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commitment to service for the American people.

**Ernie Villany** • Aug. 24, 2022



*By Ernie Villany, CPA.*

There are times when our advisory services matter. This is one of them. As you may have noticed recently, the IRS has been a frequent topic in the 24-hour news cycle. The problems and challenges facing the government's tax assessment and collection agency have been well documented, and quite noticeable at the customer service level.

While the IRS has long been notorious for extended wait times for incoming calls, a reduction in their already limited resources has now led to pre-recorded messages

that instruct callers to hang up and try again later. That's a bad problem to have

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support their employees' ability to work from home. Not to mention, the majority of the IRS' IT and telecommunications systems are outdated, unable to integrate with newer, more digital platforms. This means that IRS agents themselves have connectivity issues, with little to no help available to reconcile them.

Lastly, the agency's staffing level is woefully short to meet the growing needs of its individual and institutional audience, who continue to struggle in working through many of the complicated taxation issues brought about COVID-19. And this shortfall has filtered down to another overmatched U.S. agency – the postal service. Hence, checks and correspondence are routinely delayed and impossibly behind schedule. The IRS' budget has shrunk 15% over the last decade, and the agency began this year with a backlog of more than 11 million unprocessed returns.

That's the gist of the bad news facing the IRS. As accounting professionals, we've all been on the frontlines of this crisis for many months now. Our clients are frustrated, irritated, and worried about securing the resolutions they need to be at peace. Bashing the IRS has never gone out of style, and the current circumstances have only directed additional vitriol and invectives their way.

But remember – in our role as CPAs and accounting professionals, we're the key go-between for the IRS and our clients. They're looking to us for the answers, and though we may not have all of them, we owe it to our profession to address the situation in an even-handed and fair manner. The majority of us don't want to be pencil pushers and fill-in-the-blank artists. We yearn for the opportunity to practice the one crucial amenity we do provide – advisory services. My friends, that time has arrived.

Where the IRS is concerned, help is on the way. And we need to communicate these updates to our clients honestly and professionally. So, I implore you to get up to

speed on the changes headed to the IRS and manage your client's expectations

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## What Your Clients Need to Know

As CPAs, we need to filter out any political bias currently circulating through the media. The appropriated funding is allocated for two general areas 1) to bolster taxpayer services, and 2) to increase enforcement of the tax code. Here's a great breakdown of these funds, [as published by the nonpartisan Congressional Research Service](#):

- \$45.6 billion goes to tax enforcement, to reduce the “tax gap” of average unpaid federal taxes
- \$25.3 billion goes to operations support to cover routine costs like rent, facilities, and upgraded systems
- \$3.2 billion goes to taxpayer services, such as filing and account management
- \$4.8 billion goes to business systems modernization

The budget would support the hiring of an additional 86,852 full-time employees over the next decade. Not just enforcement agents, but all workers – even those who answer the beleaguered customer support lines.

The funding will not – despite the current rhetoric – create an army of new tax enforcement agents. Nor are these enforcement agents targeting any individual or institutional taxpayers with a taxable income below \$400,000. It literally says that exact phrase in the bill that's now been signed into law. The new funding will also not increase the chance of getting audited. This pledge came directly from U.S. Treasury Secretary Janet Yellen, who is [quoted in written correspondence](#) here:

“Specifically, I direct that any additional resources—including any new personnel or auditors that are hired—shall not be used to increase the share of small business or households below the \$400,000 threshold that are audited relative to historical levels. This means that, contrary to the misinformation from opponents of this

legislation, small business or households earning \$400,000 per year or less will not

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current challenges and proposed resolutions for the IRS. Regardless of any political affiliation, we can – and should – present just the facts to our clients. And do it no differently than when we process the precise numerical figures in their tax filings. In times such as these, we should all make a conscious effort to lower the temperature of the rhetoric. We're supposed to be accounting and tax professionals who provide accurate advisory services. And I believe the time has come to follow through on it.

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