

**Statement of the
National Society of Tax Professionals
Before the IRS Oversight Board**

**What Can My Organization Do Differently Than It Has In The Past to
Reduce the Tax Gap?**

March 7, 2007

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reduce the tax gap?**

The National Society of Tax Professionals, NSTP, is a professional organization of 6,500 individuals in the business of tax, Certified Public Accountants, Enrolled Agents, Attorneys and Tax Professionals. NSTP has as its single mission *Service to the Tax Profession*.

I am very pleased to join you today and congratulate Oversight Board Chairman Jones and the members of the Board for reaching out to the tax professional community, including it in strategies and initiatives that will make a difference when we work together to reduce the tax gap.

NSTP has already begun an effort to gather information vital to understanding some of the impairments to compliance. Our members have been asked to submit examples gathered from preparation of over 3 million tax returns during the filing season of why compliance is difficult. *The Obstacles of Voluntary Compliance from the Taxpayers Perspective* will be presented at the IRS Research Conference in June 2007. NSTP believes the experience of the tax professional community can add real world examples and tangible evidence of how taxpayers struggle each and every day whether it is with a complicated tax code, Internal Revenue Service practice and procedure or complex financial and personal issues that are not accommodated by a voluntary system designed for the masses with little consideration for taxpayers who do not fit into a tax system with little or no customization to their needs.

Some examples already submitted include:

How taxpayers struggle with the tax reporting requirements on capital gains and losses with the basis in the asset being calculated in numerous ways based upon method of acquisition. This is especially problematic when records over a number of years have been misplaced or destroyed.

Collection issues when a taxpayer's financial situation has dramatically changed over the course of a few years. How the current Offer in Compromise centralization acts as an impairment to understanding the circumstances which may have caused the financial difficulty of the taxpayer. Additionally, this centralization does not allow the IRS to observe the credibility of information provided and to validate the circumstances of the taxpayer. With the consideration of what the taxpayer has earned in the past, without consideration to the economic circumstances of the area today, leaves the IRS with an unrealistic approach to an offer and the taxpayer in limbo or simply with no way back into voluntary compliance.

We are excited about approaching the problem not from administration or practical application but from the taxpayer's point of view.

NSTP meeting its goal of *Service to the Tax Profession* continues to inform our membership of changes in tax law, code and regulation. We sponsor numerous fall update events around the country and take great pride in providing quality education to tax professionals. NSTP is pleased to have been asked to instruct Circular 230 – It is How We Do Business at the IRS Nationwide Tax Forums for 2007

This year, NSTP will launch a new initiative. NSTP will provide our members with the tools and presentation materials to address the rampant growth of non-compliance in this country. We begin by teaching our young people in middle school and high school about taxes and why we must each be diligent in the reporting and paying of taxes. When a young taxpayer gets that first job and sees the results of paying Social Security, Medicare and federal income tax the understanding of how we fund this government must be presented in an enticing and all-inclusive manner. This is what we do as “good citizens”. To do less undermines the financial strength of our country and threatens our existence.

We believe as with other programs, the dangers of smoking, immunizations to prevent disease, and recycling that have been successful started through the public schools a vigorous “Champion Compliance” program will equally be successful. Lessons learned at school often find their way home from school to the family and lessons learned well are taught well.

NSTP publishes a monthly news alert about taxes called the Federal Tax Alert. This publication will be made available electronically to any middle school or high school requesting a copy.

As a secondary avenue, NSTP is seeking ways to introduce such materials into “English as a Second Language” classes around the country approaching a growing need to introduce non-primary English speaking taxpayers to our tax system, emphasizing the need for compliance.

We believe this nationally driven initiative will be successful. NSTP members who participate in this program will be honored at our annual meeting and recognized for their contribution to voluntary compliance and reducing the tax gap.

NSTP also recognizes the rapid diversity of our taxpaying population. In 2006 we became the first tax professional organization to go multi-lingual on our web site – nstp.org. We contacted fellow Tax Professionals of the predominantly Hispanic population and offered them education, addressing problems of the Earned Income Tax Credit and Ethics and Professional Conduct. We desire to encourage Tax Professionals from all backgrounds to become affiliated with a professional organization to enhance their abilities and knowledge in order that they better serve a population of taxpayers who require their multi-lingual services and understanding of their communities.

Combined with the Members Code of Ethics and Professional Conduct already in place and the Code of Conduct for Board Members, NSTP encourages all professionals to seek membership in professional organizations which demand excellent of performance and delivery of quality products with a strict adherence to a commitment to ethical and professional conduct.

NSTP supports and endorses the concept of THE COMPACT, an agreement between practitioners and their professional organizations and the Internal Revenue Service. The concept of this agreement sets forth principles and best practices by the individuals and organizations in the business of tax in order that increased taxpayer compliance and a resulting reduction in the tax gap would be accomplished.

The National Society of Tax Professionals is enthusiastically committed to this concept, we both invite and encourage other tax professional organizations to support and join with us in this effort. There is so much to be gained by a united effort. Individuals and organizations in the business of tax have as a common goal the compliance of taxpayers. The concept that together we succeed and failure is certain when we pit our wits against one another is evidenced by the very tax gap we are here to address today.

The concept of THE COMPACT belongs to us all – an idea whose time has come with the rich reward of a reduction in the tax gap.

NSTP proudly announces the appointment of NSTP member from New York, Dr. Bill Stevenson, as our Ambassador to the Internal Revenue Service. Through our Ambassador we are encouraged that working toward mutual understanding of issues and approaches to solving problems, primarily those related to the tax gap, those in the business of tax will find common ground with solutions.

Whether we are tax professionals within the Internal Revenue Service or tax professionals out in the community or Boards of Oversight, we are all in the business of tax. Our problems are both unique and common. We each seek the same goal – a compliant taxpayer. Working together, in a spirit of understanding and cooperation – the gap (tax) between what is mandated, congressionally and through regulation, and what is practical in implementation and compliance, can be best addressed and successfully resolved when we work together in a spirit of cooperation and respect.

The challenges of the tax gap are vast in concept and resolve may come from many avenues. NSTP is committed to *Service to the Tax Profession* and no greater service can come than from addressing and working diligently to eliminate the tax gap.

Again we are appreciative to the IRS Oversight Board and Chairman Jones for his invitation today and look forward to reporting back on the successes we will have during 2007 on these initiatives.

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Executive Director
National Society of Tax Professionals

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