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August 2, 2013

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VIA FEDERAL EXPRESS

Daniel I. Werfel
Principal Deputy Commissioner
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Dear Mr. Werfel:

As you know, the IRS has decided to retire the Disclosure Authorization (“DA”) and Electronic Account Resolution (“EAR”) options for E-Services on August 11, 2013. Many have objected to the termination of these two services. The rationale for the retirement of the DA product on the IRS website (copy enclosed) indicates that less than 10% of all disclosure authorizations were submitted through the DA system in 2012. Even at usage of less than 10%, there were over 300,000 authorizations in 2012, representing a significant amount of work that the IRS does not have to perform manually. We strongly urge you to maintain the DA service!

The DA service enables Practitioners representing taxpayers to directly input IRS form 2848, Power of Attorney. Maintaining the DA service eliminates a significant portion of the workload which would otherwise be performed by the IRS CAF Unit that currently inputs forms 2848. Doing so also eliminates the necessity for practitioners to frequently fax powers of attorney to individual IRS employees while they “wait” on the telephone. This is another significant time-saver due to the fact that the powers of attorney input by practitioners can be viewed by IRS telephone employees shortly after we input them.

We ask that you compare the DA product to IRS E-Filing. The IRS’ own history (FS-2011-10, June 2011, a copy of the first page of which is attached for your convenience) states that a mere trickle of electronically filed individual returns has turned into a torrent of more than 100 million per year. You also will find attached Exhibit 1 from a CPA Journal article of October 2005 showing the year-by-year history of E-Filing. Even though that trickle started in 1986, with 25,000 returns filed that year, the 30% level of over 40 million returns was not attained until 2001, 15 years later. The IRS goal of 80% was not achieved until 2012, 26 years from inception.

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*Daniel I. Werfel, Principal Deputy Commissioner
August 2, 2013
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DA is a good idea and the IRS has not provided sufficient time for it to mature. Had the IRS given up on E-Filing so early, it would still be mired in voluminous paperwork each filing season. We urge you to reconsider and look to the history of E-Filing as evidence that the decision with respect to the DA service is simply wrong.

Many members of the AAA-CPA use DA hundreds of times per year. The IRS' own 2012 databook confirms that there is significant current utilization of the DA program in noting that over 300,000 disclosure authorizations were filed electronically in 2012. The added burden for these firms and their clients, America's taxpayers, would be a heavy price to pay. Abandoning the DA product will diminish IRS services to both taxpayers and practitioners.

We understand the IRS intends to replace DA with a better automated system some time in the future. However, the gap of failing to have an electronic means of inputting powers of attorney will be very costly. When considering costs, please consider not just the costs within the IRS, but the cost to taxpayers and practitioners who benefit from the current system.

E. Martin Davidoff of our organization (E-mail: emd@taxattorneycpa.com, 732-274-1600) is the individual most familiar with our position on this matter. Please contact Mr. Davidoff or me if you have any further questions whatsoever.

Thank you very much for your attention to this matter.

Very truly yours,

Domenick Lioce
President

Encls.

P.S. We well understand that both DA and EAR are being slated for "retirement" on August 11th. We don't believe that both services must stay or go together. It is clear from the statistics that DA has a much larger utilization than EAR.



Disclosure Authorization and Electronic Account Resolution retire this August

IRS is retiring the Disclosure Authorization and Electronic Account Resolution options on e-Services on Aug. 11.

Due largely to low usage of e-Service's Disclosure Authorization (DA) and Electronic Account Resolution, the IRS has decided to retire and remove the two applications effective Aug. 11.

Last year, users submitted less than 10 percent of all disclosure authorizations through the DA application. Similarly, only three percent of all account-related issues came in through the EAR application.

In anticipation of this change, the IRS increased the number of employees who process authorizations and has improved internal work processes to decrease the average processing time significantly from the current 10-day processing period.

The IRS will continue to explore better ways to reduce processing time and improve overall service to the users. However, current budget cuts will impact their dedicated resources to this program and they are working to determine the impact on processing time.

Once IRS removes the two applications, former DA users will need to complete [Form 2848](#), Power of Attorney and Declaration of Representative, or [Form 8821](#), Tax Information Authorizations, and mail or fax it to the appropriate IRS location listed on the form's instructions. Please allow at least 4 days for the authorization to post to the IRS database before requesting a transcript through the Transcript Delivery System. Former EAR users should call the Practitioner Priority Service at 1-866-860-4259 for help resolving account-related issues.

The IRS continues to look for ways to improve its current processes and is exploring an improved electronic solution for DA and EAR in the future.

Page Last Reviewed or Updated: 07-Jun-2013



IRS E-File: A History

FS-2011-10, June 2011

Within 25 years, the mere trickle of 25,000 electronically filled individual tax returns has turned into a torrent of more than 100 million a year and led to a permanent change in the way Americans file their taxes.

And it started with one IRS employee having to manually turn on a modem every time tax returns were e-filed, a dedicated research and project office staff and an admittedly awkward use of the distinctive “Mission Impossible” theme.

The IRS e-file surpassed a landmark: 1 billion individual Form 1040 tax returns received and processed safely and securely. IRS Commissioner Doug Shulman has called IRS e-file one of the federal government’s most successful modernization programs.

IRS e-file has come a long way from the 25,000 returns submitted by five tax preparers in 1986.

In the 1980s, efficient tax collection was becoming more difficult because of the complex, time-consuming and error-prone process of converting paper returns and information documents into a form that could be processed by machine. Even the mere storage of paper tax and information returns was becoming costly as more and more space was needed for the burgeoning reams of required paper forms and documents.

Even as tax practitioners were starting to use computers to prepare clients taxes, the IRS still forced them to print and mail returns because of the processing system.

Enter IRS e-file. The initial idea sprang from the IRS Research Division, which ran tests to prove the technical feasibility of Electronic Filing System (EFS), a concept it believed would simplify the processing method.

In 1986, a pilot program was launched to test the costs and benefits of EFS and to gauge acceptance by preparers and taxpayers. Only five tax preparers in three metropolitan areas – Cincinnati, Raleigh-Durham and Phoenix – agreed to participate. Then, the system could only process returns that were due refunds.

“The processing system at that time consisted of a Mitron and a Zilog, which most people have never heard of,” recalled retired IRS employee Leonard Holt, who served as a branch manager in the e-file project office. The tax preparer would call a designated number at the Cincinnati Service Center and an IRS employee would plug the phone into the Mitron, which Holt described as a modem with a tape drive.

When the transmission was finished, the IRS employee would transfer the tape to the Zilog, a super mini-computer, which would massage the data into files that the IRS’ Unisys System could process.

To send the acknowledgement, the IRS employee would have to telephone the tax preparer who would plug the phone into his own modem and reverse the transmission process.

Still, the “electronic” process seemed promising. Holt and former IRS employee Mike Jackman, discussing e-file one day after work, sketched the IRS e-file process onto a napkin along with the creation of an e-File Project Office and the equipment needed to move the concept from beyond the research stage.

EXHIBIT 1
Electronic Filing for Individual Tax Returns
(in millions)

Year	Total E-filed Returns	Total Returns	Percent E-filed
1986	.025	102.1	.02%
1987	n/a	106.2	n/a
1988	n/a	108.9	n/a
1989	n/a	111.3	n/a
1990	4.2	112.8	3.70
1991	7.5	113.8	6.60
1992	10.9	112.7	9.60
1993	12.3	113.7	10.80
1994	13.5	114.9	11.70
1995	11.8	116.3	10.10
1996	14.9	118.8	12.50
1997	19.1	120.7	15.80

Year	Total E-filed Returns	Total Returns	Percent E-filed
1998	24.6	123.0	20.00
1999	29.4	125.2	23.50
2000	35.4	127.6	27.70
2001	40.2	129.8	31.00
2002	46.9	130.9	35.80
2003	52.9	130.7	40.50
2004	61.5	131.3	46.80

Sources:

www.irs.gov/taxstats/compliancestats/article/0,,id=131692,00.html

www.irs.gov/taxstats/indtaxstats/article/0,,id=133536,00.html

www.treas.gov/irsob/meetings/1-26-04/irpac.pdf