*

The National Association of Enrolled Agents (NAEA) represents the interests of over 58,000 enrolled agents (EAs) worldwide. EAs are tax experts, licensed by the Department of Treasury, and generally must pass a series of federally overseen exams covering broad swaths of the Internal Revenue Code. Additionally, EAs are subject to background checks and ethics standards as well as ongoing continuing education requirements.

It has been said the Internal Revenue Service touches more U.S. citizens than does any other federal department or agency. For better or for worse, IRS is the face of the federal government for most citizens. Yet, from a taxpayer’s perspective, any interaction with the IRS is essentially compelled. Increasingly, enrolled agents, who are the frontline representatives of taxpayers at every level of the tax administration system, are expressing the view the quality of taxpayer and practitioner service within IRS has deteriorated over the last decade to an unacceptable level.

NAEA takes an expansive view of taxpayer service, which we submit encompasses nearly all of the agency’s external-facing functions. As a result, pre-filing issues (*e.g.*, tax ID numbers; withholding and estimated tax payments; forms and instructions; walk-in service; access to prior year tax information); filing issues (*e.g.*, electronic filing, math error adjustments, ID theft); and post-filing issues (*e.g.*, compliance notices, audits—both office and correspondence—and collections) are included. Too often, policymakers and IRS create a false choice between providing service and assuring compliance when in fact the two are often difficult if not impossible to distinguish.

Policymakers often refer to our tax system as one of voluntary compliance, yet we suggest the term is a misnomer; even “voluntary self-assessment” is a stretch. While many taxpayers file tax returns and respond to IRS inquiries because it’s the right thing to do, our experience tells us taxpayers are more compelled by fear of the consequences. Because taxpayers are fearful, and the agency so powerful, IRS and Congress must ensure the agency remains relentlessly focused on service grounded in fairness, accuracy and timeliness at all points of the tax administration process.

As IRS complies with the agency reorganization requirements of the Taxpayer First Act, it must partner with Congress, the Office of Management and Budget (OMB), the Department and the Treasury, and other stakeholders to develop a consensus plan outlining the need for adequate resources, modern training, and technology for taxpayers, Circular 230 practitioners and the IRS workforce.

To that end, we recommend four categories of reforms:

- Budget reform
- Workforce reform
- Technology reform
- Organizational reform

## IRS Budget Reform

The agency is handicapped by budgeting that is not only insufficient to meet its large—and growing—portfolio, but also inefficiently structured. IRS for years has met the constraints of a shrinking real budget through attrition, yet shrinking through attrition is, to put it kindly, a suboptimal management technique. The Service has not been in real control of much of its staffing for years and presently faces demographics that should concern all<sup>ii</sup>. While decisions on funding are predominately the purview of OMB, Treasury and Congress, NAEA believes that the issue is of such an importance that it cannot be restated enough.

### ***Recommendations:***

- Provide funding necessary to meet mutually agreed upon levels of service and compliance, or in the alternative, explain why these funding levels were not provided. Special funding attention should be provided to timeliness and efficiency, for instance:
  - Require IRS to communicate a decision within 30 days of a taxpayer response to an IRS notice or letter.
  - Provide compliance staff greater authority to settle cases early (IRS should also evaluate settlements based on a singular focus on early and fair resolution of disputes).
- Provide appropriate staffing at the points of significant taxpayer contact (such as all call centers and TAC counters) and training at all levels.
  - Charge IRS with exploring technology options (*e.g.*, video-conferencing) to improve communications.
  - Provide adequate funding when increasing the agency's workload (*e.g.*, to implement non-core functions such as welfare, education and corporate incentives).
    - Taxpayers will need IRS guidance quickly
    - Frontline employees will need to be retrained in all aspects of the legislation.

## IRS Workforce Reform

An organization's culture produces its results. The wrong culture produces the wrong results, the right culture produces the right results. The power of an organization's culture is pervasive.

The Service needs to have a dialog centered on its values and its approach to providing service to the public. Clear and consistent training is an essential element in moving the IRS towards a service orientation.

### ***Recommendations:***

- Create and fund a dedicated training division within the IRS to increase competency and create the appropriate culture.
- Streamline the IRS education process, ensuring that tax law and administrative policies be taught consistently throughout the country while guaranteeing that experienced personnel will not have to be taken offline to train new employees.

- Research state-of-the-art tax administration techniques at the state, local and international levels and incorporate these approaches into education materials and the Internal Revenue Manual.
- Focus IRS training on early and fair resolution of tax disputes.

## IRS Technology Reform

While many initial technology projects delivered after the IRS Restructuring and Reform Act of 1998 focused on helping practitioners better serve taxpayers, very few upgrades or new capabilities have been delivered over the last eight years. This dearth of investment has resulted in antiquated processes that push practitioners off of web-based solutions and into long phone queues and using the U.S. Postal Service.

Because of the lack of investment and a coherent businesses strategy for practitioners, it can take days to obtain a simple power of attorney or disclosure authorization form from a client and as long as three weeks to have it posted on the Centralized Authorization File (CAF); obtaining a Certificate of Release of Federal Tax Lien can mean a half a day waiting on hold; responding to a correspondence audit can mean weeks preparing a package of information not essential to the audit request but necessary because of a lack of a secure means of emailing information to the IRS; and EAs abroad often lack either dedicated phone lines or access to online accounts. This lack of tools increases costs for taxpayers and IRS, while simultaneously increasing the frustration with the tax system and compromising taxpayers' right to representation.

### ***Recommendations:***

- IRS must comply with the requirements of the Taxpayer First Act and provide guidance on the use of private sector electronic signature options for Forms 2848 and 8821 used by Circular 230 practitioners. The deadline of January 1, 2020 had come and gone without guidance from the IRS.
- IRS should debut tax practitioner online accounts that include a robust and secure means of communicating with IRS employees. Correspondence audits cannot rely upon taxpayers or their representatives putting stacks of supporting documentation into the mail. Individual online accounts should display a Publication 1<sup>iii</sup> equivalent when taxpayers use account payment options. Additionally, a process needs to be put in place to allow foreign enrolled agents to establish online accounts to assist U.S. expatriates in complying with their tax obligations.
- The CAF needs to be replaced with a real-time system that relies on algorithms to screen all power of attorney and disclosure authorization forms.
- The agency needs to replace the Centralized Lien System to allow practitioners and taxpayers to quickly obtain lien release certificates.

## IRS Organizational Reform

A focus on taxpayer rights is essential to any effort to reform the IRS' culture. The right to representation is one of those rights and we have several recommendations—that would help both tax administrators and taxpayers—to strengthen that right.

In 2019, taxpayers filed 138 million returns electronically and IRS categorized 80.6 million of those as paid preparer returns.<sup>iv</sup> As of January 1, 2019, 805,000 individuals held current PTINs.<sup>v</sup> IRS' website is inarguably one of the most trafficked federal websites. Yet tax professionals—including some 300,000 enrolled practitioners—lack even an entry point on IRS' landing page, far from an organization dedicated to the proposition that the professional preparer community is part of the solution if the goal is a well-run, efficient IRS.

### **Recommendations:**

- IRS should create a **dedicated, executive-level practitioner services unit** that would centralize and modernize its approach to all practitioners. All administration and oversight of third-party stakeholders (*e.g.*, Circular 230 practitioners; unenrolled preparers; tax software providers; e-filing; payroll providers) would be consolidated under the new executive.
- IRS should provide practitioners a **robust practitioner priority hotline** (or hotlines) with higher-skilled employees who have the experience and training necessary to address more complex technical and procedural issues. This improved hotline should include resources for practitioners representing U.S. expatriates living abroad, including an international toll free number.
- Under the practitioner services unit, the IRS should assign **customer service representatives** (also known as a single point of contact) to each geographic area to address unusual or complex issues that practitioners were unable to resolve through the priority hotlines.

### **Conclusion**

In the 20 years since Congress last tackled IRS reform, the environment has changed significantly. Identity theft has become a cottage industry, electronic commerce has become ubiquitous, and the Internet has changed all the rules—and altered all expectations. Yet what hasn't changed is the basics. Taxpayers still have the right to quality service, the right to challenge the IRS' position and be heard, the right to finality, the right to appeal, and the right to representation, to name a few.

We at the National Association of Enrolled Agents look forward to working with Congress and with IRS to reform Service. Our staff and members stand ready to assist in considering and developing plans that create a taxpayer-focused IRS.

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<sup>i</sup> <https://www.irs.gov/about-irs/the-agency-its-mission-and-statutory-authority>

<sup>ii</sup> In 2016, then-Commissioner John Koskinen stated at his [annual National Press Club speech](#), “We expect more than 40 percent of the IRS workforce will be able to retire by 2019.” At the other end of the age spectrum, IRS had about 200 employees of some 85,000 who were 25 or younger. In IRS' strategic plan for FY18-22, the agency states “...27 percent [of the workforce is] eligible to retire by the end of FY18.”

<sup>iii</sup> Publication 1, [Your Rights as a Taxpayer](#), explains to a taxpayer his/her rights and the processes for examination, appeal, collection, and refunds.

<sup>iv</sup> See IRS website: [2019 Filing Season Statistics](#), cumulative statistics comparing 11/23/2018 and 11/22/2019

<sup>v</sup> See IRS website: [Number of Individuals with Current Preparer Tax Identification Numbers \(PTINs\) for 2020](#)