

In response to feedback we've received over the last few months, several members of the MSCPA and staff met with the Department of Revenue (DOR) to discuss issues that arose this tax season. The DOR was honest about the challenges presented by the new tax system and understood the concerns and aggravations felt by our membership due to the influx of notices received by clients, and is eager to work with us to improve their systems and programs. Below, please find a brief summary of the meeting.

Verification letters – As you know, fraud continues to be a major problem for all tax administering entities. In response, the DOR has initiated an enhanced taxpayer verification effort, which includes comprehensive fraud filters to examine returns. This effort, in addition to issues with the new MassTaxConnect system, has been responsible for many of the verification letters you've received.

We are working with the DOR to better understand and improve the process by limiting the scope of their selection. The Department has already initiated several changes limiting the requests associated with schedule C activity and lifting the requirement that taxpayers provide a copy of their social security card. We expect more changes to this program will be implemented prior to the October deadline. We will also work with the DOR and our peer employer groups to ensure businesses are filing timely wage reports so the DOR can match more information internally, which has proven to be a big issue impacting verification.

EITC issues – Returns claiming an Earned Income Tax Credit (EITC) have been hit particularly hard by these verification notices. Our members who have been working pro bono or through a VITA program to assist eligible low-income filers have reported that taking advantage of the EITC has become too onerous and usually economically prohibitive, and many advise these taxpayers not to take the credit. In response, we are working with the DOR to rethink their strategy around EITC and have proposed the following: accept the IRS' due diligence form and weigh it heavily as a measure for determining fraud, and share information with states, including a list of suspect taxpayers and preparers that is maintained by the IRS.

2016 Trust Returns – We've been made aware of several issues associated with fiduciary returns, mostly concentrated around uncashed payments remitted to the DOR that spurred late-file notices and recalculation issues associated with the new MassTaxConnect system. The DOR notified us that they are several weeks behind in posting payments which has caused the notices. They are also aware of some of the recalculation issues and are working to resolve the issue.

Underreporting of income – Many members have received letters indicating "Possible Underreporting of Gross Receipts" requiring a response to the Department. These letters are being generated as part of a new voluntary compliance initiative that utilizes data analytics and detection technologies to limit losses, both in income taxes and in trustee taxes, including sales, meals and room occupancy taxes. While the Department understands practitioner concerns, they believe this is an area that is in need of a focused program.

We will continue to work with the Department to ensure the ratios and ranges used to trigger these notices are appropriate and that clear guidelines are established for practitioners to share with their clients. We'd appreciate your feedback as we work through this process.

The DOR has been clear; they want to hear from us when issues come up. If you have any questions, concerns, or need assistance contacting the Department of Revenue, please don't hesitate to contact Amy Pitter at apitter@mscpaonline.org or Zach Donah at zdonah@mscpaonline.org. In the meantime, we will continue to advocate on your behalf for meaningful changes to notices and programs to ensure they are targeting the right populations without undue burden. As part of that effort, we will be organizing focus group to help the Department rethink some of their policies and materials driving these programs.