

**Testimony of
Robert Taylor, Chairman
Council for Electronic Revenue Communication Advancement
(CERCA)**

**Before the
IRS Oversight Board**

January 26, 2004

Good afternoon. My name is Bob Taylor and I appear today as Chairman of CERCA, the Council for Electronic Revenue Communication Advancement. I am the Chief Financial Officer at Universal Tax Systems, and have spent over 20 years in the tax preparation industry.

CERCA is a not-for-profit trade association founded in 1994. It represents a broad cross section of the e-filing, tax software preparation, electronic tax administration and IRS Modernization communities.

For a decade, CERCA has worked closely with the IRS to promote the growth of electronic filing.

In responding to your request for stakeholder input to assist in achieving the goal of 80 percent e-filing by 2007, we would begin by acknowledging that this will be a tough objective to reach. Having said that, CERCA still believes that making every sound and thoughtful effort possible to reach the goal makes good sense.

Innovation is certainly important. Over the past two years, CERCA has played a central role in the creation of the Free File Alliance, the groundbreaking public-private partnership that last year provided free tax preparation and e-filing services to 2.8 million Americans in its inaugural season, and we're confident that this year will be even more successful. Certainly the Free File program is an example of outside-the-box thinking and the program's early results speak for themselves.

Having expressed our support for innovative new approaches to boost e-file usage, however, we must take this opportunity to stress the importance of the basics. The e-file program must work smoothly. Nothing is more important when trying to convince skeptical tax professionals that they should jump into electronic filing.

We say that at a time when a new filing season has begun, and real problems have cropped up, some of which have been chronicled in the press of late.

We're not here to blame the IRS. The new e-file season is little more than one week old. The timing of this hearing doesn't allow us to speak with the perspective we would like.

But, there have been several major glitches to date involving the resubmission of rejects and the processing of acknowledgements. What's more, the weeks leading up to the commencement of the season were, quite frankly, harrowing. (A word we use carefully.) Forms were late, specifications changed at the last minute, errors in script files and a lot more.

In large measure, problems were caused as the result of efforts by the IRS to move forward and improve systems and processes. We applaud the intention of these changes. (And the future benefits we can expect.)

Still, as these significant difficulties did manifest themselves, it was noted frequently by industry players that hard-copy paper filers didn't have to deal with them. How can we possibly convince practitioners to switch, if e-filing is more difficult?

Again, we applaud IRS progress and it is premature to place blame for some of the pre-season and early-season problems that have been encountered. We would say, however, that if you want to talk about incentives, perhaps the biggest incentive to bring a reluctant tax professional, or individual taxpayer, into the e-file program is smooth performance. Get the blocking and tackling right, as they say.

Further with respect to practitioners, we agree with ETAAC's findings that "third-party tax professionals hold the primary key to increased e-filing and electronic tax administration." Four years ago, CERCA conducted a survey of practitioners, asking them about incentives and disincentives to e-filing. We intend to repeat that effort, probably this year, and then follow up with initiatives that respond to the input we receive.

With respect to state mandates for e-filing, we would urge the Oversight Board to recognize that this approach is really counter-productive, even though it might seem appealing to some at first glance. The private sector simply cannot build 50 different versions of its products. A crazy-quilt of regulation does not serve the interest of the taxpayer, nor will it truly accelerate the adoption of electronic filing. Quite the contrary.

Returning to one of the really exciting developments in the electronic filing arena, the aforementioned Free File Alliance, we would urge IRS Oversight Board support for this important program. The initiative worked well in its first year and is improved for its second season. Again, CERCA has been proud to play a very central role in the establishment of the FFA. The Alliance was a question mark in the minds of some a year ago, and that's not surprising. No one had ever done anything like it before. Now it has proven itself, however. We hope you'll find ways to support it.

Moving to Modernization, CERCA would say that despite the myriad of challenges and some disappointments, IRS Modernization still very much holds the key to the future,

and should be recognized for the importance that it plays in all future planning for the IRS. Commissioner Everson is clearly taking a strong and determined approach to making certain that the program succeeds, and we applaud him for that scrutiny. We know that the Oversight Board has spent countless hours on Modernization issues and we commend you for your determination to make the program a success as well.

There are a number of new legislative approaches that have been suggested in recent years. We do want to reiterate our opposition to extending the filing season for e-filers. CERCA believes that it might well be effective to keep the April 15 filing deadline, but perhaps extend the payment deadline until April 30. Extending the filing season would create enormous difficulties for the existing tax community and confuse the public.

One additional public policy issue. Candidly, we must report that we have been disappointed that the Taxpayer Advocate has not worked with industry to advance public-private partnerships that can assist American taxpayers, particularly the disadvantaged. We have expressed our disappointment directly to her, but let us note this sentiment today and report to the Oversight Board that we intend to reach out to Ms. Olson on key issues. Public-private partnerships make sense for the IRS and they make sense for taxpayers.

With respect to better marketing of the benefits of e-filing, which you have asked us to comment on, we agree that serious and properly funded marketing initiatives are worthwhile. Taxpayers do need to understand why e-filing makes sense.

In industry, we have much experience with marketing tax products. We also believe that better liaison with the industry would help the IRS maximize the results of its marketing efforts. To some extent there was a better exchange of information on marketing programs half a dozen years ago, when IRS marketing programs were not as ambitious as they are today. We believe earlier stakeholder input would benefit the agency in years to come. E-Services are a perfect example of one such opportunity that exists for greater government/industry collaboration.

Thank you, and we look forward to working with the Board in any way we can.