



December 13, 2018

The Honorable Charles P. Rettig
Commissioner of Internal Revenue
1111 Constitution Avenue
Washington, D.C. 20224

RE: Serious Concerns about Changes to Transcript Delivery Announced in IR-2018-171

Dear Commissioner Rettig:

The Texas Society of Certified Public Accountants (TSCPA) is a nonprofit, voluntary professional organization representing 28,000 members. One of the expressed goals of the TSCPA is to speak on behalf of its members when such action is in the best interest of its constituency and serves the cause of the CPAs of Texas, as well as the public interest. TSCPA has established a Federal Tax Policy Committee to represent those interests on tax-related matters. The committee has been authorized by the TSCPA Board of Directors to submit comments on such matters of interest to the committee membership. The views expressed herein have not been approved by the Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policies of the TSCPA.

We applaud your remarks at last month's AICPA National Tax Conference in Washington, D.C., to improve the IRS' technology for interacting with both taxpayers and practitioners. We strongly support these goals and appreciate the opportunity to provide feedback and recommendations.

In an effort to curtail identity theft from taxpayers, the IRS issued Information Release 2018-171 on Aug. 22, 2018, announcing it has changed its procedures for making tax transcripts available to practitioners and has revised the format of the transcripts to redact certain identifying information. We believe these changes are more stringent than necessary to protect taxpayer information and will have the serious side effect of hindering tax practitioners' ability to effectively and efficiently represent taxpayers before the IRS. This is inconsistent with the *Taxpayer Bill of Rights* and disservices taxpayers and the tax system. We encourage you to take a better approach, which trusts the professionals who have already been vetted by the IRS and professional licensing organizations and are governed by Circular 230. We recognize the importance of protecting taxpayer identities and tax return information, and we make this security a very high priority.

We respectfully request in the best interest of the IRS, taxpayers and tax practitioners that the IRS halt the implementation of the policies discussed in IR-2018-171 and work with the practitioner community to develop more effective alternatives to protect taxpayer information.

IR-2018-171 describes three significant changes the IRS is implementing that significantly affect tax professionals' ability to provide timely and accurate service to taxpayers:

- The IRS will redact personal and business names, Social Security numbers, employer identification numbers, and telephone numbers and addresses from tax transcripts.
- The IRS will no longer fax copies of the transcripts to taxpayer representatives in the near future.

- The IRS will no longer mail transcripts to third parties starting early next year.

Transcripts are most often utilized by tax professionals duly authorized by the affected taxpayer to respond to an IRS notice or prepare prior year returns for taxpayers who have been non-compliant. It is in the best interest of the IRS and our tax system to facilitate practitioner services in these areas. However, the new policy regarding the redacted transcripts will make it more difficult for CPAs (and attorneys) to help taxpayers respond to notices or to become compliant. Under the new policy, transcripts will exclude information from forms such as Forms W-2 and 1099 that is necessary to facilitate compliance and address the issues being raised by the IRS. For example, the new transcript will not allow return preparers to tell a client the name of the payor submitting the Form 1099 or W-2 to determine if the client received the payment or if the information return is erroneous. Similarly, without some of the redacted information, it will be impossible to electronically file some prior year returns because electronically filed returns require the preparer to insert the complete name and tax identification number of the payor. Especially for CPAs seeking to assist taxpayers with delinquent returns, source documents are often unavailable, and the CPAs rely upon wage and income transcript details to complete the information needed to file an accurate tax return.

A complete (unredacted) transcript is only available after the taxpayer prepares a specific request and provides it to the IRS. Even then, the complete transcript will only be mailed to the taxpayer's "address of record." This process will cause further delays when the taxpayer has limited time to respond to an IRS notice, especially, for example, if the taxpayer has moved or was displaced due to a natural disaster. Additionally, mailing the transcript to the taxpayer's last known address may be counterproductive to protecting taxpayer privacy if the taxpayer has moved, if the home is uninhabitable due to a natural disaster or if the taxpayer has been non-compliant for several years.

These new policies prohibiting the IRS from faxing or mailing the transcripts to taxpayer representatives will significantly delay the responses to IRS notices and the taxpayers' ability to come into compliance; and importantly, it may impair their ability to preserve their statutory rights to challenges, such as the Form 12153, *Request for a Collection Due Process Appeal* (CDP) since those rights are time-limited. Especially when a taxpayer has moved and is seeking assistance with collection alternatives, practitioners often learn that a *Notice of Intent to Levy* and *Your Right to a Hearing* has been issued or that a *Notice of Federal Tax Lien* has been filed by reviewing the account transcripts. The delay in making those transcripts available could cause taxpayers to lose their right to file a timely CDP request, resulting in the loss of the right to challenge the results of such appeal in the U.S. Tax Court. Therefore, we believe restricting the timely access of federal tax transcripts to taxpayers and their representatives is a serious violation of the Taxpayer Bill of Rights.

These difficulties could be mitigated if the Transcript Delivery System (TDS) were more effective. The TDS permits tax practitioners governed by Circular 230 to receive electronic access to a client's transcript. However, this transmission is still the redacted transcript.

Furthermore, some transcripts are simply not available on TDS due to preventive identity theft indicators or for other reasons. For example, where a taxpayer's spouse is deceased, the surviving spouse's records are also placed in identity protection status, making the transcripts unavailable through the TDS even if the IRS has accepted a valid, complete Form 2848.

Moreover, the TDS has not been updated, is inefficient and access is often unavailable. The TDS is presently not a practical means to acquire transcripts. It is important that the IRS update the TDS to make access to the system more efficient and enable it to provide transcripts to CPAs, attorneys and enrolled agents.

We have also received communications from members of our organization indicating that the IRS cannot or will not provide account transcripts to estate executors who are working to satisfy compliance obligations of a deceased taxpayer's estate. Two managers and staff members at the IRS Service Center in Ogden, Utah, referenced "an internal memo" from June 2018 regarding Internal Revenue Manual (IRM) changes (which to our knowledge had not been posted to the IRM). The IRS representatives informed the practitioner that their service center could not access account transcripts online and neither could the executor because the transcripts were blocked or inaccessible due to some other software change.

If the IRS is concerned about faxing transcripts to tax practitioners who call the Practitioner Priority Service line or otherwise contact the IRS, the IRS should adopt a procedure whereby unredacted transcripts could be made available through an e-Services secure mailbox. The e-Services secure mailbox is already accessible online by authorized practitioners requiring dual-factor authentication and would be a much more satisfactory alternative (considering both timeliness and security) to waiting for the transcripts to arrive at the taxpayer's address by U.S. Postal Service delivery.

We understand the IRS has had issues with obtaining funding for some of the technological advances it has sought to implement, such as the Third-Party Authorization Tool that was proposed to be added to e-Services in September 2017. Since the e-Services tool is a secure platform accessible by authorized users with dual-factor authentication, we urge the IRS Development Executive Steering Committee to fund these and other improvements to allow effective communications between the IRS and tax practitioners.

Thank you for considering our recommendations. We would be pleased to discuss them further if you or your staff members believe it would be helpful. Please feel free to contact me at 512-542-9300 or cmondrik@mondriklaw.com or TSCPA Staff Liaison Patty Wyatt at 817-656-5100 or pwyatt@tscpa.net.

Sincerely,



Christina A. Mondrik, JD, CPA
Chair, Federal Tax Policy Committee
Texas Society of Certified Public Accountants

cc: The Honorable Steven T. Mnuchin, Secretary of the Treasury
Nina E. Olson, National Taxpayer Advocate
IRS Development Executive Steering Committee