

Comments of the American Society for Payroll Management

To

The Internal Revenue Service Oversight Board

Peter Isberg

Chairman

American Society for Payroll Management

IRS Oversight Board Public Meeting

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Thank you for this opportunity to address the IRS Oversight Board. The American Society for Payroll Management (ASPM) is a professional association of senior managers who control the administration of payroll, employment taxes and payroll related reporting for large employers in the United States. ASPM has been a proud supporter of the IRS through the Information Reporting Program Advisory Committee and other IRS Advisory Committees for many years.

ASPM has three messages for the Board this afternoon. First, we are concerned that the IRS may not achieve its congressionally mandated goal of 80% electronic filing by 2007. We look forward to the comments of the Electronic Tax Administration Advisory Committee, whose primary purpose is to help the IRS achieve this goal. However, from our members' perspective as business tax filers, current and planned IRS incentives for electronic filing of business tax returns are largely irrelevant.

Businesses already perceive that filing a two-page paper employment tax return once a quarter¹ and once a year² is already 'easy, fast, accurate', and essentially free. On one hand, the IRS is moving in the right direction with respect to businesses that file through accountants or other intermediaries, by planning and developing secure Internet-based services for electronic filers, such as the ability to request account transcripts, and eventually to resolve account problems electronically. However, these incentives tend to address the intermediary. Electronic filing offers no real advantage to business tax filers. Most business people don't look forward to more frequent or efficient communications with the IRS.

Incentives for business tax electronic filing need to be strengthened to appeal to business taxpayers. As an example, the IRS could take into consideration a taxpayer's history of

¹ E.g., Form 941, Employer's Quarterly Federal Tax Return

² E.g., Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return

electronic filing in appropriate case considerations, such as appeals or penalty abatements. The IRS already considers past taxpayer history in some proceedings to determine the degree of diligence exercised by the taxpayer. The IRS could view electronic filing as an additional indication of due diligence that may factor in positively in the event that a problem arises. This simple statement is neither costly nor difficult to implement, and may be far more meaningful to business filers than “easy, fast, accurate.” In any event, strengthened incentives will be necessary if the IRS is ever to benefit from widespread acceptance of electronic filing.

The second issue of concern to our members is in the area of ‘post-filing’ services. While filing employment tax returns is relatively simple, if something goes wrong, it is very difficult to resolve problems such as inquiries, penalty notices, bills, and other communications that employers receive from the IRS after they have filed Forms 940, 941, W-2, 1099 and so on. One large ASPM member reported continuing problems with an employment tax reporting regime that, while fully recognized by the Service, is somewhat beyond the mainstream training provided to IRS employees. They noted that their relationship with the IRS “improved 1000%” once they were able to enlist the support of the local IRS Taxpayer Advocate’s office, which proved very effective in resolving complex post-filing issues.

We have heard from state tax authorities and from the IRS that employment taxes are among the simplest to administer. It should not require assistance from the Taxpayer Advocate’s office, and of course most businesses will not be able to rely on the Taxpayer Advocate’s office to address post-filing issues. We are hopeful that the IRS Restructuring will improve post-filing services through enhanced training and specialization within the four operating units. We also believe that the IRS Employment Tax Coordinators within the operating units will help. Even with these factors, it will take significant and sustained effort on the part of the IRS to improve post-filing support of taxpayers.

Last but perhaps most important, Information technology modernization is absolutely necessary if the IRS is to continue to evolve into a more effective, taxpayer service oriented organization. For instance, improved IRS information systems probably far outweigh any other solution in terms of enabling the IRS to improve the post-filing services alluded to above. We are concerned that delays or limitations on IRS funding, such as was recently suggested, may cause irreparable damage to modernization efforts. It is critical that appropriate funds be committed to the IRS Information technology modernization initiatives in order to insulate them from possible interruptions in funding.

We appreciate the Board's interest and willingness to seek out input from employers. We would also like to express our appreciation of the Internal Revenue Service for its consistent efforts to work with stakeholder communities to improve tax administration. We believe that both the IRS and employers have benefited from the positive relationship between ASPM and the IRS, and we look forward to continuing our efforts together. Thank you.