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TAX (TAXPAYER ADVOCATE SERVICE) PUBLIC FORUM

INTERNAL REVENUE SERVICE

August 30, 2016

8:30 a.m.

MAESTRO ENTREPRENEUR CENTER

1811 S. Laredo St.

San Antonio, TX 78207

Reported by: Jason Lemley,
Capital Reporting Company

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A P P E A R A N C E S

RAMIRO CAVAZOS

JULISSA CARIELO

REP. LLOYD DOGGETT

NINA OLSON

POLLY BONE

JIM OLIVER

JIM SMITH

LaMARR QUEEN

JAIME VASQUEZ

IRENE CHAVEZ

AL AGUILAR

TIM McCALLUM

MELANIE HAWKINS

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1 PROCEEDINGS

2 MR. CAVAZOS: Welcome to the Maestro
3 Entrepreneur Center. Before we begin, I have the
4 honor and privilege of introducing my favorite
5 congressman, Lloyd Doggett. I want to introduce the
6 Chair of the San Antonio Hispanic Chamber's Small
7 Business Committee and the inspiration behind the
8 Maestro Center, Julissa Carielo, the CEO of Tejas
9 Premier. Let's give her a round of applause.

10 Also our partner in launching this in April
11 and a great stalwart (ph) leader in our community for
12 advancing procurement opportunities for small
13 businesses in her various roles and now the Executive
14 Director of the Maestro Center, Irene Chavez. Let's
15 give her a round of applause. And I'll be very brief.
16 I have a few descriptions of the center that I'll
17 share with you shortly, but I wanted to thank Al
18 Aguilar and my counterpart, the CEO at the South
19 Chamber.

20 My name is Ramiro Cavazos and I'm the CEO of
21 the San Antonio Hispanic Chamber of Commerce. Both
22 chambers have partnered to host this National Taxpayer

1 Advocate Public Forum here in the 78207 zip code.
2 This is the, from a census track and a zip code
3 standpoint, this is the poorest part of our community
4 here in San Antonio and this center has been placed
5 here by the Chamber and by Julissa and her small
6 business leaders to provide a home, a marketplace for
7 providing office space, access to capital, resources,
8 bring in leaders who have made mistakes, failed,
9 crashed and burned, and pulled himself up from the
10 phoenix to learn from their mistakes and launch great
11 companies that are now multimillion dollar operations
12 here in District 35.

13 And this district is showing the way of
14 small business leaders can succeed. And I want to
15 thank Julissa Carielo for buying this building. It's
16 a repurposed elementary school from the San Antonino
17 School District. Her construction company, the
18 largest woman-owned, Hispanic-owned company in San
19 Antonio was right next door. She was growing, needed
20 room to expand, and so she and the school district
21 bought this land with the intention of investing her
22 resources, partnering with our members, 1,300 members,

1 of America's first Hispanic Chamber founded in 1929
2 here in San Antonio to advance this center

3 We will be having many events coming up.
4 We're very proud that the congressman has toured the
5 center before with UTSA and with many other private
6 sector leaders. I want to welcome each of you for
7 being here today. The next hour-and-a-half will be
8 your session and your opportunity to, to work with our
9 national advocates to talk about taxpayer concerns and
10 issues.

11 I know the Internal Revenue Service is one
12 of the arms of our, of our nation, but it's also where
13 the resources are leveraged to provide the resources
14 congressmen like Lloyd Doggett need to purpose and
15 focus on trade and national military defense
16 protection, education, and many, many other
17 infrastructure needs at our community.

18 So without further ado, it gives me great
19 pleasure to introduce Congressman Lloyd Doggett. If I
20 may, Congressman, talk a little bit about you. He's a
21 graduate of the University of Texas at Austin and also
22 was the class president and graduate of the law school

1 there. I first had the opportunity to meet
2 Congressman Doggett when I worked for Ima Repel (ph)
3 who was a state representative from South Texas, the
4 first Mexican-American woman elected as a state rep to
5 the statehouse.

6 But this great leader at that time was in
7 the Texas senate representing Austin and that was in,
8 I know early '80s. And then after that I know he went
9 on to serve as the Supreme Court justice and has
10 represented the community for close to 40 years in his
11 roll as our congressman. Now he's the congressman for
12 the 35th District representing his second fajita (ph)
13 that he's represented.

14 And originally I'm a native of Weslaco and
15 so I got the opportunity to work with another Lloyd,
16 Lloyd Bentsen, when I was in college at UT Austin
17 after working for the representative. And for a
18 period there his district had been very gerrymandered
19 and he was representing part of Houston. And then
20 later on he ran and was elected to represent an area
21 from the valley all the way up to, I think, Austin,
22 and now represents our Austin-San Antonio community,

1 with distinction, I might add. Some people go he's
2 everywhere. Well, he is. Even people that aren't in
3 San Antonio are very impressed with the energy and the
4 commitment by Congressman Doggett.

5 I'll just conclude by saying I've been very
6 impressed with his support of issues that matter to
7 the people of our community. We consider ourselves
8 the people's chamber. This institution, the Maestro,
9 was founded in private sector dollars. We don't get
10 any federal, state, city, or county funding like other
11 groups and we have our other office at the Pearl
12 Brewery.

13 As the congressman knows, and your Mariella
14 (inaudible), the state director, does a wonderful job,
15 know that we are part of that revitalization effort
16 and the Maestro Center will be part of the
17 revitalization effort of your west side. This is
18 historically (inaudible) business zone. And as you
19 hear our advocates today and ask your questions, know
20 that you are truly in a part of the city that's the
21 bread basket of San Antonio. And how well we do here
22 in this district, as the congressman knows, is how

1 well San Antonio will do.

2 So I'm very honored that we're hosting this
3 with Congressmen Doggett and he was introduced by Ms.
4 Olson who will introduce the panel members. I want to
5 thank each of them in advance for their work on behalf
6 of our community and on behalf of the San Antonio
7 Hispanic Chamber of Commerce. We are very honored to
8 introduce to you our congressman, Mr. Lloyd Doggett.

9 REP. DOGGETT: Thank you very much. There
10 are still people standing. If you want to take these
11 other chairs, we welcome you. Thank you, Ramiro, for
12 your generous comments. But formerly for your
13 leadership of the largest chamber here in the city and
14 one to play such an important role in advocating in
15 all levels of government and helping to bring in
16 businesses from all over the world to share in the
17 success of San Antonio.

18 I think Leroy just stepped out, but Leroy
19 Cavazos, with your staff playing such a big role in
20 this and we appreciate that. And thanks so much to
21 Julissa and to our bringing forth your work here. I
22 had a chance about three years ago to come out and see

1 her very successful construction business next door
2 and it's wonderful that you've now provided what was a
3 place that taught young people to, how to be
4 successful, that you're now doing that for other
5 businesses. And for growing businesses I understand
6 we're about 95% capacity here. So that's really
7 great.

8 It's a natural tie-in that we should then
9 talk not only as they do about teaching businesses,
10 but focusing on what happens when you are successful
11 and you get taxed. I think it was Mark Twain who
12 decades ago said that the difference between the
13 taxidermist and the tax collectors are the taxidermist
14 only takes your skin. There was a few thousand pages
15 shorter of tax code probably when he was talking about
16 that.

17 There are, I expect, in the general public,
18 there's not as much understanding that within the
19 Internal Revenue Service there is a whole portion that
20 is there to advocate for taxpayers and try to ensure
21 that taxpayers are treated fairly. Several years ago
22 we passed a taxpayer's bill of rights to work with

1 that, to try to see that taxpayers are dealt with
2 justly. Not just individuals that are here this
3 morning. The taxpayer's, the taxpayer advocate's
4 office which has people all over the country is the
5 place to which we turn when as happens almost
6 certainly every week, I would say almost every day, we
7 have an issue here in Austin or Washington that comes
8 up of an individual taxpayer saying we've got a
9 problem.

10 We call your team, Nina, and we get a lot of
11 good help. I'll just give you one example that
12 happened to me earlier this year. And that was a
13 small company that had a software tax preparation form
14 called a 1042S. We have a lot of experts here, but
15 probably are familiar with that in your work, but
16 foreign students that come here to our colleges and
17 universities in Baylor County to study, and they use
18 this form and there were some problems in the way it
19 was being administered.

20 They were having problems. Our universities
21 were having problems. That software company was
22 having big problems because they were getting blamed

1 for errors that weren't their fault. Working with her
2 team and with the commissioner, we were able to get
3 that corrected within a few weeks and now everything
4 is going well for the company, the students, and the
5 universities.

6 Another important service that Ms. Olson
7 provides as a taxpayer advocate is that each year she
8 is collecting from gatherings like this, from our
9 experience, the complaints that come in, working
10 within the agency a list of recommendations that she
11 makes to our Ways & Means Committee on which I serve.
12 And she comes over and delivers those recommendations.

13 Many of them are recommendations to the
14 Commissioner about how to change things in the
15 Internal Revenue Service. I have to say I think
16 you've had a little more success in getting the IRS to
17 respond than the congress to respond. But that's true
18 of a lot of things and there are a number of her
19 recommendations that have been there for years that
20 she repeats that we need to see the congress to act
21 on.

22 Currently adequate support for the tax

1 advocate's office, taxpayer advocate's office, is one
2 of those. She's also had - and you may hear about
3 some of that this morning - a role to play as a result
4 of the Affordable Care Act and many new issues that
5 have come up concerning it, or Obamacare as it's
6 frequently referred to.

7 I am pleased that she provides this
8 leadership and that she is not just in Washington.
9 But if we were just talking, I know she's been with
10 colleagues from Los Angeles to New York doing
11 gatherings like this. We're also very fortunate to
12 have a very distinguished panel that she will formally
13 introduce, but the idea is to engage everyone here,
14 not just to hear about one individual tax problem or
15 to talk about how do we make this system work better.
16 Not only the law, but the implementation in that law.

17 We know that we don't support the greatest
18 democracy in the world with all the responsibilities
19 we have without someone having to pay for it. And all
20 of us do have a role in doing that. I want you to
21 have an opportunity to be heard and to hear of these
22 experts, but I'll be taking some notes because I have

1 served for a little over a decade on the committee
2 that writes the tax laws and is responsible for
3 oversight. I take full credit for all the good
4 provisions and (inaudible).

5 Without further ado, thank you so much for
6 putting San Antonio on your list of communities and
7 working with me and the chamber which did such a great
8 job on this to make today's gathering a success.
9 Thank you very much. Nina Olson.

10 MS. OLSON: So I welcome everybody here - is
11 this working - and I want to thank Congressman Doggett
12 and the Chamber for, for hosting this. And I am
13 especially pleased that where we are today is this
14 entrepreneur center, this hub, is just so important
15 for the work that is going on. And as many of you
16 know, the IRS can often be the cause for the
17 underlying reason why small businesses go under
18 because they get behind on their payroll taxes and
19 they cannot keep up.

20 And so having a program like this where
21 you're really building the, the understanding of all
22 the rules that you have to comply with and all the

1 responsibilities from the first day so that you're
2 able to avoid some of the pitfalls that many small
3 businesses experience. I'm very happy today to have a
4 very distinguished panel of speakers. And then we're
5 going to throw it open to the floor to have questions
6 and I'll have questions of the panel, questions of
7 you.

8 Why we're holding this actually, this public
9 forum, is that in December I issued a report to
10 Congress as I'm required to do, to the Ways & Means,
11 Senate Finance Committee, and the law requires me to
12 identify 20 of the most, at least 20 of the most
13 serious problems that taxpayers are experiencing. And
14 for the two years prior to my issuing the report, the
15 Internal Revenue Service leadership had been engaged
16 in an exercise of trying to envision its future state.
17 What was it going to look like in five years?

18 And I was very concerned that as this went
19 along, that we're really not informed of congress, of
20 what they thinking about. They were not talking to
21 taxpayers nor to taxpayer representatives about what
22 the taxpayer's needed or what the representatives who

1 are assisting taxpayers needed. And so I decided in
2 my separate report to make that the number one most
3 serious problem, that I had concerns about the
4 direction the future state was going in and that it
5 was not, was not public and it was not receiving, you
6 know, comments on congress or the population.

7 And as part of that, I had recommended that
8 the IRS reach out to the public and terms of congress,
9 and then I thought, well, why should I ask congress to
10 reach out? I'll reach out. And so this is the 12th
11 and pretty much the final for this year of public
12 forum that we've had. And I have traipsed all over
13 the United States from one coast to the other and up
14 and down and all over the place and I really feel to
15 be ending it now at this site in San Antonio.

16 Just so you all know, we are -- the whole
17 meeting's being transcribed and you will be able to
18 read all about it on our website 'cause we'll post the
19 transcript verbatim on the website. And then
20 everything that we've learned in the public forums
21 will roll up into my next December report. You know,
22 December 2016 where the number one most serious

1 problem will be my recommendation that will be a
2 problem - that would be a solution - for the IRS
3 future state.

4 So the focus of this is, you know, what do
5 taxpayers need in order to be able to comply with the
6 tax laws and what do their representatives need? And
7 that's also not just for the future, but also today
8 because the state of affairs today is as important as
9 the future one.

10 So let me start off and I'll just introduce
11 each person one at a time and I advised them that they
12 have five minutes to speak, give or plus, but not a
13 lot plus. When I testify before Congress, they have a
14 nasty little red light that comes on and tells you
15 you're way over. But what I'll do, and I've got my
16 cards here, but I'll push a little sign that says
17 you've got one minute left and then we'll not bump you
18 off, but we'll, we'll do something. Okay.

19 So the first speaker is Polly Bone and Polly
20 is an attorney of Texas RioGrande Legal Aid aide and
21 is the director of the Texas Taxpayers Assistance
22 Project, which is the organization's low income tax

1 clinic. She currently works from their office in San
2 Antonia, Texas. Prior to holding this position she
3 was a staff attorney with TRLA in San Antonio and with
4 employment, immigration, and federal income tax cases.

5 From 2000 to 2003, she was the branch
6 manager of Texas Rural Legal Aid's Office in Plainview
7 which represented migrant farmworkers. So Polly?

8 MS. BONE: Well, thank you for inviting me
9 here today, Ms. Olson, and Congressman Doggett. I'm
10 an attorney who's worked in many communities in Texas
11 for over 20 years. Most of that time I've worked for
12 the Texas RioGrande Legal Aide and for about ten years
13 I've been here in San Antonio as the director of our
14 Low Income Tax Clinic, which we call the Texas
15 Taxpayer Assistance Project.

16 I represent taxpayers not only in this
17 metropolitan area, but also along the Texas-Mexico
18 border and in the rural communities in between. And
19 our clinic also covers Austin and El Paso and Rio
20 Grande Valley. All my clients live in households
21 under 250% of the federal poverty level and many live
22 far below that threshold income. And they all have

1 federal tax problems. Poor people do have federal
2 income tax problems.

3 The current system of communication, or
4 should I say attempt at communication, the IRS, is
5 perhaps even more dysfunctional for the low income
6 taxpayers than it is for everyone else. They face the
7 same challenges we all do in trying to use the IRS,
8 but these are often exacerbated by the lack of
9 money and other resources.

10 While my clients like the idea of going to a
11 person in to an IRS office to speak directly to a
12 representative, they often have jobs with no paid time
13 off or their schedules change weekly to give them no
14 chance to make the appointment in advance. Or they do
15 not have a reliable vehicle that can take them to an
16 IRS office.

17 So they would like to speak to the IRS
18 representative on the phone, but as many of you know,
19 it takes, it can be almost impossible to do that or
20 takes a very long time on hold to reach someone. Low
21 income people are even less likely than the rest of
22 us, I think, to have a job that allows 25 minutes to

1 wait on hold during the work day and they often have
2 telephone plans of limited minutes.

3 The IRS knows it's not communicating
4 effectively with taxpayers and its answer now seems to
5 be an increased reliance on digital technology. This
6 change is probably inevitable and in some ways it may
7 be desirable, but the means of low income taxpayers'
8 needs need to be taken into account.

9 All people living in poverty are not
10 completely computer illiterate. Young people learn
11 how to use computers in school and low-income
12 individuals, like all of us, have been forced to
13 interact with institutions through the digital world
14 more frequently. Maintaining bank records online,
15 keeping track of a paystub, you know, you have to log
16 into a special account and an increasing numbers of
17 government agencies require people to establish an
18 account, including the Social Security Administration,
19 at least in routine matters.

20 But while low income people are not
21 completely unfamiliar with the online world, they do
22 face issues and challenges. The biggest challenge for

1 a poor person in going on the internet is a secure,
2 reliable internet connection. Many low income people
3 go to public libraries or even a fast food restaurant
4 for free Wi-Fi and the computers they use will likely
5 be shared with the general public at the library, or
6 between family members, or borrowed from a friend.

7 So the use of public Wi-Fi and shared
8 computer screens raise concerns about security. And
9 ID thieves seem just as interested in stealing Social
10 Security numbers of poor people as they do rich
11 people. We've had many clients who have had ID theft.

12 Now to get on Wi-Fi, as I said, most of them
13 have access to one type of computer type, which is in
14 their pockets. Almost everyone has a cell phone now
15 and those cell phones are increasingly smart phones.
16 However, my clients have to change their cell phone
17 numbers frequently and it's not unusual for me to make
18 a call, and hear that the number's temporarily
19 unavailable because people can't always pay the bill.

20 The IRS needs to think about these issues.
21 And for example, it may require taxpayers to have a
22 registered cell phone number or get a text message to

1 access their online profile. Also websites need to be
2 more mobile friendly, to be accessible for most low
3 income people. It needs to be something to use over
4 your cell phone or maybe a small tablet.

5 I want to note one population that does face
6 great challenges in accessing the digital world are
7 illiterate taxpayers. At any one time our clinic has
8 several clients who cannot read or write well in any
9 language and these people are working and paying
10 taxes, but still when dealing with IRS they must speak
11 to someone.

12 Reliance on digital platforms in the audits
13 and collection process brings other concerns. My
14 clients' situations often don't fit neatly on form or
15 a form letter. So they likely will need to get into a
16 series of pulldown menus. There are many times where
17 I've had to act on for, or have a lengthy explanation
18 with an IRS representative about my client's
19 circumstance that don't fit into the boxes.

20 So this needs to be taken into account. If
21 secure and accessible, I think online accounts may be
22 a great way for almost everyone to check on balances

1 with the IRS or to check on payments received. But
2 there continues to be a great need for person to
3 person communication for most assessment and
4 collection issues. The most important thing for IRS
5 to remember is a vast majority of low income taxpayers
6 are doing the best they can and they want to comply
7 with the tax laws, but they want those laws to be
8 fairly applied to them as well.

9 MS. OLSON: Thank you, Polly. I'll just
10 note here that my office did a study a few years ago.
11 Low income taxpayer clinics are authorized by congress
12 to represent low income taxpayers and tax auditors for
13 the IRS. And the threshold is 250% federal poverty
14 level, which is really trying to incorporate the
15 working poor into that category, people who cannot
16 afford to pay for representation. And we found that
17 46% of US taxpayer individual population was at 250%
18 both at or below federal poverty level. And so I
19 think when you're talking about who you're serving,
20 that's really an extraordinary thing.

21 Another, to another point that Polly
22 phrased, we had PEW research testify at our very first

1 public forum in Washington, DC, and their research has
2 shown that 34% of US households do not have broad-band
3 access. So when you think about the future state and
4 building it around online accounts and they may not be
5 able to access that account, you're really bringing up
6 -- a third of the population is going to be accessing
7 it off of their smart phones in Wi-Fi zones and public
8 zones and things like off of public library computers
9 and things like that. Okay.

10 Our next speaker, if I can find my notes, is
11 Jim Oliver and Jim is a CPA, a certified financial
12 planner, and a whole bunch of other stuff. He's
13 chairman elect of the Texas Society of CPAs and a past
14 president of the San Antonio Society of CPAs. In 1981
15 he founded Jim Oliver & Associates PC, a CPA firm that
16 provides tax planning and compliance services to
17 clients ranging from low income widows to some San
18 Antonio's most successful families.

19 Jim served three years as *Today's CPA*
20 technical editor and on two dozen Texas society CPA
21 society committees, councils, or taskforces, chairing
22 over a half dozen of these taxpayer education and

1 relations with IRS including that. He has served on
2 IRS practitioner liaison groups and was awarded the
3 IRS Certificate of Meritorious Community Service for
4 his taxpayer education efforts. Jim.

5 MR. OLIVER: Thank you, Nina. I do want to
6 clarify that while I am chairman elect of the Texas
7 Society of CPAs, any comments I make today were not
8 approved by our executive board. So I'm not actually
9 speaking in an official position, but I do think that
10 what I say will reflect the attitudes and the feelings
11 that most practitioners have and actually probably
12 taxpayer themselves.

13 I have looked at future states and the
14 aspects of that and believe that one of the things
15 that's most key is that we not try to use technology
16 entirely as, as Polly's pointed out, but we need to
17 have adequate staffing at the IRS. Those issues have
18 increasingly been more difficult. We've heard the
19 mentions of the long calls and wait times of getting
20 to actually get somebody.

21 Even if you stay on long enough and perhaps
22 you get that courtesy disconnect, which I'm not sure

1 why it's a courtesy to disconnect you, but it's
2 becoming a common problem. And we even have that
3 problem on what's called the practitioner hotline,
4 priority that practitioners are given. But you could
5 wait a long, long time and still not access someone to
6 help you deal with your client's problems.

7 I'm not going to wait to follow up my
8 comments here. I'll probably add some things as we
9 go. I do want to -- before I go any further, I do
10 want to express my appreciation to the taxpayer
11 advocate, her office, and just the work that they've
12 done on behalf of taxpayers and practitioners. I also
13 want to express my gratitude to the TSCPAs Federal Tax
14 Policy Committee.

15 A lot of what I'm presenting today they
16 developed, and Jim Smith's going to do that even more,
17 but I appreciate Ken Rollins (ph) who couldn't be here
18 because he's on vacation on the east coast, but Ken's
19 been chairing that committee now in some past years in
20 the past and I just appreciate the work that they've
21 been doing.

22 One thing about the inadequate staffing

1 that's come on lately is that they've eliminated in
2 San Antonio the walk-in capability. Good thing is you
3 no longer have to stand in a long line now because now
4 you have to sit on the phone waiting to get an
5 appointment. And recently I had that opportunity to
6 call and actually fairly quick, seven minutes, to get
7 someone on the line and ask for an appointment. And
8 five minutes later she came back on the line and said,
9 well, I searched out the next two weeks. There's
10 nothing available. Do you want me to look further or
11 would you like me to look somewhere else? So I assume
12 she's in Austin or in our Houston branch. I said no
13 thank you. I'll see what I can do resolving it
14 otherwise.

15 I talked to someone in the audience earlier
16 and they have, they were able to get an appointment
17 four weeks out. I mean you can imagine how
18 frustrating that is to wait on the phone and find out
19 you don't even know for sure that you can get in
20 quickly to resolve your problem. And if you owe a
21 large amount of money and you have a collection notice
22 you don't understand, it can be frightening in that

1 situation. So it's clearly an issue.

2 We had a client since I submitted the
3 written comments that came in, or actually called in,
4 and they were late thinking they were, they were down
5 to the deadline to make or resolve that they owed back
6 taxes and were going to get installment payments.
7 Their credit card's maxed out, so they can't go on a
8 credit card. They don't have a debit card. But they
9 could go get a cashier's check and take it to the
10 local IRS office.

11 Well, the only problem is we called and sure
12 enough, the only way the IRS will accept your check
13 for payment is if you have an appointment. And so
14 that means waiting at least two weeks and probably
15 four weeks to even make a payment at the local office.
16 We asked what would happen if you showed up with a
17 payment. They said you'd be turned away.

18 You know as difficult or frustrating getting
19 access nowadays. At least we do have IRS offices in
20 San Antonio. Many smaller cities, Beaumont, Longview
21 and in my grip comments I said, which, all Texas
22 offices have limited opening availability much like

1 Abilene, have limited hours during the day. But they
2 don't even have access. You've got to go somewhere
3 else if you want to meet with someone face to face.

4 We realize it's expensive to staff,
5 especially the outlying communities. One of the
6 things I think that we've considered is situations
7 where you absolutely have to talk to somebody, whether
8 that results in examination and the issues are so
9 complicated, or you got an appeal process and again
10 the issues are so complicated, or you just can't
11 understand.

12 One of the issues that we faced is the
13 impatience you get sometimes where you just want to
14 sit down and talk to someone. What does this mean?
15 And maybe exchanging letters can be very frustrating.
16 It can take a long time. So that's one issue that we
17 look at possibly the teleconference and is that a
18 possibility because we see that increasing. So if you
19 want to use technology, can we use it in a way to
20 communicate?

21 So it's been a major problem for people
22 trying to file returns not being able to get access

1 and just the inability to find people who can actually
2 help you.

3 Well, one last comment I want to make is
4 that the lack of clarity in communications that we
5 get. The correspondence sometimes is totally
6 unexplainable. To try to go to instructions for the
7 forms, not often, often you refer to the code section,
8 I'm not sure how that helps the taxpayer prepare tax
9 returns to refer the code section.

10 So it's difficult to understand what you're
11 supposed to do and sometimes you just want to throw up
12 your hands and say I don't know what to do. Can't
13 somebody give me some help? And there is no one out
14 there.

15 MS. OLSON: Congressman Doggett wants to
16 bring a question, but I was just want to make one
17 comment here about the lack of clarity of
18 correspondence. I think that's the point. So one of
19 my concerns about the online account is I don't see
20 the plans to make communications clearer. So with an
21 online account and through e-mail, all you're going to
22 get is faster incomprehensible letters.

1 REP. DOGGETT: I just wanted to comment on
2 really what, especially what Jim is saying here
3 because so much of this is a decision they made in
4 congress about what appropriations to give the
5 Internal Revenue Service. And there are some people,
6 a lot of people in congress, and I expect there's some
7 here this morning, that don't believe in taxation of
8 income, that want alternative systems. And it's
9 almost as if they have committed to assure the IRS
10 fails so they can keep complaining more about the IRS.

11 The reason that we don't have more in-person
12 contact, the reason that people are put on hold for an
13 hour, or delayed two weeks to getting an appointment,
14 is that the appropriations to fund those positions
15 have been frozen in place in large measure and we
16 really need to help as we have from your national
17 associations of CPAs and from others to bring home to
18 my colleagues that when we're asked to vote to not
19 fund IRS, it's not about funding the abuses that are
20 pointed out or just the practical things of whether
21 somebody can get in and get a clarification and pay
22 their taxes.

1 Just to give you another example of that, we
2 had the treasury secretary over the committee testify,
3 Jack Lew, that for every dollar that we spend on
4 enforcement, not customer service, we get four dollars
5 back in revenue. We could not get an increase in the
6 enforcement budget as requested by IRS despite that.
7 In fact, tax enforcement, I think its one in four
8 staff members that are budgeted to tax enforcement
9 have actually been eliminated over the last year, or
10 seven years.

11 And why you might say? Well, that's great,
12 that reduces the chances I'll be audited, it also
13 reduces the chances that somebody who is competing
14 with your business that is cheating on their taxes
15 gets away with it. And it's an uneven playing field
16 if a competitor doesn't pay their taxes and you do.

17 So we really do need focus obviously on the
18 efficiency and (inaudible) here. But I don't think
19 there is any alternative for the face-to-face contact
20 for my people when I hear that practitioners, my CPA,
21 wants to call in and ask about a question or a form
22 letter that you've gotten that you can't get in and no

1 one can get in for a couple of weeks. And there's no
2 chance of just walking up as a poor person or a small
3 business and getting an answer.

4 That's just wrong and I hope we can build
5 the support to change that regardless of how people
6 feel about the code or best way to tax. We need to
7 have the best service possible. I'll pass this off.

8 MS. OLSON: All right. Our next panelist is
9 James Smith. He's a CPA and he serves as Managing
10 Director of Smith, Jackson, Boyer & Bovard PLLC, a
11 Dallas certified public accounting firm. He practices
12 principally in tax compliance and controversy
13 representation for individuals and entrepreneurial
14 businesses.

15 Mr. Smith served as Chair of the Texas
16 Society of CPAs for the 2007/2008 year and is a member
17 of its federal tax policy committee since its
18 inception. He served as a member of the AICPA council
19 from 2007 through 2011, and from 2012 to 2015. And he
20 also served as the appointed member of two of the
21 IACPAs key standard setting committees, the Accounting
22 and Review Services Committee and the Tax Practices

1 Responsibility committee. So Jim.

2 MR. CAVAZOS: Jim, you could just stand up
3 and talk and we can hear you better.

4 MR. SMITH: I understand that, friend.
5 First of all, I am very pleased that Ms. Olson got my
6 mother's introduction. I'm grateful for that. I
7 can't let her ever write those. I am Jim Smith. I've
8 been a licensed CPA in Texas for over 43 years and
9 having started working for a public accounting firm
10 while still an undergraduate in college, I've actually
11 been involved in tax practice for 46 years. So I've
12 been at this a long time.

13 I would like to thank the Office of the
14 Taxpayer Advocate and Congressman Doggett for giving
15 this panel the opportunity to speak on these matters
16 which are so important, not only to tax practitioners
17 and the taxpaying public, but to the government
18 itself.

19 The IRS today is caught between a rock and a
20 hard place. Increasing demands on it for service.
21 The Obamacare Act imposed a lot of new obligations on
22 the IRS. The tax laws in spite of talk are not

1 getting simpler and at the same time the IRS
2 continually faces funding shortages, which impact its
3 ability to perform the services it has been given to
4 handle.

5 While we may have problems with the IRS, I
6 want to stress that the IRS has got another problem in
7 that it is not being given adequate funding. I would
8 absolutely say amen to Congressman Doggett's comments.
9 A dollar spent on enforcement and service creates
10 several dollars more in revenue. Somehow that message
11 hasn't gotten fully through in congress.

12 As Mr. Oliver said, I am here representing
13 the Texas Society of CPAs and the Federal Tax Policy
14 Committee, but like Mr. Oliver, my comments have not
15 been officially approved by the executive board of the
16 Texas Society, but I do believe that I represent the
17 opinions and feelings of the vast majority of the
18 28,000 members of the Texas Society.

19 I'm going to address today briefly four key
20 issues that I think are the main problems. The first
21 is inadequate staffing. As you've already heard, the
22 inadequate staffing manifests itself in a number of

1 areas and I personally have spent over two hours on
2 hold. And let me tell you that after two hours of the
3 IRS's electronic music, I was, I would prefer to
4 confess to having assassinated Abraham Lincoln.

5 But then I also one day experienced for the
6 first time the so-called, as Mr. Oliver said, courtesy
7 disconnect. Those of you who haven't experienced it,
8 nobody will come online. You're listening. All of a
9 sudden the electronic music stops. I looked at my
10 phone. It said the line was still hot, that I was
11 still connected somewhere, but there was nothing
12 happening.

13 I said hello, hello. Maybe somebody picked
14 up. Nothing. Eventually I gave up. I don't know how
15 many of you have had the experience while you were on
16 hold of having to deal with a problem of needing to go
17 to the restroom. I have had to have my secretary take
18 up holding the phone while I ran across the hall as
19 quickly as I could, to come back to hold a while
20 longer.

21 And then finally when you connect to
22 someone, oh, this is the wrong department. You need

1 to go here. I'll transfer you. And the electronic
2 music starts again. I have to get several files on my
3 desk which I can work on while the music on hold
4 'cause I cannot give up a half a day.

5 Another thing that happened with the
6 taxpayer practitioner hotline is there used to be an
7 option on there where you could get help from IRS.
8 You could talk to a person when you were trying to
9 fight your way through an administrative burden. That
10 has been discontinued totally due to lack of funding.

11 Another problem we have obviously is with
12 the correspondence division. I have in my files on a
13 particular problem 11, count them, 11 consecutive
14 letters, we need more time from the IRS stretching
15 over a period of 14 months. And finally the problem
16 got solved, but I'm currently working on a problem I'm
17 up to nine letters now going back ten months and the
18 problem is not yet solved.

19 I had another situation where I called the
20 advocate's office. Those people are wonderful. If
21 you haven't dealt with the advocate, they are caring.
22 They are involved. This was a very complex problem.

1 The advocate tracked down the IRS auditor in Ogden who
2 was handling the problem. The IRS auditor in Ogden
3 informed us with the advocate on the phone it was
4 against policy for them to engage in a conference call
5 with the advocate and a taxpayer representative at the
6 same time. I don't know that policy, but that's what
7 this person said and refused, refused to engage in a
8 conference call where I needed to talk to how complex
9 this problem was and how it needed to be fixed.
10 Competent staffing, adequate staffing is critical.

11 And here's the final problem on that. We
12 exist in a voluntary compliance system. When
13 taxpayers cannot get help, cannot get answers to a
14 question, what you get is involuntary noncompliance.
15 They give up. They give it their best shot and about
16 eight times out of ten they'll get it wrong. So the
17 laws are not being complied with, not because people
18 are resisting the law. They simply can't understand
19 the law or get help.

20 Identity theft, big problem today. The
21 majority of -- and the IRS is certainly well aware of
22 this and has taken significant steps to improve their

1 response to it. The situation we have right now,
2 first and foremost is the filing of fraudulent tax
3 returns to get quick refunds. Our suggestion for the
4 service to consider is requiring using the taxpayer's
5 previous year's adjusted gross income as an identifier
6 to verify. The identity theft people get a Social
7 Security number and an address. They don't know what
8 the taxpayer filed on the prior year returns. Will
9 not eliminate hacking theft, but it will significantly
10 reduce simply the vast majority of the fraudulent tax
11 returns that are filed.

12 The next issue I want to talk about is
13 technology. It's already been addressed.
14 Unfortunately, a lot of people are not technology
15 friendly. The IRS is doing what it can. We still see
16 some problems with the website. We find it easier to
17 use Google than to go to the IRS's website sometimes
18 to research issues. I know it's a hard problem, but
19 they do need to address that.

20 And finally the future state which has also
21 been talked about. We have written letters which are
22 available to you outside if you wish to grab them from

1 the Federal Tax Policy Committee. Our concern about
2 the future state is the process so far has not been
3 fully transparent. We're getting pieces and parts.
4 We believe that the whole process needs to be
5 transparent, adequate input from taxpayers, from
6 practitioners and other stakeholders to be certain
7 that that process is concluded in a manner that helps
8 the IRS move to the future and at the same time
9 continues to serve taxpayers.

10 Thank you very much for my time today. I'll
11 be happy to answer any questions.

12 MS. OLSON: I just have one thing to say,
13 which is about the issue of not being to talk to --
14 for the IRS not be able to talk to the Taxpayer
15 Advocate Service and the taxpayers. To have the
16 Taxpayer Advocate Service attend conferences between
17 the taxpayer, taxpayer service and, again, the IRS,
18 there is no policy, but we have increasingly
19 encountered that in our meetings and working with the
20 IRS, including meetings with the attorneys who work
21 for me when a case is elevated up to my office and
22 that has led me because I'm tired of having to fight

1 this issue every single time it comes up to, making a
2 legislative recommendation that Congress will mandate
3 and make it very clear that, that the taxpayer
4 advocate has the right to attend conferences.

5 We've also been denied access to
6 administrative files where there was no legislative --
7 I have complete authority to see anything relating to
8 my tax administration duties and my tax administration
9 duties are very broad, but those two things need to be
10 clarified so I don't have to keep fighting it on every
11 level. And if you encounter that, I really encourage
12 you to go to your local taxpayer advocate, elevate it
13 to one of the taxpayer (inaudible) or elevate it to me
14 so that we can make sure that that stops.

15 Our next person is, our next person to speak
16 is LaMarr Queen who retired from the Air Force in 2007
17 and was hired in 2008 as the tax program coordinator
18 for Joint Base San Antonio-Randolph, which is an IRS
19 VITA site. He has been in that position since that
20 time in 2008 and managed the preparation of over
21 13,000 returns.

22 Part of his duties include managing the

1 JBSA-Randolph Tax Center, providing tax law and return
2 preparation training each year to preparers, preparing
3 tax returns, explaining tax law to clients to help
4 them understand situations on their tax returns,
5 counseling individuals on things they can do to
6 improve their tax return to end up with a balance due,
7 and helping clients with IRS letters that they may
8 receive. He has been awarded two IRS leadership
9 awards for his work in providing insight, and also
10 owns a small tax preparation business which he started
11 or incubated in 2014. So.

12 MR. QUEEN: Thank you, Ms. Olson. Yeah, let
13 me begin by saying that what I say here is my personal
14 opinion and not that of the DoD, the Air Force, or
15 JBSA-Randolph. First I want to thank Ms. Olson and
16 Congressman Doggett for the opportunity to be here. I
17 feel kind of humbled by the, my colleagues up here. I
18 am nothing like these guys; I'm telling you. I'm a,
19 I'm a low level tax preparer, tax preparation guy
20 that, you know, I want to help people. I want to get
21 their taxes done. I want them done right.

22 And a lot of times it does come up with

1 issues with the IRS because you can't understand the
2 tax law. So yeah, I've been doing this for a little
3 while. It has been a little while. For the most
4 part, I look at the IRS like I see them from two
5 different points of views.

6 One, as a VITA site program manager, I've
7 got an IRS representative or a "spec rep," I call
8 them; that I go to to get my information, get my
9 pamphlets, all my stuff for the site. They have me
10 set up with a program that I need to prepare taxes for
11 the taxpayer. And then I've got the tax preparation
12 site where I actually talk to IRS folks.

13 So from the rep side, I could not ask for
14 anything more than I get. I probably, folks there to
15 answer my calls. If they can't, they return my call,
16 you know, within minutes and they give me what I need.
17 And they even help with some tax law stuff. So that's
18 a good deal.

19 The other side I see and the biggest issue
20 is like the other folks have said, the wait times.
21 Now you can call, and with the way we work, I'm
22 talking about my client sitting right there. We've

1 got an issue we need to work out. I'm calling the IRS
2 if I can't figure it out or find in the books I'm
3 using. I'm calling the IRS. And I call them. Their
4 waiting, I'm waiting, we're sitting there, and you're
5 trying to entertain your client sitting there. So
6 (inaudible).

7 So the wait times are long, you know. We're
8 talking 45 minutes. I've sat there for an hour, hour-
9 and-a-half, and yeah, sometimes you get hung up on.
10 That's not much of a courtesy. It's very aggravating
11 for you and for that client sitting there and you're
12 waiting 45 minutes, an hour, and click. You know,
13 it's very aggravating. So I don't consider that a
14 good thing at all.

15 And then finally, so you wait on the line,
16 you finally get somebody on the line, and here's their
17 reply. Mumble-mumble IRS number mumble-mumble. You
18 can't understand them and I understand the issue.
19 They're in a hurry. They're getting hundreds and
20 hundreds of calls every day and they're trying to get
21 through the things they have to say quickly. I do it
22 in the other part of my job at the legal office at

1 Randolph too. You know, you answer the phone and
2 quickly say what you have to say as your greeting.
3 You're in a hurry. I understand. They need to slow
4 down a little bit.

5 I haven't had the issue like these guys have
6 with folks not knowing, not being able to help me I
7 guess as much as they do. Our issues aren't usually
8 as big as theirs. Most of the time when I talk to
9 somebody from the IRS, if I can get them on the line,
10 I can talk to them. We can get our problem resolved.
11 They may put me on hold a little while to get help
12 (inaudible), but I can get it solved most of the time.
13 So I don't have that much of an issue with that.

14 Future state of the IRS. Online taxpayer
15 accounts. Boy, does that scare me. You know, I was
16 affected by the OPM breach on my -- you guys heard
17 about that. Yeah, my stuff's out there for everybody
18 to see or somebody's got it. So now it's a constant
19 daily, weekly, monthly worry about what's going to
20 happen. I'm checking my stuff all the time.

21 I get alerts from OPM weekly pretty much
22 saying I have an alert, something on your, and a lot

1 of times it's when they, when they set it up it lets
2 you know if you got sex offenders in your area, you
3 know, or somebody's looking at your credit, you know,
4 or somebody whatever. A lot of times that's just
5 different things with other stuff.

6 But, you know, it's nervous when you see,
7 see, at least send you an e-mail saying you have an
8 alert on your thing. Oh, what's going on now. So,
9 you know, those are scary things. I think the
10 taxpayer online account could be a good thing, but I
11 think, man, you got to have some really good security.
12 You got to keep up with that security.

13 One thing with actually offering to let the
14 taxpayer let their preparer have access to their
15 account. As a tax preparer is that going to make my
16 life easier? Probably a lot. That's scary as heck?
17 Yeah. You know there are some unscrupulous people out
18 there that don't care (inaudible). That part scares
19 me.

20 As far as going to that online account, most
21 people nowadays have computer access. They have
22 internet. A lot of the older folks that I deal with,

1 they don't want nothing to do with the internet. They
2 don't like computers and having an online account
3 would be a bad thing for them. They need to have
4 face-to-face contact or at least voice-to-voice
5 contact with the IRS to help to get their taxes done
6 or with us. So I think the online account would be a
7 bad thing for them also.

8 A lot of low income folks can't afford the
9 internet, can't afford the computer. So I think that
10 that would be an issue also. Thank you.

11 MS. OLSON: Thank you very much. Our last,
12 but not least panelist is Jaime Vasquez who is an
13 attorney and a CPA and a shareholder in the firm
14 Chamberlain - I never can pronounce the name correctly
15 - Hrdlicka White Williams & Aughtry in San Antonio.
16 Mr. Vasquez represents for-profit and non-profit
17 entities and individuals in income employment and
18 excise tax disputes with the IRS and state and local
19 taxing authorities.

20 He was named as a 40, Under 40 by *San*
21 *Antonio Business Journal* in 2015 and a Texas rising
22 star by *Texas Monthly* and *Super Lawyers* magazine for

1 2014 and 2016. He's board certified in tax law, Texas
2 Board of Legal Specialization. So, Jaime.

3 MR. VASQUEZ: Well, thank you very much. It
4 is clearly a big pleasure and honor speaking here
5 before you. I thank you very much for the invitation.
6 If I just take a quick poll amongst the panelists, how
7 long have you been on hold with the IRS?

8 UNIDENTIFIED MALE SPEAKER: The longest?

9 MR. VASQUEZ: The longest.

10 UNIDENTIFIED MALE SPEAKER: Two-and-a-half
11 hours.

12 UNIDENTIFIED MALE SPEAKER: Hour and 40
13 minutes.

14 UNIDENTIFIED FEMALE SPEAKER: An hour. I
15 just can't wait that long.

16 MR. VASQUEZ: I was also on hold with the
17 IRS for two-and-a-half hours and I just gave up. So I
18 could beat Jim's record, but maybe not. Just in terms
19 of a quick followup comment to the local walk-in
20 office. The, several months ago I had a client that I
21 was assisting to help make sure that he did not get a
22 lien filed. And so from that perspective he had filed

1 a 2014 tax return and underpaid by several hundred
2 thousand dollars.

3 Well, he settled that case and came into the
4 money that he needed to pay to the IRS. So I said,
5 okay, well, cut me the check made out to the IRS,
6 folks, of course. And, and I will go and walk it into
7 the IRS office. Well, that was just when I found out
8 that that local office had just been closed. So there
9 I was sitting with a \$450,000 check and, you know, I
10 was like, you know, I made several phones calls. No
11 success.

12 And after a week of sitting with this
13 \$240,000 check, I was getting really embarrassed, of
14 course. No one wants to sit on that much, you know,
15 money for, for someone else. Finally got in touch
16 with an IRS revenue officer who got me in touch with
17 the collection officer for the day who said that, and
18 who had finally, they could accept the \$450,000 check.
19 And I thought to myself, you know, this is ridiculous.

20 You know, here I am trying to, you know,
21 help my client getting in compliance with the IRS and
22 we can't even pay the IRS. And so that's just one

1 follow-up comment in terms of you know, what I think
2 is a good quick fix.

3 Another quick fix is the IRS appeals office
4 in San Antonio. It is getting smaller. They, they're
5 -- as more have retired, there's none that are filling
6 the ranks. I can't tell you how invaluable it is with
7 getting your case resolved with IRS appeals. So I am
8 the cochair for the State Bar of Texas tax section,
9 pro bono docket call at the US Tax Court.

10 What that means is that the US Tax Court
11 comes to San Antonio about three or four times per
12 year and inevitably, San Antonio and we have the state
13 bar tax section, pro bono tax court docket call
14 coordinator in the back there, my brother Juan
15 Vasquez. And that would be by far in San Antonio gets
16 the most pro se, i.e., taxpayers representing
17 themselves.

18 So most pro se taxpayers showing up to tax
19 court docket call. I could tell you on my monthly
20 reports to the tax section, you know, we have between
21 three and seven, generally per tax court docket call.
22 But there's other cities, minus one or two.. So just

1 in quick example.

2 But anyway, so the reason why taxpayers are
3 there are, is because they haven't got their case
4 resolved. And by far the issues that I tend to see
5 are substantiation issues, penalty issues, and
6 innocent spouse issues. And these are, and these are,
7 again, pro se taxpayers that have made their way
8 through the IRS system and still haven't got their
9 case resolved.

10 And, so substantiation issues. What that
11 means is when the taxpayer doesn't have the required
12 records to substantiate or to claim a, a deduction or,
13 you know, just a quick example. Now the Internal
14 Revenue Code is fairly harsh on its requirements that
15 taxpayers maintain records. And we all know clients
16 and people and, you know, ourself that maybe sometimes
17 we're not the best record keepers.

18 Well, the Internal Revenue Code doesn't
19 care. You have to be the best record keeper. In some
20 cases keeping track of your time by the hour, you
21 know. If you're planning your milage, writing where
22 you're going and if you're, for meals and

1 entertainment, who, what, where, why. And so anyway,
2 but, so, but, you know, taxpayers obviously are not
3 getting the message that, that they need to be expert
4 record keepers.

5 I say that somewhat facetiously. So, so how
6 do we resolve that? Well, the best way that I've seen
7 it is with the IRS Appeals Office because IRS counsel
8 - and this is just another quick pitch - has, doesn't
9 have as great a settlement authority as IRS appeals.
10 And I've seen that settlement authority getting
11 diminished further and further. So what I've seen is
12 that cases that don't need to go to tax court can be
13 resolved with the IRS appeals office. And with the
14 cutback of the number of local IRS appeals officers,
15 what's happening is that people's cases are getting
16 shipped to IRS campus offices where they're not
17 getting a face-to-face person who can help resolve
18 their case.

19 And, you know, as we all know, sometimes
20 when you're dealing with someone face to face walking
21 them through the particular records and their life
22 circumstances, cases tend to be resolved. These are

1 why such things as mediations are so successful.

2 So with that my time has out, but thank you.

3 MS. OLSON: So what we're going to do now is
4 briefly open it up to the floor. I have a few
5 comments to sort of, 'cause I want to get some
6 reaction from you all, and certainly from our panel
7 members as well. So I have, and each one of you have
8 received, or I think you have, some vignettes that are
9 materials that are out there. They're the large sheet
10 of paper.

11 And these vignettes have been created by the
12 IRS to illustrate how the future state's going to
13 work. And one of them is funded by the taxpayer who's
14 had their return stopped under future state. But she
15 has to answer certain questions really before they're
16 going to start processing, continue to process her
17 income tax returns.

18 And the reverse side of it is a small
19 business person who, a small business person who has
20 set up an online account and is learning stuff through
21 his online account, and is notified about certain
22 information that he may be claiming on his business

1 return. Goes ahead and claims it anyway because he
2 thinks it's right, and then gets audited.

3 And the audit is -- everything is all
4 conducted virtually and he's getting something called
5 this digital notification. I keep asking people like
6 what's that, this digital notification, but I have not
7 gotten (inaudible).

8 So I'm interested in, as we look at these
9 online, this vision of the online account, how you
10 think that's going to work in practice and what some
11 of your concerns are. And I think first I'll turn to
12 Polly 'cause in her written statement she sort of
13 walked through some examples of what, you know, if
14 you're thinking about Jane, the low income taxpayer,
15 and a very factual situation, how do you (inaudible)
16 just seeing things online and have you pulled down
17 menus?

18 MS. BONE: Okay. First of all, this
19 vignette, I'm wondering why whoever wrote it may think
20 this is hardly representative of the people who get
21 the earned income tax credit. I'm assuming based on
22 what they say, maybe she only started -- maybe she

1 taught half a year last year 'cause I looked up the
2 starting salaries of teachers here in SAISD and with
3 what, one child her full year, she would not qualify
4 for an earned income tax credit.

5 And SAISD is not the highest paid school
6 district in the country. Let me tell you that. Also
7 she's not representative because as a teacher, she had
8 at least a four year degree and I know school
9 teachers, even though, you know, internet's expensive.
10 They make a priority and have internet account so they
11 can work at night. You know, teachers work in the
12 evening.

13 So this isn't representative at all. My
14 client would more than likely be someone who would be
15 a provider or a health home provider, somebody that
16 goes in and takes care of elderly people during the
17 day or someone who works in housekeeping at one of our
18 many hotels here in San Antonio. That was my first
19 reaction to this.

20 But in terms of just -- you know, and of
21 course they have, Jane had the most beautiful giant
22 computer in her lovely home office. I don't think

1 most teachers would have, you know, to fund that
2 source.

3 UNIDENTIFIED MALE SPEAKER: Yeah, at least a
4 32 inch screen.

5 MS. BONE: Yeah. But she also has her cell
6 phone. One thing I will point out about that is
7 people, you know, it's so easy for people to get
8 confused, like stammers and what they call fissures
9 online and they say the IRS won't contact you by e-
10 mail. Well, now they're going to be contacting you by
11 e-mail or perhaps text message, is what these alerts
12 are. They're still on your phone, a good Wi-Fi signal
13 there in the middle.

14 And, you know, that, that's why I came, one
15 reason I said about read, have to register your phone
16 with the IRS, your online account. They may also do
17 that for authentication identity somehow and they type
18 in a code in terms of that. But, you know, I get
19 alerts all the time on my phone, you know, from like
20 Subway wanting me to get a free sandwich or something.
21 And, but people get -- also, you know, we have all
22 this security at our office.

1 Yesterday I got somebody trying to help me
2 get them their lottery proceeds in Nigeria. So, you
3 know, people, there are all kinds of scams out there.
4 What are people going to think about these and be able
5 to distinguish them? I'll bet you anything there's
6 going to be somebody who's going to come up with a
7 fake website that looks like this or fake e-mails that
8 look a lot like this, what the IRS is (inaudible).

9 MS. OLSON: Just to clarify for people, the,
10 that the IRS envisions the online account to work, is
11 that first the taxpayer has to come in and create an
12 online account. And they can do that right now with
13 trying to do the get-transcript. You know, creating
14 an account. And the IRS because they had to take, get
15 transcripts down because of security concerns, you
16 know, last year, they have been working with the
17 Department of Homeland Security and the FBI and the
18 National Institute of Standards, and I think it's
19 called technology. I can't remember what the NIST
20 stands for.

21 And they basically got a three factor, a
22 very high level authentication that you have to do to

1 get an account. And as a result of that very high
2 level security, there's only today a 27% pass rate on
3 people trying to create an online account. So what's
4 that? Sixty-three percent of the taxpayers of the
5 United States who try to create this very modest
6 online account have not been able to do it because
7 it's competing issues of security and trying to avoid
8 having hackers come in or identity thieves come in
9 versus making things accessible.

10 And then if you want to create, give your
11 preparer authorization to see your online account, you
12 first, again, have to create an online account to give
13 your preparer that authorization. So again, 63% of
14 the taxpayers of the United States who are trying to
15 do this are not going to be able to do that and
16 authorize their tax professional or their unenrolled
17 preparer. We don't know whether unrolled preparers
18 will be able to access it.

19 The other thing is that what you will get
20 once you're communicating with the IRS and you've
21 created this online account, is you won't get e-mails
22 directly from the IRS. You will get an e-mail that

1 says there is a message for you in that online
2 account. And then you will have to log in and then
3 see that communication.

4 So it is not just like going back and forth
5 with the IRS. That's not to say the scammers won't do
6 that. I will also note that a couple weeks ago at the
7 action of Congress, the Social Security had originally
8 attempted to get their beneficiaries to get, in
9 interest of security, that when they want to do, you
10 know, log on to their online, my SSA account, that
11 they would get a text message with a code that you
12 needed to put in.

13 And the beneficiaries were so upset about
14 that because so many of them don't have text-enabled
15 phones or just don't deal with that, that in response
16 to letters from congressmen and congresswoman and
17 senators, you know, Social Security moved back from
18 that. In fact, just yesterday morning I got my
19 message from Social Security saying you don't have to
20 do this. We recommend you do, but we backtrack. So
21 you see these real serious issues.

22 The other thing that I'm concerned about in

1 both of these, and this was noted in one of our other
2 public forums, is that in both of these instances, the
3 taxpayer lost. The taxpayer was wrong. And so
4 somehow the IRS is visualizing that this is going to
5 be, that an online account is going to be a great deal
6 for the IRS, that they'll be able to use the online
7 accounts so the taxpayer will agree to whatever the
8 IRS is saying.

9 And that's my concern, that taxpayers will
10 see something on a screen and they might be given a
11 certain number of choices, but as everyone here on the
12 panel's talked about, the tax law is so complex that
13 your experience may not fit into one of those choices
14 and a conversation should ferret that out. And yet if
15 you're stuck online and you have to pick one of the
16 above, you may get the wrong answer and the IRS will
17 say, great, we've resolved this issue, but it may not
18 be the correct resolution. And I'm as worried about
19 that for individual taxpayers as I am for small
20 business.

21 So now I'd like anybody to sort of chime in
22 here. We have one microphone, but you'll just have to

1 stand up and speak loudly. Does anybody want to make
2 any comments? Yes, sir.

3 MR. CAVAZOS: And if you would, just
4 identify yourself and if you're a practitioner or a
5 small business so we've got something for the record.

6 MR. McCALLUM: Yes. My name is Tim
7 McCallum. I'm a CPA practicing in San Antonio, Texas.
8 And I brought two of my classic examples that I can
9 give you.

10 First is a CP2000 that had a calculation on
11 unreported dividend income, which is, it was a
12 situation where the original, it happened in '14 and
13 USAA had two different situations where they sent
14 1099s out and they were within, I want to say, a
15 couple hundred dollars of both of the dollar amounts.
16 It was about 12,000 unreported.

17 Now it resulted in a showing that the
18 taxpayer owed \$2,666. What is egregious or just
19 downright wrong is the 1099 are, or the 1099-DIV comes
20 with an amount for qualified dividends and they
21 didn't, they didn't, they made the calculation just
22 adding it all in as total income, but when you factor

1 in the number for the qualified dividends, it reduced
2 it by almost \$1,000. And the gentleman in question is
3 over 90 years old.

4 The second example I brought is one that's
5 brand new in my office. This CP2000 is dated August
6 15th. It was a situation involving a 1099-R where it
7 was a distribution code of one, which is early
8 distribution, and my taxpayer failed to report the
9 1099-R for some unforgotten reason. The mandatory
10 amount of his withholding that he did have withheld
11 was only 10% of his amount of withholding. But when
12 they discovered it in the CP2000 because my taxpayer
13 is a high income taxpayer, it resulted in a change
14 from a \$15,000 1099-R to now it's \$5,844.

15 And what was the, or my issue is that he was
16 given the additional 20% under tax payment of penalty
17 for negligence or being 20% greater than the \$5,000
18 amount. And the problem is, or what I think is a
19 problem with it, is if my taxpayer's withholding
20 amount had been accurate with what he had been
21 charged, he would have resulted in a zero owe of money
22 to uncle, but a penalty of 20% of that amount as his

1 forgotten to send, but he wouldn't have owed any money
2 because he would have had enough withholding. But
3 they calculated the 20% on the gross of the increase
4 in the tax without anything being deducted from what
5 he had actually already paid them.

6 And so we, we go from a situation of \$5,844
7 to \$5,415 with interest and the penalties, and then
8 subtracting out the \$1,500 dollars of withholding that
9 he paid.

10 I echo everything that everybody said about
11 times and being redone to different things when we
12 call taxpayer assistance, can't get in to talk to
13 anybody at IRS at various times and so forth. So
14 anyway, these are the cases I wanted to bring.

15 MS. OLSON: Thank you. All right. So, so
16 just, just -- I want to also as we have these
17 conversations, I'm going to try to paint the picture
18 as the future state is envisioned. And you won't
19 really see this anywhere just because I've been in the
20 conversations. And you can see through the vignettes.

21 A lot of what the IRS is envisioning is that
22 the CP2000, which is the under reporter, will be

1 accelerated into the filing season, which in some ways
2 is a very good thing. You know, this year we are
3 getting the W-2 and the 1099 and the interest and div
4 information by January 31st and the IRS believes that
5 it will be able to, for a significant number of
6 returns coming in, be able to match that information
7 that shows up on the returns against the information
8 that we've got in the database, which will help us
9 combat identity theft 'cause we can tell, we'll get
10 the information from the employers so we can tell what
11 is the good, the good information coming in.

12 That will help, if not immediately,
13 eventually as we work out the kinks in the system.
14 But the other side of this is it means that many
15 returns will be stopped in the filing season to say
16 you don't have information that we have. We don't see
17 this information. We've got a question about this
18 1099-R or this 1099-DIV.

19 It will happen in the filing season and it
20 will happen not as an audit post-assessment where you
21 would get appeal rights and things like that. It will
22 happen before the final tax is assessed and if you

1 disagree, you will not get a right to appeal. You
2 will get a notice of deficiency like we end up
3 getting, all pre-refund reviews.

4 And this has significant impact on taxpayer
5 rights from your perspective and we're already
6 lamenting the inability to get to appeals here and you
7 can just see so much being accelerated on stuff. So I
8 know we have a lot of hands. Yes, sir.

9 MR. THORNTON: My name is Jim Thornton (ph).
10 My wife and I are small business owners. We own
11 (inaudible) pretzels and Cinnabon cinnamon rolls.
12 (Inaudible.)

13 UNIDENTIFIED FEMALE SPEAKER: You're helping
14 the economy.

15 MR. THORNTON: This is really more of a
16 question, but I personally have received the
17 outstanding customer service from the IRS in a long
18 time, so I'm on an issue that (inaudible). Some
19 people didn't know what I was talking about. I take
20 my daughter there. But it was a really simple
21 situation and took almost a year to resolve, multiple
22 holds.

1 So I understand this Ms. Bone's concerns
2 about people who may not have the expertise or time or
3 the wherewithal to communicate with them online and
4 that's what you have to do for a number of months
5 (inaudible). But from everybody here I've heard
6 there's two overarching issues. Number one is the
7 ambiguous way of the IRS communicates with the
8 taxpayer and with those that are in the tax business.

9 And secondly, is the inaccessible nature of
10 how they conduct business or their business model is
11 fundamentally broke. As a taxpayer throwing more
12 resources at something that's going to make them more
13 accessible is only working on the symptom. The root
14 problem lies with how poorly they communicate. And
15 how, and how it takes nine months to resolve simply
16 for their best customers.

17 They create this movement, this cycle of
18 never being able to get a resolution just by
19 (inaudible). So I don't know if there's anything
20 (inaudible) complexities (inaudible) like Mr. Smith
21 said. Even though they're talking about simplicity,
22 it's not happening. In fact, it's actually going the

1 other direction. That only increases the people that
2 need to contact the IRS, the taxpayer and CPAs.

3 And if there's, they can't address that,
4 they're only working on a symptom (inaudible). Thank
5 you.

6 MS. OLSON: I really want to thank you for
7 those comments. That is something as someone who sees
8 the IRS in operation every single day and also has
9 18,150 employees myself. So I think all the time
10 about the performance measures, how they perform, how
11 I get them to respond in the way that I think they
12 need to respond.

13 It's interesting. Congress has tried over
14 the year for decades ago to require the IRS to have
15 one person assigned to a case. Sign the letters.
16 Give their phone number. And the IRS with the help of
17 chief counsel have found all sorts of ways to nickel
18 and dime that so that that requirement which is
19 written in the law is really not in existence anywhere
20 except in my own organization, you know, where one
21 person is assigned to a case from the start to the
22 finish.

1 And I have insisted that the IRS try to do
2 some studies to show how you would get greater
3 efficiencies. If there's one person who had to send
4 out those 11 letters, because I'm guaranteeing you
5 that those 11 letters are sent out by 11 different
6 people because nobody owns that case. And if they
7 owned that case, then you would have a manager who's
8 looking at them saying what are you doing with that
9 case and why isn't it closed now and what actions have
10 you taken, and why are you sending what we call stall
11 letters? So a new term for your vocabulary. Courtesy
12 disconnect and stall letters, you know.

13 So I 100% agree with you that I am very
14 worried that, that on the correspondence side, on the
15 exam side, on the appeals side, throwing more money at
16 it at this point until they have reformed their
17 culture and their business processes is not going to
18 bring about the issue.

19 I do think on the phones it's a little
20 different because we have such volume of unmet needs
21 on the phones that it really is a factor of human
22 beings. You need more human beings trained to answer

1 calls. But I really agree with you on that. And it
2 was interesting in Los Angeles last week we had
3 someone from the California franchise tax board who
4 had just created an online account, but they did what
5 you suggested. They spent the first five years
6 revamping all of their IT systems, all of their
7 business performance techniques, looked at all of
8 their correspondence to make sure when you put
9 something up it was readable and understandable.

10 And they did all that before they opened up
11 the online account so that that initial experience was
12 positive experience. You didn't just dredge out the
13 same old-same old. It was just digital. And then why
14 would people use it, you know.

15 MR. CAVAZOS: Thank you. Jim.

16 MS. OLSON: Yes, back there. We know this
17 person.

18 MR. VASQUEZ: Good morning. My name is Juan
19 Vasquez. I'm with Chamberlain Hrdlicka out of Houston
20 and San Antonio office. First of all, thanks to all
21 the panelists, congressman, Nina, and everybody else.
22 I'm also the chair of the State Bar of Texas tax

1 section pro bono. So we -- the pro bono committee has
2 been receiving several recent items regarding some
3 political issue.

4 We all know Obamacare and the 21 million
5 users. So we, we have been hearing of several cases
6 where people initially sign up for insurance through
7 the marketplace and when their income is low or
8 they're unemployed; therefore, they get a subsidy,
9 which is great, which is what the policy's for. Then
10 they may get a job and it's not until several years
11 later when our, let's say, filed their return,
12 penalties are kicking in and they had no idea. And
13 then they start getting the IRS collection function on
14 there.

15 So generally speaking, IRS penalties are
16 imposed by their computer systems and then if you
17 submit a letter or you have reasonable cause to get
18 those penalties abated. It would be for the national
19 taxpayer advocate and congress to send a letter to the
20 IRS to assist the pro bono communities with these
21 penalties because it's a little unclear what qualifies
22 for a business in this area. And again, it's not

1 ideal politically for lots of taxpayers who need the
2 insurance, who then have penalties imposed against
3 them because they actually got a job or something like
4 that.

5 So again, it's a policy issue, but we are
6 seeing these issues spike up in the last several
7 months. Thank you.

8 UNIDENTIFIED MALE SPEAKER: If you have a
9 graph of what you'd like to have submitted, give it to
10 me and I'll get some colleagues to join so we can have
11 bipartisan presentation on it. And I'm sure Ms. Olson
12 and --

13 MS. OLSON: And I would also suggest on the
14 taxpayeradvocate.irs.gov website, we have a place for
15 people to submit systemic issues like this. If you
16 see something in your practice -- I mean it's a little
17 clunky. It's held together by chewing gum because we
18 created it ourselves, but, but what, you can submit a
19 systemic issue and you can also submit your name and
20 phone number if you want to be contacted back. And
21 then we can learn more than you could possibly type.

22 We will make a phone call out to you and we

1 can find out about it and even followup with you about
2 what we've been able to find and how we've been able
3 to resolve it. And that's really a good way for us to
4 identify problems that are percolating out there and
5 that we can track down.

6 So I think someone here wanted to say
7 something?

8 UNIDENTIFIED FEMALE SPEAKER: Was that for
9 the taxpayer advocate's office?

10 MS. OLSON: Yes, taxpayeradvocate.irs.gov
11 and it's called SAMS, S-A-M-S. It's not a systemic
12 advocacy management system, but, you know, it's your
13 way to let us know. And we actually have people who
14 check it every day and even if, you know, sometimes
15 what happens is the issue is just emerging so we keep
16 it our database. And then when we see a number of
17 them, we know that it's become not just an isolated
18 event, but more of a pattern thing and we'll assign a
19 project to somebody to work through.

20 So even if you don't, if we say thank you
21 for it, but we're not acting on it right now, it
22 hasn't gone into the ozone. It's actually good data

1 for us to have.

2 UNIDENTIFIED FEMALE SPEAKER: Do you still
3 wish to --

4 MS. OLSON: Okay. So yep. Back there.

5 UNIDENTIFIED FEMALE SPEAKER: (Inaudible)
6 thank you.

7 UNIDENTIFIED FEMALE SPEAKER: I'm Kathleen
8 (inaudible) San Antonino. First of all, I want to
9 thank you very much for the taxpayer advocate's
10 office. I've had good experiences with that. And
11 also the tax practitioner hotline for the most part,
12 yes, put on long hold long times and the courtesy
13 disconnect, but usually you get a very helpful agent.
14 Occasionally I'll get one that obviously hates his or
15 her job (inaudible) thank you very much and hang up.
16 So I found if I call after 5, I have better results
17 and they're very helpful on the phone.

18 But what is the issue (inaudible) and
19 (inaudible) what Ms. Bone was saying where you don't
20 fit in a certain box. That all needs to be expanded.
21 The installment agreement process, I help clients get
22 their installment agreement, but then, and they'll

1 have multiple years. I know my clients are working
2 hard to do that. And I set up the installment.

3 We set up the installment and then as soon
4 as they file one return, it's a vicious cycle. They
5 file another return. They owe tax and put on an
6 installment agreement after all that hard work is
7 kicked out. So some sort of grace period or something
8 where we could work that in (inaudible).

9 MS. OLSON: I think this goes to a couple
10 points. One is, and as I think about the future
11 state, you know, how do you do this online. You know,
12 how -- you need somebody assigned to that that you can
13 you talk to and say, look, we've got, we need to do
14 our first initial contact has to be with the taxpayer.
15 Would you like us to roll this into the installment
16 agreement? Do we renegotiate those?

17 If you're trying to bring people into
18 compliance, that's how you approach it. You've got
19 somebody who's already come forward. They're already
20 engaged with you. Why are you doing something
21 negative to them? Why aren't you approaching them as
22 all right, what happened here? What do we need to do?

1 And that that should be the first contact that engages
2 and builds trust with the taxpayer and encourages
3 future compliance.

4 So then my next question is how do you do
5 that. You can use technology to trigger you to watch
6 these things, to say, okay, I need to make that
7 contact with the taxpayer, but you need to have a
8 human being that does that, that's behind those
9 communications. And that's what I'm worried about, is
10 that we're really relying on technology to replace
11 human beings and to replace the human contact.

12 But I really think it goes more to a culture
13 change, that you have to really think about the IRS
14 not as an enforcement agency, but rather as the tax
15 agency. The agency that helps people comply with the
16 tax laws. And enforcement is a piece of that and an
17 important piece that, but our engagement with
18 taxpayers is what's key. And that can be both digital
19 and helpful, and it can be personal and helpful. And
20 I just, I despair when I look at the future state
21 vision because I don't see that embrace of the
22 culture.

1 I know that the Congressman has to leave now
2 and I'm so grateful for his attendance.

3 REP. DOGGETT: I will have somebody here
4 still taking notes and I look forward to follow up.
5 Your presentations have been great and we'll make
6 common cause to try to address some of these concerns.
7 Thank you very much.

8 MS. OLSON: Thank you so much. So we're
9 going to go on for, for another ten minutes and then I
10 have to leave to go to a plane.

11 UNIDENTIFIED MALE SPEAKER: I don't know --

12 MS. OLSON: Are you a small business person
13 or --

14 UNIDENTIFIED MALE SPEAKER: No, John Q
15 Public.

16 MS. OLSON: You're John Q Public. I love
17 it.

18 UNIDENTIFIED MALE SPEAKER: All right. What
19 are you all doing to protect the public with regards
20 to getting numerous phone calls at different times
21 where the predatory people that call you and try to
22 con you into believing that you've something illegal,

1 please send me money? What is the law with regards to
2 protecting me or what I have to say or what my
3 accountants can do? Because I feel like I have to be
4 representative when I make a statement to this
5 predatory person, you know, what are you doing out
6 there to protect me?

7 The low income people may not have, you
8 know, the ability to stand up for their rights. What
9 are you all doing?

10 MS. OLSON: So first let me say I'm, I
11 personally am not part of the IRS that, that addresses
12 that, but we get the cases that are often the very sad
13 cases --

14 UNIDENTIFIED MALE SPEAKER: (Inaudible.)

15 MS. OLSON: Well, it's a combination of
16 things. But let me just say so there is -- this is a
17 really difficult issue and in California we basically
18 spent the whole public forum talking about the scams
19 and the issues with the scams. What has happened over
20 the last decade - and I've been in this job for 16
21 years now - I've watched identity theft morph from one
22 person maybe getting a couple Social Security numbers

1 and trying to scam the system to it becoming an
2 entirely organized, an organized crime. Organized
3 crime has really bought into this.

4 UNIDENTIFIED MALE SPEAKER: What are you all
5 doing?

6 MS. OLSON: And so there are investigations
7 going on throughout the, throughout the criminal
8 investigation division of the IRS working with state
9 and local authorities, the Department of Justice, to
10 try to track down scams. The problem is some of the
11 scams are originating overseas. You can tell that from
12 the phone calls. The phone calls are coming from
13 overseas. Some of them, they're, they're very
14 difficult to track down.

15 There have been -- if you go on the IRS
16 website, there have been a number of prosecutions.
17 One of the things that happens if you are a small
18 group trying to do this, you don't raise to the level
19 of what criminal investigation or the Department of
20 Justice or even the state authorities feel are worth
21 trying to track down.

22 What they want to do is go after the ones

1 that are doing the most rather than maybe a lot of the
2 like ones that are doing a little. And since it's an
3 easy crime to do --

4 UNIDENTIFIED MALE SPEAKER: I've got
5 (inaudible) given to you all --

6 MS. OLSON: By the time I called them, they
7 would no longer be in service. And I'll tell you my
8 story. I come -- you know, I travel a lot. I came
9 home one time and there were about three of those
10 messages on my voicemail. And I called up the Chief
11 of Criminal Investigation and the Inspector General
12 for Tax Administration, and I said, and I said I, I
13 will be willing to be a sting on this. You know, wire
14 me. I'll call these number back.

15 And they said, you know, thank you for
16 offering that, but we've got lots of work that we're
17 working on on this issue. And so, no, Nina. But when
18 I called those numbers back, they were disconnected,
19 you know. And so that is what happens, is that they
20 keep them alive for a little bit and then they move
21 on.

22 We had a scam in my office where the IRS, we

1 got, we got taxpayers sending us deposit slips. They
2 were, the scammer called them and said my name is so-
3 and-so. I have -- we're about to arrest you. We have
4 a sheriff coming out to arrest you if you do not pay
5 us X thousands of dollars. And you have to go to this
6 bank and deposit into this bank account and keep me on
7 the phone.

8 And the taxpayers would go to the bank
9 account because they were scared stiff. They didn't
10 even ask whether they owed anything. They didn't ask
11 how does the sheriff come and arrest me; you're
12 federal government. We don't use sheriffs. That
13 didn't matter. They were terrified. They went to the
14 bank. They paid this money and then they were told by
15 the scammer send in the bank deposit slip to the
16 National Office of the IRS to this so-called
17 collection employee's name. They were very savvy
18 because they had the correct headquarter address.

19 And so what happened was we got in overnight
20 mail, it was delivered to my office, about 8 or 12 --
21 pardon?

22 UNIDENTIFIED FEMALE SPEAKER: We still get

1 them.

2 MS. OLSON: We still get these ones every
3 week from this scam, these deposit slips from people.
4 And the only way we knew about it was one of the
5 people had written on the back of the deposit slip Mr.
6 so-and-so, here's the deposit slip that you asked from
7 me and then gave his phone number. So we called him
8 and that's how we found out about the scammer. We
9 recorded it and we tried to track down and we tried to
10 call the number.

11 One of the taxpayers had gone to a bank, had
12 gone to like one bank to make the deposit and the
13 letter said that account's closed because the bank had
14 noticed suspicious activity and closed the account.
15 Persons on the phone had told him him to go to another
16 bank down the street because they had another account
17 opened up there.

18 So it's very difficult to track this stuff.
19 And, you know, I have been very critical of the IRS
20 about not doing -- they put stuff up on a website
21 about the scams that are going on, but if you've got
22 the elderly, they're not checking the website. You've

1 got the low income. They're not going to a website
2 that you can, on a cell phone that you can look on a
3 two inch screen to see what's the listing of the most
4 current scams.

5 We need to do a much better job. And we've
6 been thinking about, you know, we have to get public
7 service announcements out there. Not at 11 o'clock at
8 night, but, you know, during the day and at drive time
9 and things like that so people are alert to that.
10 But, you know, I think this is the future. This is
11 what we've got to accept, that this is the kind of
12 thing that's going on. The criminals have figured out
13 that this is a very easy way to make money. It's no
14 risk. If you say, no, I'm not doing anything, they
15 just made a phone call, you know. And it's very
16 difficult to find these people. I just have to tell
17 you, it's very difficult.

18 UNIDENTIFIED MALE SPEAKER: My last comment
19 and then --

20 MS. OLSON: It's not like tracking drugs
21 where there's a product that you have to look for.

22 UNIDENTIFIED MALE SPEAKER: There are plenty

1 of phone numbers on here that you could track it out
2 and, but that's fine

3 MS. OLSON: If you want to share them with
4 me, I'd love to have them.

5 UNIDENTIFIED MALE SPEAKER: (Inaudible) more
6 (inaudible). Apparently there was a big problem and
7 this kind of thing (inaudible) I want to know as a
8 taxpayer, as the John Q Public, what are you going to
9 do to protect all of us? These guys do their jobs to
10 protect us, make sure we do the proper thing. What
11 are you all going to do?

12 MS. OLSON: Well, the -- I'll say one more
13 thing, is that there's a downside to this too, is that
14 the IRS has put all sorts of filters to identify what
15 they think might be fraudulent returns that are coming
16 in, which is another side of identity theft. And
17 those filters are actually stopping, and 37% of the
18 returns that they stop that they think are
19 questionable are legitimate returns. So all
20 taxpayers, you know, are having to be burdened by this
21 run-up of crime through the tax system of identity
22 theft and scams. And it is a huge issue. I agree

1 with you completely.

2 UNIDENTIFIED MALE SPEAKER: May I --

3 MS. OLSON: Yes.

4 UNIDENTIFIED MALE SPEAKER: May I have a
5 comment, please?

6 MS. OLSON: Yes, absolutely. And then we
7 have time for one more comment. I sort of took up the
8 time that I --

9 UNIDENTIFIED MALE SPEAKER: In response as a
10 member of the American Institute's Tax Practice
11 Responsibilities Committee, every year we meet in
12 Washington and every year we meet with a senior IRS
13 official. And last year we met with the head of
14 TIGTA, the Treasury Inspector General for Tax
15 Administration. And specifically this was the guy
16 that deals with outside fraud.

17 And the report was about exactly what you're
18 talking about. And what Nina has said is correct,
19 that you need to understand this. This stuff is not
20 coming out of this country. I, my wife, got a phone
21 call, just the kind you're talking about. We're going
22 to sue you. She knew better.

1 Some of those phone numbers when you get
2 caller ID are coming up with a 202 area code, which is
3 Washington. They are able to come out of Eastern
4 Europe, Russia, and the majority of them believe it or
5 not are coming out of England, according to TIGTA.
6 And they change phone numbers. They call you at a
7 number. They'll -- sometimes -- I had a client, they
8 left a callback. He called back, nobody would talk to
9 him. It's like the first time shot.

10 The IRS is, they can't stop it. They cannot
11 stop it. However, what they can do, which is what
12 Nina addressed, they need to increase the public
13 service announcements, some of which I've seen,
14 advertisements. Number one, the IRS will never, ever
15 contact you by e-mail. They do not use it period.
16 Any e-mail that purports itself from being from the
17 IRS, it's fraud.

18 Second of all, the first contact you get
19 from the IRS is never a phone call. They correspond
20 by United States mail. You don't get a phone call, if
21 ever, until you're way down the trail with the
22 letters.

1 But the IRS, the only thing they can do is
2 the public has to protect itself. They need to
3 communicate better how the public needs to protect
4 itself. But if you're asking the IRS what they can
5 do, I'm going to tell you the honest to God truth.
6 Nothing, nothing. But they got to communicate with
7 the public. If the people hang up and TIGTA reported
8 that they had reduced the number of actual people
9 making payments from fraudulent phone calls, the IRS
10 use your debit card number, by two-thirds since they
11 started their campaign.

12 So they are making progress. It is not
13 going to go away. How many of you all have gotten a
14 notice from your credit card company you need to
15 update your security? Just go online and give us some
16 -- I mean these are fraud. So that's the situation
17 the IRS is in.

18 MR. SMITH: Mr. Smith, follow up real quick.
19 (Inaudible) my question is this big of a problem, are
20 we truly trying to do something because one person
21 gets taken away, like you said, that's one too many.
22 And people who are old or disabled don't have the

1 luxury of losing that. Wants the government to crack
2 down on it.

3 UNIDENTIFIED MALE SPEAKER: Fine. You can't
4 crack down on Eastern Europe. You cannot crack down
5 on the Russian mafia who is doing a bunch of this.

6 MR. SMITH: Well, then like you said
7 (inaudible) it says this (inaudible) put it up there
8 and (inaudible) you see it on the news early morning
9 watch people (inaudible).

10 UNIDENTIFIED MALE SPEAKER: An informed
11 public --

12 MR. SMITH: (Inaudible.)

13 UNIDENTIFIED MALE SPEAKER: An informed
14 public is the right answer, that all you got to do is
15 hang up or don't answer the phone.

16 MR. SMITH: That's not -- save that one
17 person.

18 MS. OLSON: Right.

19 UNIDENTIFIED MALE SPEAKER: Thank you very
20 much.

21 MS. OLSON: Okay. Thank you. So one last
22 question. This is going to be the last question.

1 This is a great meeting.

2 MS. HAWKINS: I'm going to switch gears just
3 a little bit. I'm from California. My name is
4 Melanie Hawkins. I'm a CPA and my entire career has
5 been for small business people and entrepreneurs.
6 That's my speciality. And currently in California
7 I've been working with a lot of startups and a lot of
8 the newer entrepreneurs (inaudible). They feel
9 differently (inaudible) communicate. But this is
10 where I'm at. I'm stretched out. I sold my practice
11 so that I could get involved, what the new
12 entrepreneur looks like to me.

13 Recently I just joined some engineers that
14 are developing artificial intelligence tax software.
15 So this future of the state of things is very
16 interesting to me and I have a couple of questions
17 because pretty much my speciality is finding new
18 deductions for people. It's not really finding new
19 things. It's just looking through their data and
20 finding things that they missed so that they don't
21 have to pay too much in tax.

22 One of my questions about the new online

1 system, the IRS is very much aware of all these
2 incomes that we don't report, but aren't they also the
3 mortgage interest and different property taxes because
4 they get that from external sources, one of my
5 questions is about the online system. Is that going
6 to automatically alert people that they may have a
7 deduction sitting there of thousands of dollars? They
8 have the data.

9 And then the other thing is every time I've
10 gotten an audit from the IRS, the first thing they ask
11 for is bank statements and credit card statements. So
12 my question about the new online system is are they
13 going to have automatic access to your banking
14 information in order to get that data themselves? So
15 I have those questions.

16 MS. OLSON: Yeah. So lots of really good
17 questions (inaudible). So the current state of the
18 IRS right now, we have a program called the Automated
19 Substitute for Return where a taxpayer hasn't filed
20 their return. We have all their income data, W-2s,
21 and DIV-1099s and stuff like that. And we create a
22 return for them. And we may have the 1098 for the

1 mortgage interest, but we do not subtract that even
2 though it might be over the itemized, the standard
3 deduction level.

4 And I think that goes to the culture of the
5 IRS. Like why are, why are we using information only
6 to harm people and not using information and data to
7 help people and get the whole picture? And we have
8 made the recommendation for years now with the
9 Substitute for Returns that you use other information.
10 You may have the document that reports the childcare,
11 you know, that's being paid or all sorts of other
12 stuff. Or we have the tables for sales tax. So you
13 could just as easily do sales tax. You may not have
14 real property tax, but we could look that up.

15 But that involves, to your point about
16 artificial intelligence, developing algorithms that
17 would enable you to pull that information and they
18 just don't see it as worthwhile to invest in that.

19 And, you know, we have also talked to them
20 about using the information that we have to identify
21 people who would have economic hardship, which is
22 described in the law, you know, as inability to pay

1 your basic living expenses. And not torment them.
2 Put them in currently-not-collectable status or write
3 to them and say would you like to do an offer and
4 compromise, you know, for a very nominal amount so we
5 can make this debt go away.

6 We have a lot of information and they have
7 refused to date to do that. My office has built an
8 algorithm to do that and they have not filled that in.
9 And this is where I'm worried that the future state is
10 focused on, you know, the bias that you see in these
11 vignettes, that the taxpayer's wrong and ends up owing
12 more money rather than focusing on, you know, how can
13 we use all of this information going forward not just
14 to say, okay, you're a business person and you're in
15 this industry and we're going to send you a notice
16 saying we just published guidance that might be
17 relevant to you.

18 But also using it specific to that taxpayer
19 and saying you've got a home mortgage. I don't see
20 you claiming it. Or you, you know, you didn't file a
21 return. We've recreated this return and we've
22 included the home mortgage interest there. And so

1 maybe I wouldn't even send you a letter then because
2 that would mean that you're below filing requirement.

3 UNIDENTIFIED MALE SPEAKER: That actually
4 seems to violate the taxpayer bill for rights.

5 MS. OLSON: Well, absolutely. I mean
6 there's a lot of stuff.

7 UNIDENTIFIED MALE SPEAKER: You've got the
8 right to be informed, the right to quality service --

9 MS. OLSON: Exactly.

10 UNIDENTIFIED MALE SPEAKER: -- the right to
11 pay no more than the correct amount of tax. But if
12 the IRS knows it's not correct, they're overcharging
13 you. That seems to be violating the right.

14 MS. OLSON: That's absolutely right, you
15 know.

16 UNIDENTIFIED FEMALE SPEAKER: And so if, I'm
17 actually here on a (inaudible), but it's actually
18 trying to find out what people really want and need.
19 And I hear what you're saying. If this complexity --
20 I mean one of the things that we're trying to do to
21 simplify the information so that it's understandable,
22 like in real time so that people can respond in real

1 time, not just for the government's sake. But for
2 themselves with (inaudible) money and not pay too
3 much.

4 Also to make it fun and engaging. I mean
5 nobody said anything about that. It's so boring. You
6 know, it's awful and people like tax us to death and I
7 think that's probably one of the biggest challenges
8 that we're going not face, is a user interface.

9 But what I would like to do is give, I can
10 give you my e-mail and if you have some suggestions
11 for solutions, I'm happy to entertain them. I'm very
12 fluent with the problems, but I know that everybody
13 here is dealing with these things, especially
14 (inaudible) day in and day out on hundreds and
15 hundreds of taxpayers, that if you see simple
16 solutions, I'd love to know it because I'm working
17 with some extremely brilliant people (inaudible).

18 MS. OLSON: So we're going to close now. I
19 really want to thank everyone for being here. We do
20 have on our site taxpayeradvocate.irs.gov place if you
21 want to make comments about the future state or the
22 present state of the IRS. Please do. We'll come back

1 to you and say would you be willing to make them
2 public because we do want to have them as, you know,
3 as much transparency as possible on this issue.

4 The other thing is if you have tax clients
5 or you are a business person or an individual taxpayer
6 who's having a problem and can't get it resolved, in
7 the next room we have case advocates from the Taxpayer
8 Advocate Service who will be glad to talk with you and
9 take a case in and begin the work on it so that you
10 can have one person that helps you with your case from
11 start to finish.

12 Okay. So thank you very much for coming.
13 And this is really great. All of the panelists,
14 they've done a wonderful job. So thank you so much.

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