

March 31, 2025

The Honorable Mike Crapo  
Chairman  
Committee on Finance  
United States Senate  
219 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
United States Senate  
219 Dirksen Senate Office Building  
Washington, DC 20510

Re: Comments on the Taxpayer Assistance and Service Act Draft Legislation

Dear Chairman Crapo and Ranking Member Wyden:

The National Association of Enrolled Agents (NAEA) commends the bipartisan effort and collaborative process that has gone into drafting the Taxpayer Assistance and Service Act and we appreciate the opportunity to provide feedback and technical suggestions on the draft legislation. The draft bill tackles a range of tax administration issues of key importance to tax professionals and addresses a number of policy priorities for enrolled agents.

NAEA represents the interests of nearly 65,000 enrolled agents (EAs) worldwide and is uniquely positioned to offer a practical perspective on our tax administration system. We are the leading community for EAs – from aspiring practitioners to experts with decades of experience – serving millions of taxpayers annually. EA status is the highest credential the IRS awards. EAs must pass an intensive three-part examination, adhere to ethical standards, complete 72 hours of continuing education courses every three years, and undergo a rigorous IRS background check.

We are your boots on the ground. We get hands-on experience every day with what the IRS does really well, doesn't do at all, and what needs great improvement. As the only federally licensed tax practitioners specializing in tax with unlimited practice rights before the IRS, EAs are uniquely positioned within the tax professional world to give you fair and impartial feedback. EAs and other tax professionals file more than half of the tax returns filed annually. Our role as an intermediary is crucial in helping the IRS provide better customer service to all taxpayers. Simply put, if taxpayers call us, they are not calling the IRS.

NAEA has long advocated for creating an efficient, customer-centered tax administration system that leverages tax professionals and provides them with tools for accessing client tax data and communicating with the IRS on behalf of taxpayers. In short, helping tax professionals better serve the taxpayer is good business for the IRS. We applaud your efforts in crafting this legislation because if passed, it is a giant step toward the efficient tax administration everyone wants.

NAEA will not comment on every section of the Taxpayer Assistance and Service Act but would like to provide feedback on the following provisions:

### **Title I: Tax Administration and Customer Service**

NAEA believes that with Congress's direction and oversight, the IRS must be focused on modernization and becoming a taxpayer-friendly agency with robust digital tools for taxpayers and tax professionals. To make meaningful improvements and invest taxpayer funds wisely, the agency must focus on tangible technology upgrades and systems that anticipate and meet taxpayer needs. NAEA appreciates and supports the numerous provisions in Title I that would enhance taxpayer service and provide enhanced tools for tax preparers. We also support some of the common-sense flexibilities that are included on the compliance side. Among these provisions that make perfect sense include:

- Sec. 101. Scanning and Digitization of Tax Returns and Correspondence
- Sec. 102. Establishment of Dashboard to Inform Taxpayers of Backlogs and Wait Times
- Sec. 103. Expansion of Electronic Access to Information about Refunds
- Sec. 106. Automation of Refund Offset Bypass for Individuals Facing Economic Hardship
- Sec. 107. Installment Agreement Fees Eliminated for Certain Individuals
- Sec. 114. Return of Amounts Collected in Excess of Accepted Offer-in-Compromise Amount
- Sec. 115. Extension of Period for Return of Amounts Subject to Wrongful Levy
- **Sec. 104 Expansion of Callback Technology and Online Accounts** – NAEA has been seeking to work more closely with the IRS over the last couple of years to help ensure that the investment and enhancements they are making in the online Tax Pro Account is actually responsive to tax professionals needs. While EAs appreciate the recent efforts that have been made by the IRS to enhance online accounts, in many cases the accounts do not have the functionality or tools to be useful for enrolled agents and other tax professionals. NAEA supports the bill's requirement that the IRS upgrade its online accounts so that a taxpayer can view images of tax returns, documents, notices, and letters sent or received by the IRS; and the further requirement that the account

upgrades should allow taxpayers to authorize certain practitioners and preparers to view the same information subject to the limitations under section 6103 (and that practitioners and preparers would not need to log in to each client's account separately). NAEA would also respectfully ask that the provision mandate that the IRS do extensive focus groups and testing with the tax professional community to ensure that dollars are not invested in a system that ultimately does not serve the needs of tax professionals.

- **Sec. 105. Improvement of Notices of Math or Clerical Error** – NAEA has long supported legislative action that would direct the IRS to improve math error notices by requiring clearer explanations of the error corrected. The Internal Revenue Code allows the IRS to make “math error” corrections to tax returns that contain simple math or clerical errors. If the taxpayer does not contest the automatic adjustment within 60 days, the taxpayer forfeits their right to challenge, and the IRS can move forward with its normal collection process. Each year, millions of Americans are negatively affected by this process. The notices are often found to be confusing and vague as they do not explain what error the IRS has corrected or how a taxpayer can contest the adjustment. NAEA strongly supports this provision and believes it would be an important step in alleviating the current confusion that exists around many math error notices.
- **Sec. 108. Individuals Facing Economic Hardships Informed of Collection Alternatives** – While NAEA supports this section and believes the IRS must do a better job of informing taxpayers of their options, we also believe there is a broader, ongoing problem around the way the IRS determines hardship and places accounts into Currently Not Collectible (CNC) status. These decisions are often made via archaic/static algorithms, with wildly inconsistent results. Some truly struggling taxpayers are left out of CNC, while others with substantial assets somehow slip into hardship status. NAEA recommends the section draft legislation also require the IRS to create transparent, auditable criteria and better machine learning to reduce misclassifications. Such a requirement would bring fairness and consistency to a process that currently is often seen as arbitrary.
- **Sec. 109. Quarterly Notices to Certain Taxpayers with Delinquencies** – Quarterly collection notices are an efficient and respectful way to notify a taxpayer that the IRS is still aware of a balance due and to update the breakout of tax, penalties, and interest. NAEA strongly supports the provision and would also support accelerating when the first notice is sent and also having the IRS send failure to file reminders at the same interval.
- **Sec. 111. Chief Counsel Reviews of Offers-In-Compromise Streamlined** – NAEA strongly supports streamlining the current requirement that the Office of Chief Counsel review and provide a legal opinion for every accepted offer-in-compromise (OIC) if the amount

of unpaid tax (plus interest) is \$50,000 or more. EAs have long seen this as an unnecessary step that creates long delays and agrees that the review should be limited to those cases that present significant legal issues.

## **Title II: American Citizens Abroad**

- **Sec. 201. Combined Tax and Foreign Bank and Financial Account Reporting** – Integrating FBAR filing with IRS tax returns rather than filing separately with FinCEN would be welcomed by many taxpayers globally. The change would enable both taxpayers and tax professionals to comply both more completely and on a timelier basis. We offer several items for consideration and potential clarification. Under the current system, late FBAR filings rarely result in penalties. One concern we raise around the IRS taking over administration is if penalties begin being assessed automatically, without consideration of Delinquent FBAR Submission Procedures or Streamlined Filing Compliance Procedures. This change could result in unfair consequences for taxpayers who would otherwise qualify for relief. We believe language requiring a measured approach should be considered to ensure penalties are not applied indiscriminately. Separately, an FBAR and Form 8938 include similar (frequently identical) information and could, without clarification, result in duplicated data being required to be reported on the same return.
- **Sec. 203. Study and Reports on Simplification** – Simplifying offshore tax compliance would be a welcome change. Reducing complexity in this area would ease the burden on taxpayers and improve compliance rates. NAEA would welcome the opportunity to work with GAO and EAs abroad to identify areas of simplification.
- **Sec. 203. Simplification of Currency Exchange Rules** – Raising the exception threshold from \$200 to \$1,000 is a reasonable update, aligning with inflation since the law was enacted. Indexing this amount for future inflation is also a positive step. On the issue of capital gains and mortgage closures, our EAs abroad believe the proposal could go further, arguing that taxpayers should not be subject to capital gains tax when closing a mortgage under any circumstances. Additionally, allowing mortgage losses in limited cases seems inequitable, particularly when gains from selling a primary residence remain taxable. We believe the language on exempting refinanced mortgages from capital gains taxation is a logical and much-needed clarification. Furthermore, aligning tax law with the long-standing practice of using average exchange rates for salaries is a practical and necessary adjustment. Most accountants already apply this method, and the IRS generally accepts it during audits. Codifying this into law provides clarity and consistency.
- **Sec. 204. Increase in Threshold for Simplified Foreign Tax Credit Rules and Reporting** – The proposed increase from \$300 to \$1,000 simplification of foreign tax credit rules for small

amounts, along with indexing for inflation, is a welcome and practical improvement that will benefit many taxpayers.

- **Sec. 205. Extension of Time for Persons Outside the United States to Request Abatement of Math Error** – Extending the timeframe for taxpayers to respond to math error notices is a positive change that provides taxpayers with a fairer opportunity to correct issues without undue stress. One consideration is that the IRS will frequently not know that a taxpayer resides outside of the United States. Many taxpayers choose to use U.S. based address on their tax returns. These addresses can, for example, be a U.S. based mail forwarding service, a family member’s address, or the address of their tax professional. Consequently, to implement the proposal, the IRS will need to develop a process where taxpayers can tell the IRS in advance that they reside overseas. This process could be as simple as adding a check box to page 1 or 2 of Form 1040 or within existing IRS online accounts.
- **Sec. 206. Reduced Burden for Lower Income Dual Citizen Expatriates; Clarification of Limitations Period** – NAEA supports this provision and recommends further refinement to ensure it is both practical and enforceable. Removing the requirement for lower-income taxpayers to file five years of prior returns when no tax was owed seems reasonable, but it could present administrative challenges around demonstrating that no tax is owed. Clarity on the impact this provision would have on gift tax returns, FBARs, and other information returns such as Forms 926, 5471, 8621, 8858, 8865 and 8938 would also be helpful. Furthermore, the provision as drafted does not provide any relief to long-term green card holders who are equally obligated to file Form 8854 on relinquishing a green card but may not have visited the United States for many, many years. Expanding the draft legislation to include long-term green card holders should result in significant savings in processing costs for the IRS.

### **Title III: Judicial Review**

NAEA supports Title III and believes it will make important improvements in the post-filing space. For example, Sec. 306. Authorization of De Novo Review of Innocent Spouse Relief by the Tax Court and Other Courts, provides significant relief for innocent spouses. Both Section 308. Clarification of Tax Court Jurisdiction to Determine Tax Liability in Collection Due Process Appeals and Section 309. Authorization of the Tax Court to Issue Refunds in Collection Due Process Cases are key provisions that NAEA strongly supports. NAEA agrees with allowing the Tax Court to order a refund or credit in all Collection Due Process cases in which it has jurisdiction to determine a taxpayer’s tax liability, subject to the limitations period under section 6511.

### **Title IV: Office of the Taxpayer Advocate**

NAEA has long supported and appreciated the work of the Taxpayer Advocate. Whether supporting individual taxpayers, tax professionals, or overall improvements to the IRS and the tax administration

system, the Taxpayer Advocate plays a unique role in our government. NAEA is in favor of the improvements in Title IV. For example, Section 403. Access to Internal Revenue Service Information, Legal Advice, and Meetings and Section 405. Operations to Assist Taxpayers Experiencing Hardships During a Lapse in Appropriation both provide important improvements.

#### **Title V—Tax Return Preparers**

- **Sec. 501. Penalties for Tax Return Preparers Who Improperly Alter Returns** – NAEA supports this provision to expand the definition of a “return” for purposes of preparer penalties to include, among other things, a document that purports to be a return. NAEA believes that this provision is consistent with the goal of holding tax preparers to a higher standard and having clear penalties for tax preparers responsible for inappropriate or incompetent actions.
- **Sec. 502. Penalties for Invalid or Appropriated Preparer Identification Numbers** – NAEA strongly supports efforts to deter “ghost” preparers who intentionally violate the rules and supports efforts to hold tax preparers accountable for using an invalid PTIN or provides the wrong EFIN. We believe the increased fines are appropriate and agree with the caveat that a preparer can show reasonable cause when extenuating circumstances might exist.
- **Sec. 504. Authority to Deny, Revoke, or Suspend Preparer Tax Identification Numbers** – NAEA strongly supports the bipartisan work that has gone into this provision to address a problem that is long overdue. NAEA has continuously supported minimum standards for tax preparers and has advocated for Congress to reinstate this authority since the *Loving* decision in 2014. One of the most acute challenges facing tax preparation today, often at the expense of taxpayers simply looking to comply with their tax obligation, is the many unqualified and unscrupulous tax preparers operating without a system of oversight. Anyone today can be a paid federal tax return preparer because the IRS cannot set and enforce even the most basic minimum standards.

**The National Taxpayer Advocate and the Government Accountability Office have documented that unlicensed tax return preparers commit the vast majority of errors in our tax system today, ultimately leading to a loss of tax revenue for the federal government.** The lack of oversight leaves taxpayers more vulnerable and exposed to potential tax deficiencies, penalties, lost refunds, or other unnecessary tax issues. The errors also lead to inefficiencies, contributing to backlogs and slow turnaround times. NAEA recognizes that the language included in the draft legislation is the result of much compromise after input from many stakeholders. We believe the provision would significantly raise the floor for paid tax preparers, not only benefitting taxpayers but also EAs who currently must compete with unscrupulous and/or incompetent tax preparers.

## **Title VI – Independent Office of Appeals**

NAEA supports Title VI and believes it makes important improvements to the Independent Office of Appeals. Examples include Section 601. Authorization for Office of Appeals to Hire Attorneys (similar to Section 403 for the Taxpayer Advocate) and Section 603. Responses to Claims for Refund Required; Appeal of Claims for Refund Authorized.

## **Title IX – Small Business**

NAEA supports Title IX and believes it is essential that the IRS not overlook the important role of employers in the tax administration system. Because of its sheer volume, the IRS often focuses much of its energies on the individual taxpayer. However, small businesses play an essential role remitting taxes to the IRS and must be given the proper tools and service. NAEA believes all of the provisions in Title IX would benefit small businesses and taxpayers as a whole.

## **Additional Issues for Consideration for the Draft Legislation**

- **Requiring the IRS to 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, 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. In recent months, the CAF processing times have been extremely long, often ranging between 15 and 30 days, effectively denying taxpayers their rights 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 and the ability to manage powers of attorney online and works at scale.
- **Requiring the IRS to Prioritize Practitioner Service and Communication** – The IRS should centralize and create a dedicated practitioner service unit to handle more complex tax, collection, and accounts management issues. As the IRS seeks to modernize the Tax Pro Account, the agency should seek direct practitioner feedback and ensure that new, expensive systems meet their intended goals and provide real user value.
- **Requiring the IRS to Report to Congress on Reinstating Balanced Enforcement** – Earlier this month, Treasury Secretary Scott Bessent in an interview said, “I have three priorities for the IRS: collections, privacy and customer service. And we’ll see what level is needed to prioritize all those.” NAEA believes all three of these are important issues and that EAs can be leveraged by the IRS to help achieve. While the IRS took some necessary pauses during the pandemic and had numerous pandemic-related processing issues, it is now past time for agency to return its focus on ensuring taxpayer compliance. This includes fair enforcement around non-filing, balance-due




returns without remittance, and a return to automatic liens and levies. Fair enforcement will help ensure that all taxpayers are treated equally. NAEA believes that Congress can play an important role both from an oversight perspective and making sure the IRS has the tools and metrics to create a compliance-focused environment.

- **Proposed Requirements on the IRS around Automated Levy Triggers and Lien Filing Policy Reform** – NAEA recommends requiring the IRS suspend automated levies when a valid Power of Attorney is on file—at minimum, levy activity should trigger a mandatory pause to check for active representation or emerging resolution activity. If the IRS is going to rely heavily on automation, there should be safeguards built in to avoid blind enforcement while a case is in active resolution. Separately, a Notice of Federal Tax Lien often ends up doing more harm than good—particularly when it torpedoed a taxpayer’s motivation to tap real property and use the proceeds to pay down their tax debt. NAEA recommends requiring the IRS to adopt a policy of verifying whether property is for sale or in active resolution before filing a lien. If the lien adds friction to resolution (rather than facilitates it), there should be a delay or reconsideration process.

NAEA appreciates the hard work of the committee and the opportunity to provide feedback on the draft Taxpayer Assistance and Service Act. We look forward to continuing to work with the committee on tax administration policies that will enhance the ability of tax professionals to better serve taxpayers while also helping the IRS achieve a more efficient tax administration system. Thank you for considering our comments, and we welcome the opportunity to discuss these issues further.

Sincerely,



Twila Midwood  
President