



Padgett

August 16, 2022

Commissioner Charles P. Rettig
Internal Revenue Service
1111 Constitution Ave. NW
Washington, DC 20224

Dear Commissioner Rettig:

I am writing on behalf of Padgett Business Services today to highlight the enormous opportunity we believe the recent passage of the Inflation Reduction Act of 2022 presents to the Internal Revenue Service (IRS). The additional funds provided over the next decade have the potential to vastly improve and even transform the U.S.'s tax administration system for the benefit of taxpayers and tax practitioners. For many years, Padgett and other stakeholders have advocated tirelessly for increased funding for the IRS. However, we also understand that this increased funding has become a politically divisive and at times misunderstood issue and believe that the IRS must be both transparent and strategic to ensure the funding is used in a manner that enhances the experience of law-abiding taxpayers.

Padgett is a national accounting and tax preparation company with approximately 200 franchises across the U.S. that has served tens of thousands of small business clients for over 50 years. Throughout the COVID-19 pandemic, we have seen first-hand the many challenges faced by the IRS and the resulting negative impact on taxpayers, including massive backlogs, delayed refunds and credits, unanswered telephones, and inaccurate notices being sent out.

The IRS is still recovering from the unprecedented problems and workload created by the pandemic. Those impacts, along with years of declining IRS resources, have given the country what many find to be the lowest level of taxpayer support and services in the history of the agency. For this reason, we believe that the IRS's first priority must be improving taxpayer service to help restore confidence in our tax system. Taxpayers and tax practitioners expect and deserve to have their phone calls answered in a timely manner, to speak to qualified people answering the phones that are well trained and knowledgeable, to have their submissions processed quickly and accurately, and to use technology that is current and on par with private sector standards.

We hope the IRS will work with outside stakeholders to develop a plan to strategically and efficiently address the issues that have plagued the agency in recent years. Any plan must establish priorities and address how to overcome the many current obstacles regarding hiring, training, and technology. We believe a collaborative effort between the IRS and stakeholders will help ensure that there is not a disconnect between what helps the IRS and what helps the taxpayer. While the IRS must act

quickly to improve support functions, it must also move carefully as it develops plans on how to increase enforcement activities in a smart and targeted manner.

In recent weeks, there has been a high level of concern and fear expressed by some regarding the increased funding for IRS enforcement that is part of the Inflation Reduction Act. Of course, no taxpayer likes to be audited, but for our voluntary tax system to function properly, an appropriate level of enforcement is necessary.

The IRS over the years has become more than just a way for the government to collect taxes due. Today, there are billions of dollars distributed to individuals and businesses through the tax system. This available money has attracted many criminals, who are costing the tax system enormously. Enforcement to catch these bad actors should not be controversial; in fact, it should be encouraged. But there is a more basic reason enforcement is needed. Every taxpayer that files their tax return in April and pays the tax they owe expects other taxpayers to do the same. If that basic belief goes away our entire tax system could suffer. We believe that enforcement to reinforce the concept of fairness for each taxpayer should not be controversial.

However, Padgett also believes that it is incumbent on the IRS to reassure the public that the funds will be spent in an efficient and ethical manner that improves the taxpayer experience and does not increase the burden on the vast majority of Americans that pay their taxes. Most Americans want to stay in compliance with their taxes but need an IRS that can respond to their correspondence, answer their phone calls, and process their payments in a timely manner. The IRS should outline its plan on key issues such as:

- hiring and training new employees;
- taxpayer service benchmarks;
- technology enhancements;
- the enforcement selection process (including protections for low-income taxpayers and ensuring that primarily those not in compliance are being targeted); and
- stakeholder engagement (including private sector feedback on enforcement, technology improvements, and taxpayer service tools).

Padgett has been on the front lines of tax preparation and helping small businesses and other taxpayers navigate the IRS for over half a century. As a result, we understand how crucial it is for the IRS to seize this opportunity for improvement and get this right. While the IRS has a once-in-a-lifetime opportunity to invest in its future, the agency will only reach the full potential of the opportunity through a disciplined approach that includes careful planning, a strategic outlook, feedback from a range of stakeholders, and true benchmarks that measure success through the taxpayer experience.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Harris', written in a cursive style.

Roger Harris
President
Padgett Business Services