

NAEA 2022 Policy Priorities

NAEA identifies long-term trends and policy issues affecting enrolled agents and articulates the profession's position through a variety of avenues, public and private. The vision of NAEA is to be the leading professional association dedicated to supporting America's Tax Experts®, enrolled agents.

Some of the key policy priorities for NAEA in 2022 are as follows:

- Regulation of tax preparers
- IRS Funding & IRA Implementation
- Fixing the IRS's broken system
- Online Solutions for Online Practitioners

Regulation of Tax Preparers

Issues: Although enrolled agents must pass several obstacles such as an examination and background check to become a licensed tax practitioner, currently anyone can be paid to prepare a tax return. This is an issue, as the Government Accountability Office (GAO) has found that unlicensed tax return preparers are more likely to commit significant errors that result in larger refunds than allowed by law.

Solutions: Require tax return preparers to

1. Obtain a Preparer Tax Identification Number (PTIN)
2. Pass an examination that will cover basic Form 1040 tax questions (including EITC and ethics standards)
3. Fulfill annual continuing education requirements
4. Complete a background check
5. **And lose the right to prepare tax returns for serious malfeasance**

Legislation: In June 2021, Representative Jimmy Panetta (D-CA) and Rep. Tom Rice (R-SC) introduced H.R. 4184, the Taxpayer Protection and Preparer Proficiency Act. This legislation proposes the aforementioned solutions and would allow the Department of Treasury to regulate the practice of tax return preparers. Senators Ben Cardin (D-MD) and Rob Portman (R-OH) also proposed a similar bill in 2018, the Protecting Taxpayers Act.

IRS Funding & Inflation Reduction Act Implementation

Issues: The historic underfunding of the IRS has negatively impacted enrolled agents. On a daily basis, enrolled agents directly interact with underfunded functions of the IRS such as return processing, data management, audit, and collection. There is also a need for technology

maintenance and development that has been neglected due to underfunding and affects how efficiently enrolled agents can do their jobs.

The \$80 billion included in the Inflation Reduction Act (IRA) creates a historic opportunity to transform the IRS into a modern, taxpayer-friendly organization. The nearly \$80 billion investment 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.

Solutions:

NAEA's recommendations to the IRS include prioritizing the following areas in its operational plan for the IRA funds:

- 1. 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.
- 2. 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.
- 3. 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.
- 4. 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.
- 5. 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.

Issues: The foundation of the tax administration system has been eroded by chronic underfunding, indecisive leadership, government shutdowns, politicization of the tax system, and out-of-date technology systems. These issues have broken the IRS and in effect, hindered the ability of enrolled agents to do their jobs to the best of their abilities.

Solutions: In coordination with the implementation of the IRA, and with the ultimate goal of transforming the IRS into a tech-savvy, customer-centric organization, NAEA recommends that the IRS implement four categories of reform:

- 1. Budget Reform:** In addition to the increased funding through the IRA, Congress should establish multi-year appropriations for the IRS to better allow for planning and technology upgrades. Congress should also establish clear goals and objectives for the agency, including around service, compliance, and electronic filing.
- 2. Workforce Reform:** The IRS should have more flexibility for direct hiring to retain the necessary talent. They did receive some temporary enhanced hiring authority to help deal with backlogs in the FY22 omnibus appropriations bill, but similar language was stripped out of the IRA for procedural reasons.
- 3. Technology Reform:** The IRS needs to modernize its systems, as well as meet goals and measures for electronic filing and customer service.
- 4. Organizational Reform:** Congress needs to review the IRS's organizational plan. One way for the IRS to centralize its system would be through creating a dedicated practitioner services unit to handle more complex issues.

Solutions: NAEA recently released a comprehensive white paper with a range of legislative and regulatory solutions.

ONLINE SOLUTIONS FOR PRACTITIONERS

Issues: Due to the current backlog of tax returns, outdated technology, and staffing shortages at the IRS, wait times on the Practitioner Priority Service phone line are often well in excess of 30-minutes. These long wait times combined with a mixed level of service are a burden to both practitioners and taxpayers who are trying to resolve outstanding issues and stay in compliance with the IRS. More robust technology and applications could help address these issues and provide a smoother and more efficient tax administration experience.

Solutions: The IRS should provide robust applications through the online Tax Pro Accounts by:

1. Providing guidance on the use of the private sector electronic signature options for Forms 2848 and 8821 for authenticating and authorizing these important documents,
2. Allowing small businesses with one owner to access business transcripts and authorize their tax practitioners using their own personal accounts,

3. Establishing minimum approval standards and infrastructure to support EA practitioner firm level accounts, thereby allowing the firm to manage and secure taxpayer information and allowing the IRS to have oversight on practitioner firms,
4. Making available an application within the Tax Pro Account for practitioners to send documents and otherwise communicate directly with IRS personnel.

Furthermore, the IRS needs to develop more effective and efficient communication channels for tax practitioners to interact with the IRS by:

1. Expanding E-filing,
2. Increasing transparency,
3. Improving collection operations through expanding guaranteed installment agreement availability and rebooting/streamlining the Offer in Compromise (OIC) program
4. Requiring Alternative Dispute Resolution

Legislation: While the Taxpayer First Act sought to address and improve many of these issues, challenges continue due to the manner in which they were implemented, lack of IRS resources, and in some cases the need for additional legislation.