

March 22, 2023

The Honorable Jason Smith
Chairman
U.S. House Committee on Ways and Means
1139 Longworth House Office Building
Washington, DC 20515

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

The Honorable Richard Neal
Ranking Member
U.S. House Committee on Ways and Means
1139 Longworth House Office Building
Washington, DC 20515

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

Dear Chairman Smith, Ranking Member Neal, Chairman Wyden, and Ranking Member Crapo:

On behalf of the National Association of Enrolled Agents (NAEA) and the nearly 62,000 enrolled agents it represents, I am writing today to share several policy priorities and recommendations that we believe will assist in improving our nation's tax administration system and result in a better experience for the American taxpayer.

The 118th Congress has a unique opportunity to provide the leadership and oversight needed to bring about transformative and long overdue changes to our tax administration system. With \$80 billion in additional funding for the IRS through the Inflation Reduction Act (IRA) to be invested, your committees have important roles to play as the IRS creates and executes a plan focused on providing a more efficient and customer-focused taxpayer experience.

In addition to providing oversight of the IRS' IRA investment decisions, your committees can provide leadership on a variety of tax administration issues that require legislative action and common-sense solutions.

The recommendations we provide below address both the IRA-related provisions and broader tax administration issues:

Inflation Reduction Act Implementation

IRA funding presents the IRS with the opportunity to make itself a modern, taxpayer-friendly agency with robust digital tools for both taxpayers and tax professionals. To make meaningful improvements and invest taxpayer funds wisely, the IRS, along with Congress in its oversight capacity, must focus on tangible technology upgrades and systems that anticipate and meet 21st century taxpayer needs. More specifically, we believe the IRS's operational plan and related congressional oversight should focus on the following:

- *Overhaul the Centralized Authorization File (CAF) System* – The current system for powers of attorney as well as taxpayer information authorization requests is based on a business model that is decades old. It does not meet the current needs of taxpayers or tax professionals and is at odds with several provisions of the Taxpayer Bill of Rights, including the right to representation. The IRS must redesign the CAF workflow and function to create a frictionless process and provide tax professionals and trusted practitioner firms instant and secure access to taxpayers’ transcripts, as well as the ability to manage powers of attorney online.
- *Prioritize Practitioner Service and Communication* – The IRS should centralize and create a dedicated practitioner service unit able to handle more complex tax, collection, and accounts-management issues. They should also 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.
- *Balanced Enforcement and Prompt Compliance Operations* – The IRS must return to broader, more balanced enforcement now that it has largely addressed the pandemic related processing issues. This includes enforcement around non-filing, balance due returns without remittance, and a return to automatic liens and levies. While the need to address non-compliance more swiftly is true throughout the agency, a priority should be the turnaround time in Offers in Compromise, a process that takes far too long and increases costs and anxiety for taxpayers. The agency should be responding promptly to taxpayers who would like to settle their debts.
- *Expand electronic filing in all categories* – The pandemic made clear that paper returns cripple the IRS and make it impossible to be nimble and responsive. The IRS must expand electronic filing, ensuring that every tax form, including amended returns, can be filed and processed electronically.
- *Reform Hiring and Training* – The IRS’s workforce challenges are substantial as agency leaders expect 50,000 retirements within the next five years. The knowledge loss from this transition will be staggering. Direct hiring and critical pay authority would be immeasurably helpful in addressing this skills gap. The Office of Personnel Management (OPM) should grant these hiring flexibilities to the maximum extent that they are able to. 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.

We believe improvements in these areas would 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.

Common Sense Tax Administration

- *Regulation of Tax Preparers* – NAEA is part of a chorus (including the current and prior administration) of those who believe paid tax return preparers should be required to obtain a preparer tax identification number, pass an examination that will cover basic Form 1040 tax questions, fulfill annual continuing education requirements, complete a background check, and lose the right to prepare tax returns for serious malfeasance. Congress should pass legislation granting the Department of the Treasury the authority to regulate the practice of all tax return preparers.
- *Form 1099-K Reporting Threshold* – Several potential problems emerged from an American Rescue Plan provision requiring issuance of a Form 1099-K for gross payments for goods or services exceeding \$600, with no minimum number of transactions. Before the change, online businesses such as Venmo and PayPal were required to send Forms 1099-K to sellers with more than 200 transactions valued at least \$20,000. Although some in Congress wanted a legislative fix before the end of last year, this did not happen. The IRS postponed in late December 2022 the new Form 1099-K reporting threshold, moving its implementation from tax year 2022 to 2023. It also updated FAQs related to the delay in implementing the new reporting requirements, addressing issues such as the tax impact of a gain or loss on the sale of a personal item and how to report certain transactions on a tax return.

Despite these developments, NAEA believes this will continue to be problematic in the 2023 tax year. The \$600 threshold is too low and will lead to taxpayer confusion around which transactions are taxable income and which are more personal and non-taxable. It creates a high compliance burden on taxpayers, especially those who self-prepare their returns, and there is a significant risk that taxpayers will overpay their taxes. Congress must act to increase the \$600 threshold and provide more clarity around how taxpayers should handle the additional Form 1099-Ks on their tax returns.

NAEA appreciates the opportunity to share these suggestions regarding our key policy areas. Furthermore, we are excited to work with the new Congress and look forward to discussions in the future. Thank you for your time and consideration.

Sincerely,



Megan Killian, CAE
Executive Vice President