



November 20, 2018

The Honorable Charles P. Rettig
Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Re: New IRS Tax Transcript Processing Changes

Dear Commissioner Rettig:

The American Institute of CPAs (AICPA) urges the Internal Revenue Service (IRS) to reconsider the agency's plans for transcript processing changes. We appreciate your efforts to protect taxpayer data from cybercriminals; however, these changes will unnecessarily delay the process for obtaining transcripts. Tax practitioners need timely access to this information to adequately serve taxpayers.

On August 22, 2018, the IRS [announced](#) new tax transcript processing changes. The implementation of the processing changes is planned to occur in three phases. Phase I, started September 23, redacts individual and business identifying information (e.g., social security number, taxpayer identification number, employer identification number, account numbers, name, telephone number, address, etc.) listed on the individual tax transcript. Phase II, starting sometime in January 2019, will end the faxing of transcripts to taxpayers (individual and business) and their representatives. Phase III, starting around May 2019, will stop the mailing of transcripts to third parties and will only mail transcripts to the taxpayer's address of record.

The ability to timely obtain copies of transcripts is crucial to both taxpayers and their representatives. Tax transcripts are most often used by taxpayers to understand their status with the IRS (such as an IRS audit), complete accurate tax returns, resolve tax notices or discrepancies, and verify tax return information for legal purposes (e.g., child support, obtaining a mortgage, etc.). In each of these circumstances, there is a deadline for submission of information and it is challenging, if not impractical, for the taxpayer to request an extension of time (from tax courts, the IRS, government agencies, or mortgage lenders).

Tax practitioners also need direct access to transcripts. Some taxpayers do not have their own tax data and the only source of reliable information for preparing their tax return or responding to IRS notices is their tax transcript. Unfortunately, most taxpayers are unaware that their tax transcript is available to them, or if they are aware, their transcript is often too complicated for them to understand. As a result, tax practitioners heavily rely on tax transcripts to help resolve their clients' issues.

The AICPA is concerned about the planned changes to the transcript process and potential delays it would cause in a tax preparer's ability to obtain transcripts and timely assist taxpayers.

- In Phase I, the IRS began redacting individual and business identifying information. The redaction of key information on the transcript will prevent electronic filing of the tax return. This new tax transcript processing change will transform a relatively efficient process to an extended, inefficient process.
- In Phase II, the IRS will stop faxing transcripts. This change will impose burdensome and unnecessary steps, further slowing down the process. Such a delay could subject some taxpayers to otherwise avoidable consequences. For example, taxpayers may potentially face additional penalties or interest if they are unable to timely resolve an IRS notice or meet an impending deadline. Ceasing to fax transcripts will force taxpayers to rely on the schedule of the postal service ("snail mail"). Without a speedy receipt of tax transcripts, needless burdens and strains are placed on the taxpayers and their representatives.
- In Phase III, the IRS will no longer mail transcripts to third parties. Refusing to send transcripts to third parties, such as practitioners, negates the purpose of a valid Form 8821, Tax Information Authorization, or Form 2848, *Power of Attorney and Declaration of Representative*, authorizing the practitioner to assist taxpayers in complying with their tax obligations. Taxpayers have a right to representation by a practitioner. Given that practitioners provide services to approximately 60% of all taxpayers,¹ it is imperative that they have timely access to information, including transcripts.²

We recognize that the IRS has a process available for tax practitioners to access a transcript immediately under limited circumstances. IRS announced that practitioners with a Form 8821 or Form 2848 on file for the relevant tax year can immediately obtain tax transcripts through the IRS's e-Services portal. However, this process is based on the unrealistic expectation that taxpayers will generally grant a "blanket" authorization. Tax practitioners ordinarily will not have previously filed a disclosure authorization form for the relevant years. Therefore, this expedited process has limited applicability.

In practice, tax practitioners obtain a disclosure authorization form specific to the taxpayers' immediate needs, when an unexpected issue arises. With the new processing changes, once a disclosure authorization form is received from a taxpayer, the practitioner will submit the form to the IRS to validate the authorization. Unfortunately, the validation process by the Centralized Authorization File unit takes a minimum of 8 to 10 business days before a practitioner can access the taxpayer's transcript.

¹ 60% of all e-filed returns in 2016 were prepared by a tax professional, according to the [Filing Season Statistic for Week Ending Dec.29, 2017](#).

² Additionally, every year thousands of taxpayers have no fixed address due to unforeseen circumstances, such as hurricanes, floods or wild fires. Taxpayers in these circumstances have often lost their tax records and are unable to make a timely change of address with the IRS. It is crucial that a third party have the ability to receive the taxpayer's information.

To resolve the practitioners' need for immediate access to taxpayer transcripts, practitioners should have the ability to provide a valid Form 8821 or Form 2848 to an IRS employee, which would then authorize the employee to immediately send a transcript to the practitioner's secure e-Service mailbox. Practitioners with an e-Service account were previously authorized through an extensive IRS authentication process. In addition, before starting a conversation with a practitioner, an IRS employee will have authenticated the practitioner's identity. Though it is not a perfect solution, this recommendation balances the demand for security and the practitioner's ability to effectively assist taxpayers.

In the future, to prevent placing undesired burdens on taxpayers and their practitioners, we strongly encourage the IRS to consult with the practitioner community early in the process, engaging practitioners to provide practical and valuable feedback on proposed tax administrative changes. The AICPA has also proposed that the IRS create a Practitioner Services (PS) division that would enhance the relationship between the IRS and practitioners.³ The PS division would lead the IRS's integrated support of practitioners, enabling economies of scale, as well as systemic issue resolution and better business practices ultimately improving the taxpayer experience.

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The AICPA is the world's largest member association representing the CPA profession, with more than 431,000 members in 137 countries and territories, and a history of serving the public interest since 1887. Our members advise clients on federal, state and international tax matters and prepare income and other tax returns for millions of Americans. Our members provide services to individuals, not-for-profit organizations, small and medium-sized businesses, as well as America's largest businesses.

We appreciate your consideration of these comments. If you would like to discuss these issues further, please feel free to contact Melanie Lauridsen, Senior Manager – AICPA Tax Policy & Advocacy, at (202) 434-9235, or Melanie.Lauridsen@aicpa-cima.com; or me at (408) 924-3508 or Annette.Nellen@sjsu.edu.

Sincerely,



Annette Nellen, CPA, CGMA, Esq.
Chair, AICPA Tax Executive Committee

cc: Ms. Nina E. Olson, National Taxpayer Advocate, Internal Revenue Service

³ For additional information on the practitioner services division see "[Taxpayer First Act](#)" Discussion Draft," dated April 6, 2018.