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January 21, 2005

Raymond T. Wagner, Jr., Chair
IRS Oversight Board
1500 Pennsylvania Avenue, NW
Washington, D. C. 20220

Dear Mr. Wagner:

The Internal Revenue Service Advisory Council is pleased to present our comments today as a part of your first panel on "How can the IRS leverage its external stakeholders to achieve a more highly compliant taxpayer population?"

Authorized under the Federal Advisory Committee Act, Public Law No. 92-463, the first Advisory Group to the Commissioner of Internal Revenue-or the Commissioner's Advisory Group ("CAG")-was established in 1953 as a "national policy and/or issue advisory committee." Renamed in 1998 to reflect the agency-wide scope of its focus as an advisory body, the IRSAC's primary purpose is to provide an organized public forum for senior IRS executives and representatives of the public to discuss relevant tax administration issues. As an advisory body designed to focus on broad policy matters, the IRSAC reviews existing tax policy and/or recommends policies with respect to emerging tax administration issues. The IRSAC suggests operational improvements, offers constructive observations regarding current or proposed IRS policies, programs, and procedures, and advises the Commissioner with respect to issues having substantive effect on federal tax administration.

Conveying the public's perception of IRS activities to the Commissioner, the IRSAC is comprised of individuals who bring substantial, disparate experience and diverse backgrounds on the Council's activities. Membership is balanced to include representation from the taxpaying public, the tax professional community, small and large businesses, state tax administration, and the payroll community.

One of the significant areas of concern that at present lends to the inability to effectively achieve voluntary tax compliance is the lack of effective oversight, control, and

regulation of the entire tax preparation community. Circular 230 under which Enrolled Agents, Attorneys, CPA's and Enrolled Actuaries are regulated has been revised to address the concerns about the recent scandals in the profession. Sadly, there will always be those who choose to ignore the rules and regulations. The greater problem is that there are a significant number of tax preparers who operate under no such standards of professional conduct or entry-level educational standards or attainment of recognized credentials. They simply decide to become preparers and away they go. We have recently seen a high degree of activity from the Justice Department in prosecuting a number of these folks. This is called encouraging compliance by way of threat of prosecution. This is akin to closing the barn door after the cows have escaped.

These same individuals are relatively transparent to the outside observer since many do not sign the returns they prepare for pay. Having no initial qualifications upon entry to the field and not being required to participate in continuing education really gives them a license to steal. The public has the conception that the industry is regulated and so they are lulled into a false sense of security regarding the choosing of a paid preparer. The law being as complicated as it is simply mandates that assistance is required in order to prepare one's tax return. Best estimates say that there are, perhaps, as many as 900,000 individual preparers who are not governed by any licensing authority. The need to regulate the entire community of tax preparers is long over due, which should include the ability to remove the offenders from the preparation field. The Taxpayer Advocate has cited this need in several of her annual reports. The topic itself has bounced around for at least two decades. The proposal was a part of the Good Government bill introduced in the last Congress. Ultimate passage of this will raise the bar of competence of those preparing tax returns for pay as well as give the authorities the ability to more easily identify them.

E-services have been unveiled and initial implementation has begun. The SBSE subgroup believes that the utilization of these services by those directly involved in the field is essential. It is no less essential that it be expanded to include not only more services but also a greater array of stakeholders. We simply must embrace advancing technology more rapidly. It is the concept of spending money to make, save or collect money.

The Offer in Compromise program is still not where it should be. While improvement has occurred, the "mine field is still not negotiable." The backlog of inventoried offers may be down but the complete picture of exactly why is still unclear. Perhaps the filing fee has served to stem somewhat the influx of frivolous offers, or could it be that the taxpayer doesn't even have the \$150? The rejection rate as opposed to the acceptance rate is disparate. Is this because the criteria for acceptable levels of living expenses is incorrect or is it the inability of the specialist to appropriately evaluate the offer? Is it appropriate for those administering the program to be heavily weighted from a collection background with little or no training in the art of negotiation or compromise? Good business says take what you can reasonably get, reduce your receivable and insure compliance for the next five years. In order for this program to succeed the validity of it needs to be embraced by the IRS. Once this occurs we will then see taxpayers caught

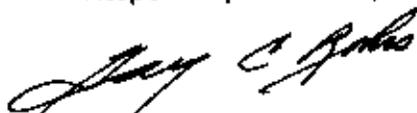
outside the system returned to the system. Thus becoming part of the good guys once again. There needs to be a strengthening of the tracking system of these folks as they go forward to see that they do not stray from the path in the future. The threat of revocation of accepted offers for those who continue to stray has to be real.

Modernization and centralization has both its good points as well as its bad. The Service cannot be so far removed from those it is intended to service that there is no place for the average taxpayer to turn and be able to see or speak with a real live person who can assist them without having to first seek representation. The ability to access by phone is frustrating to say the least. If multiple calls are required you will never reach the person you last spoke with. Navigating the multiple selections of the menu is daunting to the average taxpayer. Technology has its positive side but it also can create new problems that if not addressed, will become bigger than the initial problem.

I would commend to the Board the most recent Public Report of the IRSAC issued on November 10, 2004. It presents a clear picture of the areas of concern as addressed by the SBSE, W & I, and LMSB Subgroups as they worked with the operating divisions of the IRS this past year.

The Internal Revenue Service Advisory Council appreciates the opportunity to comment and we thank you.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Gary C. Rohrs".

Gary C. Rohrs, EA ABA ATA
Chairman IRSAC 2005