



National Payroll Reporting Consortium

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September 20, 2016

Ms. Debra Holland
Commissioner, Wage and Investment Division
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Via email

Dear Commissioner Holland,

We are writing to express concerns and offer suggestions related to the recent invalid Emancipation Day and Memorial Day Federal Tax Deposit (FTD) penalty notices. While we appreciate the IRS's recent assistance with the resolution of these incorrect notices, these situations caused significant challenges to the payroll service provider community which we believe present an opportunity for similar future events.

The National Payroll Reporting Consortium (NPRC) is a non-profit trade association whose member organizations provide payroll processing and related services, including electronic filing of federal employment tax and IRS information returns, to over 1.4 million employers nationwide, covering over one-third of the private sector work force. Payroll service providers have long served an important role in our nation's tax collection system as a conduit between employers and government authorities. Payroll service providers improve the efficiency of government tax collections and improve compliance.

Perhaps the most significant concern resulting from these recent issues was the delay in formal communication from the IRS. While we received regular updates from our National Account Manager as to the status and scope of the issue, these were informal communications, to which we were unable to direct clients. The one formal announcement made for each issue was posted to www.irs.gov on the Tax Professionals page, but it was difficult for taxpayers to locate.

Among the most fundamental expectations a client taxpayer has of their payroll service provider are timely payment and filing of their employment taxes, responsive customer service, and clear communications. When an error occurs, regardless of the cause, clients expect prompt, effective resolution. As you can imagine, the initial notices resulted in great alarm by the hundreds of thousands of affected taxpayers, a situation magnified by our inability to initially provide concrete information on the basis or resolution of the problem. This alarm was further exacerbated for taxpayers receiving additional erroneous CP504B Intent to Levy notices, which we had (based on IRS direction) informed clients would not occur.

*Automatic Data Processing ★ BenefitMall/CompuPay ★ Ceridian
Fidelity Employer Services Company LLC ★ Intuit ★ Paychex ★ Paycom
Paycor ★ Paylocity ★ Payroll People ★ PrimePay ★ Ultimate Software*



The IRS and payroll service providers share the common goal of servicing taxpayers in a timely and efficient manner. Timely, clear communication to our clients concerning issues such as these is a top service provider priority. However, the vague and incomplete information received throughout the duration of these two recent issues created significant challenges in meeting our service obligations to our clients. Specifically:

- In some cases, taxpayers calling the IRS Taxpayer Assistance lines were informed by IRS Agents that the notices were related to errors caused by their payroll service provider, not the IRS, despite the fact that internal alerts had been issued to IRS staff informing them of the issue.
- Timing discrepancies existed between implementation of IRS systemic fixes to correct taxpayer accounts versus notice generation to taxpayers. In the instances of Emancipation Day and Memorial Day, it seemed that ample time existed, once the issue was identified and CP161 notices were sent out, to suppress any further notices from being sent to employers. The statement on www.irs.gov specifically indicated, "IRS systems have been corrected...", and yet some taxpayers subsequently received CP504B Intent to Levy notices. The repeated notices for an erroneous issue posed an even more pronounced customer service conundrum for affected service providers.
- In working through the Memorial Day issue, an immediate need existed for service providers to send early communication to affected clients who would be receiving the initial CP161 notices in the days ahead. Many of these clients had been previously affected a few months prior by the Emancipation Day erroneous notices, and consequently these clients were already somewhat distrustful. Another round of IRS notices further called into question the level of service being provided by their payroll service provider. How the same essential problem could be permitted to occur in such close proximity may deserve separate consideration.
- Any opportunity for a service provider to proactively communicate with their affected clients on this type of issue reduces an influx of calls to both the service provider and the IRS taxpayer assistance lines. Our request to provide a formal announcement on www.irs.gov took nearly a week and a half to work through the internal IRS approvals and be posted. In the interim, service providers were left in the untenable situation of not being able to direct their clients to any official IRS notification. It should be standard protocol for IRS to quickly issue public-facing statements that are easily accessible to taxpayers as soon as such issues arise.
- We submitted a request through the National Account Manager, Industry Stakeholder Liaison Division to the Office of Service Wide Penalties, to append the Memorial Day announcement posted to www.irs.gov to include a statement regarding the erroneous CP504B notices. The response offered to the National Account Manager was surprising. The IRS was unwilling to update the statement due to the "limited number of taxpayers impacted". A seemingly straightforward update of the public facing statement would have been greatly appreciated, and would have provided much needed confirmation to affected clients that IRS was aware of and correcting the issue.



While we understand that the IRS has formal internal processes governing the response to such issues, as well as daunting resource and technology constraints, we respectfully request that an assessment be conducted to identify opportunities to mitigate similar issues in the future. In particular, we recommend these specific areas be addressed:

- Establish (or enhance) programming logic to identify large unanticipated increases in the volume of certain types of notices, and generate internal systemic alerts to require closer review, validation and approval prior to posting and releasing such notices.
- Quicker issuance of taxpayer communications of processing errors and associated resolutions. Ideally, such communications should proactively be sent to taxpayers; however, if posted to the IRS website, the notice should be easy for taxpayers to find.
- More effective communication to IRS Taxpayer Assistance personnel of the basis of errors, so that inquiring taxpayers receive accurate information on the cause of the issue and steps underway to resolve it.
- Prompt, clear communication to payroll service providers of processing issues at the IRS to support necessary dialogue with clients and internal constituents.
- Active assessment of known problem spots to minimize the reoccurrence of significant issues (i.e. holiday-related FTD logic considerations).

We would be happy to discuss all these issues in more detail with the affected areas and offer our collective help in partnering to suggest potential mitigation strategies. Please let me know if you have questions or if we can be of any assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "Pete Isberg", is positioned to the right of the word "Sincerely,".

Pete Isberg
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