



August 26, 2022

The Honorable Janet Yellen
Secretary of Treasury
United States Treasury Department
1500 Pennsylvania Avenue NW
Washington, DC 20220

The Honorable Charles Rettig
Commissioner
Internal Revenue Service
1111 Constitution Avenue NW
Washington, DC 20224

Re: Inflation Reduction Act of 2022 Internal Revenue Service Funding

Dear Secretary Yellen and Commissioner Rettig:

On behalf of the National Association of Enrolled Agents (NAEA) and the nearly 60,000 enrolled agents it represents, I am writing today with some recommendations for the additional funding Congress provided the Internal Revenue Service (IRS) in the Inflation Reduction Act of 2022 (IRA). NAEA, which represents the interests of enrolled agents and is the nation's leading community for tax practitioners, has for more than a decade encouraged Congress to set service and enforcement performance metrics for the agency and also provide adequate resources to meet those performance expectations.

We see this stable 10-year funding window as an opportunity to transform the IRS into a modern, taxpayer friendly organization. The IRS has been underfunded and understaffed for decades, and the nearly \$80 billion included in the IRA, if prudently managed and invested, should overhaul the agency: modernize technology; create new digital tools for taxpayers and tax practitioners; and restore customer service across the agency.

When it comes to making wise investments, enrolled agents believe the IRS's first goal must be to restore customer service, which has declined in recent years. More pointedly, as reported by the National Taxpayer Advocate in June, during the 2022 filing season, the agency received roughly 73 million telephone calls of which only 10 percent reached an IRS employee. Processing backlogs also have plagued the agency throughout the COVID-19 pandemic.

While we understand the IRS has been attempting to hire more employees in recent months, we encourage the agency to do everything in its power, including using outside contractors and enhancing recruitment practices, to immediately increase the size of its workforce and restore customer service to a workable level for both taxpayers and tax practitioners.

NAEA supports direct hiring and critical pay authority for the agency and believes the Office of Personnel Management should grant the IRS maximum hiring flexibilities. It is also essential that all IRS employees and contractors receive rigorous training, so they are well equipped to address the increasingly complex and technical issues that come before them.



Enrolled agents believe better tax administration (pre-filing, filing, and post-filing) and enforcement begins with better customer service. Most taxpayers want to do the right thing, pay their taxes, and stay in compliance. However, as complexities arise, there invariably will be questions or issues that require interaction with the IRS. Therefore, enhanced enforcement must begin with improved customer service – across multiple communications channels.

While meeting taxpayers' customer service expectations is essential, the agency will be unable to transform itself and our tax administration system without designing and building a modern information technology system. Taxpayers and tax practitioners must have digital tools that allow them to conduct business with the IRS in real time and free of unnecessary barriers. In order to enable tax professionals to better serve taxpayers and help address longstanding Central Authorization File (CAF) and Priority Practitioner Service (PPS) issues, the service must make a variety of technology improvements.

The IRS should prioritize the following areas in its operational plan for the Inflation Reduction Act funds:

Dedicated Practitioner Service and Communication: Centralize and create a dedicated practitioner service unit able to handle more complex tax, collection, and accounts-management issues. Provide an application within the Tax Pro Account for practitioners to send documents and otherwise communicate directly with IRS personnel and expand taxpayer digital communication to enable authenticated tax professionals to initiate communication with the IRS.

Power of Attorney and Declaration of Representative: Take all steps necessary to allow for swift, frictionless, and reliable processing of Forms 2848 and 8821, including private sector e-signature options for both forms. Provide tax professionals instant and secure access to taxpayers' transcripts as well as the ability to manage powers of attorney online.

Central Authorization File (CAF): Redesign its workflow and function to reflect 21st century realities. This should include allowing small businesses with one owner to access business transcripts and authorize their tax practitioners using their online personal accounts. There should also be minimum approval standards and infrastructure to support enrolled agent practitioner firm level accounts, allowing the firm to manage and secure taxpayer information while ensuring IRS oversight of practitioner firms.

Electronic Filing: Expand electronic filing, ensuring that every tax return filed, including amended returns, can be filed electronically. Apply the 80 percent goal for electronic filing to every major category of tax and information return, including all 94X forms.

Collection Operations: The agency must respond promptly to taxpayers who would like to settle their debts. While the need to address non-compliance more swiftly is true throughout the agency, we start by suggesting a focus on the turnaround time in Offers in Compromise, a



process that takes far too long and increases costs and anxiety for taxpayers. The automatic liens and levies process should also return to normal operations.

For the IRS to truly transform our tax administration system, NAEA believes the agency must develop communication channels for tax professionals to interact with the IRS efficiently and effectively. This should include expanding the secure messaging available through irs.gov/connect and exploring new media to enable tax professionals to initiate and follow up on communication with the IRS. We encourage the IRS to focus on effective and efficient communication channels for tax professionals, and to consult with reputable industry partners on potential solutions.

In Secretary Yellen's August 17th memorandum to Commissioner Rettig, she stated:

[a]head of us is a monumental opportunity to transform tax administration in this country. It is also a significant operational challenge. The work will require an all-hands-on-deck approach from the dedicated employees of the IRS. And it will require the agency to modernize: first, to fully resolve the inventory backlog and make significant improvements in taxpayer services; second, to overhaul an information technology system that is decades out of date and invest in training employees so they can identify the most complex evasion schemes by those at the top; and third, to replace the attrition that is on the horizon from the expected retirement of at least 50,000 IRS employees over the next five years.

We agree with the Secretary's initial assessment and believe the time is now. We understand work is beginning on a detailed operational plan requested by the Secretary and would welcome the opportunity to meet with senior leaders at the IRS to provide feedback based on the experience of tax practitioners.

NAEA appreciates the strong partnership we maintain with the Department of the Treasury and the IRS and stands willing and able to serve as a resource as you embark on this massive undertaking.

Sincerely,

A handwritten signature in blue ink that reads "Kathy Brown".

Kathy Brown, EA
President