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taxpayers face challenges relating to the Taxpayer First Act ...

Jun. 30, 2020



National Taxpayer Advocate (NTA) Erin M. Collins, who assumed the position leading the Taxpayer Advocate Service (TAS) in early spring, has just delivered her first report to Congress (IR-2020-132, 6/29/20). The new NTA was immediately immersed in a tumultuous time for the IRS and the country. In addition to coping with the COVID-19 crisis and implementation of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, both the IRS and taxpayers face challenges relating to the Taxpayer First Act (TFA), the 2019 tax filing season and other administrative matters.

“On March 30, 2020, I had the honor and privilege of being sworn in as the third

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Here are some of the highlights of Collins' initial report to Congress.

COVID-19 pandemic issues: The report praises the IRS for acting quickly to postpone over 300 filing, payment and other time-sensitive deadlines, provide broad relief from compliance actions under its “People First Initiative” and disburse some 160 million stimulus payments authorized by the CARES Act.. However, the report says that, despite the IRS' best efforts, there have been notable negative impacts, including the following:

- Taxpayers who filed a 2019 paper return and are entitled to refunds may be in for a long wait. The IRS suspended the processing of paper tax returns. As of May 16, it estimated it had a backlog of 4.7 million paper returns. Although the tax collection agency is reopening some of its core operations, it's not clear when it can open and process all the returns sitting in mail facilities.
- Some taxpayers whose returns were mistakenly flagged by IRS processing filters are experiencing lengthy delays in receiving their refunds. As TAS has documented, some of these filters produce “false positive rates” of more than 50 percent (meaning that more than half the taxpayers whose returns are stopped by certain filters are entitled to the refunds they claimed).
- Many taxpayers who have needed help from the IRS have had difficulty obtaining it. The IRS shut down its Accounts Management telephone lines, so taxpayers could not reach live assistance by telephone. The IRS also closed its Taxpayer Assistance Centers, making it impossible for taxpayers to obtain in-person assistance. And the IRS shut down its mail facilities, so it was unable to log or process taxpayer responses to compliance notices.
- IRS systems prepared over 20 million notices during the pandemic that could not be mailed due to closure of notice production centers between April 8 and May 31. These notices are being mailed now. However, some collection notices bear old

dates and include response deadlines that have already passed. Although the IRS

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advance refunds during 2020.

- Congress enacted the CARES Act both to provide emergency financial relief to taxpayers on an individual level and to boost spending on the national level. TAS will continue to urge the IRS to provide full payments to eligible taxpayers throughout 2020 as fast as possible. The report says that making taxpayers wait until next year to receive their payments harms the affected taxpayers and is inconsistent with congressional intent.
- Employers are struggling to determine whether they qualify for the Employee Retention Credit (ERC) and in what amounts. The ERC is a complex, refundable tax credit with a number of moving parts. The NTA continues to advocate for more clarity from the IRS.
- The CARES Act authorizes use of net operating losses (NOLs) to offset taxable income in prior years (and, in some cases, to receive refunds). For businesses to determine the optimal application of the CARES Act provisions so they can exercise their right to pay no more than the correct amount of tax, they may need to create and run complex financial models involving multiple tax years. The report notes the IRS has provided timely guidance through frequently asked questions (FAQs), but it expresses concern that the FAQs aren't authoritative or binding on the IRS.

Taxpayer First Act: This legislation, enacted one year ago, constitutes the most far-reaching revisions to tax administration since 1998. The new law included some 23 provisions recommended by the NTA. Notably, it requires the IRS develop four strategic plans. This comprehensive taxpayer service strategy was supposed to be sent to Congress by July 1, 2020 but has been delayed. In her report, Collins voices concerns about the failure to establish a single point of contact for identity theft victims and other issues that still must be addressed.

Tax filing season: Typically, the NTA's mid-year report includes an assessment of the

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filing season is incomplete. The report says TAS may provide a more thorough analysis later.

Other issues: Beyond the aspects discussed above, TAS continues to advocate on a broad range of matters. The report describes ten aspects it plans to focus on during the upcoming fiscal year. This includes working with the IRS to provide taxpayers with limited English proficiency meaningful access to tax products and services; improving the clarity and content of IRS notices and correspondence; improving service to and communication with taxpayers in rural and other communities that lack high-speed internet access; and working with the IRS to refine its screening filters so fewer legitimate returns are flagged as potentially fraudulent and cause refund delays for affected taxpayers.

For more information, you can find the NTA's complete report at.
<https://taxpayeradvocate.irs.gov/ObjectivesReport2021>.

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