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## **IRS Commissioner Calls for Early Document Collection**

IRS Commissioner Doug Shulman proposed that Forms 1099, W-2 and other documents be collected ahead of the full filing of income tax returns by taxpayers. This will give the IRS time to reject returns that didn't match records before processing, reducing burdens on the agency and on filers.

The computer operations in the IRS have improved enough to allow the agency to make fundamental changes in how taxes are filed. This will enable the IRS to process all returns on a 24 hour cycle instead of a weekly cycle as presently done thus making the processing real time.

At present, the IRS processes tax returns on the 'after-the-fact' basis. This means the agency evaluates a tax return and supporting documents after the return has been filed. In such situations, if the IRS questions a return, the taxpayer must go through past records of up to two years after the activity occurred that is subject to possible taxation.

But if taxpayers could check information in returns against data reported to the IRS by employers and other income sources at the time of reporting such data, then a lot of problems can be prevented.

These days, everyone is used to making quick electronic transactions with banks and other financial institutions. Thus, the IRS is striving to provide the same speed of service. "I think the American people have a different kind of expectation," said Commissioner Shulman.

In addition, real time reporting will be needed in the face of budget cuts to the IRS made by Congress, forcing it to offers buyouts to 5,400 of its estimated 95,000 workers. Shulman said about 1,000 employees have accepted the buyout. The government is expecting as many as 4,000 job cuts in the IRS next year including some that would reduce tax enforcement and collections.

The changes being made to the tax reporting system will have a significant effect on other associated parties such as tax preparation software makers like Intuit Inc. of Mountain View, California and tax preparation companies including H&R Block Inc. based in Kansas City, Missouri and Jackson Hewitt Tax Service Inc. of Parsippany, New Jersey.

Commenting on a real time tax system, Kathy Pickering, executive director of H&R Block's Tax Institute said such a move would entail "a significant investment in infrastructure and the ripple effect of implementing it would be far-reaching."

Pickering spoke on a panel of tax preparer groups that included the American Institute of Certified Public Accountants, National Association of Enrolled Agents and the National Association of Tax Preparers of Appleton, Wisconsin. Other panels represented regulators such as the Government Accountability Office and consumer advocates.

The real time reporting system is expected to benefit both the IRS and taxpayers in the long run. The IRS would benefit by gaining billions of dollars in net revenue and cost savings resulting from upfront quality checks on tax returns. On the other hand, taxpayers would save millions of dollars in penalties and interest and have millions of fewer contacts with the IRS under a real time system.