Real Time Tax System Initiative
Public Meeting

December 8, 2011

Long-Term Benefits

- **Reduced Burden:**

  - Potentially eliminates the need for millions of IRS contacts with taxpayers, and the associated correspondence and follow-up, because problems are resolved up-front

- **Taxpayer and Government Savings**:

  - For taxpayer, eliminates millions of dollars in penalties and interest payments, which would otherwise potentially be assessed years after the fact, by arriving at the correct tax up-front

  - For government, billions in net revenue and cost savings resulting from up-front quality checks on tax returns being filed with the IRS

- **Improved Compliance:**

  - Substantially mitigates largest vulnerabilities to identity-theft related refund fraud

  - Allows IRS, over time, to direct more resources to more complex issues, and fewer resources to basic omission / understatement cases

Key Facts & Observations

- In 2010, the IRS closed 4.3 million cases in which a discrepancy was identified between the taxpayer return and third-party information, resulting in more than $7.2 billion in additional assessments[1]

- Four information return types account for 70% of assessments from our matching program, AUR

- Less than 1% of total information return volume is from amendments or corrections to the original return

- 97% of taxpayers receive at least one information return

[1] 2010 IRS Data Book.

Key Questions for Discussion

General Questions

- What are the best opportunities to evolve the tax system to be more real time in the short, medium, and long-term? How can we most effectively structure our collective efforts to eliminate hassle for taxpayers, and reduce burden?

- What suggestions would participants offer on how to operate an up-front matching process? What should be the role of the taxpayer, the tax practitioner, and the software industry in resolving issues that arise? What tools could the IRS provide to support up-front issue resolution?

Specific Questions / Scenarios for Feedback and Recommendations

- In a scenario where the IRS moved substantially toward upfront matching, how would panelists envision the process working between the IRS, taxpayers, and practitioners to resolve issues up front, rather than months and years after the fact? What issues and concerns would panelists suggest that the IRS should consider?

- Several commenters have raised questions about the interaction of the timing of tax return filings, and information return filings. To the extent that there are gaps, how would panelists suggest that these gaps could be narrowed over time?