

# Brownstein

**DATE:** Feb. 17, 2022

**TO:** Interested Parties

**FROM:** Brownstein Hyatt Farber Schreck

**RE:** Senate Finance Committee: “Spotlighting IRS Customer Service Challenges”

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On Thursday, Feb. 17, the Senate Finance Committee held a hearing entitled “Spotlighting IRS Customer Service Challenges.” The witnesses included National Taxpayer Advocate Erin Collins with the Internal Revenue Service (IRS); Jessica Lucas-Judy, director of the Strategic Issues team at the U.S. Government Accountability Office (GAO); and Jan Lewis, chair of the Tax Executive Committee at the American Institute of CPAs. The discussion centered around IT modernization, accessibility, authority and workforce shortages at the IRS.

## **Member Opening Statements**

Chair Ron Wyden (D-OR) discussed the difficulties facing taxpayers this filing season that include an increasing backlog and difficulty connecting with IRS customer service. He said IRS budget cuts and resources, which he attributed to Republican policies, have caused this lackluster customer service. Ranking Member Mike Crapo (R-ID) refuted accusations that Republican policies have led to the current customers service difficulties, saying that Congress has funded the IRS at the levels it requested in annual appropriations.

## **Key Themes**

- **IT Modernization:** Wyden asked how IRS customer service problems can be addressed. Collins said the IRS needs to modernize its digital infrastructure systems and streamline communication across the agency. Lucas-Judy said the IRS must take inventory of its infrastructure to address IT management and acquisitions. Crapo asked how much funding the IRS will need to implement adequate IT modernization, adding that the IRS currently allocates only about 1.4% of funding to modernization efforts. Collins said she will follow up with an exact dollar amount. Sen. Todd Young (R-IN) asked Collins where the bottlenecks occur in the filing processing system. Collins said the IRS lacks technological resources, adding that paper files present the greatest challenge for the IRS because they are not yet automated and thus require a significant amount of time to manually process. Sen. John Thune (R-SD) asked Collins how new responsibilities, including the Advanced Child Tax Credit (CTC) and transfer payment programs, impacted the agency’s ability to serve customers. Collins said the IRS has received high volumes of calls due to confusion about these new services, making adequate customer service more difficult. Thune asked Collins to confirm the IRS no longer uses facial recognition technology company ID.me. Collins confirmed that this program is no longer in use. Sen. Elizabeth Warren (D-MA) asked why the IRS does not use information from employers to ensure information on returns is correct. Collins said the IRS is looking into this.
- **IRS Communication with Taxpayers:** Sen. Maria Cantwell (D-WA) asked Lucas-Judy if GAO is investigating how to streamline online communication between taxpayers and IRS customer service employees. Lucas-Judy said GAO is investigating the security required for an online chat feature. Sen. Bob Menendez (R-NJ) asked Lewis if the IRS is listening to requests by the American Institute of Certified Public Accountants (AICPA) and other advocacy groups to modernize and halt notices. Lewis said the IRS is listening but not acting quickly enough to alleviate taxpayers from follow-up issues. Menendez asked

Collins how she would suggest taxpayers best work with the IRS during suspensions of notice. Collins said taxpayers can go online to perform installment agreements and undergo an offer in compromise to display financial hardship. Sen. Bob Casey (D-PA) asked Collins how taxpayers can learn about the benefits and credits available to them. Collins said outreach is essential. Sen. Maggie Hassan (D-NH) asked Collins how the IRS can upgrade its technology to improve phone service for taxpayers. Collins said establishing an automated callback system and instilling the staff necessary to operate it would help. Lewis said the IRS must clear its backlog before issuing more notices. Sen. James Lankford (R-OK) asked Lucas-Judy if only 11% of IRS customer service calls are answered. Lucas-Judy said it was true.

- **Accessibility:** Sens. John Cornyn (R-TX) and Sherrod Brown (D-OH) asked how to make benefits, such as the Earned Income Tax Credit (EITC) and the CTC, more accessible. Collins said robust funding for online infrastructure will improve the taxpayer experience. Lucas-Judy said encouraging electronic filing will make tax season easier for both taxpayers and the IRS. Sen. Ben Cardin (D-MD) asked Collins how the IRS can be more small business-friendly. Collins said the IRS is trying to reach out to small businesses through education about the services available to them. Sen. Bill Cassidy (R-LA) asked Lewis how the delays at the IRS affect businesses and individuals trying to take advantage of disaster tax relief. Lewis said the file by paper requirement imposes additional stress on taxpayers attempting to file by the Jan. 3 deadline. Collins said the IRS needs to eliminate paper filing. Sen. Rob Portman (R-OH) asked if there are barriers to e-filing for low-income taxpayers. Collins said there are, and the IRS is working to make e-filing accessible and fast. Sen. Steve Daines (R-MT) asked if Collins thinks his Putting First Responders First Act, which would allow first responders to continue to exclude service-connected disability pension payments after reaching the age of retirement, would help exempt service disability compensation from taxation. Collins said it would, and that it should be codified.
- **IRS's Authority:** Sen. Cardin asked if IRS should have the ability to monitor paid preparers. Collins said the IRS should set standards for preparers. Sen. Chuck Grassley (R-IA) asked what barriers lead to lags in hiring IRS employees. Collins said the IRS should have direct hiring authority.
- **Workforce Shortages:** Lankford asked how the IRS should address the employee attrition gap. Lucas-Judy said the IRS has a plan to evaluate workforce needs, but this has been stalled. Lankford asked why the IRS does not have direct hiring authority. Collins said there are no downsides to giving IRS direct hiring authority. Sens. Tom Carper (D-DE) and John Barrasso (R-WY) asked Collins how workforce challenges affect customer service and what Congress can do to address this. Collins said the No. 1 priority is to address the backlog with current employees and hire new employees to fill in the gaps. Sen. Catherine Cortez Masto (D-NV) asked if the IRS is adequately funded to address backlog and technical issues. Collins said the IRS needs to dedicate employees to resolve the backlog issue. In the long run, however, she said the IRS needs additional funding. Collins added that funding and the overall workforce have decreased while the workload has increased.

### **Next Steps:**

Efforts to improve customer service, IT modernization and workforce shortages at the IRS will continue in Congress. More immediately, lawmakers will consider annual appropriations for the agency through an omnibus spending package that is expected to receive a vote before or around March 11. Regardless of how much IRS funding is included in that omnibus, congressional Democrats and the Biden administration are expected to continue their push to secure up to \$80 billion in IRS funding for additional enforcement ability. Finally, the IRS could unilaterally provide taxpayers additional relief during the current tax filing season, which began on Monday, Jan. 24, by suspending additional correspondence or delaying due dates among other steps.