



March 28, 2023

The Honorable Janet L. Yellen  
Secretary  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

The Honorable Daniel I. Werfel  
Commissioner  
Internal Revenue Service  
1111 Constitution Ave, NW  
Washington, DC 20224

The Honorable Lily Batchelder  
Assistant Secretary for Tax Policy  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

**Re: IRS Operational Plan for Resources Included in the Inflation Reduction Act of 2022**

Dear Secretary Yellen, Assistant Secretary Batchelder, and Commissioner Werfel:

The American Institute of CPAs (AICPA) provides comments on the Inflation Reduction Act of 2022<sup>1</sup> (IRA) appropriation of close to \$80 billion to the Internal Revenue Service (IRS). This appropriation is in addition to annual appropriations the IRS receives and is available for 10 years. As tax practitioners, AICPA members advise millions of taxpayers on tax return issues, assist them with compliance responsibilities, and represent them before the IRS. We understand what is working and not working with tax administration from both taxpayer and practitioner perspectives. As one of the IRS's most significant stakeholders, AICPA is both poised and committed to being a key resource to IRS regarding allocation of the \$80 billion.

**EXECUTIVE SUMMARY**

**Stronger Focus on Service**

- AICPA is pleased to see that Congress has made a significant investment in critical IRS divisions. However, given the historic low levels of IRS taxpayer services, we are concerned that there was an insufficient allocation of funding in the IRA to improve taxpayer services to appropriate levels. We are concerned that service challenges will persist unless sufficient, targeted funding for technology improvements, human talent and training, and taxpayer services are appropriated.

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<sup>1</sup> P.L. 117-169.

### **Reducing the Processing Backlog to Healthy Levels**

- We appreciate the efforts made by the IRS to address taxpayer and practitioner concerns last year regarding its processing backlog. Therefore, as an integral part of the plan, it is critical that the IRS continue to address and eliminate its processing backlog. Suggestions include:
  - Clearly communicate to the public, in a timely manner, the status of all IRS operations.
  - Continue the suspension of certain automated collection notices until the IRS is better prepared to devote the necessary resources for a proper and timely resolution of the matters.
  - Offer a reasonable cause penalty waiver due to the COVID-19 pandemic (“COVID-19” or “pandemic”) **and its lingering impact on IRS operations**, *similar to* the procedures of first time abate (FTA) administrative waiver, without affecting the taxpayer’s eligibility for first time abate in future tax years for all penalties with respect to all types of returns and payments.

### **IRS Operational Plan For Resources Included in the IRA’22**

- In prior letters, AICPA has raised concerns regarding how the IRA **allocates** the additional funds appropriated to IRS, specifically the allocation of \$45.6 billion to enforcement and only \$3.1 billion to service. Our concern with the allocation is based on the current low levels of IRS taxpayer services. Taxpayers’ and practitioners’ experiences with the IRS during the last three years demonstrate the need for additional focus on customer service. We understand that enforcement is an important aspect of the responsibilities of the IRS and critical to a voluntary compliance tax system. However, we believe there is an imbalance in the allocation of funds between enforcement and service. The good news is that the IRS can mitigate some of this imbalance by paying for enforcement-related service out of IRA enforcement funding. Some examples of this include:
  - The cost of the recruitment, development, and retention of a quality workforce within an enforcement context.
  - The development of the appropriate service and technology infrastructure to support its enforcement initiatives and fund the service and technology infrastructure.
  - The expenses related to enforcement activities supported by customer service, like the automated collection customer service representative answering taxpayer and practitioner phone calls.
- The IRA plan should include a comprehensive IRS customer service strategy that is supported by resources to provide taxpayers and practitioners with access to empowered employees, timely information, and tailored resources.
- The IRS’s comprehensive plan for training should include customer-focused subject matters, a consistent and high-quality format, and the leveraging of trained employees.
- The IRS should include a comprehensive plan to redesign the organization which should incorporate a customer-focused culture, provide an integrated technological infrastructure, and create a dedicated Practitioner Services Division.

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- To enable the IRS to achieve the improvements required for a 21st century tax administration system, the IRS needs a modern technological infrastructure.

## **SPECIFIC COMMENTS**

### **STRONGER FOCUS ON SERVICE**

IRA Section 10301 appropriated for the IRS, out of money not otherwise appropriated, the following funding to remain available through September 30, 2031:

- \$3,181,500,000 for taxpayer services,
- \$45,637,400,000 for enforcement,<sup>2</sup>
- \$25,326,400,000 for operations support, and
- \$4,750,700,000 for business systems modernization.

The AICPA has always publicly advocated for funding of the IRS that supports an effective and efficient tax administrative system, and we are pleased to see that Congress has made a significant investment in critical IRS divisions.<sup>3</sup> We understand that enforcement is an important aspect of the responsibilities of the IRS, however, enforcement actions must be in balance with the services the IRS provides to taxpayers. Given the historic low levels of IRS taxpayer services,<sup>4</sup> we are concerned that there was an insufficient allocation of funding to improve taxpayer services to appropriate levels.

The brutal 2022 filing season - following two pandemic-challenged years - has made painfully clear that the IRS was not funded to accomplish all its responsibilities. IRS service deficiencies prevent taxpayers from complying with their tax obligations and hamper our members' ability as professional advisers to do their jobs, which is to help these taxpayers comply. We recognize that the pandemic and some of the relief provided to taxpayers exacerbated existing service problems and added new responsibilities onto the IRS. However, we are concerned that service challenges will persist unless sufficient, targeted funding for technology improvements, human talent and training, and taxpayer services are appropriated. Therefore, as an integral part of the plan, it is critical that IRS continue to address and eliminate its processing backlog.

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<sup>2</sup> The President's Fiscal Year 2024 budget includes a request for additional enforcement and operations support funding, but no additional service funding, for 2032 and 2033, which is referenced in the [General Explanation of the Administration's Fiscal Year 2024 Revenue Proposals](#), p. 209.

<sup>3</sup> Last Spring, we requested that as part of its annual appropriation process for FY 2023, Congress fund the IRS at necessary levels to allow it to manage all the duties required of it by statute, including properly administering and enforcing our nation's tax laws as well as providing needed assistance to taxpayers and their advisers in a timely and professional manner. See AICPA letter, "[IRS FY 2023 Appropriations](#)," May 25, 2022.

<sup>4</sup> National Taxpayer Advocate [Annual Report to Congress 2022](#), pages 74 and 90.

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## **REDUCING THE PROCESSING BACKLOG TO HEALTHY LEVELS**

AICPA appreciates the efforts made by the IRS to address taxpayer and practitioner concerns last year regarding its processing backlog. The suspension of certain automated notices and the creation of surge teams<sup>5</sup> to address the backlog have provided significant relief for taxpayers and practitioners, and we commend the IRS for implementing these solutions.

We appreciate that the Department of the Treasury (Treasury) and the IRS issued Notice 2022-36 “Penalty Relief for Certain Taxpayers Filing Returns for Taxable Years 2019 and 2020,” (dated August 24, 2022) and the related Internal Revenue Manual (IRM) Procedural Update (sbse-20-0822-0912, dated August 25, 2022).

We are pleased that IRS has provided some measure of pandemic-related penalty relief for taxpayers. We applaud the unprecedented waiver of the failure to file penalty under section 6651(a)(1). And we praise the IRS for waiving the various international information reporting penalties under sections 6038, 6038A, 6038C, 6039F and 6677 in certain cases.

However, National Taxpayer Advocate Erin Collins recently released her annual report to Congress and expressed concerns with the continuing backlog of unprocessed paper tax returns and correspondence processing delays. In her list of “The Most Serious Problems Encountered by Taxpayers,” “Processing Delays” was listed as the number one most serious problem<sup>6</sup>. She stated “. . . the IRS must get current in processing returns and correspondence and put the backlog behind us once and for all. Backlogs create processing delays that result in increased TAC visits from taxpayers requesting the status of their tax returns and correspondence and increased call volume. . .”<sup>7</sup>

However, more needs to be done to ensure that taxpayers and practitioners are not faced at any time in 2023 with yet another year with significant levels of unprocessed returns, leading to additional delays in processing and incorrect notices and penalties. Last year’s revelation that the IRS destroyed over thirty million unprocessed paper returns did little to increase the trust taxpayers and practitioners have in the IRS.<sup>8</sup> To alleviate the ongoing issues with the backlog of returns, prevent the repetition of another frustrating year for taxpayers and practitioners, and reinforce trust with the American public, the AICPA recommends that the IRS:

- Clearly communicate to the public, in a timely manner, the status of all IRS operations.

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<sup>5</sup> We do note, that while surge teams have made a measurable impact in mitigating backlog concerns, IRS shifted staff away from other customer service-oriented duties at the expense of, for example, reduced telephone levels of service (LOS) and having fewer people who can adjust accounts, work penalty abatement requests, handle POAs, resolve entity control issues, etc. While recent hiring with IRA funding has increased telephone LOS, account management, penalty abatement requests, and entity control, other issues continue to lag.

<sup>6</sup> Ibid, page 34.

<sup>7</sup> Ibid, page 76.

<sup>8</sup> [IRS Statement – Information Returns](#), May 13, 2022.

- Continue the suspension of certain automated collection notices until the IRS is better prepared to devote the necessary resources for a proper and timely resolution of the matters.
- Offer a reasonable cause penalty waiver due to the COVID-19 pandemic **and its lingering impact on IRS operations**, *similar to* the procedures of first time abate administrative waiver, without affecting the taxpayer's eligibility for FTA in future tax years for all penalties with respect to all types of returns and payments.<sup>9</sup>

By taking these proactive steps, the IRS can reduce the potential for another disruptive and chaotic year. More detail follows:

### **Communicate Status of IRS Operations Clearly**

Much of the information provided to the public by the IRS regarding the progress on processing returns can be found at “IRS Operations During COVID-19: Mission-critical functions continue,” which provides some updates on a weekly basis. Other portions have not been updated in months, in some cases even years. The information provided is vague, particularly when describing the length of time taxpayers can expect for processing of returns and responses to taxpayers' communications.

In addition to the webpage discussed above, the IRS currently also publishes a weekly news announcement with limited information about the progress being made on processing returns.<sup>10</sup> This announcement is not heavily publicized or prominently displayed for easy access. The information it provides is surface level and does not give detailed information on the numbers of outstanding returns, and only includes information for individual returns.

Taxpayers deserve to have more certainty regarding when their returns and correspondence will be processed and acknowledged, and the progress being made in working through the backlog. Increasing the detail of information provided on a regular basis to include a breakdown by type of returns processed, dates through which mail has been opened and returns have been processed, the number of pieces of mail, including correspondence in response to notices, that remains unopened, returns that remain unprocessed, and expected times for IRS responses to taxpayers' and practitioners' correspondence by type of correspondence will alleviate some of the uncertainty taxpayers are experiencing.

Additionally, the IRS should provide regular, widely publicized updates on the progress being made towards achieving pre-pandemic inventory by the end of the year to help taxpayers and practitioners manage expectations for future filing deadlines.

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<sup>9</sup> The AICPA has requested this targeted relief for taxpayers on multiple occasions. See for instance Coalition letter, “[Relief for Taxpayers for the 2022 Filing Season](#),” January 14, 2022; and AICPA letter, “[Additional Penalty Relief Measures](#),” May 17, 2021.

<sup>10</sup> IRS, “[Filing Season Statistics by Year](#).”

### **Continued Suspension of IRS Collections**

The AICPA recommends that the IRS continue the suspension of certain automated collection notices until it is prepared to devote the necessary resources for a proper and timely resolution of matters. Until the IRS can respond to taxpayer replies to notices in a timely manner, these collection notices should not be restarted. We understand that the IRS plans to restart automated collection actions in June.<sup>11</sup> However, for the reasons discussed below, we are concerned that the continued backlog of correspondence means that premature or unwarranted automated collection action will be taken. In addition, this June date has not been widely publicized. The IRS should communicate the start date of automated collection action to the public, specifically identifying what actions will be part of this process and providing resources for taxpayers on dealing with these actions.

After the expiration of the People First Initiative on July 15, 2020, the IRS's compliance cycle was not realigned to the postponed due date, mail and processing backlogs increased, and resource limitations existed, resulting in millions of incorrect notices and actions, causing confusion and frustration to taxpayers and tax preparers.<sup>12</sup>

Furthermore, many taxpayers must respond to notices through paper correspondence and must wait months for a resolution. Even though the IRS has, in some instances, indicated that taxpayers need not respond to these erroneous notices as the IRS will systemically abate them, taxpayers are understandably concerned about the escalation of inappropriate IRS compliance activities before the penalty abatement.

Moreover, the IRS has not indicated how long taxpayers and practitioners should expect to wait until receiving an IRS response with answers or acknowledgement to taxpayer provided information in a response to an IRS to a letter or notice (including submission of supporting documents). The last update regarding how long taxpayers and practitioners may have to wait was from September 16, 2022, and only stated that the "exact timeframe varies depending on the type of issue."<sup>13</sup> This leaves taxpayers in an uncertain position, with no knowledge of if, or when, their response has been processed.

The IRS must provide taxpayers and practitioners relief from the endless cycle of unnecessary and inappropriate notice and collection activities. The expanded suspension of automated collection actions provided relief for many taxpayers and practitioners and was appreciated.<sup>14</sup> As stated above, we understand that IRS may release automated collection notices from suspension the early

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<sup>11</sup> National Public Liaison meeting, March 16, 2023. While we appreciate the advance notice, suspension should not be lifted until the backlog is at normal or healthy levels and IRS can respond to correspondence in a timely manner.

<sup>12</sup> IRS, [IRS unveils new People First Initiative; COVID-19 effort temporarily adjusts, suspends key compliance program](#), March 25, 2020.

<sup>13</sup> IRS, "[IRS Operations: Status of Mission-Critical Functions](#)," September 16, 2022.

<sup>14</sup> IRS, "[IRS continues work to help taxpayers; suspends mailing of additional letters](#)," February 9, 2022.

part of June. The IRS should continue the suspension until it is able to respond to correspondence in a timely manner. To date that is not happening. In addition, the suspension should be phased in with the use of “soft” notices and public education. If the suspension is lifted while there is still a significant amount of correspondence not processed, the resumption will only complicate the existing backlog issue, resulting in even more mailings that will need to be processed from taxpayer responses to collection notices, and more volume for telephone assistors as anxious taxpayers and practitioners call to get assistance or to request holds on collection activity for issues about which they have already responded.

### **Reasonable Cause Requests**

For taxpayers that have received failure to file or late payment penalty notices due to the monumental difficulties of the pandemic, the AICPA recommended the IRS offer a streamlined reasonable cause penalty waiver without requiring a written request, *similar to* the procedures of FTA administrative waiver, based solely on the pandemic’s effects on both the taxpayer and the practitioner.<sup>15</sup> This streamlined reasonable cause waiver should be available with respect to all types of penalties that are eligible for reasonable cause waiver, not just those penalties that are eligible for FTA, and for all types of returns. For instance, streamlined reasonable cause waivers should be available for information reporting penalties and penalties applicable to tax exempt entities that are eligible for reasonable cause relief.

COVID-19 was an extraordinary event unlike anything faced in recent history. Therefore, penalty relief based on a COVID-19 effect, **and its lingering impact on IRS operations**, should be based on reasonable cause and not based on FTA. A taxpayer should not be required to use up its eligibility for FTA relief for the next three years because the basis of their request for relief is due to COVID-19 effects or IRS delays.

Furthermore, the IRS should honor reasonable cause penalty abatement requests when a taxpayer qualifies for reasonable cause relief. Though the IRS has stated that penalty relief requests due to reasonable cause can be requested through the phone, only a small number of taxpayers are granted reasonable cause penalty abatement. One reason for this is the IRS’s internal requirement that assistors use the Reasonable Cause Assistor (RCA), a software tool used by IRS employees to determine a taxpayer’s eligibility for reasonable cause and FTA. The tool is programmed to first determine if the taxpayer is eligible for FTA, and if not goes to the determination for reasonable cause. Thus, taxpayers are offered FTA first, even if the taxpayer qualifies for reasonable cause penalty relief.<sup>16</sup> Certainly, there are taxpayers who were qualified for and requested reasonable cause relief in 2020 and 2021 who were instead provided with an FTA waiver. The leniency was

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<sup>15</sup> We indicate “similar to” so that taxpayers who do not qualify for FTA, including information return filers, will qualify for relief, and those who would otherwise qualify for FTA can reserve it.

<sup>16</sup> The FTA is an administrative waiver which is considered and applied prior to reasonable cause analysis as policy of the IRS. Information on the waiver and the policy to apply it prior to reasonable cause analysis can be found in the [Internal Revenue Manual 20.1.1](#). Information on the RCA can be found at [Internal Revenue Manual 20.1.1.3.1](#).

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appropriate and appreciated but those taxpayers, however deserving, will not qualify for FTA for problems experienced in 2021, 2022 or the immediate future. Forced use of FTA, even when reasonable cause is present, still occurs. To avoid this issue, the IRS should change the order of the analysis in the programming of the RCA so that it determines reasonable cause relief first, then determines if FTA is appropriate.

In addition, the reasonable cause criteria should be updated due to the COVID-19 pandemic and its effects. IRS staff and telephone assistors should be educated and empowered to consider the broad effects of the pandemic when considering reasonable cause, as filing issues during the pandemic were influenced by many factors not typically considered in reasonable cause requests prior to the pandemic. Taxpayers have experienced difficulties in being granted reasonable cause relief based on outdated criteria that have not taken into account difficulties experienced during the pandemic.

Finally, the IRS should make it well known (for instance, by issuing updated guidance in the IRM) to taxpayers, practitioners, and internal personnel that not all reasonable cause waiver requests require a written request and that reasonable cause waiver requests that are required to be in writing by statute or regulation can be faxed or e-faxed to IRS telephone assistors and that the assistor can grant reasonable cause relief relying on this faxed or e-faxed written request. Currently, most IRS telephone assistors refuse to accept written reasonable cause requests by fax or e-fax and are instructing taxpayers and their advisors to submit a written request by mail, which adds to the mail backlog and will not be acted on for many months.

Taxpayers and practitioners often have difficulty communicating with the IRS, creating anxiety for taxpayers and needless multiple touch points for the IRS. A fair and equitable tax administration system should help all taxpayers meet their tax obligations, regardless of the simplicity or complexity needed to meet their tax obligations. To lessen the burdens of the unprecedented challenges created by COVID-19 and its lingering impacts for everyone in the tax system, including the IRS, more proactive procedures are needed.

## **IRS OPERATIONAL PLAN FOR RESOURCES INCLUDED IN THE IRA'22**

In prior letters, AICPA has raised concerns regarding how the IRA **allocates** the additional funds appropriated to IRS, specifically the allocation of \$45.6 billion to enforcement and only \$3.1 billion to service. Our concern with the allocation is based on the current low levels of IRS taxpayer services. Taxpayers' and practitioners' experiences with the IRS during the last three years demonstrate the need for additional focus on customer service. We understand that enforcement is an important aspect of the responsibilities of the IRS and critical to a voluntary compliance tax system. However, we believe there is an imbalance in the allocation of funds between enforcement and service. The good news is that the IRS can mitigate some of this imbalance by paying for enforcement-related service out of IRA enforcement funding.



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Indeed, the AICPA is committed to the collective effort of mitigating the tax gap and fostering fair and efficient tax administration through fair and consistent enforcement of the tax laws.

We support Treasury's tax gap strategy involving improving compliance activities. This strategy is consistent with the AICPA's September 2005 study entitled, *Understanding Tax Reform: A Guide to 21st Century Alternatives*. The report highlights that increases in IRS examinations, information reporting, and withholding as approaches to reducing the tax gap. While not endorsing any specific recommendations for closing the tax gap, the AICPA report does emphasize that using any of these approaches would impose additional burdens on taxpayers, and "the cost of these new burdens should not overwhelm the benefit of more effective tax administration." IRS and Treasury acknowledge that any proposal to close the tax gap must be balanced against imposing unacceptable burdens on enforcement resources and on the vast majority of America's taxpaying public who are otherwise compliant with the tax laws. We believe that this is the right approach and appreciate IRS and Treasury's quest to balance the need for closing the tax gap with ensuring that unacceptable burdens are not imposed on compliant taxpayers.

Beyond AICPA's previous comments in this letter regarding IRS's use of the IRA additional appropriated funds, particularly regarding mitigating the backlog's effects, we offer the following thoughts:

### **Broader Use of Funds Allocated to Enforcement**

As a general principle, the recruitment, development, and retention of a quality workforce is essential for the IRS, whether we are talking about SB/SE personnel or the workforce of another IRS division or function. Unfortunately, the IRS is experiencing a higher-than-normal attrition rate among its mid-level and rank-and-file employees, primarily through retirements. Replacing these retirees and the resulting loss of "institutional memory" is a major challenge for the IRS. The AICPA stands ready to support the IRS in achieving its goals for staffing over the coming years.

To further enhance the IRS's enforcement effectiveness, the IRS must also allocate sufficient resources for employee training. The AICPA can be of immense help to the IRS in this area. First, we suggest that the Service seek prior input from key stakeholders on the details and development of training programs, including suggestions from the AICPA and other stakeholders regarding training materials for new initiatives. Second, we recommend that the Service utilize CPAs and other stakeholders in teaching IRS personnel. By including outside tax professionals in the training process, we believe IRS employees become more sensitized to the burdens that taxpayers face due to complicated tax laws and regulations. Private sector involvement in the training process helps IRS employees conduct new tax administration programs effectively, while minimizing intrusion and taxpayer burdens.

In the broadest sense, the cost of the recruitment, development, and retention of a quality workforce within an enforcement context should be borne out of the funds allocated by the IRA to

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enforcement. In addition, as we indicate at the beginning of this letter, given the historic low levels of IRS taxpayer services, it is appropriate to support enforcement initiatives through world class service and technology strategies paid for out of the enforcement budget. To the extent it is able, IRS should develop the appropriate service and technology infrastructure to support its enforcement initiatives and fund the service and technology infrastructure through funds allocated by the IRA to enforcement.

This concept is supported, for example, by the Congressional Budget Office:

Higher audit rates would probably also result in some audits of taxpayers who would later be determined not to owe additional taxes. . . [h]owever, additional spending on IRS technology, might reduce the burden on compliant taxpayers by allowing the IRS to better target noncompliant ones and to reduce the number of audits that resulted in no change in tax assessment.<sup>17</sup>

Another example related to IRS’s automated enforcement activity which includes the correction of mathematical and clerical errors (“math error authority”), and the identification of inconsistencies between returns and third-party documents, such as Forms 1099 (“Automated Underreporter program” or AUR). Both programs are supported by computer software and generate notices that require customer service support either through telephone calls or correspondence processing.<sup>18</sup>

### **Comprehensive Customer Service Strategy**

The IRA plan should include a comprehensive IRS customer service strategy that is supported by resources to provide taxpayers and practitioners with access to empowered employees, timely information, and tailored resources.

**Access to empowered employees:** To improve customer service, the IRS should: (1) grant authority to general assistors to resolve more issues over the phone; (2) provide taxpayers and practitioners with an opportunity for a discussion with a higher skilled or trained assistor (on the same call); (3) expect a sense of ownership from a single team (or “pod”); and (4) provide front-line assisters with access to databases and other IRS systems to address errors in real-time while the taxpayer or practitioner is on the telephone. Resolving issues on the “front-end” of the process (e.g., through the initial assistor) would free up resources on the back end.

**Access to timely information:** To streamline interactions, the IRS should provide: (1) a secure communications platform (for two-way communication with tax professionals); (2) a robust

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<sup>17</sup> Congressional Budget Office (CBO) blog: [The Effects of Increased Funding for the IRS](#), posted by Phillip L. Swagel, CBO Director, September 2, 2021.

<sup>18</sup> [Trends in the Internal Revenue Service’s Funding and Enforcement](#), Congressional Budget Office, July 2020, page 15.

tracking system (similar to “Where’s my Refund”) for notices, ITIN applications, time-stamped responses, confirmations of receipt, and other correspondence; (3) an efficient process for taxpayers to authorize third parties; and (4) an online professional account (with single sign-on for access to all of their clients’ information, not just one client.) Authentication for accessing information must be strict, but manageable.

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**Access to tailored resources:** Much of the IRS’s focus is on individual taxpayers, and rightly so. The IRS touches close to 166 million<sup>19</sup> individuals annually through the return filing process alone. However, this focus has been at the detriment of service to other stakeholders. These stakeholders, including small businesses, tax professionals, international taxpayers, and others with more unique needs, are not having their issues adequately addressed by platforms or resources that have been designed with an eye toward engaging with an individual who filed a Form 1040. Specifically, the AICPA believes that the IRS would reap significant efficiencies by developing resources designed specifically for tax professionals (who represent all types of taxpayers, including taxpayers served by low-income clinics). The IRS also should form focus groups to better understand how each type of taxpayer (especially those that are not currently well-served by traditional IRS resources) best receive information.

### **Comprehensive Training Strategy**

The IRS’s plan for training should include customer-focused subject matters, a consistent and high-quality format, and the leveraging of trained employees.

**Customer-focused subject matters:** In addition to enhancing the way it teaches core and advanced tax law, the IRS should fundamentally prioritize the training it provides employees on: (1) general customer service; (2) procedural issues; and (3) real life business practices and taxpayer limitations.

**Consistent and high-quality format:** To deliver training comparable to the private sector, the IRS should: (1) standardize its approach (perhaps through an IRS University); (2) modernize its approach to training, including implementing current training best practices and offering interactive options; (3) leverage the experience of tax professionals; and (4) use subject matter experts with strong instructional skills (internal and external) to train employees. If an internal “IRS University” is deemed unfeasible, we recommend a centralized and more coordinated oversight of cross-organization specialized training to ensure consistency and quality.

**Leveraging of trained employees:** Given the limitations, we recognize it is not realistic to fully train all the IRS employees on the large scope of the tax laws and procedures. Therefore, we recommend that IRS assistors operate in teams (or “pods”) that allow general assistors to immediately transfer more complex issues to higher skilled assistors with specialized training.

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<sup>19</sup> See IRS [Filing Season Statistics for Week Ending December 30, 2022](#).

## **IRS Redesign Plan**

The IRS's report should include a comprehensive plan to redesign the organization and should incorporate a customer-focused culture, provide an integrated technological infrastructure, and create a dedicated Practitioner Services Division.

**Customer-focused culture:** To improve customer service, the IRS should (1) adopt a business-like approach to maximize its efficiencies; (2) embrace a mindset as if there were a competitive incentive to provide stellar service; (3) partner with external stakeholders to efficiently leverage private sector best practices; and (4) develop metrics based on quality of service instead of the number of touches with taxpayers and metrics that will help determine success.

**Integrated technological infrastructure:** The IRS currently has a sizable number of legacy systems that prevents it from using current and evolving technology. Therefore, we recommend the IRS move to a platform company model in which the technological infrastructure allows for integration and coordination of information throughout the organization. An integrated infrastructure will allow the IRS to meet the needs of both the taxpayers and their representatives in an efficient and timely manner. Furthermore, the IRS should explore the efficiencies of cost and timeline of implementation with in-house development as well as outsourcing. Many partner organizations, such as banks, software companies and municipalities, are currently utilizing the technological platforms and understand the benefits and challenges of implementing the platforms. Outsourcing could potentially allow the IRS to remain current from a technological perspective.

**Practitioner Services Division:** 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 several functional departments. Individuals in these departments are dispersed across the IRS and are not coordinated in a way 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).

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.

Finally, the IRS should provide tax practitioners with **online tax professional account access** as part of the IRS's online portal with account access to all 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 access 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.

The development of the online portal should include a comprehensive, agile **secure platform** that protects users' identities and their data, detects threats and immediately responds to potential security breaches. 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, we also recommend that the IRS focus its attention on **replacing the outdated Centralized Authorization File (CAF) with a consolidated online solution** utilizing automation, electronic signatures and an algorithmic-driven approval process that is as close to real time as possible. The backlog at the CAF unit, exacerbated by the need for manual input of information, is a significant impediment to resolution of taxpayer issues.

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 to 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 parttime or seasonal employment. These employees should have the ability, in real-time, to access IRS systems to resolve matters while on the telephone with the practitioner.

Under the practitioner services unit, the IRS should assign **designated customer service representatives** (also known as a single point of contact) to each geographic area to address unusual or complex issues or delays 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.

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### **Business Systems Modernization (BSM)**

To enable the IRS to achieve the improvements required for a 21st 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. Without modern infrastructure, the IRS is unable to timely and efficiently meet the needs of taxpayers and practitioners.

The AICPA has supported for many years the concept of electronic filing and strongly agrees the use of electronic filing needs to be increased. One barrier is that not all forms cannot be filed electronically; the ability to attach white paper schedules, disclosures or elections electronically is awkward and limited at best; Form 8453, U.S. Individual Income Tax Transmittal for an IRS e-file Return, disrupts the normal processing of the returns; and the annual cutoff in late November required for updating the electronic filing system for subsequent years is disruptive particularly with regard to the expanding number of disasters that force changed due dates. Similarly, the IRS requirement for any paper submissions and manual signatures for certain forms or returns should be eliminated in today's digital age where taxpayers and taxpayer officers work in a fully remote and digital environment and priority funding should be placed on furthering the IRS digital footprint and agenda. In addition, the procedures for filing extensions of time to file returns need to be updated and simplified. This area should be a BSM priority.

Many of the other AICPA recommendations in this letter rely on expanded and secure digital options for taxpayers and tax professionals to interact efficiently with the IRS. We, therefore, support a consistent, multi-year approach to funding BSM as a central feature of a modernized tax administration system which should yield benefits to both taxpayers and IRS employees through reduced burden and faster account resolution.

We recommend that the IRS more fully explore options to allocate IRA enforcement funding to BSM issues. Undoubtedly, modernized technology is a necessary component of better and more efficient enforcement. Therefore, more of those enforcement dollars are rightly used to hasten and support BSM.

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The AICPA is the world's largest member association representing the accounting profession, with more than 421,000 members in the United States and worldwide, and a history of serving the public interest since 1887. Our members advise clients on federal, state, 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.

The Honorable Janet L. Yellen  
The Honorable Lily Batchelder  
The Honorable Daniel I. Werfel  
March 28, 2023  
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We welcome the opportunity to discuss these comments on the reconciliation legislation or to answer any questions that you may have. If you have any questions, please contact; Peter Mills, AICPA Senior Manager, Tax Policy & Advocacy at (202) 434-9272, or [peter.mills@aicpa-cima.com](mailto:peter.mills@aicpa-cima.com); Rochelle Hodes, chair of the AICPA IRS Advocacy and Relations Committee at (202) 552-8028 or [Rochelle.Hodes@crowe.com](mailto:Rochelle.Hodes@crowe.com); or me at (601) 326-7119 or [JanLewis@HaddoxReid.com](mailto:JanLewis@HaddoxReid.com).

Sincerely,

A handwritten signature in cursive script, appearing to read "Jan Lewis".

Jan Lewis, CPA  
Chair, AICPA Tax Executive Committee

cc: Members of the Senate Committee on Finance  
Members of the House Committee on Ways and Means  
Mr. Thomas Barthold, Chief of Staff, Joint Committee on Taxation  
Mr. William M. Paul, Principal Deputy Chief Counsel, Internal Revenue Service  
Ms. Erin Collins, National Taxpayer Advocate, Internal Revenue Service