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eBook

**Tax season 2022: 6 tips for helping clients navigate the IRS backlog**

# Introduction

By now, the calls should be familiar. If they're not yet, they will be. Exasperated clients want to know:

- **Why am I getting notices from the IRS I didn't expect?**
- **Where's my refund?**
- **Why haven't I heard anything about my filing from a year or more ago?**

As accounting professionals no doubt realize by now, the IRS is behind. Way behind. Historically backlogged, in fact. Years of budget cuts combined with pandemic-related employment shortages have left the agency unable to handle last year's filings, much less the returns that will soon flow in from tax year 2021.

As a result, firms are facing an unprecedented number of calls from clients demanding to know what's going on. Many clients don't understand that the delays stem from an IRS backlog and instead blame their tax preparer.

So, in dealing with panicky clients, accounting professionals need to function not only as tax experts but also as therapists to ease clients through what is likely to be another bumpy and uncertain tax season. And most certainly, firms should get paid for the added advisory time, even though clients will most likely feel that added cost is unjustified.

There's a lot to take on this tax season. But fear not—this eBook explains how you can reassure and advise clients through yet another prolonged period of insecurity while also collecting payment for your extended efforts.



# Just how bad is the IRS backlog?

- The IRS usually enters tax season, which began on Jan. 24, 2022, with a backlog of about a million returns. This year, the agency **entered 2022 with about 6 million unprocessed returns** and 2 million unprocessed amended returns.
- The IRS finished last filing season, in mid-2021, with more than 35 million unprocessed returns, four times as many as pre-pandemic numbers.
- The agency had **fewer than 15,000 workers to handle 240 million incoming calls** in the first half of 2021. That's one person for every 16,000 calls; only 7% of callers reached a live agent during the 2021 filing season.
- American taxpayers **accessed the IRS website a colossal 630 million times** in 2021.
- In late January 2022, citing the processing backlog, the **IRS suspended the delivery of some automated notices** to taxpayers.

Pile on pandemic-era programs such as PPP loans and child tax credits, and it's clear that things are only going to get more confusing for taxpayers, which will lead to processing errors and even longer delays.



## Tips to calm and coach your clients through tax season

Just because you understand the behind-the-scenes mayhem at the IRS doesn't mean your clients fully grasp the gravity of it all. The fact is that your clients need their trusted advisor more than ever. The following tips and tactics are provided to help you reassure clients and calm the chaos in your firm.

# Tip 1: Understand why clients are panicking

The first step in helping your clients is to understand the turmoil they are feeling. With the IRS in dire straits, clients are left feeling in the dark. And that's a terrifying place to be. Clients are dealing with all sorts of issues, including:

- **Late and unexpected IRS notices**, which strike a fair amount of fear in the heart of any taxpayer.
- **Delayed refunds and tax credits** at a time when many clients desperately need a cash infusion.
- **Difficulty reaching the IRS**, since contacting a live person at the agency is almost impossible.

**"No one likes getting a notice from the IRS,"**  
**says Marcus Dillon, president of Dillon CPAs PLLC,**  
**a firm in Katy, Texas. "It causes anxiety. It causes emotion."**



Understanding the level of fear clients are feeling is the first step toward being able to help them.

## Tip 2: Proactively approach clients with care and understanding

Rarely does anyone have a sanguine reaction to an unexpected notice from the IRS. Letters are often hard to decipher, and more to the point, all most people want from the IRS is a refund. Any other communication tends to generate about as much enthusiasm as a jury summons or a past-due bill notice. This is why is so important to be proactive in communicating with clients.

**"Our first job is to put the client at ease," Dillon says.**

**"As professionals, we talk the client off the ledge first."**

With the IRS so backlogged, resolving an outstanding issue for a client is more likely to take months than days or weeks. Communicating early and setting expectations up front can soften the blow later if you have to deliver bad news. It also shows clients that you care enough to coach them through it.

As you communicate with clients, be sure to:

- **Answer questions and concerns with expertise**, honesty and a sense of reassurance. A good dose of empathy is also helpful.
- **Let clients know that you hear them** and are working to resolve their issues.
- **Calmly explain the meaning of the specific IRS notice** or letter and the steps you will take to resolve it.
- **Provide insight into the IRS backlog** (you can even cite a few of the stats offered earlier in this eBook) and educate clients on the bigger picture.

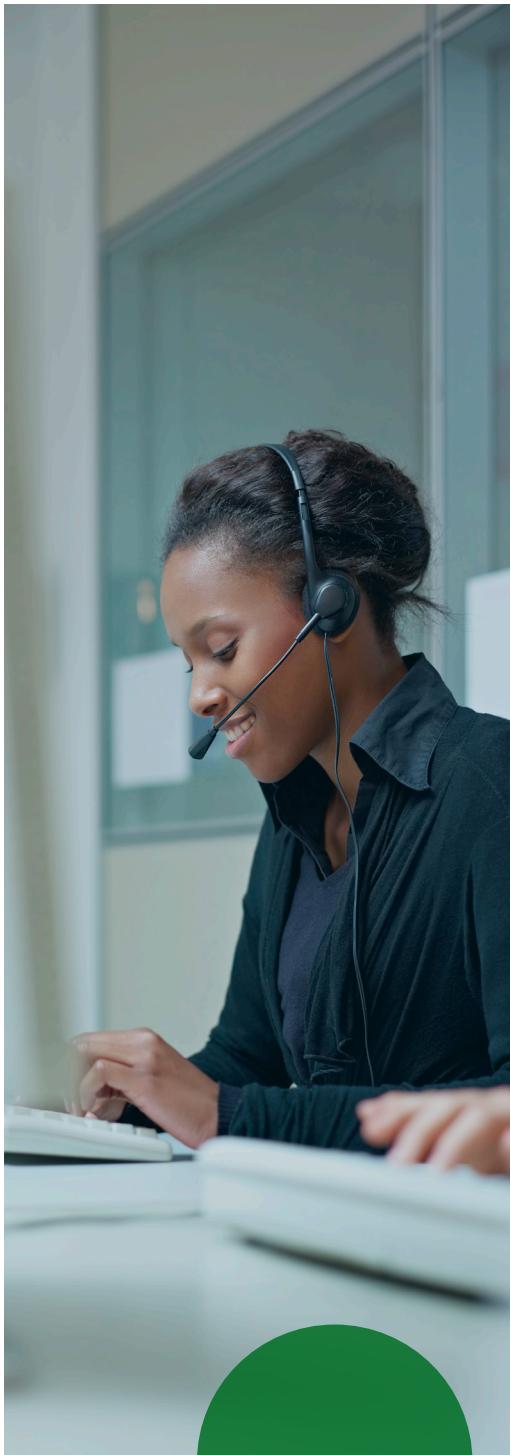
For instance, it's worth noting that although the IRS recommends filing electronically since most of the delays involve paper returns, electronic filing isn't always possible. The IRS requires paper filings for certain forms common for small businesses (and firms' clients), including those that deal with operating loss carrybacks and the popular employee retention credit.

**"It's our job to give the client an appropriate timeline," Dillon says.**

**"More often than not, it's going to take many months. It's 100 percent about how you deliver and how you say that with confidence."**

Trusted advisers need to know how to be both problem solvers and hand holders. It's not a skill everyone has, but it's a skill that accountants are going to need to develop if they haven't already.

**"Ultimately, the client wants to know that you're the right person to help them through the process," Dillon says. "You want to put the client at ease and develop a great bedside manner."**



## Tip 3: Clearly explain what the client needs to do

Clients need to know that their accounting firms are taking care of them, but they also need to understand their part in getting issues resolved. That's not to say that firms shouldn't take charge of clients' issues with the IRS, whatever they may be. It's just a recognition that firms can't do everything on their own.

All this is to say that communication is key. Be sure to talk to clients consistently and frequently about the steps they need to take to support the firm with issue resolution. Steps can include the following:

- **Sending the complete notice or letter.** Clients tend to send firms only part of an IRS notice—the part they think is important or bothered to keep. Or they send a picture or some other insufficient facsimile of the notice. Scanning and sending via a cloud portal works, but sharing the complete form is critical.
- **Maintaining thorough records.** Proper record-keeping on the client side is critical. Educate clients on the importance of sharing all IRS correspondence—both with your firm and directly with the IRS. Sloppiness can lead to even more delays and even worse, to errors.
- **Communicating in a timely fashion.** Explain to clients the need to notify your firm as soon as a correspondence from the IRS hits their inboxes. Owners of small businesses are busy, so be sure to send reminders about the need to forward IRS notices or letters as soon as they arrive.

The point of all this is not to make more work for the client but to establish a relationship in which client and firm are best prepared to tackle problems together.



## Tip 4: Stay in contact with clients throughout the process

Firms don't have to wait for clients to call them with tax issues (but there will be another tip on that shortly). **The goal is to be as proactive as possible** to mitigate reactive client freakouts over IRS notices.

What does being proactive mean? The first two tips play into proactivity: calm the client and then explain next steps in working with the firm. But communication can't stop there. Sure, an IRS issue might take months to resolve, but accountants can't simply go months without talking to a client, even if there's been no response from the IRS. The worst feeling to a client is radio silence while waiting for an IRS resolution.

So, communicate regularly with clients, even if there's been no major update. Place reminders on your calendar to send client communications or pre-schedule communications. Even a quick note that lets them know there's been no progress will ease the client's mind.

## Tip 5: Encourage clients to sign on to service models

The last couple of tips are actions accountants can take before they get messages from worried clients. This one involves something that's always critical for any business: **Getting paid**. Dealing with IRS delays is nothing new. The agency has arguably been underfunded for years. As such, firms have sometimes **struggled to get clients to pay for services** they didn't expect to pay for.

To avoid billing issues moving forward, firms should encourage clients to engage in a service model rather than paying per project.

A service model represents a retainer of sorts—not unlike what a business would pay a law firm. This ensures ongoing access to your firm and advisory services throughout the year, not just at tax time. The service model approach can ease the client's mind and enable the firm to avoid haggling over added advisory support, like IRS resolution. This also creates a sticky factor with clients, reducing the likelihood of them leaving.





## Tip 6: Get out ahead of tax issues for clients

Invest in tools that alert your firm of IRS notices at the same time clients are notified. There's no better way to build client loyalty than to get out in front of IRS notices. Putting this tip into action will require investing in some technology. Automating the IRS process can very quickly pay for itself, not to mention vastly improving client service and enhancing the trusted advisor relationship.

Any application used should be cloud-based. For example, firms running **QuickBooks Desktop® in the cloud with Right Networks** have a huge advantage over their competitors in allowing employees to work from anywhere and at any time, with comprehensive security. They also enhance their ability to work with clients via a dedicated, secure client portal.

Running apps in the cloud in either a hosted model or a complete IT outsourcing offering, such as **Cloud Premier from Right Networks**, is critical for firms that want to optimize remote work, strengthen client relationships and ensure enterprise-level security. Consider a few examples below:

- **Tax apps** like Canopy, Tax Help Software and PitBullTax Software enable firms to receive IRS notices before clients do. Reach out to clients before they have the chance to freak out.
- **Customer relationship management systems**, such as Salesforce.com, HubSpot CRM and Microsoft Dynamics CRM (among many others), allow firms to track of when and how they've had contact with clients on various tax issues. CRM systems can also help with establishing service models for clients.
- **enQ is a subscription service** that allows firms and clients to skip the line and speak to an IRS agent in person.

Some up-front investment can pay big dividends for firms looking to get ahead of IRS issues for their clients.

# A huge new opportunity awaits...

The IRS will eventually reduce its historic backlog, but it's unlikely to happen soon. Even pre-pandemic, the agency has been known to be understaffed and underfunded. The tax implications of recent stimulus packages and other new initiatives, combined with ongoing staffing pains, will likely leave the IRS in a difficult situation for years to come.

What does all this mean for firms? It represents a huge opportunity to enhance connections with clients and provide another highly valued service. Putting these 6 tips into effect can quickly differentiate your firm from your competitors by helping you offer proactive IRS resolution advisory services—while also enabling you to get paid with far more ease. Turning panicked patrons into confident clients is the best way for firms to establish themselves as essential partners and build a profitable and sustainable business at the same time.

