

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

INTERNAL REVENUE SERVICE

INTERNAL REVENUE SERVICE ADVISORY COUNCIL (IRSAC)

PUBLIC MEETING

9:00 a.m.

Wednesday, November 20, 2024

7th Floor

Internal Revenue Service Headquarters

1111 Constitution Avenue, NW

Washington, D.C. 20024

1 PARTICIPANTS

2 IRSAC Members

3 ANNETTE NELLEN, IRSAC Chair

4 CHRISTINE FREELAND, IRSAC Vice Chair

5 ROBERT BARR

6 JOSEPH BENDER

7 ANDREW BLOOM

8 ELIZABETH BOONIN

9 SAMUEL COHEN

10 ALISON FLORES

11 STEVEN GRIEB

12 AIDAN HUNT

13 JODI KESSLER

14 MASON KLINCK

15 ANTHONY MASSOUD

16 SUSAN NAKANO

17 JEFFREY PORTER

18 BRAYAN ROSA-RODRIGUEZ

19 LAWRENCE SANNICANDRO

20 JON SCHAUSTEN

21 PETER SMITH

22 CORY STEINMETZ

1 PARTICIPANTS (continued)

2 HUSSEIN TARRAF

3 WENDY WALKER

4 SEAN WANG

5 LUCINDA WEIGEL

6 KATRINA WELCH

7 THOMAS WHEADON

8 BRIAN YACKER

9 NICHOLAS YANNACI

10

11 IRS

12 DANIEL WERFEL, IRS Commissioner

13 KEN CORBIN, Chief, Taxpayer Services

14 LIA COLBERT, Commissioner, SB/se

15 EDWARD KILLEN, Commissioner, TE/GE

16 ROBERT CHOI, Deputy Commissioner, TE/GE

17 HOLLY PAZ, Commissioner, LB&I

18 PAUL BUTLER, Associate Chief Counsel, P&A

19 MEL HARDY, Director, National Public Liaison (NPL)

20 JOHN LIPOLD, Branch Chief, NPL, and IRSAC Designated

21 Federal Officer

22

1

2

P R O C E E D I N G S

3

MR. HARDY: Good morning, everyone.

4

ALL: Good morning.

5

MR. HARDY: You can do better than that. Good
6 morning, everyone.

7

ALL: Good morning.

8

MR. HARDY: All right. Welcome to the IRSAC
9 Public Meeting. Very, very pleased with this report
10 under the leadership of these two wonderful ladies.
11 So without further ado, I will turn it over to Chris
12 Freeland. Chris?

13

MS. FREELAND: Just short and sweet this morning.
14 Good morning. Welcome, everybody. Thank you to our
15 great team this year. It's been a wonderful year, and
16 welcome to all of you from the public. We really
17 appreciate the fact that you're here this morning, and
18 with that, I'm going to turn it over to the chair,
19 Annette Nellen.

20

MS. NELLEN: Thanks, Chris. Good morning. I'm
21 Annette Nellen, chair of the IRS Advisory Council,
22 known as IRSAC. Welcome to the final public meeting

1 of the IRSAC for 2024. We wrap up a tremendous amount
2 of work that began with an orientation and working
3 session in January, followed by three more two-day in-
4 person meetings and our meeting this week. In
5 between, we had numerous virtual meetings with IRS
6 personnel for updates on the SOP and other matters,
7 and we gathered information about the 30-plus issues
8 the IRSAC and its five subgroups developed, and
9 derived recommendations for the IRS that we'll present
10 today with details in the written report, which you
11 all got a copy of today, released today also online.
12 At many meetings, we had opportunities to share our
13 experiences, issues, and ideas with various groups at
14 the IRS. We all learned a lot and greatly appreciate
15 the excellent working relationship between the IRSAC
16 and the IRS, the opportunity to share our report with
17 you all today, and to hear from Commissioner Werfel.
18 We are very pleased to have Commissioner Werfel, hear
19 his opening remarks for us all, and then he will hear
20 several of our reports while he is here this morning.
21 Commissioner Werfel? Thank you.

22 MR. WERFEL: Well, I want to echo Annette's

1 appreciation for the members of the public that are
2 here today and, overall, the important role that the
3 IRS Advisory Council plays in delivering an effective
4 tax system. I've said this repeatedly, one of the big
5 lessons you learn as IRS commissioner early is that
6 the IRS cannot deliver a successful tax system alone.
7 We do it in partnership with so many stakeholders that
8 work hard and care deeply about the same thing we care
9 about, which is how do we best serve taxpayers, and
10 how do we ensure a healthy tax system, which is so
11 important to the health of our nation. And if you
12 look around at the various stakeholders that are so
13 critical in supporting the IRS, if it was a heat map,
14 it would radiate very, very hot red with respect to
15 IRSAC in terms of the role that you all play.

16 Annette, Chris Freeland, your leadership has been
17 really very important and helpful, and I thank you for
18 taking on these roles and for playing such an
19 important role in leading the IRSAC.

20 You know, in looking at the IRSAC report, it's a
21 great reminder, especially during the period of
22 presidential transition, of how non-partisan all these

1 activities are. These are just the things that you do
2 to help taxpayers, the things you do to modernize, to
3 improve efficiency. The outcomes that can be achieved
4 through these recommendations will resonate with all
5 taxpayers. It's about making the process less
6 stressful and easier. It's about making it more cost-
7 efficient. It's about being more agile and speedier,
8 and I get great inspiration every day that I come to
9 the IRS, knowing that everything that we do is through
10 a non-partisan lens to support taxpayers and lift them
11 up in meeting their tax obligations, and I think the
12 IRSAC report is well timed as a result of that.

13 Because of partners like IRSAC and because of the
14 hard work that's going on at the IRS every day, we
15 have really good momentum heading into the next filing
16 season. We've had two strong filing seasons in a row
17 after a period of performance challenges coming out of
18 the pandemic, and I have optimism that we will have
19 yet another strong filing season ahead, and we will
20 continue to improve. And part of the reason why we're
21 improving is because we're gaining momentum on some of
22 the elements of modernization that are helping an

1 increasing number of taxpayers and tax professionals.

2 Every year that taxpayers come back for filing
3 season, they have now and should continue to see
4 expanded capabilities on the Individual Online
5 Account, on the Tax Pro Account, and on the Business
6 Tax Account, and we have a roadmap and a plan to
7 continue to improve the functionality and expand the
8 capabilities of each. I'll point out that, for
9 example, the Business Tax Account is now available in
10 Spanish.

11 You layer each and every year additional action
12 tools, and you benefit an increasing number of
13 taxpayers in helping them meet their tax obligations.
14 I've heard from a lot of stakeholders how important
15 the Document Upload Tool has been in improving tax
16 administration, and earlier this year, we achieved one
17 million documents that are shared in the Document
18 Upload Tool. Sometimes I refer to these as brick-by-
19 brick, we are building a more modern interface with
20 taxpayers and tax pros and moving steadily into the
21 21st century, and it's an exciting moment at the IRS
22 to scale and accelerate these technology advancements

1 that are bettering taxpayers, and I think, the
2 recommendations that IRSAC provides help to fuel that
3 build and that acceleration.

4 I also think what's really important is to
5 recognize how our tax system evolves, and sometimes it
6 evolves in ways that create opportunities, and
7 sometimes it evolves in a way that creates challenges.
8 And one of the big challenges we see right now, which
9 is expanding, is the incidence of tax scams and
10 schemes, that we saw -- we're seeing an increasing
11 number of challenges in this space. You know, for
12 example, last year we saw an expansion of social
13 media-driven scams and schemes, and I know from my
14 travels around the country where I meet with IRS
15 employees, but I also meet with local stakeholders.
16 When I do meet with local stakeholders who are helping
17 taxpayers in VITA clinics, and elsewhere, what's risen
18 to the top of their list that they want to talk about
19 to the IRS is the concern with people that they work
20 with being victimized by misinformation and by being
21 exploited by bad actors through these scams and
22 schemes.

1 We recently announced the formation of the
2 Coalition Against Scam and Scheme Threats, or CASST.
3 This is an outgrowth of our Security Summit. This
4 effort, again, not the IRS alone, but with our
5 partners, expanding outreach and education on emerging
6 scams. Sometimes I think of this as an air traffic
7 control system where we are communicating across
8 different channels so that we identify scams and
9 schemes early so that we can do that public service
10 announcement, get our increasing number of
11 stakeholders, our partners in state regulation
12 agencies, local governments, local communities more
13 and more aware of the latest scam and scheme that's
14 out there so the taxpayers can be prepared to not fall
15 victim.

16 We have ongoing work with this group on new
17 approaches to identify fraudulent schemes right at the
18 point of filing. So in the technology solutions
19 themselves that people use to process, we can build
20 better and better filters and tools to understand,
21 well, this might be identity theft, or this might be a
22 submission that is based on false information, and

1 educating taxpayers at the point of submission that
2 they may be being victimized in the moment. And then
3 we all have infrastructure improvements that can be
4 made across the tax system, and in particular, at the
5 IRS, that will also strengthen our ability to respond
6 quickly and effectively to both prevent victimization
7 and then respond to it if it, unfortunately, occurs.

8 Whether it is a new opportunity, like the ability
9 to make tax filing even more digital and even more
10 virtual, IRSAC will play a key role going forward, or
11 whether it's dealing with a new challenge and an
12 emergent challenge, like the growth of scams and
13 schemes, IRSAC can play a significant role in guiding
14 and advising the IRS and the rest of the community on
15 how to solve those things. So we appreciate that
16 partnership. It's absolutely instrumental, and I
17 think we have a challenge but exciting opportunity to
18 do that, so thank you.

19 MS. NELLEN: Thank you.

20 (Applause.)

21 MS. WEIGEL: Good morning. I'm Lucinda Weigel
22 from the Taxpayer Services Subgroup, and I'm here to

1 present General Issue 1, which concerns funding. It
2 begins on page 17 of our report.

3 The IRS collects 96 percent of all federal
4 revenue. It's fair to say that the work of the IRS
5 makes possible the work of every other federal agency,
6 so a tax system that functions well is crucial to our
7 nation's economy and to our national security. The
8 tax gap represents the disparity between the true tax
9 liability owed by all taxpayers collectively and the
10 amount that's actually collected. This difference
11 increases budget deficits and the federal debt,
12 presenting a burden to compliant taxpayers and to
13 future generations, yet the public remains largely
14 uninformed about the tax gap. It's important that the
15 IRS takes steps to communicate with the public about
16 its efforts to reduce the tax gap and how compliant
17 taxpayers will benefit from a properly-funded IRS.

18 IRSAC makes the following four recommendations.
19 First, the IRS should seek opportunities to educate
20 the public about the scope of the tax gap and the
21 manner in which enforcement and taxpayer services both
22 narrow the tax gap and support fairness. These

1 efforts can be bolstered by examples of programs where
2 the additional funding provided by the Inflation
3 Reduction Act, the IRA, is paying for itself by
4 improving collections. Second, the IRS should make a
5 point of noting its enforcement budget includes more
6 than audits-enforced collection. Reminding taxpayers
7 to file their returns, setting up payment plans, and
8 protecting the Treasury against fraudulent refund
9 claims are all parts of the enforcement function that
10 are seldom highlighted in the media.

11 Third, the IRS should develop and maintain a
12 single webpage that is a go-to resource for
13 information about the tax gap. By taking the lead as
14 a reliable source of unbiased tax gap data, the IRS
15 can dispel some of the misleading information
16 disseminated by the Agency's detractors. Highlighting
17 significant successes and pairing these successes with
18 funding made available by the IRA would bolster the
19 public support for IRS funding in the future. And
20 finally, the IRS should develop a tax gap calculation
21 methodology that includes corporate, fiduciary, and
22 exempt entities in its estimates. Including these

1 entities in tax gap estimates would improve accuracy
2 and would also assure taxpayers that the IRS seeks to
3 fairly enforce the tax law for all types of taxpayers.

4 MS. NELLEN: Again, I'm Annette Nellen with the
5 SB/SE Subgroup. I'm presenting General Issue Number
6 2, "Strategic Operating Plan Assessment and Analysis."
7 That starts on page 26 of the report.

8 The Strategic Operating Plan, or SOP, is very
9 important to the IRS Operations and Transformation.
10 Starting last year with the release of the SOP, the
11 IRSAC mapped its recommendations and initiatives
12 spelled out in the plan, and we've done the same for
13 our 2024 report. In our work, we found a few areas
14 where important issues were not highlighted in the
15 SOP, and we found some areas where additional actions
16 seemed warranted to fully achieve particular
17 objectives and initiatives. Our report on this issue
18 includes background to better understand our
19 recommendation, but in the interest of time, I'm going
20 to get right to our eight recommendations in this
21 area.

22 First, provide more details in a format

1 accessible to the public on how the IRS is carrying
2 out the SOP. This information could be included in
3 Form 1040 instructions, social media posts, and other
4 distribution avenues. Second, add measurable
5 objectives to the SOP initiatives where appropriate.
6 Three, broaden digitalization efforts by a few
7 activities: one, identify Internal Revenue Code
8 provisions that require mailing or use of paper
9 documents and share this list with Congress. Without
10 law changes to expand notice distribution to include
11 digital means, such as posting in a taxpayer's online
12 account with email notification, the IRS will not be
13 able to achieve its goal to allow any taxpayer to
14 interact completely digitally with the IRS.

15 Next, review all filing processes to ensure there
16 is a digital element. For example, taxpayers using
17 Free File or Direct File should also be able to use
18 these tools to file an amended return. Also, all tax
19 forms should be allowed for e-filing. Also, pursue
20 greater digital capability information returns. For
21 example, the IRS system should be enhanced to have the
22 information also go directly and immediately to the

1 recipient's online account and their transcript.

2 Also, work with other federal agencies to enable
3 universal access to broadband and related technology
4 for all Americans via free and low-cost options.

5 Fourth, create and make public the IRS standards
6 for the use of AI tools. Five, expand the SOP to
7 specifically address needs of U.S. taxpayers living
8 abroad. Possible avenues for additional services
9 include operation of VITA sites at U.S. embassies as
10 well as virtual VITA sites. Sixth, expand the SOP to
11 include specific items involving return preparers,
12 such as to address preparer issues presented in our
13 report. Also, updating Circular 230 can be a
14 priority. Seven, expand the description of Initiative
15 4.4 on data security to include a specific goal to
16 reduce the time in resolving tax-related identity
17 theft issues. And eight, expand activities under
18 Initiative 1.7 on earlier legal certainty to include
19 study of the impact that the Supreme Court's decisions
20 in *Loper Bright* and *Corner Post*, and keep the public
21 informed of any changes in the IRS guidance process in
22 light of these decisions. Thank you.

1 MR. BARR: Good morning. Bob Barr with the
2 Taxpayers Services Subgroup. This is General Issue 3,
3 "Reporting of Level of Service, or LOS, Data," found
4 on page 36 of the report.

5 The key reasons for this report, both the TIGTA
6 -- Treasury Inspector General for Tax Administration
7 -- and the NTA -- National Taxpayer Advocate -- in
8 respective reporting have noted continuing confusion
9 and potential overestimation in a true Agency-wide
10 level of service. These agencies suggest that the
11 public assumes that the publicly-reported LOS covers
12 all taxpayer inbound communications. However, in
13 reality, the reported LOS only reports on access to
14 its Accounts Management phone lines, excluding calls
15 into compliance, collections, and the paid preparer
16 lines and other functions. And it's further inflated
17 as it excludes hang-ups and includes reroutes through
18 its automated response systems, even when the caller
19 may have wanted to speak to a live assister. Both the
20 NTA and TIGTA also call into question quality as a
21 needed component of LOS as they report answering the
22 phone is not a holistic measure of service or

1 satisfaction, and they recommend that the IRS
2 incorporate quality into the measure or find a means
3 to report on it separately.

4 Therefore, the IRSAC recommends that to improve
5 the value of LOS data, to prevent conflicting reports
6 on this data, and to consider new and emerging avenues
7 of reporting support to taxpayers, the IRS should,
8 one, revisit the decision to report in its LOS only
9 calls into its Accounts Management (AM) lines, meaning
10 adding in other lines, or reposition its LOS
11 exclusively to state when it is calls taken into the
12 AM lines; two, introduce subsidiary metrics in the AM
13 LOS, one for calls answered by a customer service
14 representative, or CSR, and another for calls rerouted
15 to an automated response system; three, explore a new
16 metric that accommodates all service channels that
17 exist, including recognizing the rise of new channels,
18 such as voice bots, chatbots, and chat itself; and
19 four, continue efforts in response to both NTA and
20 TIGTA recommendations to create a new forward-looking
21 metric that includes issue resolutions, specifically
22 whether the taxpayer successfully accomplished what

1 they intended by contacting the IRS for assistance.

2 MS. WALKER: I'm Wendy Walker, and I'm reading
3 General Issue 4, "Hiring," which starts on page 42.
4 IRSAC identified this issue due to the importance of
5 hiring and retention for the IRS, as is laid out in
6 the Strategic Operating Plan. We met with the IRS
7 Human Capital Office to learn about hiring activities,
8 and this all led to our recommendations.

9 Our first recommendation is to provide key
10 engaging highlights in every job using understandable
11 terminology to help candidates better understand the
12 full package of benefits and the salary structure in
13 various cities, as well as the benefit of a 40-hour
14 work week for accountants; hire part-time and flexible
15 workers, particularly in positions where in-person or
16 evening or weekend hours are needed, like in the
17 Taxpayer Assistance Centers. Third recommendation is
18 to create materials to ensure VITA, TCE, and LITC
19 volunteers know of career opportunities at the IRS.
20 These volunteers represent an excellent group of
21 individuals with tax knowledge and skills and
22 understanding of some of the key IRS processes. Thank

1 you.

2 MR. BARR: Bob Barr again. I'll be reporting now
3 on General Issue 5 and General Issue 6.

4 General Issue 5, "Online Account Promotion," page
5 49 of the report. The key reasons for this report are
6 as follows. The National Taxpayer Advocate reported
7 in its 2023 annual report that during 2023, individual
8 taxpayers filed more than 160 million income tax
9 returns, yet only 16.8 million users accessed
10 individual online accounts. The report suggests that
11 in addition to functionality enhancements, the IRS
12 needs to step up efforts to promote taxpayer accounts.
13 To date, the IRS has generally limited its efforts to
14 social media and messaging at its Nationwide Tax
15 Forums as well as during the filing season at its VITA
16 and TCE sites. The IRSAC agrees with the NTA's
17 recommendation and further notes that the IRS
18 Restructuring and Reform Act of 1998 -- Public Law
19 105-206 -- has a provision that authorizes the
20 Secretary of the Treasury to promote the benefits and
21 encourage the use of electronic tax administration
22 programs as they become available using mass

1 communications and other means. This provision gives
2 the Secretary broad, creative scope to promote
3 electronic tax administration programs, including
4 online accounts.

5 Therefore, the IRSAC recommends that to increase
6 adoption of the various online accounts, the IRS
7 should develop and implement a marketing plan focused
8 on making taxpayers and tax professionals aware of the
9 availability and advantages of online accounts.
10 Examples in such a plan might include the active
11 promotion through direct mail, radio, or television
12 advertising, including, of course, its current social
13 media efforts; working with professional associations
14 providing materials they can voluntarily distribute;
15 add the requirement that tax professionals have a Tax
16 Pro account to continue promoting themselves as
17 authorized IRS e-File providers. Four, run promotions
18 with tax preparers, for example, offering discounted
19 admission to an IRS Nationwide Tax Forum if the
20 preparer signs up a certain number of their clients as
21 online account holders, and there are many others as
22 the IRS might imagine at its discretion.

1 General Issue 6, "Online Accounts Technical
2 Support," page 53 of our report. The key reasons for
3 this report, the IRS decided its commitment to
4 benchmarking the service against the best in the
5 private sector. The commitment should not only
6 encompass digital functionality and generalized
7 customer service and support, but also technical
8 support and the use of its most and more critical
9 public-facing applications. In fact, the IRS had the
10 foresight to enable technical support via chat for its
11 IRS Direct Phone Program launched in 2023, realizing
12 that taxpayers may encounter experiences they did not
13 understand, and absent help, may abandon the
14 application.

15 Various IRSAC members and the constituents they
16 represent who require online accounts have encountered
17 user experience and technical issues, which could've
18 been addressed before one or more commonly-used
19 private sector's best practices, some of which are
20 actually detailed in the report, before the potential
21 negative word of mouth publicity from poor experiences
22 might very well steer other potential users away from

1 getting online accounts a first-time try. The latter
2 is even more pronounced when the user is a tax
3 professional who has influence over their client base.

4 Therefore, the IRSAC recommends that to improve
5 adoption and continued use of the various online
6 accounts enabled by the Service, that the IRS, one,
7 add features and capabilities to the various online
8 accounts roadmaps, especially Tax Pro Account, that
9 reflect industry best practices and customer service
10 and technical support, and two, allocate funding for
11 online account technical support staffing, as
12 warranted, accounting for growth in online account
13 usage and as functionality increases. Thank you.

14 MR. BLOOM: Good morning. My name is Andrew
15 Bloom from the LB&I Subgroup, and I will be presenting
16 on General Issue 7, "Capabilities for Business Online
17 Tax Accounts," which starts on page 56 of the report.
18 In implementing and expanding the functionality of
19 Business Online Tax Accounts, or BTAs, the IRS should
20 appropriately prioritize functionality and features in
21 the account for entity taxpayer preferences. The
22 IRSAC Report includes over 50 recommendations for

1 prioritization of BTA functions, based on the
2 experience and judgment of the members of the IRSAC as
3 well as feedback from the broader tax community.
4 Notably, the recommendations do not account for legal,
5 operational, technical, or other constraints on
6 implementation, but, rather, are intended solely to
7 communicate taxpayer preferences to be bound to these
8 other considerations during the implementation.

9 Given the diverse community of entity taxpayers,
10 the report includes tiers of prioritization rather
11 than a pure ranked order. The IRSAC believes that the
12 following functionalities are the highest priority for
13 implementation in the BTAs. First, managing and
14 updating addresses, communication preferences, and
15 contact information. Ideally, taxpayers could list
16 separate addresses and contacts for income tax,
17 payroll or employment tax, and other tax purposes.
18 Second, managing powers of attorney and authorized
19 representatives. Taxpayers may wish to have different
20 contacts for different tax issues, which should be
21 appropriately reflected in the BTAs. Third, the
22 filing of various forms, including Notice for Entity

1 Classification Elections, S. Corp. elections,
2 Applications for U.S. Residency Certificates, and
3 Application for withholding certificates. Fourth,
4 managing direct deposit and banking information.
5 Fifth, viewing information returns filed by third
6 parties, such as Forms 1099 and Forms 1042, ideally in
7 both summary form and by individual information return
8 receipt with appropriate redactions. Lastly, viewing
9 and obtaining tax transcripts. Additional priorities
10 are included in the full report.

11 I will also be presenting on General Issue 8,
12 "Authorization Techniques to Enable Businesses to
13 Utilize Online Accounts, " which starts on page 62 of
14 the report.

15 The IRSAC understands that the IRS is considering
16 which individuals will be authorized to access BTAs on
17 behalf of an entity and what those authorized persons
18 will be able to do once authenticated. For each type
19 of entity, the IRSAC recommends authorizing as the
20 initial "designated official," or DO, the same
21 individual or individuals who are authorized to sign
22 the income tax return for the entity. This will

1 create a familiar standard for taxpayers, allow all
2 entities to utilize BTAs, and will allow entities the
3 operational flexibility that is needed to make BTAs
4 successful. Each DO should have full authority to
5 utilize the BTA, including the ability to authorize
6 and deauthorize other DOs and "designated users," or
7 DUs. DUs would be able to access and utilize only
8 those functions granted to them by a DO.

9 Where an entity or one of its consolidated
10 members or wholly-owned disregarded entities has
11 employees who are authorized to sign the income tax
12 return for the entity, the initial DO should be one of
13 those employees, which should be verified through
14 payroll information on file with the IRS. In all
15 other cases, the IRSAC believes it's appropriate to
16 have a two-step process to authenticate the initial
17 DO. First, the DO, after authenticating with ID.me,
18 would verify information from an income tax filing,
19 such as the amount of adjusted gross income from a
20 previously-filed income tax return, and following this
21 verification, the IRS would mail a DO PIN to the
22 address on file from the last income tax return. The

1 DO would have 30 days from the date the PIN is mailed
2 to enter this PIN to verify their status. Going
3 forward, to minimize fraud and maximize efficiency,
4 DOs should be identified as part of the process of
5 obtaining an employer identification number.

6 Irrespective of which individuals are authorized
7 to act as DO, the IRSAC believes it generally should
8 be the taxpayer's obligation to ensure that an
9 individual has the appropriate authority to act as DO
10 on behalf of an entity. Individual verification by
11 the -- independent verification by the IRS the
12 authorization of an individual identified as a DO and
13 mandatory periodic revalidation of DOs and DUs would
14 impose significant burdens on taxpayers and
15 significantly reduce the net benefits of BTAs for many
16 taxpayers.

17 The full report provides further detail on the
18 matters addressed here today, along with several
19 proposed fraud penalties. Thank you.

20 MS. FLORES: Good morning. My name is Alison
21 Flores from the Taxpayer Services Subgroup, and I will
22 be presenting General Issue 9, "Identify Theft

1 Prevention and Resolution, " page 69.

2 Tax-related identity theft and stolen identity
3 refund fraud are evolving threats to taxpayers and the
4 tax administration system. The IRS uses a
5 multifaceted approach to address the current volume of
6 tax-related identity theft and stolen identity refund
7 fraud. These approaches include education and
8 outreach, Security Summit, assignment of Identity
9 Protection Personal Identification Numbers, or IP
10 PINs, either rejection or referral of the tax return
11 to authenticate identity, and the imposition of
12 criminal and possibly civil penalties.

13 The IRSAC is concerned by the IRS's delay in
14 processing identity theft affidavits, as well as the
15 impacts that high false-identity theft detection rates
16 can have on refunds. The IRS is taking steps to
17 address the backlog of identity theft affidavits. We
18 applaud the IRS's efforts to prioritize providing help
19 to taxpayers who experience identity theft, while
20 recognizing the underlying factors contributing to the
21 backlog continue to exist and should be addressed. We
22 recognize that the challenges presented by identity

1 thieves are difficult and not easily resolved, but we
2 believe that more can be done as it relates to
3 assisting victims of identity theft and adopting a
4 more proactive data security policy.

5 Our recommendations are: ensure that the IRS's
6 written identity theft plan is on par with the plans
7 adopted by certain financial institutions; use the
8 existing IAL2-verified IRS Online Account to
9 authenticate self-prepared, electronically-filed tax
10 returns; partner with the tax software industry to
11 mark returns suspected of being prepared by a paid
12 preparer and falsely submitted as software-prepared
13 returns using consumer tax software; develop
14 additional methods of screening tax refund deposits in
15 order to increase fraudulent refund protections;
16 update the identity theft landing page to include
17 information about reporting unscrupulous tax return
18 preparers and identity thieves; assess appropriate
19 civil and criminal penalties and report these results;
20 clear the backlog and prevent future backlogs of tax-
21 related identity theft affidavits by assigning a
22 dedicated detail immediately to work on ID theft

1 affidavits until the backlog is cleared; immediately
2 assigning an IP PIN and flagging pending tax returns
3 suspected of identity theft upon receipt of an
4 identity theft affidavit; and reallocating future
5 personnel and financial resources from other divisions
6 to work on tax-related identity theft; and last,
7 modify Form 14039 to say at the top that the affidavit
8 is for victims of tax identify theft and recommending
9 that others obtain the IP PIN and only file the form
10 later if there is tax-related identity theft.

11 Next, I will summarize General Issue 11,
12 "Oversight of Return Preparers, " page 83.

13 Over half of individual income tax returns are
14 prepared by paid tax preparers. However, most return
15 preparers are not subject to minimum competency
16 standards and continuing education requirements. The
17 IRSAC last made a recommendation about oversight of
18 return preparers in 2018. That recommendation was for
19 Congress to provide IRS statutory authority to
20 establish and enforce minimum standards of competence
21 for all tax practitioners, including paid return
22 preparers.

1 The IRS created the voluntary Annual Filing
2 Season Program, or AFSP, with the goal to increase
3 accuracy of individual tax returns prepared by
4 uncredentialed preparers and to bring more preparers
5 under Circular 230. While the IRS promotes the AFSP,
6 the program has low participation among uncredentialed
7 preparers and is not fully understood by taxpayers.
8 IRSAC continues to support expanded return preparer
9 oversight and recommends the IRS take the following
10 actions to strengthen the voluntary programs while
11 waiting for legislation.

12 First, modify Circular 230 to include a voluntary
13 Filing Season Agent credential, modeled off the
14 Enrolled Agent credential, including minimum
15 competency, continuing education, and ethical standard
16 components; two, phase out the AFSP Program and
17 reallocate program resources to the voluntary Filing
18 Season Agent Program; three, increase participation by
19 waiving a portion of the testing requirement for some
20 applicants who currently participate in the AFSP
21 Program; fourth, continue to promote the Enrolled
22 Agent Program; and last, research and publish results

1 regarding accuracy rates among AFSP record holders and
2 uncredentialed preparers. Thank you.

3 MS. FREELAND: Good morning. Chris Freeland
4 again. I'm reporting on General Issue 10, "PTIN
5 Database and Renewal System," which is on page 79 of
6 the report.

7 There are a large number of Preparer Tax
8 Identification Numbers, known as PTINs, in the
9 database that are no longer active. Over two million
10 PTINs have been issued since September 2010 when this
11 system of identifying return preparers began, and to
12 date, there are about 775,000 active PTIN holders.
13 The ability to use an expired PTIN can allow
14 professional preparers to prepare returns and sign
15 them using an invalid PTIN.

16 The IRSAC has eight recommendations. Number one,
17 deactivating and archiving all PTINs that have not
18 been used in the last three years; two, matching the
19 preparer name and PTIN on tax returns prior to
20 initiating income tax refunds to taxpayers; three,
21 make the PTIN renewal accessible through the Tax Pro
22 Account; four, publicize the procedure for tax

1 practitioners to deactivate their PTINs, such as on
2 the PTIN home page where it can be easily found on the
3 annual PTIN renewal; five, require software vendors to
4 validate PTINs used in their systems in the same
5 manner as vendors validate EFINs; six, add a late file
6 fee to all annual PTIN renewals after December 31st;
7 seven, use the renewal email for focused messaging,
8 such as the Annual Filing Season Program or the IRS
9 Nationwide Tax Forums; and eight, expand the PTIN
10 account to include other tax returns, not just the
11 1040.

12 I'm also reporting on General Issue 12, which is
13 "Broadening the Continuing Education for Enrolled
14 Agents to Include Practice Management Topics," and
15 this is found on page 90 of the report.

16 Currently, enrolled agents are not permitted to
17 include continuing education in practice management
18 topics as reportable continuing education for
19 certification renewal. There is more to preparing tax
20 returns than just knowing tax law. Enrolled agents
21 are responsible for awareness regarding software, data
22 security, due diligence, online tools, engagement

1 letters, and other business patterns. NASBA, the
2 National Association of State Boards of Accountancy,
3 and the AICPA recognize practice management topics for
4 approved continuing education.

5 The IRSAC recommendation is to modify Section
6 10.6(e) (2) and (f) of Circular 230 to allow up to four
7 hours of practice management as an option within the
8 72 hours required to renew enrollment for the Enrolled
9 Agents. Practice management should be broadly
10 defined, as it is for CPAs, to include business
11 organization, communications, marketing, computer
12 software and applications, information technology,
13 elimination and bias, privacy laws, and personnel and
14 human resources. Thank you.

15 MS. NELLEN: I'm reporting now on General Issue
16 13, "Process for Issuing New and Revised Forms and
17 Obtaining Comments," which starts on page 92 of the
18 report.

19 In IRSAC's work this year, we became concerned
20 that the IRS may not be getting comprehensive comments
21 on drafts of new and revised tax forms because people
22 aren't fully aware of the process of submitting those

1 or they don't see the posting that's been released as
2 posting is only in the Federal Register, as required
3 by the Paperwork Reduction Act. Lack of awareness
4 leads to fewer comments on the drafts, which can lead
5 to diminished effectiveness of tax forms. Our report
6 explains the process for the release of drafts of new
7 and revised forms. Learning how this process works
8 led us to make four recommendations.

9 First, clarify and publicize the comment process
10 for drafts of new and revised tax forms and
11 instructions and make it simple to submit comments,
12 with such comments made available to the public. A
13 website explaining the process, including the
14 Paperwork Reduction Act, is needed with information
15 all in one place to help people find the draft form,
16 timely submit comments to the correct party or
17 parties. Two, draft forms should be posted to the IRS
18 Draft Tax Forms website, and that URL should be
19 included in the Federal Register announcement about
20 drafts of new and revised forms. Three, reopen the
21 comment period when instructions to a new or revised
22 form are released if they were not released at the

1 same time as the draft form. This will ensure that
2 comments are complete and comprehensive because
3 sometimes lines and boxes on draft forms may not be
4 understandable without the draft instructions. And
5 four, in addition to required Paperwork Reduction Act
6 posting in the Federal Register, the release of new
7 and revised draft forms should also be widely
8 announced via an IRS news release, or IR, which can
9 include the Federal Register link, a link to the draft
10 form, and instructions on how to submit comments as
11 well as the due date.

12 That wraps up presentations of our 13 General
13 Reports. Next, we're going to present one issue from
14 each of the five subgroups. Later, we will present
15 the remaining 19 subgroup reports. We will also
16 submit a summary for all of you of seven comment
17 letters you'll see in the back of the report. Those
18 were issued because some things were needed to be done
19 before this report's release in November, so we
20 submitted comments in some other ways. Yesterday, we
21 submitted an eighth comment letter, which actually is
22 our LB&I Report Number 3 because there was a request

1 in the Federal Register for comments on the Voluntary
2 Disclosure Program. So, first up and presenting one
3 report from each subgroup is Taxpayer Services
4 Subgroup.

5 MR. ROSA-RODRIGUEZ: Good morning, everyone.
6 We're almost there. My name is Brayan Rosa-Rodriguez,
7 and I'm with the Taxpayer Services Subgroup, and I
8 will be reporting on the issue, of course, of
9 "Voicebots and Chatbots." That will be found on page
10 230 of the report.

11 So the Taxpayer Services Division requested the
12 IRSAC provide its perspective on the implementation
13 and usefulness of artificial intelligence-powered
14 voicebots and chatbots to enable another avenue for
15 providing services to taxpayers. IRSAC members tested
16 the voicebot and chatbot functionality and provided
17 feedback about the specific test results directly to
18 Taxpayer Services. This report contains general
19 recommendations regarding the overall bot strategy
20 intended to provide a better and more accurate
21 customer experience. We have eight recommendations.

22 First, number one, create a single entry point

1 available from all applicable pages on the IRS website
2 that will guide taxpayers through all chatbot
3 functionality rather than separate entry points;
4 number two, offer a referral to a live agent or a call
5 back after a taxpayer makes unclear requests multiple
6 times; three, provide taxpayers an estimate of waiting
7 time when the live assistance referral is made; four,
8 improve accessibility to the chatbot user interface by
9 implementing font color, font size, and window
10 responsiveness improvements, and follow industry user
11 experience standards; five, conduct additional testing
12 of the chatbot focused on specific demographics,
13 including taxpayers with disabilities and foreign
14 language speakers; six, provide on-screen guidance to
15 help taxpayers understand best practices to interact
16 with the IRS chatbot; seven, utilize large language
17 learning models within the chatbot to continuously
18 improve taxpayer experience; and the last is invest in
19 improving the AI capabilities in the chatbot so that
20 taxpayers' questions are answered directly instead of
21 directing the taxpayers to read instructions and
22 information related to their questions on the IRS web

1 page. Thank you.

2 MR. SANNICANDRO: Good morning. I'm Larry
3 Sannicandro with the SB/SE Subgroup. I'll be
4 reporting on SB/SE Issue Number 1, which concerns
5 "Penalties, Defenses to Penalties, and Rules to
6 Resolve Penalties." This is on page 171 of the
7 report.

8 By way of background, the IRS is looking at ways
9 to relieve taxpayers from penalties in appropriate
10 cases. The SB/SE Division asked us to address two
11 issues: first, areas that the IRS has reasonable
12 cause policies or reasonable cause assistance that
13 prohibit penalty relief, and second, the feasibility
14 of automating the First Time Abatement Program.
15 Additionally, the IRSAC has concerns about challenges
16 taxpayers are facing in resolving penalties. Our
17 report this year makes some recommendations for how
18 the IRS can improve penalty administration generally,
19 but we have also suggested adding broader penalty
20 reforms as a topic for next year.

21 Turning to our recommendations, those
22 recommendations focus on, one, penalty administration;

1 two, the reasonable causes system; and three,
2 automation of the first-time abatement. As it relates
3 to penalty administration, we make the following three
4 recommendations: first, create a Director of Civil
5 Tax Penalties to ensure uniformity in policy and
6 procedure as it relates to the IRS's imposition of
7 penalties; second, have the IRS conduct a study
8 examining ways in which the IRS makes its policies and
9 procedures concerning penalties more consistent,
10 similar to what was done after the IRS Restructuring
11 and Reform Act of 1998; third, improve transparency by
12 publishing in the IRS Databook more detailed
13 information about the assessment and abatement of
14 various penalties.

15 As it relates to the reasonable cause relief and
16 Reasonable Cause Assistant, we have seven
17 recommendations, including, one, issue interpretative
18 regulations under Section 6651 as to what constitutes
19 reasonable cause; two, update servicewide statements
20 concerning penalties which do not reflect current
21 developments and have not been updated in more than 20
22 years; three, confirm the Reasonable Cause Assistant

1 incorporates all of the reasons identified in the
2 Internal Revenue Manual as constituting reasonable
3 cause for a late filing, late payment, and late
4 depositing; four, recognize a new reasonable cause
5 exception in which reliance on a professional to
6 electronically file a tax return can constitute
7 reasonable cause, provided that certain requirements
8 are met; five, by way of background, the IRS asks for
9 a bright-line rule under which reasonable cause will
10 be determined not to exist unless the taxpayer takes
11 certain corrective action within a specified number of
12 days. We recommend that the IRS not adopt the bright-
13 line rule, but instead require employees to perform a
14 factually-intensive inquiry as to whether a reasonable
15 cause exists; six, eliminate the Internal Revenue
16 Manual's heightened standards for reporting of
17 international information return penalties, which
18 currently provides that it is not reasonable for a
19 taxpayer to rely solely on a professional when
20 engaging in international activities; seven, encourage
21 IRS employees to refer matters out for audit if the
22 Reasonable Cause Assistant is producing a seemingly

1 unfair result.

2 As it relates to the first-time abatement
3 procedures, by way of background, the National
4 Taxpayer Advocate and the IRS have proposed automating
5 the first-time abatement process. The IRS believes
6 that the IRS should first determine if the penalty was
7 authorized by statute before resorting to reliance on
8 an automatic administrative waiver. Additional
9 details concerning these issues are in the full
10 report. Thank you.

11 MR. COHEN: Good morning. I'm Sam Cohen with the
12 TE/GE Subgroup where we're talking about "Increasing
13 Tax Parity for Tribal Government Issued Tax Exempt
14 Bonds," on page 205 of your report.

15 Section 7871(c) and (e) provide for the ability
16 of Indian tribal governments to issue tax-exempt bonds
17 for activities that are customarily engaged in by
18 state governments as "essential governmental
19 functions." We call them EGFs. The Revenue Act of
20 1987 added subsection (e) to Section 7871, which
21 provided a definition for EGF. The definition
22 includes that it shall not include any functions which

1 are not customarily performed by state and local
2 governments with general taxing powers. Good examples
3 of these powers are in the GAO Report from 2006, which
4 found that state and local governments have spent
5 billions supporting activities, such as rental
6 housing, roads and transportation, parking facilities,
7 parks and recreation facilities, including stadiums
8 and arenas, golf facilities, convention centers,
9 hotels, and gaming-supported facilities.

10 To enable tribes to achieve parity on all of
11 these levels, we have two recommendations: one, add
12 to the IRS Priority Guidance Plan a recommendation to
13 update guidance interpreting the EGF standard and
14 support updated guidance through appropriate
15 authorities, including the Department of the Treasury;
16 and second, issue updated EGF guidance permitting
17 Indian tribes to issue tax-exempt financing for
18 economic development customarily permitted for states
19 and local governments, including the categories set
20 out in the 2006 GAO report. Thank you.

21 MS. WELCH: Hi. I'm Katrina Welch. I'm the
22 chair of the LB&I Subgroup, and I'll be presenting on

1 Issue 1, which is on page 142, "Streamlining the LB&I
2 Exam Process."

3 In summary, the 2016 LB&I made great
4 restructuring changes to their LEP LB&I exam process,
5 and further updated it in 2018 with the goals of
6 voluntary compliance, and efficient, effective, fair,
7 and transparent exams. The LEP provides best
8 practices for the IRS and the taxpayers, still, in
9 execution fall short. LB&I asked IRSAC for
10 suggestions.

11 We have four recommendations: one, evaluate the
12 need for the Acknowledgement of Facts IDR and
13 opportunities for improving the process. The focus
14 here is to focus on opportunities to shorten the
15 timeframe as well as to reduce the burden for both
16 taxpayers and the IRS. Two, provide transition plans
17 for changing the exam team members. Before the team
18 member leaves, the leaving member should meet with the
19 new team member, as well as those who inform the
20 taxpayer of the change and including a transition plan
21 to maintain the exam timeline, ensure consistency, and
22 reduce burden on the taxpayer and on LB&I. Three,

1 provide additional training on LEP focusing on open
2 and forthcoming communication, IDR procedures and
3 substantiation, and timeliness on both the part of the
4 taxpayer and the exam team. Focus should also be on
5 IRM 4.46, including open and transparent dialogue,
6 before issuing an IDR or a NOPA, and working with the
7 taxpayer substantiation. Four, focus on material
8 issues. Focus here should be on issues specifically
9 identified in the risk analysis, and also whether the
10 focus should be on permanent items versus temporary
11 items that will be reversed or eliminated over time.
12 These changes will increase the efficiency and
13 effectiveness and the transparency of these exams for
14 both the taxpayer and the IRS. Thank you.

15 MR. SCHAUSTEN: Good morning. My name's Jon
16 Schausten from the Information Reporting Subgroup.
17 I'm here to present Issue 1, "Worker Classification
18 Clarifications Needed Due to New Department of Labor
19 (DOL) Test," found on page 105.

20 The U.S. Department of Labor and the IRS executed
21 and published a memorandum of understanding, an MOU,
22 for the employment tax referrals on December 22, 2022.

1 The purpose of the MOU was to share information
2 between the SB/SE Division at the IRS and the DOL's
3 Wage and Hour Division to assist in the identification
4 of emerging and ongoing employment tax compliance
5 issues related to misclassification, but its practical
6 effect will be to streamline the process for
7 investigating and penalizing businesses that allegedly
8 misclassify their employees as independent contractors
9 and reduce confusion for independent contractors.

10 We make the following recommendations: work with
11 the DOL to define who is an employee and who's an
12 independent contractor to eliminate any ambiguity and
13 confusion for employers and individuals, provide a
14 guide for the differences would be helpful for both
15 employers and workers; two, work within the
16 definitions established by the DOL to eliminate gaps
17 and create clarity to prevent misclassification of
18 workers and risks of employer penalties; three, work
19 with the Department of Treasury to work with lawmakers
20 to adopt the following recommendations outlined in the
21 2017 Treasury Greenbook: 3(a), permit the IRS to
22 require prospective reclassification of workers who

1 are currently misclassified and whose future
2 classifications have been prohibited under current
3 law; 3(b), permit the IRS to issue generally
4 applicable guidelines on proper classification of
5 workers under common law standards; 3(c), require
6 Service recipients to give notice that explains how
7 workers will be classified and consequences thereof to
8 independent contractors, including tax implications;
9 3(d), permit the IRS to disclose to the DOL about
10 Service recipients who are workers that are
11 reclassified.

12 Adopting these recommendations would allow the
13 IRS to instruct and direct individuals and companies
14 where to locate resources to understand the tax
15 liability, aid individuals that lack resources and
16 knowledge of the tax law, and to prevent underpayment
17 and underreporting. Thank you.

18 MR. WERFEL: Just quickly, again, I want to
19 express my appreciation for all the work that goes
20 into these types of recommendations. These
21 recommendations are very much in line with the
22 trajectory that we're on to continue to close the gaps

1 that we see so we can better serve taxpayers and meet
2 our mission. And so having this laid out and just
3 knowing that it has the thoughtful input and also
4 allows us to establish priorities because there's
5 going to be an even much longer potential to do this
6 FA.

7 But your help in kind of homing in on what is
8 going to have the largest impact, in many ways, you
9 and your intermediaries are the larger set of
10 stakeholders, taxpayers, tax professionals helping us
11 prioritize where we need to invest our time and energy
12 to improve tax administration is immensely helpful.
13 So this report will be an active part of the agenda
14 going forward, and we appreciate it.

15 MS. NELLEN: Great. Thank you. Between the
16 reports you've heard so far and the ones you're going
17 to hear that we haven't gotten to yet, we actually
18 have 12 members who are departing the IRSAC, and more
19 will be joining in January. Just to understand better
20 the role of folks on IRSAC, it really is quite a wide
21 range of expertise working with a whole variety of
22 different types of taxpayers. I find it incredible

1 just the amount of expertise and willingness to share
2 their time and expertise to find how we can improve
3 the tax system.

4 So our next step, members of the public, don't
5 leave, but we are going to be taking some pictures.
6 We'll be giving some certificates for departing
7 members. We'll take a break, and then we'll come back
8 to the rest of our issues. We still have 19 reports
9 and seven comment letters we'd like to share with you
10 as well. Thank you.

11 MR. HARDY: All right. The moment has come.
12 It's time for us to bid adieu to those rolling off.
13 First is Samuel Cohen. Samuel?

14 (Applause.)

15 MR. HARDY: Next is Alison Flores.

16 (Applause.)

17 MR. HARDY: Next, Jodi Kessler.

18 (Applause.)

19 MR. HARDY: Next is Mason Klinck.

20 (Applause.)

21 MR. HARDY: Jeffrey Porter.

22 (Applause.)

1 MR. HARDY: Jon Schausten.

2 (Applause.)

3 MR. HARDY: Wendy Walker.

4 (Applause.)

5 MR. HARDY: Katrina Welch.

6 (Applause.)

7 MR. HARDY: And our last person is Sean Wang.

8 (Applause.)

9 MR. HARDY: We also have three individuals that
10 are rolling off that weren't able to be here today:
11 Amanda Aguiillard, Dawn Rhea, and Tara Sciscoe.

12 (Applause.)

13 MS. NELLEN: Okay. We're going to have a little
14 longer break than we'd anticipated, but also, IRSAC
15 members who are here, please come up to the front, so
16 we can get a photo here, and then the rest of you,
17 there's some reading you'll want to engage in.

18 (Laughter.)

19 MS. NELLEN: Okay. Thank you. Don't go away.
20 We'll take a break and then we'll --

21 MR. HARDY: And before everybody comes to the
22 stage, I want to make this announcement because it

1 happens every year. Please watch your step coming up
2 on the stage.

3 MS. NELLEN: All right. We will be resuming at
4 10:50.

5 (Recess at 10:05 a.m.)

6 (Reconvene at 10:50 a.m.)

7 MS. NELLEN: Welcome back. So we're going to be
8 moving through the five subgroup area reports, less
9 the one we've already presented when the Commissioner
10 was here. First off, we're starting with Taxpayer
11 Services Subgroup, and receiving this is Ken Corbin.
12 Would you like to make any remarks this far or wait
13 until you get reports, or whatever you want?

14 MR. CORBIN: Hi. You know, I'll start off with
15 additional remarks and, first, say thank you for the
16 report. This is the first meeting where I get to sit
17 before you all as the chief of Taxpayer Services. We
18 were formerly --

19 (Applause.)

20 MR. CORBIN: We are so excited for this
21 opportunity to, in a sense, kind of reinvent the Wage
22 and Investment into Taxpayer Services. And so one of

1 the wonderful things about changing from Wage and
2 Investment to Taxpayer Services is that it makes it
3 easier for the public, for the tax pros, for the
4 community, when they think about IRS, to think about
5 'Who do I turn to if I need help? Who do I turn to if
6 I have a service question?' And it was difficult to
7 navigate when we named "Wage and Investment." So this
8 is our -- I would say our -- if you've been around as
9 long as I have at the IRS, we used to be called
10 "Taxpayer Service," and so now we have this
11 opportunity to be Taxpayer Services, which I think
12 speaks to the diversity of the ways in which we're
13 able to serve and meet the public's needs.

14 So I just want to thank the committee and all the
15 members in advance. I'll have some more remarks at
16 the end, but I think when you think about Service, the
17 report, and the work that you all have done represents
18 a diverse set of Service opportunities, which I think
19 speaks to the future of our tax administration, so
20 thank you all.

21 MS. NELLEN: Excellent. We will get right into
22 our reports then.

1 MR. KLINCK: Good morning. I'm Mason Klinck of
2 the Taxpayer Services Subgroup, and my topic is
3 "Volunteer Income Tax Assistance," called VITA, "for
4 the Gig Economy," on page 234 of the report.

5 We have five recommendations for you. Number
6 one, allow VITA sites to prepare tax returns for any
7 workers eligible to use the simplified method to
8 deduct home office expenses, with VITA volunteers
9 trained to determine if the taxpayer is eligible to
10 claim a home office deduction under Section 280A, for
11 example, the office is used mainly and exclusively for
12 business. Number two, allow VITA site volunteers to
13 prepare tax returns for gig workers with a business
14 loss up to \$5,000. Train VITA volunteers on the
15 Section 183 loss limits, and ensure client intake
16 questionnaires and other information needed for this
17 determination, including prior year losses for the
18 activity. Number three, allow VITA sites to prepare
19 returns for gig workers with vehicle leasing expenses.
20 Number four, allow VITA sites to prepare returns for
21 gig workers who claim vehicle depreciation, including
22 bonus and regular depreciation under the Modified

1 Accelerated Cost Recovery System, train VITA
2 volunteers on how to depreciate vehicles and support
3 them with an easily-accessible desk card. Number
4 five, create a safe harbor, modeled on the simplified
5 home office expense deduction, allowing gig workers to
6 claim expenses using standard mileage rate in lieu of
7 fixed and variable costs relative for up to 10,000
8 miles each year. Taxpayers would qualify for the safe
9 harbor deduction using documentation of miles driven
10 as collected by ride-sharing or other gig platform
11 companies. Thank you.

12 MR. TARRAF: Good morning. I'm Hussein Tarraf
13 with Taxpayer Services Subgroup, and reporting on
14 Issue Number 3, "Alternatives to Wet Ink Signatures,"
15 starting on page 237.

16 Electronic signatures are increasingly used in
17 business and government transactions, streamlining
18 processes and reducing costs. However, the IRS still
19 requires wet ink signatures for forms, such as Form
20 2848 and Form 8821, when submitted by fax or mail or
21 by executors. These forms authorize certain
22 individuals to receive tax information or represent

1 the taxpayers before the IRS. The IRS has taken steps
2 toward digitalization, including allowing some forms
3 to be submitted online and providing the Document
4 Upload Tool. However, wet ink signatures do pose
5 obstacles.

6 First, many, particularly those from lower-income
7 households or senior citizens rely on smartphones
8 instead of computers, which limits their ability to
9 print or sign paper forms. Second, a requirement with
10 ink signatures from executors have delays and
11 complications, particularly when executors live far
12 from the resident's state or lack access to printers.
13 Third, U.S. citizens living overseas often face long
14 mail delays when attempting to submit forms with wet
15 ink signatures. And finally, taxpayers facing urgent
16 matters, such as overdue IRS notices or potential
17 fraud, need quicker, more efficient ways to grant
18 authorization to representatives.

19 That said, our subgroup recommends to the IRS,
20 one, the IRS should permit taxpayers and
21 representatives to submit electronically-signed Forms
22 2848 and 8821 via fax and email; second, the IRS

1 should allow court-appointed executors to access the
2 decedent's online account and treat electronic
3 signatures and Forms 2848 or 8821, paired with a court
4 appointment, the same as those from living taxpayers.
5 In conclusion, expanding the use of electronic
6 signatures on forms related to taxpayer representation
7 and decedent's estate would improve tax administration
8 and offer better service to the taxpayer. Thank you.

9 MS. BOONIN: Hello. Good morning. My name is
10 Elizabeth Boonin, and I'm in the Taxpayer Services
11 Subgroup. I am presenting Issue Number 4, "Expanding
12 and Accelerating Transcript Access." Tax transcripts
13 are leveraged by taxpayers and stakeholders for a
14 variety of reasons: researching history for notice
15 and deletion purposes and preparing tax filings and
16 for verification of income by lending institutions.
17 IRSAC's five recommendations focus on the timing as
18 related to accessing this data, the coverage of the
19 information available, and other transcripts that
20 would be useful.

21 Recommendation number one, provide wage and
22 income transcripts as soon as they are available to

1 the IRS. Make wage and income transcripts available
2 to taxpayers during tax season rather than in June of
3 the following year. This would help taxpayers and tax
4 professionals consider all reporting information is
5 accurately reflected on tax returns, thereby reducing
6 the number of AUR cases and amended returns. Number
7 two, expand information included on the transcripts.
8 Include additional fields on Forms W-2 and 1099-R to
9 include details regarding the state and local
10 withholding information to provide a more
11 comprehensive summary that can be used by tax
12 preparers to prepare accurate returns.

13 Number three, enhance Form 1099-B transcript
14 export functionality. These transcripts are often
15 lengthy because they are on a per-sale transaction,
16 which sometimes renders the actual transcript
17 undeliverable. By including a summary of this
18 information, it would become more useful. Number
19 four, improve the financial documentation for loans.
20 Enhance the tax transcript to include all the fields
21 required by the income calculations used by agencies
22 governed by the Federal Housing Finance Agency, FHFA.

1 This would help lower-income borrowers by reducing the
2 costs associated with securing loans and making loan
3 approval process faster. And then, lastly, ensure the
4 availability of key transcripts -- important
5 transcripts, like 1041 and Form 1040-X, to make those
6 available and facilitate resolution. Thank you.

7 MS. WALKER: Wendy Walker again from the
8 Information Reporting Subgroup. I'm going to read out
9 or summarize some comments that are on Notice 2023-56
10 for "Federal Income Tax Consequences of Certain State
11 Payments." This starts on page 274.

12 States frequently issue legislation authorizing
13 rebates, refunds, or other types of payments. In
14 Notice 2023-56, the IRS sought to respond to requests
15 from the states for guidance related to the federal
16 income tax consequences of certain state tax payments
17 related to the COVID-19 pandemic. The notice included
18 background on the tax treatment of state tax refunds,
19 payments that might meet the general welfare
20 exclusion, disaster relief payments, and other
21 payments. It also included information reporting
22 guidance pursuant to Sections 6041 and 6050E.

1 With respect to the general welfare exclusion, we
2 recommended that the IRS modify one of the three
3 criteria to provide a needs-based framework rather
4 than leaving it up to the states to determine what
5 qualifies for this exclusion. With respect to
6 information reporting requirements, we recommended
7 that the IRS provide examples of how states should
8 report payments that are partially taxable, only
9 taxable, or that result in a taxable payment due to
10 the general welfare exclusion. We also recommended
11 that the IRS streamline the reporting requirements for
12 states for other taxable grants and refunds that
13 aren't contemplated in Notice 2023-56 so that all the
14 reporting would occur at consistent reporting
15 threshold and on a consistent information return.

16 Finally, the IRS.gov webpages related to state
17 tax payments currently state that most taxpayers are
18 not required to include state tax payments on their
19 federal returns, which is not necessarily accurate.
20 So we recommended that the IRS update those resources
21 to provide greater clarity to both the taxpayers and
22 the states. Thank you.

1 MR. SCHAUSTEN: Good afternoon. My name is Jon
2 Schausten from the Information Reporting Subgroup, and
3 here to present Number 5, "Recommendations for Future
4 Form W-4, Employee's Withholding Certificate." That
5 is located on page 278. This subject is near and dear
6 to my heart as the lone payroll professional on our
7 group. So we offer comments in advance and future
8 updates to Form W-4 to address ways to simplify form
9 completion for employees, help prevent underreporting
10 of forms completed now and after expiration of certain
11 provisions of the Tax Cuts and Jobs Act of 2017, the
12 TCJA, after 2025, and provide a break between the
13 current law and future changes as follows:

14 Revert Form W-4 to the prior version, keep the
15 current format as an alternate method to transition
16 back to the previous versions of Form W-4 for a year,
17 simplify Form W-4 options for taxpayers who work
18 multiple jobs and have a spouse who also works, and
19 provide easy-to-use instructions to understand the
20 impact to their taxable income; future-proof Form W-4
21 for taxpayers with qualifying children or relatives,
22 standardize the format for electronic forms for

1 claiming exemptions from withholding; inform taxpayers
2 of the need to update Form W-4, provide robust
3 communication campaign and computation bridge to
4 facilitate TCJA changes effective January 1, 2026. We
5 appreciate your consideration on these comments, and
6 IRSAC appreciates the opportunity to respond. Thank
7 you.

8 MS. NELLEN: Thank you.

9 MR. CORBIN: All right. Well, thank you all for
10 those report-outs. You know, there are a couple of
11 comments and things I want to say to the
12 recommendations, and obviously we're going to take all
13 these recommendations back, evaluate them, see how we
14 can implement them moving forward for tax
15 administration. I think when I review not only the
16 Taxpayer Services portion of the report, but the
17 entire public report, there are some key things or
18 foundations that just resonated strongly with myself
19 and impacts Taxpayer Services.

20 One, I felt that the report set a baseline for
21 setting expectations for customers, whether it was in
22 transparency of our Level of Service metric, or

1 simplifying the W-4 Form, or setting up expectations
2 so customers, tax pros, volunteers could know what to
3 expect. The second thing I got out of the report was
4 around access. There's clearly a nexus around making
5 sure that whether access is online, on the phones,
6 through chat or voicebots, or through however that
7 interaction takes place, that access is made available
8 to those who we have the opportunity to serve. And
9 then with that access, to have choice, choice around,
10 however their question is or what they're trying to
11 do, filing or paying, or just understanding how to
12 administer the tax laws, to highlight choice as a
13 mechanism for customers/taxpayers to be able to do
14 what they need to do.

15 And then foundationally in that is in that
16 choice, how you serve, and what I love is that I
17 talked about Taxpayer Services being in our name, but
18 "Service" is also in the committee's name. "Service"
19 is also in the IRS's name. It is a part of who and
20 what we are as tax administrators, and I think that as
21 we continue to digest and to take this report to heart
22 and the recommendations that we form with it, at its

1 very core and its very foundation, the word that I was
2 left with was "trust." The report was about building
3 trust among the community and those we have the
4 opportunity to serve. I'm very proud to be your chief
5 of Taxpayer Services Division. We will make this
6 report as required reading for all of our executives.

7 (Laughter.)

8 MR. CORBIN: I think it's important that they not
9 only know why we're here and who we represent, but
10 also the voice of those who have gathered here and
11 been able to serve on this committee.

12 I did want to take a moment to recognize Alison
13 for the great leadership she's provided this year, and
14 just thank you so much for that. The words I'm
15 speaking are coming from your leadership and what
16 we're getting from the report, and so I just want to
17 say for myself, the Taxpayer Services family, thank
18 you for what you've done this year. We appreciate you
19 and look forward to working in the future. Thank you
20 all.

21 (Applause.)

22 MS. NELLEN: All right. So that was our Taxpayer

1 Services Subgroup and reports. Next, we have the
2 SB/SE Subgroup reports and I'm pleased that Lia
3 Colbert is here to hear our reports.

4 MS. COLBERT: Hey, everybody

5 (Side conversation.)

6 MR. CORBIN: No, no, standing ovation.

7 (Cheers.)

8 (Side conversation.)

9 MS. NELLEN: Thank you.

10 MR. SANNICANDRO: Good morning again. I'm Larry
11 Sannicandro with the SB/SE Subgroup. I'll be
12 reporting at this time on SB/SE Issue Number 2, which
13 begins on page 184 of the report, concerning the
14 topic, "Educating the Public on the Revenue Officer
15 Position." By way of background, the IRS has taken
16 various steps to make the tax collection process more
17 predictable and efficient. The IRS asked the IRSAC to
18 help the IRS explain to taxpayers and practitioners
19 roles and responsibilities of our revenue officer as
20 well as how to prepare for a meeting with a revenue
21 officer.

22 We have several recommendations. One, consider

1 changing the official job title of revenue officer to
2 "tax collections officer" or "revenue collections
3 officer," or some other title that more precisely
4 conveys to the taxpayer the duties the employee
5 performs; two, update Publication 594 and 1660 as well
6 as existing collection letters to explain in simple
7 and non-technical terms what a revenue officer is and
8 what are revenue officers' responsibilities; three,
9 create a webpage that we refer to as the "Revenue
10 Officer Landing Page," and publications entitled,
11 "What is a Revenue Officer -- What Is a Revenue
12 Officer and What Should a Taxpayer Do When Contacted
13 by a Revenue Officer." Our report contains the
14 proposed publication addressing this topic; four,
15 invest in search engine optimization so that the
16 Revenue Officer Landing Page, as opposed to
17 information from tax resolution firms, receives a top
18 ranking in search engine results; five, include a QR
19 code and link to the Revenue Officer Landing Page on
20 any collection notice issued by a field office;
21 finally, have revenue officers promptly, upon
22 assignment to a taxpayer, introduce themselves by

1 sending Letter 725-B, which the IRSAC provides, to
2 explain to taxpayers how to prepare for a meeting with
3 a revenue officer. Additional details are included
4 with the full report. Thank you.

5 MR. PORTER: Hi. I'm Jeff Porter with the SB/SE
6 Subgroup, and I'll be reporting on Issue Three,
7 "Disaster Assistance to Improve the Taxpayer
8 Experience," which can be found on page 194 of the
9 Report. This issue was identified by the SB/SE
10 Division to get ideas on how to improve IRS assistance
11 to taxpayers in disaster situations. The Division
12 requested ideas on delivering relief information more
13 quickly to taxpayers in a federal relief disaster
14 area, as well as helping these taxpayers with certain
15 tax-related activities. The Division also requested
16 ideas on new streamlined procedures for processing
17 requests for additional time to replace property under
18 Section 1033 on Voluntary Conversions.

19 So, accordingly, the IRSAC offers the following
20 recommendations. First, expand taxpayer alerts and
21 assistance. Utilize all resources to help disaster
22 victims know of postponed tax actions and disaster tax

1 rules. The IRS Stakeholder Liaison and others have
2 connections with many community groups who can help
3 distribute information. Stress with media outlets
4 that tax information needs to be promoted along with
5 information from FEMA and other relief agencies. Help
6 VITA and TCE sites to remain open and keep Direct File
7 open until the postponed filing date.

8 Number two, make changes to reduce filing errors
9 and problems that can occur with postponed due dates.
10 When the postponed due date during disasters is
11 October 15th or later, provide one additional month
12 for individuals or one less month for partnerships and
13 S corporations to better ensure that individuals
14 receive Schedules K-1 prior to the due date of their
15 individual tax return. When the postponed due date
16 for a disaster is October 15th or later, work with
17 FinCEN to also have the FBAR date postponed in order
18 to avoid confusion and provide consistency. Use
19 taxpayer account information to avoid sending Notice
20 CP14, Notice and Demand, to a taxpayer who has filed a
21 tax return but still has time to make the tax
22 payments.

1 Number three, issue additional information and
2 guidance about disaster administrative tax relief.
3 Explain postponement versus extension dates on
4 existing websites about disaster relief, and include
5 whether disaster victims should also file for an
6 extension. Also provide a list of acts that are not
7 covered by that postponement. Improve the process for
8 requests for additional time to replace property under
9 Section 1033. This process should include that the
10 taxpayer making the request receive acknowledgement of
11 the receipt by the IRS within 10 days and an answer to
12 the request within 30 days.

13 And number four, add functionality to the online
14 accounts to help disaster victims. Alerts should be
15 posted in the online accounts of the taxpayers with
16 mailing addresses in the disaster area to let them
17 know of the postponement date and the IRS disaster
18 resources, and digitize the process to request
19 additional time to replace damaged property under
20 Section 1033. This process should allow taxpayers to
21 submit the request through their online account. It
22 should also provide taxpayers with an acknowledgement

1 that the request is received, when a decision is
2 likely, and provide the IRS decision.

3 And I also would like to speak to our comment
4 letter on the 2024 "Draft Schedule 1, Form 1040,
5 Additional Income and Adjustments to Income," which
6 can be found on page 268 of the report. We issued a
7 comment letter on August 22 recommending changes to
8 improve reporting on various types of non-wage income,
9 improve the accuracy of income reporting, and reduce
10 the likelihood that a taxpayer will receive IRS Notice
11 CP2000 despite proper reporting of their income. We
12 made comments on Line 8b, "Gambling," Line 8c,
13 "Cancellation of Debt," Line 8j, "Activity Not Engaged
14 in For Profit," Line 8r, "Scholarships and Fellowship
15 Grants," and other loan items.

16 In addition, we also recommended that the IRS
17 consider adopting a new form or schedule to enable
18 taxpayers to reconcile Form 1099 Series. There are
19 several reasons why various types of information and
20 terms need to be reconciled to be properly reported on
21 the recipient's tax return and to avoid receipt of a
22 Notice CP2000. Generally, these Forms 1099 are

1 correct per the law applicable to the issue, but for
2 many reasons, they need adjustment to be properly
3 reported on the taxpayer's federal income tax return.
4 Thank you.

5 MS. NELLEN: Thank you.

6 MS. COLBERT: Now it's mine.

7 MS. NELLEN: Yes.

8 MS. COLBERT: So I get so excited to come to this
9 because of the depth at which you all look at really
10 complex issues, and I really have always appreciated
11 that partnership and the passion that you bring to the
12 topics that we have you look at. So in case you're
13 wondering where that energy was with Ken, it really
14 is. I just look forward to the thoughtful review you
15 give to the complex issues we're facing. And I also,
16 you know, reflect on, you know, the scope of things
17 that sit under SB/SE, the Office of Servicewide
18 Penalties, the Office of Servicewide Interest, the
19 Servicewide Disaster. You might not think Small
20 Business Self-Employed touches those things, but we
21 deeply impact and touch taxpayers in those lanes, and
22 so it's very important that we're listening to these

1 things that maybe don't feel like compliance. They
2 might feel more of service. They might feel, well, if
3 we don't get that right, there'll be a downstream --
4 we'll get caught in the compliance fears impact.

5 So there is a tick and tie there, and I just have
6 really welcomed and, really, in reading your
7 recommendations here, how thoughtful you are about
8 even the disaster issue, which I'm really very
9 passionate around, particularly given the increase in
10 disasters and in what we're looking at in terms of the
11 taxpayer uptake or non-uptake of the benefits and
12 credits that are available to take when planning
13 certain disaster relief, the time that they're even
14 unaware that they have extensions. I mean, and you
15 just put yourself in those taxpayers' shoes, and you
16 just really feel a sense of we owe them more. So
17 that's an area where we're going to be doing even
18 more, and your recommendations are very thoughtful,
19 and we are going to be plugging them in along this
20 next year. So just really appreciate the passion that
21 you all brought to the recommendations.

22 And then just broadly, the revenue officer --

1 where's Larry? The revenue officer recommendation,
2 and I think he laid out the passion we have around the
3 safety of our workforce. It is a taxpayer experience
4 that they clearly understand what our revenue officers
5 out in the field are doing, but, similarly and as
6 importantly, it's a safety issue that my folks feel
7 protected out there and feel that there's an
8 understanding from the community of why they're at
9 their doors. Very much, revenue officers help resolve
10 taxpayers' accounts. They are not out there just
11 trying to get that Lamborghini, but if you have 10 of
12 them, you will likely not have that many at the end of
13 that journey.

14 (Laughter.)

15 MS. COLBERT: But, you know, really, they're also
16 very often the first face of explaining that taxpayer
17 account and so that those taxpayers have an
18 understanding of that role so that when they're there,
19 they're not met with any kind of anti-government fury
20 or any kind of anti-government feelings, and/or just
21 the feeling that the taxpayer doesn't understand that
22 that man or woman breathes on the planet. Super

1 passionate about that, maybe just because safety is
2 really paramount to all of what SB/SE stands for, and
3 personally, as you all know me, I started my career as
4 one of those door-to-door revenue officers. So it
5 kind of brings home to me how unsafe I personally felt
6 in some of those environments and how passionately you
7 all took that recommendation. So there's a lot we can
8 do there.

9 Other great information you've given us to work
10 with. As always, we find you just to be incredibly
11 insightful and passionate around the issues we have
12 with taxpayers. Maybe I'll have you seek out a better
13 name for us. I came in with Ken --

14 (Laughter.)

15 MS. COLBERT: And that's just kind of a sidebar.
16 I know I probably need to give myself my own hook, but
17 Small Business Self-Employed doesn't say -- I mean,
18 about, you know, the work we do, how we're trying to
19 serve taxpayers. And our focused drive this year,
20 which maybe you guys can huddle with me at some point,
21 you'll see that we do have this focus on really making
22 sure our employees feel empowered, that our employees

1 feel empowered that they have a voice to help drive
2 kind of their own future here. We're so dependent on
3 their passion and energy to the workforce, to the
4 taxpayers they serve, and also helping taxpayers to
5 comply, really flipping that, helping taxpayers. The
6 Tax Code's complicated. Not it. Not my fault. But
7 it is important that our employees see it as their
8 duty to help taxpayers understand and get out of our
9 gears as quickly as possible and seamlessly as
10 possible. So we're really talking a lot about that,
11 and you all just help us get to that place just almost
12 organically. So thank you all for your insights, your
13 leadership, and, look, I'm hooking myself.

14 (Laughter.)

15 MS. COLBERT: Right on time. Thank you, guys. I
16 appreciate it.

17 (Applause.)

18 MS. NELLEN: Also something to note, when we were
19 meeting with folks about getting information on
20 disaster relief, some of the things we recommended,
21 they made the changes right away, and that happened
22 with many of the subgroups as well, so it's really

1 nice to see the partnership there. Thank you.

2 MS. COLBERT: Take care. Thanks, guys.

3 MS. NELLEN: Okay. Moving right along. Next, we
4 have the TE/GE Subgroup, and they are presenting to
5 Edward Killen, Commissioner, and Robert Choi, Deputy
6 Commissioner. Thank you.

7 MR. KILLEN: Good morning.

8 ALL: Good morning.

9 MR. KILLEN: Just wanted to acknowledge in
10 advance the report out - it is much appreciated - and
11 think people are going to be very interested in the
12 comment section. So I'm going to ask for comments at
13 the end, but really just in advance, just want to
14 acknowledge the great work that's been done here.
15 We're very appreciative. Most of these are things
16 that we asked for - we asked the IRSAC - to take a
17 look at this, and so it's very much appreciated.

18 MS. KESSLER: Hello. I'm Jodi Kessler, and I
19 will be reporting on Issue 2, "TEOS and EO BMF
20 Improvements," which starts on page 210.

21 The IRS TE/GE Division requested that IRSAC
22 provide input on how to improve its two most essential

1 public domain databases: Tax Exempt Organization
2 Search -- TEOS -- and the EO Business Master File --
3 EO BMF. TEOS offers both a tax-exempt organization
4 search tool as well as tax-exempt organization
5 searchable data download in XML format, and the EO BMF
6 provides comma-separated value, CSV files, for exempt
7 organization information or download by state of
8 organization as well as statistical data. The IRSAC
9 commends the IRS TE/GE on the extent of data
10 available, the efforts to provide the info in a clear
11 and concise manner. IRSAC makes four recommendations
12 to further improve the databases.

13 First, update the documents of data available on
14 both TEOS and EO BMF with a full and complete posting
15 of all documents on a timely basis to the extent
16 practical. Investigate and implement operational
17 improvements to ensure all available data is uploaded
18 and available on the IRS website in a timely and
19 consistent manner, and the information posted is a
20 complete representation of the most recently filed
21 information with the IRS. Third, allow for keyword
22 searchability for the data available on the TEOS bulk

1 data download webpage, and finally, organize the EO
2 BMF CSV files by organization name as opposed to the
3 state of incorporation to assist the public in
4 efficiently finding the information. Thank you.

5 MR. STEINMETZ: Hello. I'm Cory Steinmetz with
6 the TE/GE Subgroup. I'll be presenting our Issue 3,
7 "Improving Communications and Data Sharing Between the
8 IRS and Various State Agencies." This is on page 213
9 of the report.

10 The IRS is looking to strengthen information
11 sharing between state partners by fostering a more
12 robust exchange of information. Currently, the IRS
13 has information sharing Memorandums of Understanding
14 with approximately seven states for exempt
15 organization information. There are a few hurdles to
16 wider acceptance. These include knowledge of the
17 program, MOU language not meeting state standards, and
18 the data protections being put in place for this
19 information. Knowledge of this program can be
20 remedied by leveraging the contacts that the IRS
21 already has within numerous state agencies. And
22 outside organizations, like the National Association

1 of State Charity Officials, will also be a useful ally
2 there as well. MOU language will need to have some
3 flexibility to align with state contracting or
4 operational requirements. With that, the IRS will
5 need to make sure the information also can be
6 transmitted in a common and useful way.

7 The last difficulty is the classification of the
8 data. Currently, the IRS is providing this
9 information under Section 6104(c) of the Internal
10 Revenue Code, which requires that information be
11 protected under the rules in Section 6103, even though
12 much of the information is also publicly available.
13 The state agencies, or specific departments that need
14 this information are typically not prepared to comply
15 with Section 6103. They do not need the entire return
16 because a limited data set would typically meet their
17 needs and support their mission, the most important
18 data being loss of charitable status. And when that
19 occurred, the failure of filing required documents or
20 returns. As such, we recommend that the IRS identify
21 state-level contacts, provide that they share
22 information in a flexible manner, account for the

1 varying needs across the state regulators, and make
2 this information an investigative disclosure under
3 Section 6103(k)(6) of the Internal Revenue Code.

4 Thank you.

5 MR. GRIEB: Hello. My name is Steven Grieb. I'm
6 with the Tax-Exempt and Government Entities Subgroup.
7 I will be presenting on TE/GE Issue Number 4 relating
8 to "Retirement Plans and Determination Letters." It's
9 on page 215.

10 The Determination Letter Program for qualified
11 retirement plans is a process pursuant to which the
12 IRS confirms that a 401(a) retirement plan is
13 qualified in written form. The general program ended
14 in 2016. As a result, the plan sponsor that amends an
15 individually-designed 401(a) plan can no longer apply
16 for or receive an IRS determination letter. Following
17 the required plan amendments for SECURE 1.0, SECURE
18 2.0, and the CARES Act, the IRSAC strongly supports
19 allowing plan sponsors of individually designed 401(a)
20 plans to request a one-time determination letter. The
21 2024 IRSAC report recommends that the IRS continue to
22 provide plan sponsors with the tools to ensure that

1 their documents are compliant before they file for a
2 determination letter; update the Form 5300 and the
3 submissions process in ways that will facilitate the
4 IRS review of plan documents; stagger the initial
5 eligibility to submit applications based upon the plan
6 sponsor's EIN; increase the determination letter
7 submission fee for large plans; and issue
8 determination letters covering all amendments,
9 discretionary and mandatory, since the last
10 determination letter received by the retirement plan.
11 Thank you.

12 MR. BENDER: Good morning. Commissioner Killen,
13 Deputy Commissioner, good to meet you. Fellow IRSAC
14 members, my name is Joe Bender, and I would like to
15 present Issue Number 5 from the Tax-Exempt and
16 Government Entities Subgroup of the IRSAC. If you're
17 looking on the Master Report, this starts on page 221.
18 This issue relates to penalties that can be imposed on
19 exempt entities that file their annual returns late.

20 Under the Code, exempt organizations that file
21 their annual returns late can be subject to late
22 filing penalties, and if the non-filing occurs three

1 or more years, the exempt organization can lose its
2 exempt status. However, the Code provides an exempt
3 organization may seek to have late filing penalties
4 abated if there's reasonable cause for the late
5 filing. We know that there are a number of well-
6 established precedents and guidelines that tell you
7 what constitutes reasonable cause for a late filing.
8 That being said, the IRSAC notes that many exempt
9 organizations are unaware of the guidelines of the
10 requirements to have a late filing penalty abated.
11 Additionally, we know that there are specific
12 guidelines that an exempt organization has to follow
13 in order to have a late filing penalty abated.

14 Accordingly, we recommend that the IRS prepare a
15 template document that can be sent to exempt
16 organizations at the same time that the IRS would send
17 a Notice of Late Filing. The template would, first,
18 explain the ability of the exempt organization to seek
19 abatement of the late filing penalty; second, the
20 template document would provide a list of the
21 generally-accepted guidelines and reasons for late
22 filing penalties to be abated; and finally, the

1 template document would include the process that the
2 exempt organization would follow to have the penalty
3 abated.

4 The IRSAC notes that much of this information
5 that we envision would be in a template document
6 exists already, and the goal would be to simply take
7 all of this existing information, bundle it up in one
8 ready and easily-readable document, and send it to the
9 exempt organizations at the same time that the exempt
10 organization received its late filing notice. Thank
11 you very much for your time.

12 MR. YACKER: Good morning. I am Brian Yacker,
13 and I will be presenting Issue Number 6 for the TE/GE
14 Subgroup, which is titled, "Providing Submission
15 Acknowledgements to Exempt Organization Filers," and
16 that can be found on page 224 of your quite voluminous
17 IRSAC Public Report.

18 When filing certain non-tax forms with the IRS,
19 for example, a Form 4506, which has to do with
20 requesting a copy of a tax return - a non-filer tax
21 return, Form 5768, having to do with making a final
22 1(h) lobbying election for 501(c)(3)s, or a Form 8822-

1 B, a change of address form, or filing certain
2 correspondence with the IRS, for example, a reasonable
3 cause penalty abatement letter for late filing on a
4 nonprofit tax return, as Joe just went over - exempt
5 organizations are often unsure whether the IRS
6 actually received the submission and what is the
7 general processing time for their submission. They're
8 often left in the dark regarding this. This
9 particularly causes a lot of angst for the exempt
10 organization, not knowing whether the IRS received the
11 submission and not knowing when the general time is
12 that it will be processed.

13 Because of the fact that many exempt
14 organizations are filing these non-tax forms with the
15 IRS or filing certain correspondence with the IRS,
16 like these kind of reasonable cause penalty abatement
17 letters, notice responses, or requesting approval of a
18 private foundation scholarship program, it is
19 certainly very important to exempt organizations to
20 have at least a status update regarding, again,
21 whether the IRS received it; an acknowledgement,
22 whether the IRS received the actual submission and

1 when the nonprofit can expect to receive a response.

2 So that said, we recommend that upon receipt of
3 any of these non-information tax return forms, that
4 the IRS provide the nonprofit submitter with an
5 automated acknowledgement of receipt, and also an
6 estimate of the time frame that the IRS believes it
7 will take for the IRS to process such form or
8 correspondence. Thank you.

9 MR. KILLEN: All right. Thank you. Thank you so
10 much. I think, first of all, I just really want to
11 acknowledge the brave work done by the subgroup as a
12 whole. You know, it is not lost on us that you all
13 are busy people who have a lot going on, but we
14 greatly need and appreciate your contribution to tax
15 administration, particularly to the exempt sector. We
16 know -- and I feel somewhat -- like I said, the same
17 thing briefly, but I think it's important to
18 acknowledge the diversity in the exempt sector.

19 I think our stakeholder base is really reflective
20 of a broad spectrum. We have the exempt
21 organizations, social clubs, charities, churches,
22 schools, hospitals. We have municipalities and state

1 governments, federal agencies as well. Then there's
2 the plan community, which represents not just the
3 practitioners certainly, but also the entities that
4 are trying to provide retirement for their employees,
5 whether they be defined benefit and defined
6 contributions. And then, of course, we have the tribal
7 entities. And so TE/GE is representative of that
8 diversity of the exempt sector, and we cannot do our
9 job effectively if we do not have outreach, liaise,
10 listen to, and gain perspectives of people who are
11 plugged in to the various stakeholders within the
12 exempt field. And so in that regard, we've relied on
13 the expertise, contributions, and perspectives of
14 people like yourselves, so I certainly appreciate your
15 leadership. I also do want to acknowledge the
16 multiyear contributions of Jodi Kessler and Sam Cohen,
17 and Tara Sciscoe, who I know is not here today,
18 because it's very much appreciated.

19 With respect to the actual recommendations, they
20 were very thoughtful, and, as I said earlier, I think
21 the bulk of these are things that we asked you all to
22 look into on our behalf, and we do that for many

1 reasons. There may be things that we're thinking
2 about doing and we need a validity check and a sanity
3 check, and we depend on IRSAC and the TE/GE Subgroup
4 to help us with that. Also, there are things that
5 we're not aware of, and so we depend on you to
6 exercise your independent judgment and perspective to
7 bring those things to us. And we have a unique
8 obligation in TE/GE to be transparent, and we know
9 that that is a vital part of our responsibilities as
10 stewards of the exempt sector. So any sort of ideas
11 around things that we can do to enhance that
12 transparency, and we've tried to do a lot of work in
13 that regard, we know we have a lot more work to do to
14 be reflective of the over two million exempt
15 organizations, you know, that exist and are out there.

16 So we appreciate the recommendations that you
17 have provided, and also in regard to the way in which
18 we can interact with our taxpayer base because, hey,
19 that is our extremely important muscle because part of
20 that diversity in the exempt sector is just the
21 reality of the people who make up these entities.
22 Often, they're volunteer organizations, and certainly

1 there's frequent turnover, and there's varying levels
2 of sophistication and expertise. They are people who
3 are just trying to do the right thing, but they may
4 not necessarily have the unique awareness of all the
5 requirements. Certainly you all in your capacities as
6 practitioners assist with that, but we know there's a
7 lot that needs to be done.

8 So all that's just really a long way of saying
9 that we need you. We appreciate you. We'll have a
10 fresh round of things that we want to ask you to look
11 into here very, very shortly. We take these
12 recommendations very seriously, and although I won't
13 opine on the outcome right now, please know that we do
14 talk about these with intentionality, once we have
15 received these recommendations, to try to chart the
16 best course. So just really want to thank you for
17 that.

18 MR. CHOI: Thank you, Edward, and good morning,
19 everyone. Just a couple of quick thoughts. In
20 looking at the recommendations, which both Edward and
21 I appreciate, we have given it deep thought. These
22 recommendations touch on service, service in terms of

1 things that we can do to meet the needs of the TE/GE
2 constituents as well as service to the general public
3 in terms of more data availability, and I think that
4 we have continued to work at this. We've been doing
5 this for quite a while. It's a never-ending task of
6 identifying deficiencies, and so we welcome the
7 recommendations from the IRSAC members whenever they
8 have identified opportunities for us to review and to
9 look at to see how we can continue to improve. I
10 mean, that's why we're here, to try to meet the needs
11 of our taxpayer base and of the greater public as a
12 whole. And so these recommendations will help us
13 focus on certain areas that you've identified where we
14 do have opportunities to see how we can improve the
15 way that we provide service to the greater public as a
16 whole. So thank you.

17 MR. KILLEN: Thank you very much.

18 MS. NELLEN: Thank you.

19 (Applause.)

20 MS. NELLEN: All right, thank you, and continuing
21 to move right along because I see our next
22 commissioner is here. The next subgroup will be LB&I,

1 and we have Commissioner Holly Paz to hear the report.
2 We've got our LB&I folks all lined up ready to go.
3 All right.

4 MR. MASSOUD: Good morning, everyone. My name's
5 Anthony Massoud from the LB&I Subgroup. Today I'll be
6 presenting Issue Number 2, "Processing of Net
7 Operating Loss Carryback Claims Under the CARES Act of
8 2020, and Erroneously Rejected Claims." This topic
9 was written up by Thomas Wheadon and can be found on
10 page 147 of the report.

11 The CARES Act provided corporate taxpayers with
12 the ability to carryback net operating losses to
13 offset prior year's income, offering much-needed
14 liquidity during a challenging economic period.
15 Unfortunately, the IRS encountered significant delays
16 in processing refund payments. Many businesses faced
17 financial strain due to the extended wait times, and
18 some claims were erroneously rejected due to the
19 misapplication of the refunds statute of limitations
20 and discrepancies in IRS records. It is important to
21 discuss the need for improvements, not just to address
22 current problems, but to prepare for future refund

1 searches. It became evident that the IRS's existing
2 infrastructure, which relies heavily on paper
3 processing for such refund claims, could not handle
4 such a significant increase in volume. These delays
5 not only create undue pressure on corporate taxpayers,
6 they are also costly to the IRS. In 2021 alone, the
7 IRS incurred \$61 million in interest expense due to
8 late refund payments related to annual carryback
9 claims. Corporate taxpayers also encountered
10 erroneous rejections of their claims. These
11 rejections were mainly due to improper interpretations
12 of the relevant statute. Claims were also rejected
13 because the IRS records for the carryback year did not
14 exactly match the taxpayers' recorded income and
15 deductions, even in cases where there's sufficient
16 income to offset the loss.

17 In conclusion, the IRSAC has the following four
18 recommendations: one, issue a revenue procedure for
19 erroneously rejected claims; two, develop contingency
20 plans for future processing surges; three, enhance
21 digital processing capabilities and permanently
22 implement e-filing; and four, increase transparency

1 and accountability. Thank you.

2 MR. WHEADON: Good morning, everyone. I'm Thomas
3 Wheadon from the LB&I Group, and I will be presenting
4 our third issue, "Revising and Expanding the
5 Streamlined Domestic Offshore Procedures," as found on
6 page 153 of the report.

7 The Tax Cuts and Jobs Act of 2017 completely
8 overhauled our international tax system and introduced
9 new, more detailed filing requirements for taxpayers
10 with interests in foreign corporations. In the years
11 since, these filings continue to evolve, become more
12 complicated, and all the while there's been some
13 continuing uncertainty around the underlying law and
14 accounting regime for noncompliance. Consequently,
15 IRSAC believes that there is substantial non-willful
16 noncompliance in this area, which is particularly
17 problematic since the IRS generally has less
18 visibility when it comes to foreign assets and income,
19 and they rely heavily on voluntary compliance. Given
20 this, IRSAC believes it is critical to provide
21 accessible solutions for taxpayers to resolve multiple
22 years of non-willful international noncompliance.

1 The current options for this include the
2 Delinquent International Information Return Submission
3 Procedures for maintaining a required disclosure.
4 These both require separate amended returns for each
5 year of noncompliance and potentially expose taxpayers
6 to ordinary heavy penalties. Furthermore, given the
7 indefinite statute of limitations for assessment on
8 years with certain non-filed international returns,
9 these options can be very burdensome and overwhelming.

10 And there's also the streamlined domestic and
11 foreign offshore procedures. Through these
12 procedures, taxpayers can address any and all
13 historical non-willful noncompliance related to
14 foreign corporations in a single submission covering
15 three to seven years. However, this is only available
16 to individuals and estates with unrecorded income, and
17 the associated submission fee can actually be more
18 severe than the penalties. Additionally, the appeals
19 are different for U.S. citizens relating to anyone
20 outside of the U.S.

21 And so our recommendations are as follows: one,
22 expand the Streamlined Domestic Offshore Procedure

1 eligibility to include more taxpayers, such as those
2 without unreported income and also entities and
3 corporations; two, revise and reduce the fee to make
4 the procedures more equitable and accessible to
5 taxpayers; and three, revise the filing requirements
6 so no taxpayer is required to file more than four
7 years of certain delinquent returns.

8 I will also be presenting our fourth issue, which
9 is to "Simplify Reporting for Individuals Electing to
10 be Taxed Under Section 962 at Corporate Rates on
11 Income Inclusions," and this can be found on page 161.

12 So the Tax Cuts and Jobs Act of 2017 also
13 introduced the concept of Global Intangible Low-Tax
14 Income, or GILTI, along with various changes to
15 corporate tax rates and incentives. This has brought
16 renewed attention to Section 962, which is an election
17 that individual taxpayers can make to be taxed at
18 corporate rates on certain incomes from Controlled
19 Foreign Corporations, or CFCs. When utilized, this
20 election can significantly reduce and defer an
21 individual's tax liability arising from their CFC
22 interest. However, the process for making and

1 reporting a Section 962 election is complex. It
2 requires a statement with multiple detailed
3 disclosures, impacts several individual income tax
4 returns, and requires forms, such as Form 8993 and
5 1118, which are typically reserved exclusively for
6 corporate taxpayers and oftentimes will be attached as
7 an attachment.

8 To address these complexities, IRSAC recommends
9 creating a standardized, more convenient method for
10 individuals to report 962 elections and the associated
11 tax complications and attributes. This includes
12 revisions to Forms 8992 and 5471, allowing the
13 truncating of previously taxed earnings and profits as
14 well as subsequent distributions. The report includes
15 seven specific recommendations and provide more
16 detail. Thank you for your time and consideration.

17 MS. PAZ: And I want to thank the LB&I IRSAC
18 Subgroup for their work this year. As you can see, it
19 was a very diverse mix of issues, touching on
20 different parts of the LB&I taxpayer population, and
21 issues that we had not touched upon in previous years,
22 so we really do appreciate that. As was noted in the

1 report, we asked the subgroup to look at the
2 examination procedures, and they were kind enough to
3 take that on. That's an issue that we've been
4 thinking about within LB&I and have received feedback
5 from our employees, so it's really important to us to
6 get that external perspective as well. So we really
7 appreciate the subgroup looking at that and the
8 recommendations that they made.

9 Also, I think it's incredibly helpful at this
10 time when we're thinking about IT modernization to
11 have that perspective the subgroup provided as far as
12 what large business taxpayers would like to see in
13 business online tax accounts and prioritizing those.
14 I think that's incredibly helpful. There's a lot of
15 potential there to get that taxpayer input of what
16 they would utilize the most I think is really key, and
17 we really do appreciate the look at the 962 issue as
18 well as the Streamlined Domestic Offshore Procedures.
19 We definitely understand the concerns that led to the
20 recommendations, so we will be evaluating those
21 recommendations as well. So very much enjoyed working
22 with the group and looking forward to doing so next

1 year.

2 I do want to thank -- I do see Dawn is not here
3 it looks like. Dawn and Katrina are rolling off this
4 year. I want to take this opportunity to thank them.
5 We've enjoyed working with them for several years now
6 and looking forward to working with the rest of the
7 group next year. Thank you.

8 (Applause.)

9 MS. NELLEN: Okay. Moving along. Our next group
10 here, our fifth subgroup, is Information Reporting,
11 and they've got a few reports and a couple of letters
12 to present, and we have Paul Butler with the Associate
13 Chief Counsel. Any additional remarks, or you want to
14 --

15 MR. BUTLER: Jump right in.

16 MS. NELLEN: Very good. Thank you. All right.
17 Jump right in.

18 MS. NAKANO: Hello. My name is Susan Nakano, and
19 I'm going to be presenting Information Reporting
20 Subgroup Issue Number 2, as well as information about
21 a comment letter that we sent regarding Notice 2024-
22 55. The topic relates to "SECURE Act Request for

1 Certain IRA Tax Reporting Guidance,” as does our
2 comment letter to the Notice. The issue can be found
3 on page 112. The comment letter is on page 283.

4 The IRSAC provided comments to the IRS Notice
5 2024-55 regarding exceptions to the 10-percent early
6 withdrawal penalty for distributions from retirement
7 accounts, and also in its report, request guidance
8 regarding repayments of IRA distributions permitted by
9 the SECURE Act and SECURE 2.0. In this report, the
10 IRSAC seeks guidance regarding repayments that an
11 individual retirement arrangement owner might make
12 after having taken distributions specifically listed
13 in the SECURE Act and SECURE 2.0.

14 The individual retirement arrangement, or IRA, is
15 a valuable tool for taxpayers to save for retirement,
16 especially when the taxpayer does not participate in a
17 workplace retirement plan. Money in an IRA is
18 intended as long-term savings for retirement, so pre-
19 retirement distributions may be subject to a 10-
20 percent early withdrawal penalty. But Congress
21 recognizes that extraordinary events happen in a
22 person's life and provides a list of reasons money can

1 be taken out early without penalty assessed and then
2 repaid to the IRA. The final regulations and form
3 instructions are not clear what IRA administrators may
4 rely on to treat repayments as permitted under the
5 SECURE Acts.

6 An IRA administrator left to its own judgment may
7 prevent a taxpayer from restoring money to a
8 retirement account, or, conversely, might accept
9 amounts as repayment when they should not be accepted.
10 IRA distributions are at will, and repayments may be
11 to a different institution than the distributing
12 institution. An IRA administrator cannot have actual
13 complete knowledge regarding all distributions and
14 repayments, so is unable to rely on its own books and
15 records to know whether to accept a repayment.

16 We ask that the IRS permit an IRA administrator
17 to rely on a customer's statement that a specific
18 exception permitting repayment of funds. This will
19 allow an IRA administrator to confidently accept an
20 IRA repayment while simultaneously supporting the
21 integrity of the IRA ecosystem. The IRSAC also
22 requests that the IRS provide model language for such

1 statements. Third, the IRSAC requests confirmation
2 that taxpayer does not need a soft penalty waiver to
3 repay a distribution to an IRA under the SECURE Acts.
4 And then finally, as mentioned at the beginning, the
5 IRSAC submitted a comment letter with respect to IRS
6 Notice 2024-55 in October. In that letter, we
7 discussed some of these topics already mentioned, as
8 well as asking the IRS to confirm the practical
9 maximum that can be repaid for emergency personal
10 expense distributions and confirm that there's no
11 annual limit to the amount that a taxpayer may take as
12 a domestic abuse victim distribution or repayment
13 under Internal Revenue Code Section 72. Thank you.

14 MS. WALKER: Hello. I'm Wendy Walker,
15 Information Reporting, and I'm going to read Issue
16 Number 3, "SECURE 2.0 Act Qualified Tuition Program
17 Transfer to Roth IRA."

18 SECURE 2.0 added Section 529(c)(3)(E) which
19 provides for a new transaction, a rollover
20 distribution from a 529 long-term qualified tuition
21 plan to a Roth IRA. The requirements in this statute
22 do not indicate which party is responsible for the

1 activities that are outlined in the new section.
2 IRSAC recommends that the IRS provide official
3 guidance regarding any considerations that the 529 QTP
4 administrator must apply to evaluating the specific
5 qualification requirements. We also recommend that
6 the IRS provide official guidance that the role of the
7 Roth IRA administrator in the transaction is limited
8 to ensure annual contribution limits for the IRA plan
9 are not exceeded, that the funds are received as a
10 direct rollover, and that information reporting should
11 occur on Form 5498, IRA Contribution Information.
12 Third recommendation is that IRSAC recommended that
13 the IRS provide official guidance as to the content
14 and purpose of the reporting by the 529 QTP
15 administrator to the Roth IRA trustee, as described in
16 Section 529(d)(2). Thank you.

17 MR. YANNACI: I'm Nicholas Yannaci of the
18 Information Reporting Subgroup, presenting Item Number
19 4, "Businesses Need Support from IRS Large Corporation
20 Representatives," starting on page 121.

21 The IRS Taxpayer Services Division, previously
22 known as "Wage and Investment," assigns large

1 corporate representatives to provide personal
2 assistance on tax-related issues to certain large
3 corporate taxpayers. These IRS technicians are
4 instrumental in assisting large corporate taxpayers to
5 timely resolve complex issues. However, some large
6 corporate taxpayers are unaware of the service, cannot
7 determine who their assigned representative is, or
8 experience delays in resolution. The IRS has stated
9 that the purpose of the Large Corporate program is to
10 provide a single point of contact to help clarify and
11 resolve account-related issues.

12 IRSAC recommends that the IRS reinforce their
13 commitment to the Large Corporate service program and
14 ensure that the IRS procedures are followed regarding
15 the types of assistance provided. In addition, the
16 IRSAC recommends that the IRS examine and address
17 areas preventing technicians from adhering to meeting
18 timelines. This will ensure the program continues to
19 be a mutually-beneficial experience to both the IRS
20 and the taxpayer. Lastly, the IRSAC recommends that
21 the IRS issue a publication detailing the program and
22 service provided to ensure taxpayers are aware of the

1 assistance being offered. Thank you.

2 MR. SMITH: I'm Peter Smith from the Information
3 Reporting Subgroup. I'm presenting Issue 5, begins on
4 page 124, "Form 15397, Application for Extension of
5 Time to Furnish Recipient Statements, Needs Updating
6 to Include Additional Reasons."

7 In the past, issuers of information returns have
8 requested an extension of time to furnish recipient
9 statements by drafting a free-form letter detailing
10 the reason for the extension. After the publication
11 of Form 15397 in November of 2023, it was unclear
12 whether the IRS would expire the previous practice of
13 sending a free-form letter. Upon review of the form,
14 the IRSAC discovered that the form was inadequate for
15 broad industry adoption due to the omission of many
16 commonly-used reasons for information return preparers
17 to request an extension. A new version of the form
18 was released in August of 2024, replacing the section
19 of reasons with a blank space for requesters to
20 provide a write-in response. Both the free-form
21 written request and the new Form 15397 can only be
22 faxed to the IRS. Many issuers no longer have access

1 to fax machines or digital fax technologies. The
2 IRSAC recommends that the IRS add a Form 15397 to the
3 FIRE and IRIS systems so that issuers may request
4 extensions electronically and to offer the IRS a
5 secure and automated way to receive these requests.

6 Form 15397 contains references to approved
7 extensions. The 2023 General Instructions for Certain
8 Information Returns also references IRS approval
9 requests. However, in practice, the IRS neither
10 confirms nor denies these requests. The IRSAC
11 recommends updating the instructions to Form 15397,
12 the General Instructions for Certain Information
13 Returns publication and other publications, clarifying
14 the method by which such approval or rejection
15 communication will be provided. If this action is not
16 taken, the IRSAC recommends removing any references to
17 "approved extensions" in all respective instructions
18 in the publications. Thank you.

19 MS. WALKER: Wendy Walker again. These next
20 couple of things I'm going to read out or summarize
21 were prepared by Bea Castaneda, who's unable to be
22 with us today. I'm reading Issue Number 6,

1 "Electronic Recipient Statement for Form 1099-DA,
2 Digital Asset Proceeds From Broker Transactions," and
3 it starts on page 129.

4 The final regulations for reporting digital asset
5 sales and transactions do not specify how the
6 recipient statement must be delivered. Current
7 Treasury regulations require brokers to send
8 information returns to the last known address of the
9 recipient via USPS First-Class Mail, but the working
10 estimates and the final regulations for digital asset
11 reporting do not contemplate the high cost nor the
12 environmental impact of issuing billions of
13 information returns via the United States Postal
14 Service. Although Public Law 107-147 authorizes
15 brokers to issue electronic versions of these
16 statements, the law requires brokers to first obtain
17 consent from the recipient following specific
18 technical requirements. IRSAC believes it's
19 impractical to require brokers to obtain this
20 affirmative consent, given almost all digital asset
21 brokers conduct virtually all transactions with their
22 customers electronically.

1 The IRSAC recommends that the IRS, first, provide
2 guidance to allow digital asset brokers to deliver
3 recipient statements through electronic means without
4 requiring consent from the recipient; two, evaluate
5 ways that brokers could provide aggregated statements
6 to recipients rather than separate 1099s for every
7 trade.

8 Next, I'm going to read comments on draft Form
9 1099-DA, Digital Asset Proceeds from Broker
10 Transactions. This was released in April of this
11 year, and we provided seven recommendations in our
12 comments, and subsequently all but one of our
13 recommendations was incorporated into another draft
14 that was released in September. The one
15 recommendation that we still believe should be
16 addressed is that losses related to loss sales and
17 disallowed loss should be removed from the Form 1099-
18 DA because the current Section 1091 Loss Sale rules do
19 not apply to digital assets.

20 I'm also going to read comments on the draft Form
21 1099-DA Filer Instructions, and this is on page 287 of
22 the report.

1 On September 30, the IRS released a draft version
2 of the Filer Instructions, and in addition to
3 reiterating the recommendation for electronic
4 statements that I discussed previously, following were
5 some other recommendations that we made.

6 First, the applicable checkbox on Form 8949
7 should not be required for 2025 as cost basis isn't
8 required to be reported for 2025 transactions. Boxes
9 8 and 10 should be removed from the form altogether
10 since they do not provide the taxpayer with any
11 assistance in preparing their income taxes and create
12 unnecessary burden to the broker. Box 1a should not
13 be required for 2025 reporting because brokers need
14 time to program their systems with the thousands of
15 digital asset codes that we've just learned about in
16 the Filer Instructions, and we also recommended that
17 the IRS provide a link to a downloadable version of
18 those codes. Box 12b needs clarifying. There could
19 be multiple transfer end dates associated with a
20 single transaction that are required on the form, and
21 there were some typographical errors that we
22 recommended to be cleaned up. Thank you.

1 MR. WANG: Good afternoon. We're almost at the
2 finish line. My name is Sean Wang. I'm with the
3 Information Reporting Subgroup. I'll be presenting
4 Issue Number 7 on page 132 of the report, "Streamline
5 E-Filing of Forms 1042." Now, this is an annual
6 withholding tax return for U.S.-sourced income of
7 foreign persons.

8 Beginning with 2024 returns, U.S. withholding
9 agents with more than a total of 10 information
10 returns of any type are required to e-file with the
11 IRS a Form 1042 return through the Modernized e-File,
12 MeF, system. Form 1042 returns generally are prepared
13 and filed by an organization's accounts payable or tax
14 operations professionals rather than being handled
15 through the tax departments. The IRS generously
16 provided a one-year delay for U.S. reporting agents.
17 Organizations either take the responsibility build the
18 form in XML-format and make and test itself or pay a
19 vendor to create and file the return. Organizations
20 have been experiencing the burden of high costs and
21 unexpected, longer implementation due to technology
22 challenges and the lack of simplified MeF enrollment

1 and submission instructions for non-information
2 technology professionals.

3 Next, I will highlight a couple of the six IRSAC
4 recommendations for this issue: suspend the e-file
5 mandate for U.S. reporting agents until the IRS
6 creates a simplified e-filing alternative for the Form
7 1042 return, or, alternatively, grant filers
8 additional time needed to make or buy an MeF solution.
9 Involve an interface similar to the Information Return
10 Intake System or fillable form download to simplify
11 the submission of the Form 1042 return and any
12 required attachments to prevent XML coding errors and,
13 therefore, allow form submission by organizations that
14 choose not to engage a third-party filing provider.
15 Thank you.

16 MS. NELLEN: I'll provide a summary of our
17 Comment Letter Number 1, "Recommendations for the
18 2024-2025 Priority Guidance Plan as Requested in
19 Notice 2024-28," on page 252 of the report.

20 Some of IRSAC's recommendations each year call
21 for binding guidance. The process that the Treasury
22 and the IRS have set for getting these recommendations

1 is the priority guidance process where annually, they
2 ask for input on areas in need of guidance. Our May
3 30 letter lists recommendations from our 2021 through
4 2023 annual reports. We plan to make such additions
5 annually for any of our outstanding recommendations
6 that call for binding guidance. Thank you.

7 MR. BUTLER: I just want to thank Wendy and the
8 entire Information Reporting Subgroup. I think I'd
9 have to argue with Holly Paz that this was by far the
10 widest scope of any participation of the subgroups --

11 (Laughter.)

12 MR. BUTLER: -- and I suspect that I'm here
13 because if you wanted the stakeholders, this stage
14 isn't large enough for all of us.

15 (Laughter.)

16 MR. BUTLER: But in Procedure & Administration,
17 this is a role that we often play. We cover a very,
18 very wide array of topics, and, honestly what I did
19 when I got the report was go through and write down
20 the initials of every part of the organization that
21 we're going to have to go back to and coordinate these
22 recommendations. Some of them are very practical and

1 simple recommendations that seem to make an awful lot
2 of sense. Some of them obviously have wider impact
3 than just the recommendation/scope in which they were
4 made, so that requires a little bit deeper thought.
5 But these are all very important and critical issues
6 that help with simplification of taxpayers meeting
7 their obligations and enhancing compliance.

8 The one recommendation I think that is almost
9 exclusively Procedure & Administration involves the
10 1099-DA, so we will be looking at that quickly. We
11 have devoted an awful lot of time over this entire
12 year on lots of digitalized issues. So I do really
13 appreciate the opportunity to be here and receive the
14 report, and thank you for all your work on it.

15 MS. NELLEN: Thank you very much.

16 (Applause.)

17 MS. NELLEN: All right. Excellent job all the
18 IRSAC members presenting, preparing, and all of that.
19 Thank you very much.

20 (Applause.)

21 MS. NELLEN: I genuinely and proudly extend a
22 very big thank you to all IRSAC members for their fine

1 work this year that involved many hours attending in-
2 person and virtual meetings, conducting research,
3 writing, and traveling, to create a terrific report
4 that explains over 35 issues with specific
5 recommendations to help the IRS provide outstanding
6 service to taxpayers and to support a tax system to
7 run efficiently and effectively. Also, thank you to
8 all the IRS personnel who provide exemplary assistance
9 to IRSAC members to enable us to do our work. Thank
10 you to Terry Lemons, Mel Hardy, John Lipold, Anna
11 Millikan, Stephanie Burch, Brian Ward, Tanya Taylor,
12 Tanya Barbosa, and Maria Salazar.

13 To everyone who attended today's meeting to hear
14 our report, thank you very much. We hope it is
15 helpful to you in your understanding of the tax law as
16 well as many tax advocacy efforts you engage in in
17 your work to improve our tax system. I very much
18 enjoyed the opportunity to serve as chair of the IRSAC
19 this year to help produce a report with a wide range
20 of recommendations for the IRS and to work with
21 amazing, awesome people.

22 Next with closing remarks is IRSAC Vice Chair

1 Chris Freeland.

2 (Applause.)

3 MS. FREELAND: Actually, I'm going to be short
4 and sweet, but first of all, I'd like to thank
5 everybody on the team this year. It has been amazing
6 to work with everybody. Jon's already gone, but I am
7 going to miss everybody that is leaving us. Your work
8 is very, very much appreciated.

9 But I really want to thank Annette, who this
10 year, has just gone so far above and beyond and to put
11 out the amount of work that we did and so on. I
12 really want to thank her, and I have a little
13 something for her.

14 MS. NELLEN: Oh.

15 (Applause.)

16 MS. NELLEN: Thank you very much.

17 MS. FREELAND: So, and I was getting it ready
18 this morning just as -- you can tell the guys aren't
19 doing this. It's, like, there would be no paper --

20 (Laughter.)

21 MS. FREELAND: He said we get a box with no
22 wrapping, no paper. But eventually this will explain

1 why we asked her last week whether she was right- or
2 lefthanded, so, and asked, you know, questions. But
3 thank you, everybody. Thank you, and with that, I am
4 going to turn it over to Mel Hardy to close us out.

5 (Applause.)

6 MR. HARDY: Well, before I make my closing
7 remarks, I first want to say this to everyone. I
8 think everybody knows this. I want to especially
9 acknowledge Annette. John and I came to her last
10 summer. She had just rolled on to the IRSAC, and we
11 said 'Would you mind being the chair?'

12 (Laughter.)

13 MR. HARDY: And she gave it a thought, and then
14 she said 'Yes, and, Annette, you've done an amazing
15 job.'

16 MS. NELLEN: Thank you.

17 MR. HARDY: And we really truly appreciate it.

18 (Applause.)

19 MR. HARDY: And, of course, my good friend,
20 Chris, was a little nervous, shy, and trepidatious
21 about taking on this, but you've done an amazing job,
22 and you're going to be a great chair next year.

1 MS. NELLEN: That's right.

2 (Applause.)

3 MR. HARDY: So with that, let me announce who is
4 going to be the leadership next year for 2025 IRSAC.
5 Of course, the illustrious Chris Freeland will be our
6 IRSAC chair; Sue Nakano will be the chair of the
7 Information Reporting Subgroup; Andy Bloom will be the
8 chair of the LB&I Subgroup; Annette Nellen -- we're
9 not letting you go -- you will be the chair of the
10 SB/SE Subgroup; Brian Yacker, Brian, you had a lot of
11 energy. Where's Brian? You had a lot of energy this
12 morning. We enjoyed your presentation. Brian, you're
13 going to be the chair of the TE/GE Subgroup; Beth
14 Boonin, chair of Taxpayer Services Subgroup. Braylan
15 Rosa-Rodriguez is going to be the chair of the new
16 Fairness in Tax Administration Subgroup. This is a
17 new subgroup that we're adding. And then last but not
18 least, Luci Weigel will be our IRSAC vice chair.

19 (Applause.)

20 MR. HARDY: So before we adjourn, I have an
21 announcement to make. I will be stepping away as the
22 director of NPL. I've accepted a position to work

1 directly for Kent Corbin, chief of Taxpayer Services,
2 and I'm excited about that. Leadership announcements
3 will be made at a later time, but for now, ladies and
4 gentlemen, this concludes the IRSAC Public Meeting for
5 2024.

6 (Applause.)

7 (The meeting was adjourned at 12:11 p.m.)

8

9

10