



**WRITTEN STATEMENT**

**OF**

**THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS**

**SUBMITTED FOR THE RECORD OF THE**

**DECEMBER 13, 2017**

**HEARING OF**

**THE UNITED STATES HOUSE OF REPRESENTATIVES**  
**COMMITTEE ON WAYS AND MEANS**  
**SUBCOMMITTEE ON OVERSIGHT**

**ON**

**IRS REFORM: THE TAXPAYER EXPERIENCE**

## **INTRODUCTION**

The American Institute of CPAs (AICPA) applauds the leadership taken by the House Ways and Means Subcommittee on Oversight to address how the Internal Revenue Service (IRS or "Service") can improve the taxpayer experience and adequately implement new tax reform measures.

While changes in tax laws always cause some level of confusion for taxpayers, the magnitude of the current tax reform efforts will further emphasize the growing frustration taxpayers have with the IRS's antiquated technology infrastructure, the lack of guidance on technical issues and taxpayer's inability to communicate with the IRS in a timely manner.

In the interest of good tax policy and effective tax administration,<sup>1</sup> we offer recommendations<sup>2</sup> in this statement regarding IRS governance and oversight, IRS taxpayer service and an IRS practitioner services unit, which can collectively improve the taxpayer experience while streamlining the tax administration system. Furthermore, any effort to modernize the IRS and its technology infrastructure should build on the foundation established by the Report of the National Commission on Restructuring the IRS ("Restructuring Commission" or "commission"). The similarities between the condition of the IRS today and the circumstances that motivated the creation of the Restructuring Commission are striking.

## **AICPA PROPOSALS**

### **1. IRS Governance & Oversight**

As practitioners with vast experience working with the IRS, we have incorporated the lessons learned from the Restructuring Commission and outline below governance and oversight recommendations to shape the agency of the future that everyone desires.

Governance Objectives. Successful governance of the IRS will include strong leadership, accountability, and transparent policies working collectively towards needed change. In order to hold the IRS accountable, the agency's governance, management and oversight structure must:<sup>3</sup>

- Develop and maintain a shared vision among all personnel and stakeholders with continuity;
- Set and maintain consistent priorities and strategic direction;
- Impose accountability on senior management;

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<sup>1</sup> AICPA, [Guiding Principles for Good Tax Policy: A Framework for Evaluating Tax Proposals](#), 2017.

<sup>2</sup> For additional information see AICPA letter, "[Ensuring a Modern-Functioning IRS for the 21st Century](#)," April 3, 2017. The recommendations offered are in collaboration with other professional organizations and former Service executives.

<sup>3</sup> The National Commission of Restructuring the Internal Revenue Service, *A Vision for a New IRS, Report of the National Commission on Restructuring the Internal Revenue Service*, June 25 1997, page 8.

- Develop appropriate measures of success;
- Ensure that the budget and technology support priorities and strategic direction; and
- Coordinate oversight and identify problems at an early stage.

Congressional Oversight. Congressional oversight is a critical process in ensuring executive branch compliance with laws, evaluating performance, and providing the transparency necessary to maintain the public's trust. We recommend **re-establishing the annual joint hearing review**<sup>4</sup> to focus on the following priorities: (1) strategic and business plans; (2) taxpayer service and compliance; (3) technology and modernization; and (4) filing season.

As once required by statute,<sup>5</sup> the Joint Committee on Taxation should provide a **bi-annual report on the overall state of the Federal tax system.**<sup>6</sup> However, the statute stipulates that the report is *only required if the necessary resources are appropriated* to carry out the requirement. We believe that such a report would contribute to stability at the IRS and assist the agency in achieving its mission. Therefore, we urge Congress to **appropriate the necessary funds for the report.**

IRS Oversight Board. The IRS Oversight Board was intended to provide experience, independence and stability to assist the IRS in moving forward in a focused direction. However, the board received criticism for being "ineffective" and "missing in action" in achieving its stated mission,<sup>7</sup> and suspended operations due to an insufficient number of members to constitute a quorum.

We recommend that Congress require a Government Accountability Office (GAO) **review of the private sector board** and determine if it is an essential component to providing the trust and continuity that will allow the IRS to become a respected, service-oriented organization. The GAO could provide recommendations to ensure the board has sufficient authority to (1) hold the IRS accountable for successfully fulfilling its mission; (2) oversee the implementation of key recommendations from advisory groups; and (3) ensure the IRS remains independent and non-partisan.

Human Resources. Congress should enable and encourage the IRS to utilize the full range of available authorities to **hire and compensate qualified and experienced professionals** from the private sector, as needed, to improve the Service's ability to meet its mission. It is also crucial for the IRS to designate a senior-level executive dedicated to overseeing and collaborating with the practitioner community in creating a practitioner services unit (see discussion below).

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<sup>4</sup> P.L. 105-206, sec. 4002, expanded IRC section 8022(c) regarding reporting by the Joint Committee on Taxation. P.L. 108-311 (10/4/04) modified this provision by removing the specifics required for the annual report and eliminating the joint review after 2004 (also see IRC section 8021(f)). A statutory change is needed to reinstate the required joint review.

<sup>5</sup> *Id.*

<sup>6</sup> IRC section 8022(3).

<sup>7</sup> Morningstar, Inc., [The IRS Has No Independent Oversight This Tax Season](#), April 18, 2016.

## 2. IRS Taxpayer Service

Congress and the Administration should determine the appropriate level of service desired and needed by taxpayers. Agreed upon measures of success are necessary to improve both customer service and voluntary compliance.

To instill trust in the tax administration system, we recommend taxpayer service goals based on the following two guiding principles:

- The IRS should only initiate contact with a taxpayer if the IRS is prepared to devote the resources necessary for a proper and timely resolution of the matter.
- Customer satisfaction must be a goal in every interaction the IRS has with taxpayers, including enforcement actions. Taxpayers expect quality service in all interactions with the IRS, including taxpayer assistance, filing tax returns, paying taxes, and examination and collection actions.<sup>8</sup>

Resources necessary. Appropriate hiring, adequate training, skillful management, and the necessary technological tools are essential for the IRS to meet its responsibilities. The leaders of the IRS must have the experience and skills to motivate their workforce and lead them to the realization of the desired vision. Organizational alignment from Congress, the President, the Commissioner, and through the ranks of the IRS, is necessary to delivering the promised goals. Congress should **determine the appropriate level of service and compliance** they want the IRS accountable to provide and then **dedicate appropriate resources for the agency to meet those goals.**

Furthermore, to enable the IRS to achieve the improvements required for a 21<sup>st</sup> century tax administration system, the IRS needs a modern technological infrastructure. Currently, the IRS has two of the oldest information systems in the federal government making the information technology functions one of the biggest constraints overall for the IRS.<sup>9</sup> Without modern infrastructure, the IRS is unable to timely and efficiently meet the needs of taxpayers and practitioners.

Customer satisfaction. Measurement tools are required to achieve customer satisfaction goals, including fairness in enforcement. The IRS made significant progress in measuring taxpayers' opinions in the years following the issuance of the Restructuring Commission. However, in recent years, the Service has stopped reporting on customer satisfaction surveys and analysis. We recommend that **customer satisfaction surveys**, gauging performance at all levels within the IRS, continue as an appropriate success measure. Congress should utilize the survey results

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<sup>8</sup> Verbatim quote of the two guiding principles, The National Commission of Restructuring the Internal Revenue Service, [A Vision for a New IRS, Report of the National Commission on Restructuring the Internal Revenue Service](#), June 25, 1997, page 23.

<sup>9</sup> National Taxpayer Advocate, [Annual Report to Congress 2016, Executive Summary: Preface, Special Focus and Highlights](#), 2016, page 31-32. The report references a 2016 GAO report (GAO-16-468) which found that some of technology the IRS still relies on was first placed in use 56 years ago.

during the oversight and appropriations processes to ensure the agency is continually meeting the needs of taxpayers.

A service-focused approach, with taxpayer education in mind, will require the IRS to take into consideration the needs of both tax practitioners and un-represented taxpayers, and the varying methods needed to interact with them.

### **3. IRS Practitioner Services Unit**

The IRS should create a new **dedicated “executive-level” practitioner services unit** that would centralize and modernize its approach to all practitioners. Over time, the IRS has established a number of functional departments. These individuals are dispersed across the IRS and are not coordinated in a manner that enables practitioners to timely access critical information (such as, their clients' account status or the availability of dispute resolution opportunities). Nor do the current teams or processes systematically solicit, gather or evaluate practitioner feedback. Enhancing the relationship between the IRS and practitioners would benefit both the IRS and the millions of taxpayers served by the practitioner community.

A dedicated practitioner services unit would allow the IRS to rationalize, enhance, and place under common management the many current, disparate practitioner-impacting programs, processes, and tools. Moreover, by centralizing these programs, IRS employees would have a **consolidated approach to timely resolving issues**. This coordination and improved access of information would prevent unnecessary delays and inefficiencies (such as, requiring practitioners to submit the same information multiple times to multiple IRS employees). Finally, to ensure success of the practitioner services unit, it is essential for these services to **approximate comparable private sector services** and allow practitioners to resolve account issues for their clients in a timely and efficient manner.

Online tax professional account. The IRS should provide tax practitioners with a tax professional account as part of the IRS's **online portal with account access to all of their clients' information** (both individual and business accounts) where the practitioner has a valid power of attorney (POA) on file. Additionally, the secure tax professional account should allow the IRS to communicate directly to practitioners the information necessary to improve taxpayer awareness and allow **practitioner correspondence** with timely acknowledgement of receipt.

Furthermore, a **centralized login system** allowing for single sign-on authentication of the practitioner and immediate access to all client data, as opposed to practitioner authentication before accessing each client's account, is an indispensable efficiency for the IRS and practitioners alike.

Secure platform. The development of the online portal should include a comprehensive, agile platform that protects users' identities and their data, detects threats and immediately responds to potential security breaches. In order to enhance taxpayer protection, practitioners who want

access to taxpayer accounts should consent to guidelines such as Circular 230 or other similarly approved requirements. Professional tax practitioners can become particularly active and safe users of online services if the IRS invests early in providing a **digital mechanism for POA and disclosure authorization** and creates practitioner accounts *contemporaneously* with individual online accounts.

To continue to improve efficiency, the IRS should also focus its attention on replacing the Centralized Authorization File with a **consolidated online solution utilizing electronic signatures and an algorithmic-driven approval process** that is as close to real time as possible.

Robust practitioner hotlines. IRS should provide practitioners with a **robust practitioner priority hotline** (or hotlines) with higher-skilled employees. These employees should have the experience and training to understand and address more complex technical and procedural issues. This expertise would allow the IRS to focus its training on a particular technical area allowing designated employees to resemble its counterparts in the private sector. The IRS should also consider hiring experienced people, such as, graduate students or retired practitioners seeking part-time or seasonal employment.

Designated customer service representatives. Under the practitioner services unit, the IRS should assign **customer service representatives** (also known as a single point of contact) to each geographic area to address unusual or complex issues that practitioners were unable to resolve through the priority hotlines. We recommend allocating the number of representatives based on the number of practitioners in a specific geographic area.

## **CONCLUDING REMARKS**

The AICPA appreciates this opportunity to submit a statement for the record. We look forward to working with the Subcommittee as you continue to improve the taxpayer experience with the IRS.

The AICPA is the world's largest member association representing the accounting profession with more than 418,000 members in 143 countries and a history of serving the public interest since 1887. Our members advise clients on federal, state, local and international tax matters and prepare income and other tax returns for millions of Americans. Our members provide services to individuals, not-for-profit organizations, small and medium-sized businesses, as well as America's largest businesses.