

October 31, 2022

The Honorable Richard Neal
Chairman
The Committee on Ways and Means
U.S. House of Representatives
1102 Longworth HOB
Washington, DC 20515

The Honorable Ron Wyden
Chairman
The Committee on Finance
U.S. Senate
215 Dirksen SOB
Washington, DC 20510

The Honorable Kevin Brady
Ranking Member
The Committee on Ways and Means
U.S. House of Representatives
1102 Longworth HOB
Washington, DC 20515

The Honorable Mike Crapo
Ranking Member
The Committee on Finance
U.S. Senate
215 Dirksen SOB
Washington, DC 20510

Dear Sirs:

I am writing today on behalf of the National Association of Enrolled Agents (NAEA) as the IRS considers how to invest the approximately \$80 billion granted in the Inflation Reduction Act to suggest priorities this profession believes are essential to a well-functioning, efficient, service-focused tax administration system.

NAEA represents the interests of nearly 60,000 enrolled agents (EAs) worldwide. We are the nation's leading community for enrolled agents – from aspiring agents to experts with decades of experience.

While the agency has a large set of needs, we focus on a narrow set of priorities that benefit taxpayers and their representatives by removing friction from the system, modernizing it, and looking at the world through a service prism. More specifically:

- Overhaul the Centralized Authorization File
- Prioritize Practitioner Service and Communication
- Expand electronic filing in all categories
- Speed Compliance Operations
- Reform Hiring and Training

We believe these suggestions could vastly improve a variety of problems that have been identified within the IRS related to poor customer service, the need for modern technology, and the lack of digital tools for communicating with the agency.



We have attached our suggestions for priorities for this funding. As your respective committees conduct their oversight responsibilities and as you communicate with the IRS regarding its strategic plan for the funding, we thank you for your consideration of these priorities.

Sincerely,

A handwritten signature in black ink that reads "Megan Killian". The signature is written in a cursive, flowing style.

Megan Killian
Executive Vice President

Attachment

Inflation Reduction Act Funding Priorities for the IRS

The Inflation Reduction Act of 2022 provides the IRS with approximately \$80 billion in funding over the next 10 years. The IRS has made a commitment to invest this funding *“in employees and information technology systems that will allow us to better serve all taxpayers, including small businesses and middle-income taxpayers.”*

Enrolled agents serve millions of taxpayers each year in tax planning, tax preparation, and tax controversy work. Improvements in these tax administration systems will create operational efficiencies, improve customer service for all stakeholders, enhance compliance, and, finally, implement many of the provisions in the Taxpayer First Act of 2019.

Overhaul the Central Authorization File (CAF): The Taxpayer Bill of Rights clearly states taxpayers have the right to representation. If that right is to be meaningful, IRS must process timely requests for powers of attorney (Form 2848) as well as taxpayer information authorization (Form 8821). This system is based on a business model that must be decades old and does not scale to meet the needs of 21st century taxpayers and tax professionals.

- Redesign the CAF workflow and function to reflect 21st century realities
 - Allow small businesses with one owner to use their online personal accounts to access business transcripts and authorize tax practitioners.
 - Create minimum approval standards and infrastructure to support accounts at the practitioner firm level, allowing the firms to manage and secure taxpayer information while ensuring IRS oversight of trusted practitioner firms.
- Take all steps necessary to allow for frictionless processing of Forms 2848 and 8821, including:
 - private sector e-signature options for both forms and
 - an efficient and transparent filing and withdrawal process that works at scale.
- Provide tax professionals instant and secure access to taxpayers’ transcripts as well as the ability to manage powers of attorney online.

Prioritize Practitioner Service and Communication: The Taxpayer Bill of Rights also states taxpayers have the right to closure, to certainty, and to pay the accurate amount. Practitioners partner with taxpayers on the most complex pre-filing and filing issues and nearly all post-filing issues. Setting aside challenges in pre-filing, communicating post-filing with IRS enforcement staff is often painfully inefficient and, among other challenges, requires transmitting

voluminous—and sensitive—documentation by US Mail and over fax lines. Given the significant position of trust practitioners hold, streamlining and reimagining communication would lower taxpayer burden and increase IRS efficiency.

- 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.

Expand Electronic Filing in All Categories: The pandemic made clear that returns filed on paper place a tremendous burden on the Service. In fact, the IRS in October 2022 still had a backlog of approximately 9 million returns awaiting processing. While the operational burden on the agency is profound, the burden on taxpayers is no less so. Waiting for prior year or amended returns to process can delay current year filing and push taxpayers who would like to be compliant into noncompliance. This state of affairs is undesirable for the IRS, taxpayers, and tax professionals.

- Expand electronic filing, ensuring that every tax form filed in the current year and prior six years, including amended returns, can be filed and processed electronically.
- Apply the 80 percent goal for electronic filing to every major category of tax and information return, including all 94x forms.

Speed Compliance Operations: Although non-compliance should be addressed more swiftly in both exam and collections, we focus here on the latter. The key to managing accounts receivable is to address those who owe as soon as possible but the IRS is hobbled by lack of IRP and Form W-2 information and a system that does not address promptly balance due without remittance or non-filers. While collections operations at the front end would benefit greatly from speeding the agency's ability to contact those who owe the Service money or tax returns (or, often, both), if the agency is to focus on excellent service it must also respond swiftly to taxpayers who would like to resolve collection issues.

- Respond promptly to taxpayers who would like to settle their debts.
- Provide Automated Collection System (ACS) with authority to assist a taxpayer or practitioner who calls while their case is pending assignment to a Field Officer.
- Provide collection staff wider guidance to reach early agreements on payment plans and provide training to help staff facilitate taxpayer payments by quickly

resolving cases that deviate slightly from the financial standards by allowing them to approve proposed agreements within a set dollar amount of deviation.

- Require IRS to reevaluate the National Standards of Collection Information Statements, either by adjusting the allowable living expenses for regional or local cost of living variations, or by returning to use a dollar range, based on gross monthly income.

Focus in the near term on:

- Reducing turnaround time in Offers in Compromise, a process that takes far too long and increases costs and anxiety for taxpayers.
- Returning automatic liens and levies process to normal operations.
- Increase the authority of and set higher standards for appeals personnel. Taxpayers have a right to appeal agency decisions, improve workflows and processes to provide timely, smooth resolution.

Address Human Capital Needs: IRS' workforce needs are well known and significant after years of budget constraints, which significantly dampened recruitment, training, and retention. The Service expects some 50,000 retirements within the next five years and the knowledge loss from this transition will be staggering.

- Hire more employees not only to prepare for the large numbers of those that are soon to retire, but also to help with the processing of the backlog that has flooded the IRS and prevented their employees from providing the necessary and appropriate customer service taxpayers need.
- The Office of Personnel Management (OPM) should grant the IRS hiring flexibilities including streamlined critical pay hiring authority.
- Implement and fund a training division that educates IRS employees on the most updated, efficient ways to help customers and file tax returns.
- Streamline the IRS training process by partnering with industry partners in creating a feedback loop, ensuring that tax law and administrative policies be taught consistently throughout the country while also guaranteeing that experienced personnel will not have to be taken offline to train new employees.
- Research and adopt state-of-the-art tax administration techniques and best practices 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.