

AICPA's Oral Testimony of Jan Lewis
United States Senate, Committee on Finance
Hearing on Spotlighting IRS Customer Service Challenges
February 17, 2022

Good morning, Chairman Wyden, Ranking Member Crapo and Members of the Committee. My name is Jan Lewis. I'm chair of the AICPA Tax Executive Committee, and a partner at Haddox Reid Eubank Betts in Jackson, MS.

On behalf of the AICPA, I'm pleased to have the opportunity to testify, however, I should not be here today. It's tax season and I should be home in Mississippi helping my clients. But I'm here today because there's still time to salvage this filing season, or at least make a difference.

Over the past several years, we have experienced a variety of service issues with the IRS, most of which relate to erroneous notices, slow processing of returns and written correspondence, and difficulty in reaching the IRS by telephone. These problems have been magnified in the past two years, and at times we as CPAs feel powerless to help our clients navigate these IRS service issues. For example:

- My clients are getting notices to file forms and returns they've already filed.
- Several clients received notices stating that the IRS needs more time to resolve an issue, but there's no record of an original notice being received.

- We've had clients receive notices regarding payroll Form 941, stating the IRS needs more time, but the client has no employees and files no payroll tax returns.
- Clients are still waiting for refunds from Forms 941 and 941-X filed to claim Employee Retention Credits for 2020 and 2021.

I could go on for hours with examples but let me give you just one more that is particularly frustrating. Several pass-through entities were not able to file their 2019 returns before the extended due date in 2020 because of various issues related to the Covid pandemic. All were only one or two months late, but despite the IRS's indication that there would be penalty relief for late filings due to COVID, the telephone assistants had no knowledge of any special pandemic relief when we called. Taxpayers and practitioners understood that the IRS would offer leniency, but that simply did not happen, and penalties were assessed.

This isn't just about my own personal experiences. We're hearing every day from CPAs who are having the same types of problems.

When the pandemic hit in 2020, the IRS had to shutter campuses and offices and learn a new and safe way to do business. Relief legislation brought additional work for the IRS and questions and confusion brought unprecedented call volume from taxpayers and their advisors.

The past two years have been like none of us could have imagined. But frankly, we expected a little more flexibility and empathy from IRS leadership.

As the work piled up beyond historic proportions, the AICPA gave suggestions to reduce some of that work. Let me be clear – our suggestions won't fundamentally fix the problems, although in my written testimony, I do outline strategic, long-term recommendations that may help.

For almost two years, we have offered suggestions on how to slow down the work coming in – especially paper - so that the IRS can have a better chance to catch up. We started on our own, and this year, we found 12 other willing partners to form the Tax Practitioners United for Taxpayer Relief Coalition which easily came together to help mitigate the burden on taxpayers and practitioners.

Here are our suggestions – all steps IRS can implement now on its own:

- Temporarily postpone automated compliance actions;
- Adjust account hold times;
- Liberalize the reasonable cause penalty waiver process; and
- Provide taxpayers with targeted relief from both the underpayment of estimated tax and the late payment penalties.

We'd like to acknowledge recent steps taken by IRS in reaction to the growing expression of concerns including the suspension of notices and letters. However, we must urge the Service to move as quickly as possible to offer all available reasonable measures of relief as we are already in the throes of filing season. Time is of the essence.

Before I conclude, I'd like to bring up one other issue – IRS's insistence on implementing the reporting on Schedules K-2 and K-3 for this filing season,

without the ability to accept the forms for e-filing before the due date of the returns. Additional IRS changes to the instructions mid-filing season added even more confusion to the issue. Although we appreciate the recent IRS statement regarding “transition relief,” given the already unprecedented processing backlogs, the AICPA has deep concerns that implementing these new requirements will ultimately exacerbate the challenges everyone in the tax administration community already faces and conflicts with the intended goals of Schedules K-2 and K-3. We therefore recommend that the IRS delay the implementation of the Schedules K-2 and K-3.

Thank you, again, for the opportunity to testify, and I am happy to answer any questions you may have.