



NATIONAL SOCIETY OF TAX PROFESSIONALS

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IRS Oversight Board
Paul Cherecwich, Jr., Chair
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Mr. Cherecwich and members of the IRS Oversight Board:

It is a pleasure to be with you today representing the National Society of Tax Professionals, a professional organization of members with various credentials and experience all of whom are in the business of tax.

NSTP has been invited to participate in Panel 1: *Innovative outreach to customers: How would you recommend the IRS do proactive, educational outreach to stakeholders more efficiently and effectively, and how would you measure the results?*

As a premier tax professional organization, NSTP is not only interested in effective tax administration we find ourselves intimately involved in promoting it. To this end, it is important for today's discussion to define the customers and stakeholders of the Internal Revenue Service.

In a Government Accountability Office study of April 2006, the GAO determined that 56 percent of individual taxpayers use tax return preparers to prepare their U.S. Individual Federal Income Tax Returns. While 56 percent of all personal income tax returns are prepared by professionals, we suspect that a much larger percentage of business related returns are prepared by professionals.

These statistics alone would indicate that the Internal Revenue Service would receive the most benefit from educational outreach if their focus was on educating tax professionals. The effectiveness of this type of outreach is the multiplicity of the affect. Simply put, if you educate one tax professional you educate hundreds of taxpayers. Educated and informed

professionals are the support system that produces millions of compliant taxpayers.

Tax professionals are the compliance experts and we are the ones who train our clients, the small business owners. For the IRS to become more efficient with their educational outreach, they must internalize this concept. Reaching out to the tax professional community will require innovation and creative use of information that the IRS already has available.

The IRS has recently released the Fiscal Year 2007 study as it relates to enforcement activity. The report establishes that 1,384,563 individual taxpayer returns and 59,516 business returns were audited by the IRS during this timeframe. If, using the earlier statistics of the GAO, 60 percent of these audited returns were prepared by tax professionals the representative number is 866,447 returns. During these audits, the Revenue Agents involved would have identified problem areas of preparation. Example: Failure to calculate Alternative Minimum Tax, Incorrect basis calculation, lack of Reasonable Compensation paid and others.

The IRS, accumulating this information and determining areas of tax non-compliance could share this information with educational providers. Almost all tax professional organizations provide quality education to both members and non-members. The National Society of Tax Professionals would seize the opportunity to provide quality education to tax professionals in areas that the IRS has identified as inadequate and we believe other professional organizations with similar interests would follow. Rather than keep this information internal, the IRS has the opportunity to utilize this information to improve compliance and at very little cost enabling educational providers to educate tax professionals in areas requiring additional training.

The IRS could compare specific areas of poor compliance from prior years with the results of compliance in a current year. The educational program would be geared to those whose tax returns were audited in the prior year and then measured against the results of the current year. This is an on-going process, with issues resolved through education.

On a second level, the tax professional community, as a whole, is procedure driven. Proactive education of the tax professional community will come from increased Practice and Procedure requirements from the Office of Professional Responsibility and guidance from the Office of Chief Counsel.

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The importance of the tax professional community relative to the degree of national compliance is more than just the process of preparing tax returns. It includes resolving problems post filing. In the National Taxpayer Advocates recent report to Congress, Nina Olson reviewed a TAS study that taxpayers retain more of their EITC if they have representation during the examination. It is essential to our system of taxation that every American taxpayer is treated fairly and impartially. Educational programs should include seminars on navigating the IRS as well as dealing with substantive tax issues.

Innovative outreach to stakeholders must be both ways. The IRS needs to view education much broader; that is, educating themselves as well as the public/tax professionals. The IRS Oversight Board should encourage the IRS in its commitment to education and training.

The IRS Oversight Board is quite correct; tax professional organizations have an interest in tax administration. Our members are tax administrators. NSTP believes that people in the business of tax should work together to make our tax system efficient and effective in order that it best serve America's taxpayers.

The National Society of Tax Professionals appreciates the opportunity to participate in the IRS Oversight Board's panel discussion. We appreciate the opportunity to comment on behalf of our membership.

Sincerely,

**Beanna J. Whitlock, EA CSA
NSTP Executive Director**
