IRS moves forward with vision of real-time tax system

Representatives of the tax professional community, consumer groups and government organizations attended the first public meeting of the **Real-Time Tax System Initiative**. Through these meetings, IRS hopes to gather feedback on how to implement a series of long-term changes to the tax system that would move IRS away from its traditional "look back" compliance model.

Commissioner Shulman and Deputy Commissioners Steve Miller and Beth Tucker address the panelists in the first public forum of the Real-Time Tax System Initiative.

Commissioner Doug Shulman and Deputy Commissioners Beth Tucker and Steve Miller moderated the three panel discussions covering topics that included the goal of the initiative, benefits for taxpayers and the current compliance practices. The Commissioner also emphasized that while there is no specific timetable for this initiative, the IRS is committed to pursuing this important vision that will benefit taxpayers and the IRS. This is the beginning of a dialogue with affected stakeholders to see what we would need to undertake to help us make the next big leap in how the tax system fundamentally works.

The vision of this long-term initiative is to provide real time or upfront matching of third party information, such as Forms W-2 and 1099, when the tax return is filed. If the data on the return does not match IRS records, taxpayers could have the opportunity to correct the tax return before it's accepted. The goal of the real-time system is to reduce burden for taxpayers and improve overall compliance at the beginning of the process, instead of several months – or years – after the return is filed.

Presently, IRS conducts a significant number of compliance activities months after the tax return has been filed and processed. It is not uncommon for a taxpayer to receive a notice 12 to 18 months after his or her return is filed. 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.

The panelists' statements and a transcript of the meeting will be available soon.

A future public meeting will include, among others, representatives of the employer and payroll community, the software industry, financial institutions and additional government representatives.

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