

NATIONAL PAYROLL REPORTING CONSORTIUM, INC.

AUTOMATIC DATA PROCESSING, INC • CERIDIAN CORPORATION • COMPUPAY, INC • FEDERAL LIAISON SERVICES, INC
FIDELITY EMPLOYER SERVICES CO, LLC • INTUIT INC • PAYCHEX, INC • PAYCYCLE, INC • PAYMAXX, INC • PAYROLL PEOPLE, INC • PRIMEPAY, INC
PO Box 850 HENRIETTA, NY 14467-0850
WWW.NPRC-INC.ORG

March 21, 2005

Mark W. Everson
Commissioner
Internal Revenue Service
N:C Room 3000 IR
1111 Constitution Ave., NW
Washington, DC 20224

Dear Commissioner Everson:

I am writing to you on behalf of the National Payroll Reporting Consortium (NPRC) to express our concerns with the IRS electronic services (e-services) program.

The NPRC represents businesses – “Reporting Agents” in IRS terminology – that provide human resource-related administrative services to employers, including payroll processing and employment tax payment and filing services. NPRC members serve more than one million employers with a combined total of more than 40 million employees, and process payroll for more than one-third of the private sector workforce.

NPRC members have been longstanding supporters of the IRS e-file and e-pay initiatives. For example, EFTPS is used to submit deposits for all clients, not just those that are mandated to do so. In fact, without the voluntary participation of NPRC members, the Treasury would fall far short of the levels required by Congress regarding the use of electronic funds transfer for the collection of Federal depository taxes. Over 30% of revenue collected through EFTPS is originated by NPRC members.

The success of the IRS e-file program for business returns is also largely due to Reporting Agents, with over 95% of electronically filed employment tax returns originating from NPRC members. Many of us also support your 1040 e-file program by enabling electronic import of W-2 data into electronically-prepared 1040 returns.

In addition to improving the efficiency of government tax collection through electronic filing and tax payment programs, Reporting Agents improve tax compliance. The compliance rate of our client base has been estimated by the IRS to be twenty times that of the general population. This reduces the burden on IRS Collection functions, freeing up resources to pursue truly non-compliant taxpayers.

Because of the cooperation we have exhibited, we are puzzled and disappointed by the lack of progress in making e-services incentive products available to Reporting Agents. We were assured that access to e-services for Reporting Agents was designated as the top priority of the Commissioner of SB/SE. We now understand that the next rollout of

e-services will not include Reporting Agent access. Shortly, the threshold for entry will be lowered from 100 e-filed returns to five, including business returns. You may be under the impression that this addresses our needs. That is not the case.

The IRS e-services program does not recognize the Reporting Agent authorization¹ (Form 8655), which is authorized under Revenue Procedure 2003-69, because the e-services system is not linked to the Reporting Agent File. It is only connected to the CAF file, which does not contain authorization information for Reporting Agents.

Providing e-Services to Reporting Agents would eliminate significant IRS workload. Reporting Agents receive about 200,000 IRS notices annually. If just *half* of them took 30 minutes of IRS staff time to resolve, e-Services would eliminate workload equivalent to 25 IRS full-time staff (FTEs), or some \$2 million annually. Many calls made are to obtain details on what caused a notice; determine the disposition of credits, deposits or returns posted. Transcript delivery would make it unnecessary for the IRS to respond to such calls.

Providing Reporting Agents with e-services access would result in immediate use of the system on behalf of more than one million business taxpayers. Many e-Services interactions would also *prevent* problems and notices that would otherwise result, such as confirming employer names or deposit schedule before making a payment or filing a return.

When we receive an IRS notice regarding a client, we take prompt action to resolve the issue; currently by calling or writing to the Service. We are asking to be granted the same privileges you are extending to others who support IRS e-file and e-pay initiatives. Our support of IRS e-file programs is on a much larger scale than most of those who currently use or will use the e-services incentive products.

We would be happy to meet with you or members of your staff to discuss how this inequitable situation can be quickly addressed. We appreciate your consideration.

Sincerely,



Pete Isberg
National Payroll Reporting Consortium

¹ Reporting Agents are required to obtain an authorization from each client prior to providing filing and deposit services. This authorization is submitted to the IRS and entered into the Reporting Agent File. Once entered, a Reporting Agent is authorized to submit returns and deposits on behalf of clients. We are also permitted to discuss matters relating to those submissions, such as responses to notices, requests for records of account, and other matters relating to the processing of a return or payment.