

IRS Oversight Board Public Forum

May 13, 2014

A SUMMARY OF DISCUSSION AND COMMENTS

OVERVIEW OF THE IRS OVERSIGHT BOARD PUBLIC FORUM

On May 13, 2014, the IRS Oversight Board conducted its annual public forum with external stakeholders to hear their comments and insights regarding the challenges faced by the IRS and the tax administration system. The topic of the forum was *Pivoting Away From Paper: How the IRS Can Overhaul Customer Service and Transform its Business Practices*.

Paul Cherecwich, Jr., the Chairman of the Oversight Board, welcomed the attendees to the event. He said every year, the Board holds a Public Forum offering various groups who represent taxpayers before the IRS, as well as others who work with the IRS in some capacity, the opportunity to tell the Board how the IRS can improve.

This year, he added, the Board was trying something a little bit different by inviting representatives from organizations outside the tax administration area to explain how they transformed their customer service strategies and business practices using technology. Mr. Cherecwich gave several examples of such transformations at the United States Postal Service, Social Security Administration, and the Virginia Department of Motor Vehicles. Mr. Cherecwich noted that the Board is not suggesting all IRS services should be moved to an online-only environment, but that the key is finding the right balance between various service channel offerings.

Mr. Cherecwich noted that the first panel will discuss various approaches of organizations outside of tax administration, while the second panel would build on that discussion by talking about how the IRS can transform its customer service approach. He then introduced IRS Commissioner John Koskinen, noting that his leadership and business acumen make him perfectly suited for the job. Mr. Koskinen thanked the Oversight Board for the great work they did in advising the IRS and helping the IRS fulfill its mission; he also thanked the panelists for taking time out of their day to participate. He gave an overview of his first four months at the IRS and some of the steps the IRS has made over the years to go digital.

Mr. Koskinen added a few concerns about the IRS budget situation. He mentioned the Oversight Board's FY2015 Special Budget Report, which said that underfunding the IRS only punishes taxpayers and endangers the fiscal health of our nation and critical programs on which Americans depend. Mr. Koskinen said he certainly shares that view, and stressed that it is vital that they find a solution to the IRS budget problem, and said he will continue working with Congress to do just that.

Mr. Cherecwich thanked the Commissioner for his comments and introduced Board member Bob Tobias, the moderator of the first panel. The following sections summarize the two panel discussions at the public forum.

Panel 1: Revisiting Successful Customer Service Strategies Outside of Tax Administration

Moderator: Bob Tobias, IRS Oversight Board

Panelists:

- **Randy Miskanic**, Vice President, Secure Digital Solutions, United States Postal Service
- **Delma I. Cardona**, Director of Innovation and Service Delivery, Office of Electronic Services and Technology, Social Security Administration
- **Dave Burhop**, Deputy Commissioner & Chief Information Officer, Virginia Department of Motor Vehicles
- **John Sapp**, Council for Electronic Revenue Communication Advancement (CERCA)

Mr. Tobias said the first panel was intended to serve as an opportunity for the IRS to hear the unique perspective of experts outside of the traditional stakeholder groups for tax administration. He relayed his belief that the Internal Revenue Service has a responsibility to provide service to taxpayers, which is required for effective voluntary tax compliance, and believes the panel will provide unique insight to other customer service transformations that, while outside of tax administration, nevertheless provide lessons useful to the IRS.

Mr. Tobias explained the format of the panel; each panelist will be making a short statement, and then the moderator will have some questions, and then there will be an open discussion between the Board and the panelists. He welcomed the panelists and asked them to introduce themselves before having Randy Miskanic begin his statement.

Panelist Statements

Randy Miskanic, the Vice President of Secure Digital Solutions at United States Postal Service, said the Postal Service is moving ahead to transform its service offerings into the online channel. His organization, Secure Digital Solutions Group, was formed over one year ago to develop an innovation strategy recognizing the consumer demand for secure digital communications. He said they are trying to extend their trust and secure brand into new digital products, to include identity and access management services, which provide remote and in-person proofing, as well as the issuance of digital credentials. Mr. Miskanic noted the Postal Service was selected by the White House to be the operating entity for the Federal Cloud Credential Exchange (FCCX), an opportunity for the federal government to increase efficiencies in digital identity management capabilities to ensure they are granting the right access to the right individuals.

Mr. Miskanic highlighted the challenging and complex nature of the shift from paper to digital for the Postal Service, where for over two centuries the delivery of physical or paper mail has been the core component of their business and identity. He mentioned their efforts in finding the right balance between traditional paper-based services and innovative new digital products required a renewed focus on their consumers; what do they need, what do they want, and what are their expectations. He discussed advantages to using two-dimensional barcodes on paper products to bring consumers to online sites and tools they may be otherwise unaware of. Mr. Miskanic discussed the shift away from brick and mortar, the increased use of the internet, and the partnership with industry as components of their strategy. In closing, he stressed the need to focus on the customer and find a balance between paper and digital service channels.

Delma Cardona, the Director of Innovation and Service Delivery of the Office of Electronic Services and Technology at the Social Security Administration (SSA), discussed the SSA's transition from paper to electronic processes. She reminded the audience that the SSA manages one of the nation's largest entitlement programs, which paid approximately \$850 billion in payments to an average of 65 million people in each month of FY2013, issued 16 million new and replacement Social Security cards, posted 255 million reports to workers' earnings records, completed more than 53 million actions through a toll-free line, and facilitated approximately 43 million visits to local field offices.

While the SSA has historically been a local community-based organization, the SSA is now focusing on improving electronic services, including the use of the *MySSA* electronic portal. The move from a full-service, in-person model to a self-service model relies on improved electronic services. The SSA looks to expand its service offerings online and include new services like video chat and physical self-service kiosks to help citizens without internet access or a nearby SSA office. She said their new strategy includes introducing customers to the online service delivery channel as early in life as possible, so it becomes their method of choice for interacting with the Social Security Administration.

Dave Burhop, the Deputy Commissioner & Chief Information Officer of the Virginia Department of Motor Vehicles (DMV), said they are shifting to a dual mission of public safety service and identity. He mentioned his use of his driver's license to gain entry to the building, which should be similar to what is required on the internet. Mr. Burhop gave an overview of the DMV's efforts to move citizens and business to online services through a variety of mandates and incentives, while also focusing on providing the best possible user experience for the citizen "online and not in line."

Mr. Burhop said the *myDMV Account* online service is the centerpiece of their new website, and allows customers to personalize their DMV experience. He said the DMV shifted away from mailed paper notices, saving over a million dollars in mailing costs each year. Adding that the state legislature in Virginia approved fees for in-person services and late transactions, and mandated the electronic submission of documents and payments with 12 months written notice - which the DMV is currently exercising with some business partners. Mr. Burhop mentioned the partnership with the State Board of Elections to automate the voter registration application process, and the DMV's Commonwealth Authentication Services System, which is very similar to the FCCX system for the federal government, and uses DMV data for other state agencies to authenticate citizens, so that they can perform online services across agencies and not have individual logons for each individual agency. He summarized his statement and mentioned the shift away from DMV forms, which will be replaced by tax preparation software style questions to identify the needed information and populate the fields normally contained in a form.

John Sapp, of the Council for Electronic Revenue Communication Advancement (CERCA), gave a brief overview of the CERCA organization and mission. He said CERCA is aware the IRS is addressing many of the issues discussed during the Public Forum, and recognizes the commitment of the IRS to work with industry partners to provide excellent service to American taxpayers. He compared the customer service pressures of the tax season to the compressed demand for packages and mail around the holiday season in December. He said the first rule of customer service is to make sure you do not harm customer service from self-inflicted wounds, so the experience must be seamless. Making the experience as predictable as possible and leveraging industry standards and norms can keep customers comfortable with the online services and potential problems they may run into. He highlighted how many companies reset personal identification numbers (PINs) online. Mr. Sapp said when the required actions for internet-based self-

service are not intuitive they tend to add to customer service telephone demand originally diverted by sending the customer online.

Mr. Sapp said the IRS has made great strides in online customer service, highlighting the *Where's My Refund?* application. He said the IRS has done an excellent job in providing information to taxpayers directly, but that the tax law is already complex and confusing to many taxpayers and it is counterintuitive to them to have one resource to file their return and another website to check on their refund. To reduce some of that confusion for taxpayers, Mr. Sapp suggested the IRS give return preparers secure, credentialed access to the Where's My Refund application on behalf of their customers who have filed electronically through those preparers. He also suggested the IRS simplify the credentialing process for taxpayers and reduce the number of PINs needed to interact with the IRS. He said CERCA is impressed by the commitment of the IRS to serving the American taxpayer, and looks forward to assisting them as they work toward that goal in the future.

Questions

The panelists were asked about the need for proper credentialing and maintaining the security of taxpayer data. Mr. Miskanic suggested the FCCX model or something like it to make identify proofing easier, and using pieces of identifying information held by the exchange participants as a replacement for PINs. Mr. Cherecwich asked how concerns of the public about government intrusion into their lives could be addressed. Mr. Miskanic suggested the exchange model would allow the public to choose which private companies to use to proof their identities, knowing the federal government would not hold this proofing data.

The panelists were asked how their organizations managed to implement the changes described, specifically what kind of leadership and budget accommodations were necessary to make the changes, not just the processes themselves. Ms. Cardona said the strategy was a huge culture change for the SSA, and required the SSA leadership to market the changes to the employees and highlight the time savings realized by these changes. As a result, the message resonated with employees; now they are the number one advocates and ambassadors for the public, promoting it to every single person that comes to the SSA office or calls the SSA phone lines. Mr. Miskanic said it starts with engagement at the highest levels of the organization. At the Post Office, the Postmaster General was committed to the long term strategy. The leadership had to demonstrate to Postal Service employees that the better service provided to the customer, the more overall growth the organization would have in certain segments of the market the Postal Service is trying to serve. Mr. Burhop said the Virginia DMV was fortunate to have a very innovative Commissioner willing to convey the enthusiasm to the workforce and communicate the benefits to all employees; because "a happy customer at the DMV is worth a million bucks to the person behind the counter."

The panelists were asked to how the IRS can get the public to change their behavior and use more online services. Ms. Cardona said the SSA self-service kiosks help some citizens who may lack internet access to use the online services. Mr. Miskanic said the Postal Service considers all 500,000 employees, of which 200,000 are letter carriers, ambassadors to convey messages about service options to customers.

Mr. Tobias thanked the panelists for participating and closed the panel.

Panel 2: Using Technology to Increase Customer Service for Taxpayers and Preparers

Moderator: Paul Cherecwich, Jr., Chairman, IRS Oversight Board

Panelists:

- **Thomas H. Mattox**, New York State Commissioner of Taxation & Finance
- **Anne Miller**, Division Chief, Filing Division, California Franchise Tax Board
- **Jim Buttonow**, Electronic Tax Administration Advisory Committee (ETAAC)
- **Larry Gray**, National Association of Tax Professionals (NATP)
- **Paul La Monaca**, National Society of Tax Professionals (NSTP)

Mr. Cherecwich said the panel would discuss using technology to increase customer service for taxpayers and preparers, and that he hoped to build on some of the things they learned from the first panel. He said they will discuss how the IRS can provide better service to taxpayers and tax preparers by leveraging technology to overhaul customer service across the various service channels. Mr. Cherecwich said the panelists represent a wide spectrum of tax administration experience in both the private sector and leading state tax agencies, and all have backgrounds in providing comprehensive online services while overcoming major roadblocks. He said the format is the same as the first panel and asked the panelists to introduce themselves before Jim Buttonow started his statement.

Panelist Statements

Jim Buttonow, of the Electronic Tax Administration Advisory Committee (ETAAC), gave an overview of ETAAC and their belief that effective electronic tax administration begins with a paradigm shift away from paper, phone, and towards more electronic online interactions with taxpayers and their tax professionals. He said that taxpayers do not currently have an online account with the IRS, but that the IRS uses several decentralized online tools on IRS.gov, while relying heavily on a paper and phone approach to deliver much of its customer service to taxpayers and tax professionals. He said taxpayers expect effective online customer service in today's real time age of information and interaction, and migrating away from the paper and phone approach can promote voluntary compliance by allowing the IRS to interact proactively with taxpayers about potential areas of noncompliance.

Mr. Buttonow said the IRS has concentrated much of its online development efforts on creating ad hoc decentralized taxpayer tools across IRS.gov for specific taxpayer actions and information retrieval. He mentioned Get Transcript and Direct Pay as two recent examples, and highlighted the impact of focusing efforts on individual taxpayers means fewer tools for tax professionals, who prepare 60 percent of returns filed. He said tax professionals actually lost two important online IRS-provided tools in the previous year and had to revert back to paper and phone processes to help their clients. He said ETAAC recommends each taxpayer and tax professional have one comprehensive, customized online account with the IRS at the same standard expected of today's financial service providers.

He added that ETAAC strongly urges the IRS and Congress to take the following three actions: (1) commit in its pending strategic plan to the planning and implementation of a comprehensive online account for taxpayers and tax professionals that is customized to the user's profile and covers a wide range of fundamental, informational, and transactional tax needs; (2) involve taxpayers, tax professionals, and tax software companies in the design and development of online accounts to ensure an online experience that is consistent with user expectations and is designed to maximize adoption; and (3) Congress must adequately and consistently fund IRS development efforts to create comprehensive online accounts for taxpayers and tax professionals.

Paul La Monaca, of the National Society of Tax Professionals (NSTP), gave an overview of the NSTP and said the NSTP has four main topics representing the expectations of both the public and the professional community with regards to the IRS: (1) the expectations of the public and the tax professionals to have ready access to their IRS data just as they have access to other data at financial institutions and private companies; (2) the tax gap, which should be addressed by putting better systems into place to analyze returns and search for inconsistencies; (3) the "brain drain" at the IRS, which hurts the Service as its most experienced people retire without adequate replacements or systems in place to address the loss of institutional knowledge; and (4) frustration of practitioners with the daily struggles of working within the system designed for them that provides inadequate service to both the practitioner and their clients.

Mr. La Monaca stressed the need for the IRS to strive for better performing online services. He said Americans have become used to getting what we want when we want it, and as a result, they have become less tolerant when those needs and desires are not delivered in what they now consider a timely matter. This is especially true among younger taxpayers who are used to getting immediate feedback. He said the IRS should use technologies to analyze taxpayer patterns and provide customized user experiences to aid in both customer satisfaction and individual tax compliance.

Larry Gray, of the National Association of Tax Professionals (NATP), said the IRS needs a clear vision, and pivoting from paper is not the question; the question is "what are we pivoting to?" He said the IRS needs a vision and a deadline, similar to the vision and deadline for electronic filing. Mr. Gray said the IRS must focus on using taxpayer information effectively and focusing on the user experience of online applications, including the possibility of online exam and collection case resolutions. He said the IRS must strive to give a consistent experience across all channels, as that is what many taxpayers expect from their experience in private industry. He said the population of taxpayers coming into the system will increasingly expect the IRS to provide services at the same level of companies they interact with on a daily basis.

Mr. Gray also cautioned that the IRS develops much of its software internally, which may not be the best choice in the current environment. He said there are opportunities to engage with private industry to help develop solutions. He also stressed the need to engage with stakeholders to ensure the IRS gets the most from their investments, which he believes the IRS has been inconsistent with to date. Mr. Gray closed by noting the need for a clear vision for IRS online services with strategies which involve all stakeholders in its execution.

Anne Miller, the Division Chief of the Filing Division at the California Franchise Tax Board (FTB), gave a background of the California FTB and said that since the early 1990s, the FTB has offered electronic services for taxpayers to file, to pay, and to get access to their information. The vision for these services came from many sectors, including the state legislature, the three member governing board, tax professionals, tax software providers, as well as internal FTB innovators. The common goal for these services is to help taxpayers comply with their tax obligations while reducing their burden to do so. For taxpayers and their representatives, the benefits include having convenient access to their data in a 24/7 environment. She added that electronic tax services also allow the FTB to assist taxpayers in the most cost effective manner and improves transparency by allowing taxpayers to have access to the same information the FTB has.

Ms. Miller said the FTB's online account feature, *My FTB Account*, was developed in 2002 based on financial institution models, and allows taxpayer and tax professionals to access the tax information and services. She added that in 2015 the FTB will add significant functionality to *MyFTB Account*, so that most FTB interactions and information will be online. Ms. Miller said these changes require a focus on rigorous security and testing. She said the FTB has also made advancements in their phone systems and taxpayer education efforts, all of which have saved the FTB money and time.

Thomas Mattox, the Commissioner of the New York State Department of Taxation & Finance, said since at least 2006, New York State has thought rigorously about customer service issues with respect to improving service models. He said the challenge of moving operations to other service channels crystallized after the recession dramatically impacted the budget, and forced the state to make some critical operating decisions, including getting out of the retail business; so New York no longer has walk-in centers for the tax department. The department seized the opportunity to shift the bias from paper to electronic tools and platforms, and use those to facilitate transactions and also improve compliance.

Mr. Mattox said the department manages the online services accounts as though we were an electronic merchant, focusing on convenience, performance, and the ability to get the information needed by the taxpayer easily so as to encourage the use of the online tools. As an example, Mr. Mattox said his agency recently introduced a feature to schedule an electronic payment online, which allows the taxpayer to accomplish everything needed in one session instead of coming back to pay at the deadline and possibly risk missing it. He said his department has also focused on improving call centers and providing consistent presentations of information to taxpayers, tax professionals, and customer service representatives; thereby allowing them to have a holistic view of the information and deal with issues in real time. He also mentioned the need to focus on the user experience, highlighting the issue with an anecdote about 700,000 New York taxpayers filing by paper because they selected the “print” option instead of the “file” option with their tax preparation software – a problem addressed with simple messaging and assurances they will not be charged extra to file electronically.

Questions

Ms. Miller and Mr. Mattox were asked if improved customer service means improved compliance. Ms. Miller said she thinks that improved customer service means better attitudes about the tax system, which equates to improved compliance. She added that FTB personnel are taxpayers as well, and they also have expectations on how businesses interact with customers; so if the public has similar feelings about the FTB, this will improve their attitude and aid in compliance. Mr. Mattox said there is no question that good customer service equates to improved compliance for a couple of reasons: (1) from the simple end of the spectrum, reducing math and other basic errors in the return by shifting from a paper return to an electronic one clearly streamlines processing; (2) it frees up resources to invest in education, online tools, and other resources to help taxpayers and practitioners better understand what their filing requirements are; and (3) by shifting to electronic platforms, more returns are accurate and it was easier because of automated reminders and real time guidance.

Mr. Mattox was asked if it would be better for the IRS to transfer people engaged in correspondence audits and put them to work answering the telephone. Mr. Mattox suggested most tax professionals, if not all, spend time on the phones. He said a lot can be learned about taxpayers and taxpayer issues from monitoring the phone calls, and that there is educational value associated with understanding the workings of the call center.

The Board complimented Ms. Miller on the strategic plan of the California FTB, and asked how California verifies the identity of taxpayers using their online services. Ms. Miller said they use shared secrets, or information from previous returns to verify identities. They also use professional identification or licensing numbers to verify tax professional's identities.

Ms. Miller was asked if they have any problems with taxpayers not having information from their returns or any security breaches. Ms. Miller said they have specialized help lines for assisting users with registering for online accounts. She said they have not had any security breaches, but have had attempts to breach. She added that security is the primary concern for the FTB and they spend a lot of money making sure that their systems are secure.

Mr. La Monaca was asked about the tax gap point in his prepared remarks. As an example, Mr. La Monaca said the IRS could analyze returns to identify and alert taxpayers to highly questionable inconsistencies on their latest filed return, compared to last year, enabling them to self-correct any mistakes and thereby help close the tax gap.

The panelists were asked how they would suggest the Board, the IRS and other stakeholders better convey the connection between the benefits of these types of online services and the need for adequate funding for the IRS. Mr. La Monaca said the Congress should provide the IRS with the budget it needs because of the direct return on investment. Mr. Gray said the IRS should find where the efficiencies can be found to reallocate the necessary resources and then showing Congress what the IRS can do if funded properly, or how it can redesign its business processes. Ms. Miller said highlighting the cost efficiency of the electronic options is important. Mr. Buttonow said given the constricting budget of the IRS, the IRS should focus on establishing online accounts for taxpayers and notify taxpayers early with soft-notice to avoid costly information reporting mistakes related to down the line.

Mr. Mattox said he is not a subscriber to the notion that organizations should be doing more with less. He said it is management's responsibility to figure out how to do things differently with less, and that means different priorities. He said in New York State, there were some things that they stopped doing, and there were some things that they postponed doing, because they were out of money. He said the challenge for the IRS is to make different decisions, some of which may not be very attractive in the short term. He further added that the IRS should take the longer view that those infrastructure investments made over the course of a 2-3 year period may allow the agency to improve service, so in years 4 and 5, it can begin to recover that investment.

Ms. Miller was asked how California offers access to tax professionals. Ms. Miller said currently there is a paper form kept on file, but an online power of attorney application is being developed. When granted, this access is limited by the taxpayer and the systems at the FTB deny the tax professional access after the expiration of the authorization.

Closing Remarks

At the completion of the discussions, Mr. Cherecwich thanked the panelists and the audience for their participation and the forum was adjourned.