

**Testimony of
Council for Electronic Revenue Communication Advancement
(CERCA)
IRS Oversight Board Hearing
January 29, 2002**

Good afternoon, Mr. Chairman and Board members, my name is Tony Tullo, and I am here in my capacity as Chairman of CERCA, the Council for Electronic Revenue Communication Advancement. CERCA is the association representing the electronic filing and tax modernization industries. I am Federal Agency Administrator for ADP, and prior to going to work for the company in 1994, I served for 21 years with the IRS in various management capacities.

CERCA applauds the Board for holding this hearing, and agrees completely with the priorities you have set for examination this afternoon. We would like to again thank you, Mr. Chairman, for joining us in November of last year at our annual conference as featured luncheon speaker. And, on behalf of the entire membership, we would like to express our gratitude to your staff director, Chuck Lacijan, for the substantive and tireless contributions he made as a member of the CERCA Board of Directors prior to his assuming his current position with the Board.

Mr. Chairman, the time has come for electronic filing to become the predominant method of tax filing in this country. We already see over 40 million individual returns filed electronically, of course, but, reaching the "80% goal" set by Congress will be a challenge, and we believe that public policy should aggressively seek to encourage the achievement of such a goal. Much has been accomplished to this point, and that should not be forgotten, but it is also true that what has been done already has come to be referred to as enlisting the "easy" 40 million e-filers.

The benefits of e-filing are substantial, and we now see from details of a government-wide survey released by the IRS that Americans who have used e-filing rate it very highly. The score given by taxpayers filing electronically was substantially higher than the score given by paper filers in the American Customer Satisfaction Index.

E-filing means cost savings, more efficient operation of the IRS, and greatly enhanced customer satisfaction.

I know that we are preaching to the choir here, Mr. Chairman, but we do want to make our core message very clear, and we congratulate the IRS for making e-filing its message as well. We applaud the IRS advertising campaign that

again this year urges taxpayers to file electronically, and we especially commend the focus on paid preparers.

At this time there is one significant discordant note that we hear being played in Washington, and we need to touch on that as a priority today. As you all probably know, the OMB has suddenly conjured up the idea of launching a government tax preparation and filing service under the fashionable banner of "e-Government." They are seriously proposing this initiative, and seeking Administration support as the President's Budget is being prepared, despite the fact that IRS Commissioner Rossotti told Congress in the recent past that he opposes any such idea.

According to the Commissioner: "I don't see any value or benefit to us either directly or by contract actually offering these services. " To the contrary, he said, "What can we do? I would categorize that under the category of providing incentives and pressing for robust competition."

We believe, at a time when indeed only the "easy 40 million returns" have been captured electronically, that killing private sector innovation and investment would be a true disaster for the future of the tax system. This proposal should be removed from the OMB list of e-government initiatives and should not be included in the Administration's Budget.

Mr. Chairman, CERCA is also very proud to support the on-going business systems modernization efforts that are at the heart of the future operation of the IRS. Jim Kennedy of CSC, who is program executive for the PRIME, serves on our Board of Directors. We believe the monumental assignment of modernizing IRS systems is moving forward in admirable fashion, despite the astonishing complexity of the task. We believe that this program deserves the continuing support of this Board.

In line with the important range of services being developed in conjunction with business systems modernization, we believe that it is important to recognize that the process goes well beyond e-filing. Conceptually the process should be "e-file in, and e-correspondence out" to the taxpayer and preparers. Just one example might be notifications of delay to taxpayers when revenue protection processes might delay processing and ultimately refunds. Many notices of this kind are sent today...but on paper. Services such as this, as well as online access to account information, electronic transcript delivery, and secure e-mail to resolve account discrepancies, should only be provided for e-filed returns.

CERCA urges continued support for initiatives designed to reduce the burden of reporting for employers, some of which were formerly a part of the project that was referred to as STAWRS prior to recent reorganizations. We are especially interested in ensuring that the IRS allows new businesses to

obtain Federal Identification Numbers via the Internet.

On the issue of encouraging preparers to e-file, many steps can be taken. For example, the IRS should redesign the W-2 form to include a 2D bar code that preparers can use to scan in W-2 information into their tax software. The IRS should play a major role in this effort, which has already begun by the states, in order to ensure that a uniform Fed/state standard is developed that can meet all reporting needs.

The IRS should send an 8633 and finger print card to every paid preparer who has not signed up for e-filing. They should also consider auto-approving and auto-issuing an EFIN number to every CPA and EA who does not have one already, or require all paid preparers to request an EFIN.

Clearly, as the IRS fully recognizes, bringing practitioners into the fold is a top priority. We're pleased that the survey of practitioners that we conducted several years ago has been of assistance to the IRS. We hope to continue playing a role in assisting the agency in reaching out to preparers.

Mr. Chairman, we are all working together here on something quite important here, and that is gratifying. It is essential in closing that we must again note the unfortunate misstep by OMB that currently clouds the picture for this industry and the future of e-filing. But, we can hope and expect that OMB will heed the advice of Commissioner Rossotti and recognize that spending public money to duplicate services already provided by a highly competitive industry is counter-productive, as it will stifle innovation and competition. We hope that the Board will express its own concerns in this regard.

In sum, e-filing and business systems modernization will significantly improve IRS operations. In response to the question you ask in your letter of invitation, we would simply say that these are the cornerstones of making the IRS both more efficient and making life easier for taxpayers.