

EO Practitioners Ask IRS For Service Upgrades

by Fred Stokeld

The IRS can do more to provide good service to tax-exempt organizations, according to members of an advisory council.

Various barriers are preventing EOs and practitioners from receiving adequate service from the IRS, according to comments submitted to the IRS by individual members of the (TE/GE) Exempt Organizations Council. The comments were combined by Alexander L. Reid of Morgan Lewis & Bockius LLP and served as a “placemat” for a January 15 IRS forum in Washington on implementing the Taxpayer First Act (P.L. 116-25).

According to council members, not enough IRS employees understand the rules applicable to EOs, and it is difficult for nonprofits to contact those employees. The IRS help line has “extremely long” hold times, the comments said, adding that the employees who answer it have little expertise or power to solve problems, with their answers often inconsistent from one call to the next.

“There should be more agents answering calls, they should have more training, and they should have a greater ability to fix problems,” council members said.

The power of attorney on Form 2848, “Power of Attorney and Declaration of Representative,” should be more accessible to IRS agents “so that it is not necessary to fax it every time one wishes to speak with an agent,” the comments said. If a Form 2848 is rejected for technical reasons, “that should be determined at the outset rather than after waiting on hold for hours to speak to an agent,” they added.

It would also help if taxpayers and their advisers could send the IRS documents through a secure file portal and not have to rely on fax and mail, especially for taxpayers under audit, council members said. Allowing taxpayer representatives to discuss more than one client per phone call would help as well, they added.

The cost of seeking letter rulings — \$30,000 in filing fees — is too high for most nonprofits and should be “significantly reduced,” the comments said. The Internal Revenue Manual contains detailed information but is aimed at IRS

personnel and is difficult for the public to use, according to the comments.

The IRS should consider adopting a content-based management system known as a “wiki” through which users could help each other with specific tax and governance topics by creating and editing open-source project pages, the comments said.

It would also help if taxpayers and their advisers could send the IRS documents through a secure file portal and not have to rely on fax and mail, especially for taxpayers under audit, council members said.

Council members also recommended revising the Form 990 information return and Form 1023 exemption application to better explain why the IRS is seeking the requested information. Unless a taxpayer knows the IRS’s intent in asking a question, the question becomes a trap for the unwary, the comments explained.

The IRS should also work with Congress to enable nonprofits to incorporate under federal law, council members said. Organizations can still incorporate under state law, but the federal option would be particularly helpful to small organizations looking for a “one-stop-shop” to incorporate and apply for exempt status, the comments explained.

Noting that in 2016 the IRS released open, machine-readable e-filed Form 990 data on Amazon Web Services (AWS), the comments offered several suggestions for improving the Form 990/AWS system. They include creating a regular 990/AWS release schedule and web page, appointing a 990/AWS liaison within the IRS, and making corrections to the AWS data set, including posting the Form 990 “schema.”

Finally, the comments ask the IRS to set up a web-based information and document management system that would be an interactive forum for informal guidance and a repository for formal guidance. The IRS should also improve its user experience regarding fill-in forms and should update its website so that news is up to date and the most important issues are highlighted first, the comments said. ■