

**PREPARED REMARKS OF  
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BEFORE THE  
COUNCIL FOR ELECTRONIC REVENUE COMMUNICATION ENHANCEMENT  
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Thank you. It's great to be back once again with my friends at CERCA. I was delighted to receive the invitation to speak, because I thought you might have gotten tired of hearing from me by now. I'm glad to see I was wrong.

Recently, I've been reflecting on my tenure as IRS Commissioner, now that I'm nearly three and a half years in. They've been eventful years, to say the least. Some might even say a little more eventful than might have been predicted.

But it's still been a terrific experience. In fact, I still feel the same way as I did on Day One – excited and proud to lead such a great agency and its talented and dedicated workforce.

One thing that has made this an enjoyable experience has been the support we receive from groups like CERCA. The IRS works with all kinds of organizations, but CERCA is one that is a true partner. I feel we're comrades-in-arms, because we're all in the business of trying to help people fulfill their tax obligations.

The critical support CERCA provides is never more evident than during the filing season. And once again, this year's filing season went very smoothly for taxpayers. In fact, this has been the smoothest filing season since I became Commissioner. As of May 5, the IRS received nearly 139 million individual returns, on the way to a total of about 152 million by the October 16 tax extension deadline. We have issued over 101 million refunds for more than \$281 billion, with the average refund totaling approximately \$2,800.

Those numbers are probably no surprise to anyone in this room, but when I started as Commissioner I was amazed by the sheer volume of what the IRS deals with each year. I also have to admit that, before coming to the IRS, I took for granted that I would get my refund every year like clockwork after I filed my return. But after watching four filing seasons unfold, I can tell you I don't take that process for granted anymore.

In fact, I've spent my term as Commissioner trying to make Congress and the public realize that the tax filing season doesn't happen automatically or by accident. It happens because our employees and partners like you spend months beforehand preparing for it, and then making sure it goes smoothly.

The 2017 filing season wasn't without its challenges, which included the need for us to implement several PATH Act changes that took effect this year. One was the requirement to hold

tax returns until February 15 if they claimed the Earned Income Tax Credit or the Additional Child Credit. This change slowed the overall pace of refunds early in the filing season. But that pace accelerated with the release of more than \$50 billion in EITC and ACTC refunds after February 15. The new requirement to hold those returns, and another change that accelerated the filing date of Forms W-2, together have helped the IRS spot incorrect or fraudulent returns.

Another important PATH Act change requires Individual Taxpayer Identification Numbers to expire if they were issued before 2014 or if they were not used on a federal return for three years in a row.

Congress gave us plenty of lead time on these PATH Act provisions, which was very helpful. We used the time to work with CERCA and many other partner organizations across the country to get the word out, sharing information so people would understand what the changes would mean for them. This was a well-orchestrated effort that intensified through the fall and as the filing season approached. It ranged from sharing information on social media to holding news conferences and calls with partner groups. It's not always easy to get the word out these days, especially when many people don't pay attention to taxes until January. When we started seeing comments from people on the web and social media that they were affected by the PATH Act – and actually were referencing the underlying law – we knew we were having some success. Another critical metric is that we did not see a surge in call volume from taxpayers once filing season started, as one might have expected.

So I want to thank CERCA and others in the tax community for all of your help supporting the implementation of the PATH Act requirements, as well as all the other work during this very smooth filing season.

We also could not run a successful filing season without the support our external partners provide to very critical programs. A great example is Free File, which allows taxpayers to prepare and file their taxes at no cost. Every year, millions of taxpayers take advantage of Free File, which wouldn't be possible without the efforts of the Free File Alliance. It's also important that we make sure people know about the program. Along those lines, CERCA did a terrific job once again this filing season of helping get the word out about Free File. And I am happy to note the successful launch this past filing season of Free File within the IRS2Go mobile application, which increased awareness of, and access to, these important tax services.

And, while we're on the subject of collaboration, there is no better example of a partnership between the public and private sectors than the Security Summit. CERCA has been an enthusiastic and supportive member since we launched it more than two years ago. Thanks to the Summit, we've made remarkable progress in our efforts to combat stolen identity refund fraud and protect taxpayer data. This progress would not have been possible without everyone pulling together, including CERCA and our other private-sector partners, and the state tax commissioners.

This unique collaboration allowed us to put many new safeguards in place for the 2016 tax filing season that produced amazing results. We had fewer fraudulent returns entering our systems, fewer bad refunds going out the door, and fewer tax-related identity theft victims.

To that last point, let me share with you what I think is a stunning statistic: the number of people who reported to the IRS that they were victims of identity theft declined from 698,700 in Calendar Year 2015 to 376,500 in 2016 – a drop of 46 percent. This illustrates how we were able to improve our ability to stop criminals from filing false returns using someone else’s personal information. And by “we,” I mean all of us together.

I’m extremely proud of the efforts of all of our Summit partners over the past two years, including many in this room. The average taxpayer will never know how much they owe the Security Summit members for everything they have done, and continue to do, to safeguard the tax system. I want to publicly thank everyone involved for their great work in helping to protect the nation’s taxpayers and the entire tax system.

But there is still more work to be done. The fraud filters in our processing systems are still catching a large number of false returns. During Fiscal Year 2016, our systems stopped more than \$6.5 billion in fraudulent refunds on 969,000 tax returns confirmed to have been filed by identity thieves. This shows that identity theft continues to be a major threat to tax administration.

Fortunately, the Security Summit isn’t going away. In fact, we made it a permanent partnership, under the auspices of the Electronic Tax Administration Advisory Committee. And we did that in large part because CERCA members insisted the Summit partnership needed to be permanent. I couldn’t agree more.

I also want to thank CERCA members for their strong support of the Identity Theft Tax Refund Fraud Information Sharing and Analysis Center, or ISAC. We launched the initial stages of the ISAC this year. It will help us identify emerging identity theft schemes and allow that information to be quickly shared among Summit partners. As we saw during the filing season, sharing information and doing it in real time is critical to our ability to respond rapidly to evolving threats and stop identity theft schemes, so the ISAC will be an important tool going forward.

The Security Summit is just one example of a broader approach the IRS has been taking to increase our outreach to the private sector to tap into their expertise. The IRS has long benefited from our permanent standing advisory groups such as IRPAC, IRSAC, ETAAC and, of course, CERCA. But we have also been forming ad hoc working groups to advise us on everything from the Affordable Care Act to the Foreign Account Tax Compliance Act. These groups have been critical to helping us understand and mitigate the real-world effects of legislation and regulations on taxpayers. Increasingly, groups such as these demonstrate that an ongoing dialogue with the private sector benefits everyone.

Looking ahead, one of the IRS’s biggest challenges involves the work we are doing to implement our Future State initiative. Our goal is to have a more proactive and interactive relationship with taxpayers by enhancing and expanding our communications with them. A big part of that is offering taxpayers and tax professionals services, tools and support that are both innovative and secure, and specific to their needs, especially in relation to online and virtual interactions. We are

effectively trying to catch up to the ways people are communicating with banks, retailers, medical providers and many others.

As we have gotten deeper into this effort, it has become clear that the Future State spans the entire scope of IRS operations, and poses considerable challenges to us and taxpayers. Throughout the agency, we're asking, what can we do to improve tax administration and the overall taxpayer experience?

As we move forward on this initiative, we are reaching out to the private sector for support and input on Future State service and enforcement interactions. This critical feedback will help us better design and develop the components of the Future State, including digital and virtual offerings, from the viewpoint of taxpayers and their representatives. In that regard, CERCA and all of our partners in the software and financial services industries will remain an integral part of this process. We appreciate and value the insights you have already shared with us, and we will continue to look to you and other partners to help us get it right.

Of course, another major challenge for the agency continues to be our budget situation. After five straight years of budget cuts, we appreciated receiving \$290 million in additional funding from Congress in 2016 and 2017. These funds were earmarked for improving taxpayer service, increasing cybersecurity and improving our efforts against identity theft.

While we don't yet know what our budget will be for Fiscal Year 2018, we realize the need to reduce the overall government deficit. But we are also very appreciative of the fact that Treasury Secretary Mnuchin understands and supports the need for the IRS to have appropriate resources for taxpayer service and compliance activities.

I remain concerned that, after years of budget cuts, the agency's workforce has shrunk considerably over the last several years. In fact, the IRS lost more than 17,000 full-time employees through attrition between Fiscal Year 2010 and the end of 2016. Nearly 7,000 of those were key enforcement personnel.

We recently issued enforcement statistics for Fiscal 2016 that highlight this decline. Exam rates are continuing their downward trend in all categories – individuals, small businesses and large corporations. These workforce cuts mean that the government is forgoing billions to achieve budget savings of a few hundred million dollars, since we estimate that every \$1 invested in the IRS budget produces \$5 or more in revenue.

As the budget debate continues, one of the things I think people are beginning to understand is that the IRS is the only agency where, if you give us more money, we'll give you more money back. As people start to focus on the deficit and how to pay for new programs, that reality will start to play more of a role in the discussions as we go forward.

We will be very interested to see what congressional appropriators decide about our budget for Fiscal 2018. I would note that all but a few weeks of the 2018 budget will cover the term of the next IRS Commissioner. I want to do everything I can to ensure the budget situation for the agency will be improved as the new Commissioner starts out when my term ends.

Speaking of the next Commissioner, I've been asked to talk about what my parting advice will be to my successor. Of course, the first thing I'll tell them is, "Work closely with CERCA."

I'm often asked what criteria should be used to select the next Commissioner. My belief is that the IRS Restructuring and Reform Act of 1998 got it right. RRA '98 specified that the Commissioner should be someone who is a manager, rather than an expert in tax law. My experience has been that that's what the IRS needs, since you have an organization with about 80,000 employees and all the management challenges and opportunities that go along with an agency that size. This agency needs someone who is comfortable and has experience managing large organizations. If they happen to know something about tax law, that wouldn't hurt.

One thing I will make sure to tell the next Commissioner is they will find, as I did, they're leading a workforce with an incredible level of dedication, professionalism and expertise. That can't help but make any Commissioner's job easier. And, I will make sure the next Commissioner knows how valuable our partnerships with CERCA and other organizations are to our ability to maintain the tax system and fulfill the IRS's mission.

Thank you for letting me spend this time with you today. I would be happy to take questions in the time we have left.