

TESTIMONY OF JEFFREY F. KRIEGER, EA
ON BEHALF OF THE
NATIONAL SOCIETY OF ACCOUNTANTS
BEFORE THE
IRS OVERSIGHT BOARD
JANUARY 26, 2004

Good afternoon, Madame Chair and members of the Board. My name is Jeff Krieger; I am an Enrolled Agent and Vice President in the firm Krieger and Krieger Accountants and Tax Consultants, Inc in Jefferson City, Missouri. I am pleased to appear before the Board on behalf of the National Society of Accountants (NSA).

NSA and its affiliated state organizations represent approximately 30,000 accountants, tax practitioners, business advisors and financial planners providing services to more than 19 million individuals and small businesses. Most NSA members are sole practitioners or partners in small- to mid-sized firms. NSA members agree to adhere to a strict code of ethics and professional conduct.

NSA believes that the Board has correctly identified human capital issues as one of the major challenges facing the IRS. We welcome the opportunity to comment today on the need for adequate training and empowerment of IRS employees so that they can properly administer federal tax law and fulfill the IRS mission.

The Board raised four questions with respect to this panel that I will address.

1. Do IRS employees have the correct set of authorities and responsibilities to make effective decisions?

We believe that IRS employees do have the correct set of authorities and responsibilities to make effective decisions but the practical application of this authority and responsibility, or even employee awareness of such authority and responsibility, is not uniform across the country. Often, our members experience inconsistency between Service Campuses. For example, at some campuses, both taxpayers and practitioners must repeatedly send and resend correspondence to resolve problems.

Many IRS employees complain that they do not know how much authority they have, what their role is, or who they can turn to within the IRS to solve a taxpayer's problem. Many employees fear that their supervisors will criticize them for making decisions and accepting responsibility. This makes it difficult to solve even routine problems.

Communication of new policies and procedures between the IRS National Office and field offices needs to be significantly improved. Practitioners often receive erroneous information in the field, creating chaos and confusion among practitioners and taxpayers.

2. Do they have the tools necessary to provide timely and effective customer service?

No, the IRS does not have the necessary tools to provide timely and effective customer service. NSA members frequently find that IRS employees handling their issues either do not have the correct information on file, cannot access the information that is on-site or are unable to access the information at another location.

It is imperative that the IRS continually upgrade its communication and computer systems. Practitioners must stay current with technology or risk going out of business. Where would tax administration be today if practitioners still prepared returns with pencil and paper or relied on technology from the 1960s or even the 1980s?

3. How important is training in empowering employees to resolve problems at the lowest levels?

Adequate training of IRS personnel is critical if the IRS is to be a successful, world-class organization as envisioned under the IRS Restructuring Act of 1998. NSA members deal with IRS personnel on a daily basis; unfortunately they have noticed an expanding training gap at the IRS. Increasingly, our members experience instances where IRS employees lack the expertise and skills to handle difficult, problem cases. Complex problems are shoved to the side.

Often, the only way to get action on a case is to take it to the Taxpayer Advocate Service (TAS). This bogs down the TAS system and is a source of aggravation and concern to both taxpayers and practitioners who have hardship cases that should receive TAS' undivided attention.

The Treasury Inspector General for Tax Administration (TIGTA) also noted the training gap at the IRS. In a December 2003 audit report to the IRS Commissioner for Wage and Investment, TIGTA stated that based on 26 anonymous visits to Taxpayer Assistance Centers (TAC) in 2003, taxpayers did not always receive proper and accurate assistance and that tax returns prepared by TAC staff were not always accurately prepared. The report stated that IRS management was taking corrective action to improve service at the centers. But more must be done.

IRS employees at all levels should receive regular and consistent training on IRS procedures and tax law. A properly funded education program staffed by professional educators would be a win-win situation for both the IRS and taxpayers. Well-trained employees would be better able to solve problems earlier in the process. This would free-up higher-level employees and other resources for other critical areas. Taxpayers will appreciate having their issues resolved in a timely manner.

In an ideal world, the IRS would have a policy of "First Call Resolution" whereby a properly trained and empowered IRS employee would take ownership of a problem at the lowest level possible and stay with that problem until it is resolved. Such a program would lead to more timely problem resolution, improve IRS employee job satisfaction and lessen practitioner reliance on other tools, such as collection due process hearings.

First-call resolution programs currently exist in the private sector that could serve as a model for the IRS.

4. How does lack of resources, tools or training impact the amount of rework that IRS employees must accomplish to reach final resolution of the taxpayer's problem?

The lack of proper resources, tools and training places a huge burden on the IRS and has a direct negative effect on taxpayers and tax practitioners. From the IRS perspective, the Service devotes more time and resources to problem solving than would otherwise be necessary. From the taxpayer perspective, the long-term fallout is the perception that the tax system is unresponsive and unfair. This erodes confidence in the tax system and weakens the notion of voluntary compliance.

From the practitioner perspective, the lack of IRS resources manifests itself in many ways. For instance, telephone service, while improving, is still substandard. Service wait times are often excessive and unreasonable especially where in-depth assistance is needed with complex issues. It is becoming increasingly commonplace for NSA members to be told that qualified IRS personnel are not available for face-to-face appointments and for letters to the IRS to go unanswered.

Furthermore, the IRS has not yet published, or made available on-line, a working directory to guide practitioners to appropriate IRS personnel who can resolve problems. In short, taxpayer and practitioner communication with the IRS appears to be limited to reaction mode only—waiting and responding to IRS notices rather than proactively approaching the IRS to solve a problem.

In summary, the IRS must change the way it does business. Managers, supervisors, phone assistants and other employees who have contact with taxpayers and practitioners must have the proper training, tools and resources to do their jobs effectively and efficiently. If IRS employees are not properly trained and empowered to use that training, the IRS system modernization and business process improvement will fall short of its goals.

I welcome questions from the Board.