



American Payroll Association

Government Relations • Washington, DC

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Mr. Robert Bedoya
Director, e-File Services
Internal Revenue Service
SE:W:CAS:SP:IS
5000 Ellin Road, C4-223
Lanham, MD 20706
Submitted via e-mail to: wi.94x.efile@irs.gov

Re: FR Doc. 2015-05104

Dear Mr. Bedoya:

The American Payroll Association (APA)¹ thanks the Service for the opportunity to provide comments concerning ways to increase the electronic filing (e-file) rate of employment tax returns, which currently stands at about 31%. This is below the overall average for business and tax-exempt organization returns.² The APA commends you for your effort to improve the e-file rate for business tax returns in general and for your specific focus on employment tax returns. We support the proposal to provide a free online filing option and recognize that increased e-filing will benefit both employers and the Service.

While expanding the availability of e-filing for employment tax returns will help achieve the goal of increasing the overall e-file rate, the APA is concerned that many employers may not use the e-file system if it is not easy to create an account or obtain password information. We understand the need to protect account information. However, if the process is cumbersome or time consuming, employers likely will continue to file their employment tax returns on paper. These forms are often completed very close to the filing deadline. If employers have to wait for the password to be sent by the U.S. Postal Service, they likely will have to file on paper and may never adopt the e-filing option. Conversely, a

¹ The APA is a nonprofit association of over 20,000 payroll professionals who process payroll for approximately 17,000 employers throughout the 50 states, the District of Columbia and the U.S. territories. Our membership also includes representatives of large, medium, and small payroll service providers who are responsible for processing payroll for an additional 1.5 million employers. In total, the APA represents those professionals responsible for paying an aggregate total of one-third of the private sector workforce.

The APA's primary mission is to educate its members and the payroll industry regarding best practices associated with paying America's workers while complying with applicable federal, state, and local laws. In addition, the APA's Government Relations Task Force (GRTF) works with the legislative and executive branches of government to find ways to help employers satisfy their legal obligations, while minimizing the administrative burden on government, employers, and individual workers. The GRTF's IRS Issues Subcommittee maintains a close relationship with the Service so that APA members receive the latest guidance concerning federal tax law changes and in turn APA members may provide feedback to the IRS.

² Proposed Collection; Comment for Electronic Filing of Employment Tax Family (94x) Returns, 80 F.R. 12062, 3-5-15.

system that allows for swift account creation and password retrieval is more likely to be adopted by employers, which in turn would help the Service reach its goal to increase the e-file rate.

The APA offers the following comments on some of the specific questions posed in the request for comments.

(a) What do you, your business, or agency see as the main advantages and disadvantages to employers to e-file employment tax returns through a free online filing option offered through a public-private partnership; of the free online filing capability?

The process would be more efficient for employers and for the Service, as well as being free. Employers would be relieved of the burden of completing and mailing the paper form once the e-filing capabilities are implemented. The Service should be able to process the electronically filed forms more efficiently. Employers and the Service would also benefit from greater accuracy, security, and timely filing, which should result in fewer tax notices. A reduction in tax notices will also reduce the administrative resources that the IRS and employers must devote to the resolution of inadvertent filing errors.

When considering changes to the e-filing system for employment tax forms, the APA suggests that the electronic form automatically calculate numbers or check them as they are entered. This feature would help avoid inadvertent errors by taxpayers.

The APA further recommends that the Service work to make the e-filing process as easy as possible, which should promote increased e-filing by employers. For employers that have more than one EIN, they should be able to have one logon/password when filing for multiple EINs. Similarly, logons could be designed so that they become a place for “one stop shopping,” for all services including filing and payments, with connections to both the electronic forms and EFTPS. The system should also generate automatic e-mail confirmation messages confirming filing and payments (this feature is provided by many state revenue departments).

(b) The circumstances under which employers currently mailing in employment tax returns might utilize a free online filing option offered through a public-private partnership;

This will depend largely on the ease of interaction with the e-filing system. Assuming the process to open the account, obtain and retrieve a password, and upload the file is user friendly and timely, employers are more likely to utilize the system. However, because these forms are often completed close to the deadline, an employer that encounters any difficulties in the e-filing process will likely revert to paper filing.

(c) The circumstances under which employers currently e-filing employment tax returns or their tax professionals might utilize a free online filing option offered through a public-private partnership;

This also may depend on the ease of use of the e-filing system and the benefits the system generates. There is always the tendency to stay with a process that works. If, however, employers can reduce costs, receive a confirmation of filing and payment by email, and the new system is relatively simple to use, then it may be adopted by those who currently e-file employment tax returns.

(d) The best way to market a free online filing option to employers and their tax professionals to increase the electronic filing of employment tax returns;

There are a number of places where the e-file option could be effectively marketed. When it is initially implemented, announcements could be placed prominently on the IRS website, including the EFTPS homepage. To directly communicate with taxpayers who file employment tax forms, the new procedures should be highlighted at the beginning of the instructions for each of the 94x Forms. Additional marketing could include filming a presentation for the IRS video portal, including information in workshops for small businesses, and providing information through the emails that are sent to various taxpayer groups.

Professional organizations also could be engaged to raise awareness within their membership. The APA will include information about the new e-file option through coverage in its publications and educational programming.

(k) Any advantages, disadvantages, or preferences for IRS creating its own free online filing portal for employment tax returns on IRS.gov without a public-private partnership;

By creating its own e-file portal, the IRS might be better positioned to create an interface between platforms so that filing and payment systems can transfer data. With the taxpayer submitting information directly to the Service, there is one less transmission of personal and business identifying information, which should reduce the potential for refund fraud and identity theft.

A potential disadvantage of not pursuing a public-private partnership could be the timeline for implementation of the new e-filing capability. Given the current budget constraints of the IRS, it may be difficult to find and devote the necessary resources to design, build, and implement a new e-filing system.

(l) The importance of implementing any of these proposals for employment tax reporting by 2016, 2017, or another date;

The APA recognizes the need to improve the e-filing rate as quickly as possible. However, employers and providers of e-filing services will need time to update their systems and procedures to accommodate the e-filing system. The APA urges that the Service provide a period of 18 months from the initial roll out of the e-filing website before requiring use of the e-filing system. If e-filing remains optional and would be offered through either a public-private partnership or directly with the IRS, the APA encourages the IRS to make the free filing method available as quickly as possible so employers could take advantage of it as they are able, given their technology capability.

(m) The burdens of requiring employers to file all employment tax returns electronically;

One potential burden depends on how the e-filing platform works. For security reasons, some employers do not allow employees to download files from the internet. If the e-filing platform requires file downloads, it could cause serious administrative problems for some employers.

For clarity and consistency, the e-filing requirements for the employment tax forms could be based on the requirements for Form W-2. If an employer filed 250 or more Forms W-2 for the prior tax year, it would be required to e-file its employment tax forms for the current tax year. If the threshold for e-filing Forms W-2 decreases in the future, the reduced threshold would also apply to employment tax forms.

(o) The need to except certain taxpayers or tax professionals from any e-file mandate for employment tax returns.

Small employers that either do not have computer access or their access is limited may find it difficult to comply with this requirement. Perhaps an exemption could be made for certain small employers or small employers could certify that they do not have computer access on a paper form.

We appreciate the opportunity to provide feedback. For the sections of the request for comment not referenced in this document, the APA currently does not have additional comments or suggestions.

The APA strongly supports providing an e-filing option for all forms for which filing electronically is practical and encourages e-filing for the full range of employment tax forms including the Form 941-X and other forms in the X series. The APA also suggests that employers and the Service would benefit from e-filing of additional forms such as Form 8922, *Third-Party Sick Pay Recap*. Offering a free option to electronically file the 94x series of forms is an important step in this direction and toward the goal of increasing the overall e-file rate for all tax forms.

If you have any questions, please contact Curtis Tatum, whose contact information is provided below.

Sincerely,

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