

CLAYTON FINANCIAL AND TAX

September 24, 2018

Ms. Nina Olson
National Taxpayer Advocate
Internal Revenue Service
1111 Constitution Ave
Washington, DC 20224

Dear Ms. Olson:

As you may be aware, the IRS today implemented its new procedure on transcripts, redacting much of the identifying information from those transcripts. While this will make it difficult for crooked tax preparers to prepare phony tax returns, it is going to make it just as difficult for me to help my clients when they are either trying to come into compliance or recovering from a disaster. I am reaching out to you in the hopes that perhaps you will have some success in rectifying the errors within this new policy.

My major concern is over Wage and Income Transcripts. Tax professionals like me use these transcripts to prepare returns for taxpayers who are coming into compliance, have bad records, or who have suffered through a disaster. Right now I'm working with two clients filing multiple tax years (coming into compliance), another whose home was damaged in flooding from Hurricane Harvey (and had to reconstruct tax records), and a victim of a wildfire. My practice isn't particularly large (we have about 900 clients), but these numbers are typical of what I see every year (this is my nineteenth year as a tax professional).

Let me enumerate the issues:

1. **While an unredacted transcript is available, it is only available to taxpayers, not tax professionals.** In the most recent "Fact Sheet" on the new transcripts, the IRS stated, *"If necessary for return preparation, a client may also order a complete (not redacted) wage and income transcript through the IRS. A client must first authenticate their identity with the IRS and a complete (not redacted) wage and income transcript will be mailed to the address of record within five to 10 days. If a practitioner cannot obtain Forms W-2 from the client, or if the client is unable to receive a complete (not redacted) transcript at the address of record, then the practitioner may have to file a paper return."* (See <https://www.irs.gov/newsroom/coming-soon-a-new-tax-transcript-to-better-protect-taxpayer-data>)

Tax professionals with an IRS Power of Attorney (Form 2848) should have access to unredacted Wage and Income transcripts for several reasons. First, taxpayers hire tax professionals so that they (the taxpayers) do not have to deal with the IRS (and state tax agencies). With a Power of Attorney, we become the taxpayers.

Additionally, tax professionals in an examination (audit) situation generally do not want the taxpayer to speak with the IRS. There is no reason why at minimum a tax professional with a Form 2848 on file should not be able to order an unredacted transcript. (Ideally, I'd like to be able to use e-Services to download the transcript.)

- 2. The redacted transcripts should have more characters available for the name.** If the IRS refuses to change its policy on the availability of unredacted transcripts, then the transcripts should have a few more characters of the name available. I ran a transcript this morning for a client. For a Form 1099-INT it shows:

“Payer:

Payer’s Federal Identification Number (FIN): XXXXX3629

T

PO Box”

I imagine there are hundreds if not thousands of financial institutions which begin with the letter “T” and whose mailing address starts with “PO Box.” Other than telling me my client earned \$18 of interest income, the information is useless.

- 3. Most issues will take longer to resolve under the new policy.** In the past, I could have a client in my office complete the Tax Information Authorization (Form 8821) or a Power of Attorney, call the Practitioner Priority Service, order the appropriate transcripts, receive them almost immediately, and complete the tax returns and get them filed all in the same day. As part of the new policy, sometime either late this year or early next year the IRS will no longer fax transcripts. Besides the obvious time lag (I can wait the, on average, one week for the CAF unit to process the authorization and obtain a transcript through e-Services), with individuals coming into compliance it’s best to get everything done in one sitting. I have two stacks of paperwork in my office (they’re actually stored electronically in our paperless system) waiting for the clients to come back so that the returns can be prepared. I have my doubts as to whether they will come back.

But even when they do come back, the process will take longer. That’s a certainty.

- 4. Tax professionals are being treated as second (or third) class citizens by the IRS.** This really disturbs me. My clients can, if they’re lucky, go online and use the IRS’s “Get Transcript” and order a transcript. (Based on experience, clients can successfully use this about half the time.) By 2019, I will have to wait for the CAF unit to process the authorization, and then I can get a transcript.

Additionally, it’s my understanding from my professional society (the National Association of Enrolled Agents) that the IRS implemented this new policy without first discussing it with them. Tax professionals are not the enemy; we’re

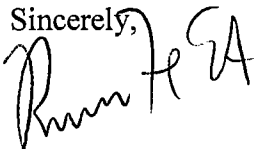
partners with the IRS trying to get people into compliance. (Yes, there are a few bad tax professionals, but there are bad apples in every profession.) I'm certain the NAEA and the American Institute of Certified Public Accountants would have raised all of these issues with the IRS had they been consulted. It's almost as if the IRS wants tax professionals to go away.

5. **Compliance issues for expatriates will be even harder to resolve in the future.** I have several expatriates as clients. Some live in countries with good postal systems; I have others who live in places where the postal service, to be charitable, is horrendous. I have authorizations (POAs or Tax Information Authorizations) for most of these clients because of these issues. But under the new system certain transcripts will only be mailed to a client, and it's more likely than not that the mail will never get there.

6. **If the IRS extends the redactions to AUR notices, resolving such notices will be difficult.** Many taxpayers receive automated underreporting unit notices. These notices note items of income from information returns that the IRS receives that are not on clients' tax returns. It's unclear at this point whether the IRS redactions of information will extend to such notices. If they do, resolving such notices will be difficult. How can you tell if \$18 of interest income from "T" is correct or not?

I urge you to bring up these issues with management at the IRS. As I mentioned above, most tax professionals work with the IRS, and we're a key in having taxpayers be in current compliance. Making our jobs more difficult to impossible serves no useful purpose.

Sincerely,

A handwritten signature in black ink, appearing to read "Russell Fox, EA". The signature is stylized and written in a cursive-like font.

Russell Fox, EA