IRPAC Suggests Priority Guidance Plan Items

The IRS regularly requests input on its Priority Guidance Plan for the upcoming year. Accordingly, at its annual public meeting on October 26 (see PAYROLL CURRENTLY, Issue No. 11, Vol. 19), the IRS’s Information Reporting Program Advisory Committee (IRPAC) presented a letter to IRS Commissioner Douglas Shulman with suggested items for the 2011-2012 plan. Commissioner Shulman responded that, “IRPAC performs a valuable service for the IRS. The group provides helpful advice from the private sector that identifies taxpayer burden while also providing recommendations to improve tax administration.”

IRPAC recommended that the IRS plan include a new subcategory under “Tax Administration” for “Information Reporting.” A number of priority items were suggested that could be added to the new subcategory.

Automatic extension of filing deadlines

The IRS should grant an automatic six-month extension of any filing deadline if it issues a final form and instructions within six months of the deadline. When extensive changes are made to a form, an 18-month extension should be granted or generous penalty relief provisions put in place. Software vendors need sufficient lead time to create electronic forms and payers, employers, and third parties need sufficient processing time to gather, track, and transmit data for the forms. This process may extend even beyond 18 months, so automatic extensions are warranted.

Increased commitment to forms and publications

The IRS should develop a regular procedure for engaging with the committee at the beginning of the new form and publication development process. Forms and publications are of the utmost importance for effective information reporting. The recommended procedure is two-fold. First, the IRS should assign proper resources at the initial stages of the development process. Second, the committee should be consulted at the beginning stages of development to assist with implementation.

Additionally, the committee noted the helpfulness of Frequently Asked Questions (FAQs). Many members of the taxpayer and reporting community rely on them for guidance. However, the IRS should make sure these individuals can rely on this information without penalty exposure and said that the information contained in the FAQs should not be changed without adequate disclosure.

De minimis exception for corrected information filings

A de minimis exception should be made available for correcting information returns (e.g., Forms 1099, W-2) – for unintended errors and late reclassifications of distributions by issuers that result in a net change of less than $10. Making a change to an information return is extremely burdensome for both the taxpayer and the IRS. The committee said that this approach would be consistent with the Internal Revenue Code’s position that, for many types of Forms 1099, no return is required for payments under $10.

California Paycard Bill Vetoed

APA welcomed the news that California Governor Jerry Brown vetoed S.B. 931 on October 9, the day before it would have become law. In his letter to the members of the state Senate, Governor Brown said, “This bill seeks to contain costs for workers who choose to accept paycards, a goal with which I agree. Unfortunately, this bill goes too far. It would impose numerous and costly new requirements on paycard providers. A likely result of these mandates is that banks and employers might simply stop offering this service, injuring the very workers this bill aims to protect.”

The governor’s statement echoed APA’s comments on the bill. APA had worked diligently with other stakeholders to craft workable language when the bill was first introduced in the Assembly as A.B. 51. While we were able to convince the Assembly to remove language that would have imposed crushing monetary penalties for minor infractions, consumer and labor advocates proved to have more influence with lawmakers when it came to eliminating nearly all fees that employees might incur.

The bill was still being negotiated when time ran out in the Assembly, but the Senate picked up the torch and introduced the language in S.B. 931. Developments in
the Senate worsened as lawmakers introduced measures that were completely unacceptable to APA and other stakeholders.

S.B. 931 required that employees be provided six free withdrawals per pay period. Card providers unwilling to absorb the withdrawal fees charged by banks would have passed them on to employers, who in turn would likely have found that their paycard programs no longer made sense financially.

Vermont now has the most stringent state law governing paycards in the entire nation, requiring three free withdrawals. That California was set to require twice that number was seen as evidence that it might indeed deserve its reputation as the worst state in which to do business, a rating conferred by Chief Executive Magazine in May 2011 (see http://chiefexecutive.net/best-worst-states-for-business).

APA members sent numerous letters to the Assembly, Senate, and finally the Governor as the bills progressed. These included a letter signed jointly by APA Executive Director Dan Maddux, NACHA President and CEO Jan Estep, and Association of Financial Professionals Director David Bellinger. Letters drafted by APA were posted to its website at www.americanpayroll.org/government/government-007/, for members to download and personalize.

**IRS Migrating to New Online Services Platform**

At the September National Practitioner Liaison (NPL) meeting between IRS employees and practitioners, the IRS Office of Online Services said it intends to overhaul the IRS website by adding new features and components to improve use. The relaunch of IRS.gov is planned for July 2012.

**Self-service redesign**

A portion of the redesign of particular interest to payroll professionals is the self-service transactional section. This section is currently targeted for individual and business taxpayers who use the IRS’s online payment services. The IRS receives 40 million calls a year from practitioners and individual filers. Many of these calls could be resolved quickly if the caller utilized the self-service portion of the website. The goal of the self-service redesign is to serve taxpayers more efficiently. The new platform will help in guiding taxpayers to the correct channel to solve their problem, while ensuring that self-service is secure and easy to use.

**IRS.gov discussion areas**

Rajiv Mathur, Director of the Office of Online Services, highlighted four areas for discussion. First, he offered statistics on the top “high-volume” taxpayer inquiry types. Refunds account for 9% of inquiries, electronic filing accounts for 4% of inquiries, and payments and penalties each account for 3% of inquiries. The IRS plans to use this data to determine the main reasons individuals call and to allocate resources to the appropriate service channel.

Second, the IRS highlighted the five main contacts taxpayers have with the IRS, namely, getting tax information, accessing account information, filing and submitting forms, obtaining refunds and making payments, and corresponding and interacting with the IRS. These contacts provide a broad overview of practitioners’ needs – from initial contact to year-end filing – and may be useful in online service design.

Third, the IRS presented the factors it considers when assessing practitioner value:

- **Taxpayer Value** – focuses innovation and new online efforts to meet taxpayers’ greatest needs.
- **Business Value** – considers the operational costs and capabilities to drive greater efficiencies.
- **Experimentation Value** – considers ways to test new technologies before a full market launch.
- **Shorter Time to Market** – determines ways to get products and services to the market faster.

Fourth, the IRS described how it segments taxpayers into wage and investment, small business and self-employed, large and mid-size business, and tax-exempt and government entities. This breakdown reflects the IRS’s understanding of its constituencies – looking at factors such as number of filers, total tax liability, average tax liability per filer, and average number of transactions with the IRS per year. The small business and self-employed division has 45 million yearly filers and almost twice the total tax liability of the large and mid-size business division.

**User recommendations**

After hearing the presentation, practitioners were given a chance to make recommendations.

**Searching.** When using the search box in the upper right hand corner of IRS.gov, the search term needs to be extremely specific in order to direct the user to the correct page within the site. Practitioners found themselves having to go first to an Internet search engine (e.g., Google, Yahoo) to enter their search term, then click on the corresponding link and be redirected to the IRS website. This was an unnecessary step that should be evaluated and streamlined.

The IRS responded that users can contact the IRS to obtain specific search words to use in the IRS.gov search box that will make finding documents and publications easier. The service also noted that it is looking at how taxpayers currently use their search box to navigate the website.

**Inconsistent design.** Second, practitioners noted the difference in color and design between the IRS.gov site, the Electronic Federal Tax Payment System (EFTPS) site, and the Financial Management Service (FMS) site. This inconsistency in design, along with having to leave the IRS.gov website to reach the other sites, can be confusing for first-time taxpayers trying to register for the services. The IRS responded that it is working with EFTPS and FMS to try to simplify registration.

**State information.** Third, practitioners said it would be helpful if state income tax information were available on the IRS website.

If you have any suggestions for how the IRS can improve its website to better serve payroll professionals, please contact Brian O’Laughlin, APA Manager of Government Relations, at bolaughlin@americanpayroll.org. ■