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**IMPROVING FILING EFFICIENCIES
AND REPORTING COMPLIANCE
FOR ESTATE AND GIFT TAX RETURNS**

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¹ The comments contained in this paper are the individual views of the authors who prepared them and do not represent the position of the California Lawyers Association or its Taxation Section.

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EXECUTIVE SUMMARY

The current process for filing gift and estate tax returns is cumbersome and antiquated.³ Though most taxpayers electronically file their income tax returns (with most preparers being summarily required to do so⁴), gift and estate tax returns must be filed by mailing hardcopy-paper returns to the appropriate IRS Service Center. If a taxpayer later supplements or amends their gift or estate tax return, the amended return must also be hardcopy-paper filed with the appropriate IRS Service Center. Taxpayers may, however, pay gift and estate tax liabilities using the Electronic Federal Tax Payment System online. The Service, taxpayers, and practitioners would benefit from improving the efficiency and ease of this process.

The easiest way to alleviate the administrative burdens on the Service affiliated with the hardcopy-paper filing of gift and estate tax returns is to facilitate e-filing of Forms 709 (United States Gift (and Generation-Skipping Transfer) Tax Return, hereinafter “gift tax return”), and 706 (United States Estate (and Generation-Skipping Transfer), herein after “estate tax return”). Doing so would also reduce the confusion and ministerial burdens for taxpayers and practitioners, arguably increasing compliance with reporting requirements for taxable gifts and estates. Moreover, since Forms 709 and Forms 706 must include a significant amount of supporting documentation (appraisals and valuations, trusts and other testamentary documents, etc.), it would be far more efficient and less costly for taxpayers to electronically file these returns and upload supporting documentation to a secured portal.

This paper will propose the Service allow for and facilitate the electronic filing of Forms 709 and 706, and will analyze the efficiency, compliance, and administrative benefits the Service, taxpayers, and practitioners would likely derive from the Service’s decision to do so.

³ Unless otherwise indicated, references to a “section” are to a section of the Internal Revenue Code of 1986, as amended (the “Code”).

⁴ Section 6011(e)(3) requires specified tax return preparers to electronically file certain federal income tax returns that they prepare and file for individuals, trusts, or estates after December 31, 2010. 26 U.S.C. § 6011(e)(3).

DISCUSSION

I. Background

The Federal estate tax is a tax on the transfer of property at death,⁵ while the Federal gift tax is a tax on the transfer of property by gift during life.⁶ Collectively, estate and gift tax are referred to as a transfer tax since tax liabilities result from the exchange of property between unmarried parties for no consideration.⁷ Tax liabilities for such transfers are only imposed when the cumulative value of lifetime transfers and transfers at death (less any applicable deductions) exceeds a taxpayer's exclusion amount.

The gift tax, reported on Form 709, was first enacted in 1924, repealed in 1926, and overhauled and reintroduced in 1932.⁸ At its peak in 1999, the gift tax raised \$4.6 billion in revenues.⁹ Although changes to estate and gift tax exclusion amounts made by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) reduced the amounts of transfer tax payable since 2001, these taxes continue to be vital to the American revenue and taxation system. Moreover, the United States presently faces serious—and perhaps existential—budgeting and spending decisions, and the taxation (or at least reporting) of lifetime and postmortem gifts and bequests is likely to generate increased revenue over the next decade with the reduction of the estate and gift tax exemption in 2026. For this reason, the time is now to reexamine the way estate and gift tax returns are filed and processed by the Internal Revenue Service (“Service”).

II. Current Filing Requirements and Procedures

A. Form 709—Gift Tax Return

When a taxpayer makes a gift in excess of the annual gift tax exclusion (referred to as a “taxable gift”),¹⁰ Section 6019 requires that the gift be reported to the Service by filing a Form 709. Section 2501(a)(1) imposes “a tax, computed as provided in section 2502 . . . for each calendar year on the transfer of property by gift during such calendar year by any individual resident or nonresident.” Taxable gifts are reported *annually* on the Form 709, which must be filed on or before April 15 of the first calendar year after the calendar in which the taxable gift was made.¹¹ If a taxpayer files an extension in connection with the filing of their federal income

⁵ 26 U.S.C. § 2001(a)

⁶ 26 U.S.C. § 2501(a)(1); Treas. Reg. § 25.2511-1(g)(1).

⁷ 26 U.S.C. § 2502(c); Treas. Reg. § 25.2502-2, Treas. Reg. § 25.2511-2(a). However, lifetime transfers of property between spouses or former spouses (if incident to divorce) are generally not included in gross income or treated as a taxable exchange (26 U.S.C. § 1041(a)); additionally, transfers of property to a spouse on death enjoy the benefit of the unlimited marital deduction for which no tax liabilities result. 26 U.S.C. § 2056

⁸ David Joulfaian, *THE FEDERAL GIFT TAX: HISTORY, LAW AND ECONOMICS*, OTA Paper 100, Nov. 2007, at 1.

⁹ *Id.*

¹⁰ 26 U.S.C. § 2053.

¹¹ 26 U.S.C. § 6075(b).

tax return it will automatically extend the due date of the taxpayer's gift tax return; a taxpayer may also extend the filing deadline for a gift tax return without needing to file for an extension of federal income tax return by filing a Form 8892.¹²

A gift tax return must include the taxpayer's original signature, with a hardcopy of the return being sent to the IRS Center located in Kansas City, Missouri. Upon its arrival at the Kansas City processing center, technicians process the Form 709 through the IRS module by entering the amount of the gift and the amount of the tax paid by the taxpayer.¹³ The return is then sent to the IRS consolidated site (a "C-Site"), located Independence, Missouri, via United Parcel Service (UPS), with the associated costs being borne by taxpayers since the United States Postal Service does not deliver to the C-Site location.¹⁴ On average, approximately 250,000 gift tax returns are filed annually, of which less than 1% are reviewed by examiners.

B. Form 706—Estate Tax Return

The federal estate tax is imposed on the transfer of wealth at death, without regard to how that property transfer is accomplished. Simply stated, estate tax is the taxation of property which is transferred upon a deceased taxpayer's death. The amount of estate tax payable by the decedent's estate (or the transferees, in some cases) is based upon the value of the decedent's gross estate, which is then reduced by applicable deductions, resulting in what is understood as the decedent's taxable estate. If the value of the taxable estate and the total amount of lifetime gifts made by the decedent exceeds the applicable exclusion amount set forth in Section 2010(c)(3)(B), an estate tax liability results.

The unlimited marital deduction allows US citizen spouses to transfer assets between themselves at death, or during life, free of estate and gift tax, and the estate will receive a deduction for assets passing from the decedent to their surviving spouse.¹⁵ The first spouse to die (the decedent) may transfer the decedent's unused exclusion amount ("DSUE") to the surviving spouse through a process known as portability.¹⁶ The personal representative of the deceased spouse's estate can transfer the decedent's entire estate to the surviving spouse without wasting the decedent's basic exclusion amount by filing an estate tax return for the decedent reporting the transfer to the surviving spouse, with the surviving spouse's estate garnering the benefit of both exclusion amounts on their death and effectively sheltering up to double the basic exclusion amount in assets from estate tax.¹⁷

An estate tax return, Form 706, must be filed within nine months of the decedent's death, unless an extension is filed which extends the filing date another six months.¹⁸ The returns are

¹² IRS Form 8892, *Application for Automatic Extension of Time to File Form 709 and/or Payment of Gift/Generation-Skipping Transfer Tax*, must be filed before the April 15 due date.

¹³ I.R.M. 3.5.61.3.3 (01-01-2023).

¹⁴ I.R.M. 3.5.61.3.3 (01-01-2023).

¹⁵ 26 U.S.C. §§ 2056 and 2523.

¹⁶ 26 U.S.C. §§ 2010(c)(2)(B) and 2010(c)(4)-(5).

¹⁷ 26 U.S.C. §2010.

¹⁸ 26 U.S.C. §6075(a).

then stored for 40 years, a recent change from the prior 75-year storage policy,¹⁹ with many old returns only accessible on microfiche films.

Estate tax returns require a significant amount of supporting documentation from the taxpayer's estate, including the decedent's death certificate, a copy of the decedent's Will, copies of all trust documents in which the decedent was the grantor or beneficiary, appraisals and valuations of the assets being reported on the return, a Form 2848 or Form 8821, copies of any gift tax returns filed by the decedent during life (and the supporting documentation accompanying those Forms 709), copies of any life insurance policies, and copy of the estate tax return of the decedent's predeceased spouse if the decedent's estate is reporting any DSUE.²⁰ In large estates, and even for some smaller ones, these documents can be voluminous, frequently requiring the taxpayer and practitioners to ship several bankers boxes to the Service to in compliance with reporting requirements.

But when taxpayers and practitioners ship the multiple boxes of information pertaining to the Form 706, including all required supporting documents and reports, there is no guarantee those boxes will arrive at the same time, to the same floor, or will be handled by the same Service employee receiving them—the potential for portions of the return to be separated or lost creates processing issues, notwithstanding the potential for error or a false determination the taxpayer failed to comply with reporting requirements. Similarly problematic is the unnecessary frustration of Service resources to track down and try to process a complete return.

The resource burdens on the Service when a gift tax return transcript or copies of previously filed Forms 706 and Forms 709 are requested by taxpayers or their estates is extraordinary: The need to employ individuals to locate returns in the C-Site, the need to review old microfiche files and create a transcript once one is requested, and the need for taxpayers to wait for this information prior to being able to either calculate estate and gift tax liabilities or file subsequent Forms 709 and Forms 706 is burdensome on taxpayers, practitioners, and the Service.

III. IRS Processing of Returns After Filing

The procedures for receiving and processing estate and gift tax returns appear in Internal Revenue Manual (“IRM”), and one need only spend a brief time reviewing those procedures to conclude the process is outdated, cumbersome, and inefficient. Once the estate or gift tax return is received by the Service, the IRM describes a labor intensive system for processing the returns and requires supporting documents be separated from the return and sent to other areas within the Service – giving rise to the risk of document loss and false tax computation referred to

¹⁹ The National Archives and Records Administration (NARA) approved the Service's request to destroy estate tax returns and supporting documentation 40 years after the decedent's date of death in November of 2021, stating in its findings that “IRS intends to manage future like records in electronic format. The planned digitization of paper tax returns and digital storage will result in significant records maintenance savings (and comply with electronic recordkeeping mandates).” NAT'L ARCHIVE & RECORDS ADMIN, https://www.archives.gov/files/records-mgmt/rcs/schedules/departments/departments-of-the-treasury/rg-0058/daa-0058-2021-0005_sf115.pdf.

²⁰ See Instructions to Form 706 (available at: <https://www.irs.gov/pub/irs-pdf/i706.pdf>)

above.²¹ The IRM directs the employee processing a Form 706 and Form 709 to “[s]tiple a Post-It (sticky) to pages 1 through 4 in sequential order to facilitate transcription entry.”²² Then, the processor must visually review certain sections of the Form 706 or Form 709,²³ code various information reported with the return,²⁴ review gift dates to ensure the return is reporting gifts made in the reporting period and to reconcile the DSUE with the deceased spouse’s Form 706.²⁵ The processor must then input the data reported on the filed return into the Service module.²⁶ Amended returns are identified by the processor, on whom it is incumbent to locate at the words “amended,” “adjusted,” or “supplemental” on each return filed.²⁷

IV. Burdens On Taxpayer and Practitioners

Because the instructions to Form 706 direct the executor or personal representative to attach copies of various documents and reports when filing the estate tax return, it is not uncommon, for large estates, to fill multiple bankers boxes, which then must be shipped to the Service (*discussed infra*). Upon arrival, there is no guarantee that all of the boxes will be delivered on the same day, by the same truck, or to the same floor of the Service Center. And, since spiral binding, two- or three-hole punch document fasteners and/or covers on the return are not necessary and are likely to be removed and destroyed at the Service Center.²⁸ There is thus no way to ensure that documents supporting the estate tax return will remain in order, intact, locatable or reviewable by Service technicians as one complete return. Consequently, because practitioners and taxpayers have no way to ensure that the entire estate tax return and its exhibits will arrive at the Service Center on time and intact, compliance with filing and reporting requirements might be materially affected by the shipping company’s delivery procedures, the receiving Service clerks, and any and all parties who may come into contact with those bankers boxes in between.

Adding to the complexity of preparing and delivering the estate tax return is the fact that copies of each and every estate tax return the decedent filed during their lifetime must be located and included with the estate tax return filing. Most often, to locate previously filed gift tax returns, the personal representative of the decedent and/or practitioners administering the estate must first order a transcript from the Service which itemizes the years in which gift tax returns were filed, and the corresponding amount of the gifts reported on those returns. Practitioners must then order copies of those gift tax returns from the Service since it is most frequently the case that neither the client nor the practitioner has copies of those returns available. And, if the decedent was predeceased by a surviving spouse, it may also be necessary to order a copy of their predeceased spouse’s estate tax return in order to evaluate whether the decedent’s estate has

²¹ I.R.M. 3.11.106.23 (01-01-2017).

²² I.R.M. 3.11.106.23(1).

²³ *See, e.g.*, I.R.M. 3.11.106.23.2 (01-17-2018).

²⁴ *See, e.g.*, I.R.M. 3.11.106.23.7 (01-01-2017).

²⁵ *See, e.g.*, I.R.M. 3.11.106.23.6 (01-01-2019).

²⁶ *See, e.g.*, I.R.M. 3.11.106.23.11 (01-14-2022).

²⁷ I.R.M. 3.11.106.23.2.2 (01-01-2017).

²⁸ RECENT DEVELOPMENTS IN ESTATE AND GIFT TAX, Lisa Piehl, IRS Program Manager, Estate and Gift Tax Policy, Program Materials presented at the California Lawyers Association Taxation Section Estate and Gift Tax Conference, San Francisco, CA, March 9, 2023.

any deceased spouse's unused applicable exclusion amount available. Attorneys and accountants retire, files are destroyed,²⁹ taxpayers move, experience natural disasters, or simply destroy old records; and, since the decedent whose gift tax returns are required to be included with the estate tax return is deceased, family members are frequently left with little or no information about where such records might be located.

As a result of the two-step process of needing to first obtain a transcript showing lifetime taxable and reported gifts, then order copies of those correlating returns, meeting filing deadlines for estate tax returns can often be frustrated, adding stress and anxiety to the lives of individuals still grieving the loss of their loved one. Which of course is exacerbated by the need to arrange appraisals of the decedent's property, communicate with heirs and beneficiaries about the status of the administration of the decedent's estate or trust, and potentially having to navigate disputes and litigation between them. These complexities could—and should—be alleviated by simplifying the process by which the Service processes gift tax returns such that these records are digitized and readily available for production to taxpayers upon request.

V. Benefits of Increased Filing Efficiency

The Service annually publishes statistical tables on the number of gift tax returns filed, including information on the number of donors, amount of total gifts, deductions, credits, and net tax.³⁰ The data amassed is reported annually in the Statistics of Income Bulletin.

In 1948 estate and gift tax revenues made up 2.14% of total revenues and about 2% of all decedents were required to file returns. By 1976, the revenue share contributed by the transfer tax was about the same as it had been in 1948, but the filing requirements now reached 13% of all decedents.³¹ In 2020, revenues from federal estate and gift taxes totaled \$17.6 billion (equal to 0.1% of the GDP).³² In 2021 and 2022, there were 28,473 and 27,088 estate tax returns filed respectively.³³ In those same years, taxpayers filed 282,084 and 270,142 gift tax returns.³⁴ In 2020, 30,251 Forms 706 were filed, with 0.8% of those returns being reviewed.³⁵ That same year, 253,425 gift tax returns were filed, with only 0.1% of those returns having been reviewed.³⁶ The numbers are similar in 2019, with 24,008 estate tax returns having been filed and 5% of them having been reviewed; and 248,821 gift tax returns having been filed and only 0.1% of them being reviewed.³⁷

²⁹ Most state and federal licensing agencies for accountants and attorneys do not impose upon practitioners lifetime document retention policies.

³⁰ Statistics Of Income tables are available here: <https://www.irs.gov/statistics/soi-taxstats-total-gifts-of-donor-total-gifts-deductions-credits-and-netgift-tax>.

³¹ Carlyn S. McCaffrey, John C. McCaffrey, OUR WEALTH TRANSFER TAX SYSTEM - A VIEW FROM THE 100TH YEAR, 41 ACTEC L.J. 1, 17 (2015).

³² Understanding Federal Estate and Gift Taxes, Congressional Budget Office, June 2021 (available at: <https://www.cbo.gov/publication/57272#footnote-029-backlink>).

³³ I.R.S. Data Book, Oct. 1, 2021 to Sept. 30, 2022, at 4 (available at: <https://www.irs.gov/pub/irs-pdf/p55b.pdf>).

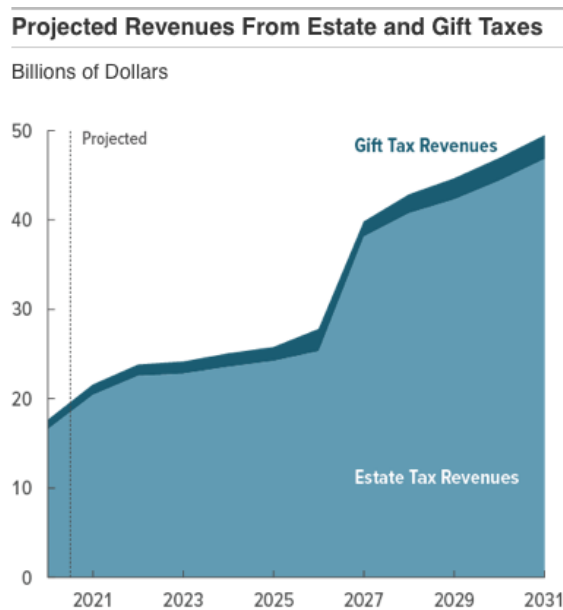
³⁴ *Id.*

³⁵ *Id.*

³⁶ *Id.*

³⁷ *Id.*

In terms of revenue, estate and gift tax liabilities totaled \$28,045,739 and \$33,355,276 in 2021 and 2022 respectively, which is less than 1% of the total gross collections in those same years.³⁸ But, with less than 1% of those returns being reviewed,³⁹ the potential for increased revenue is likely significant, with the Congressional Budget Office projecting estate and gift tax revenues will increase sharply after 2025 when the increased exemption amount is scheduled to sunset. Even if the applicable exclusion amounts were not decreased after 2025, as anticipated, by modernizing the transfer tax filing and processing procedures, it is likely the government would generate additional tax revenue from transfer tax filing as a result of the Service being better able to process and reviewed transfer tax filings.



Source: Congressional Budget Office Publication 57129⁴⁰

CBO projects that, under current law, estate and gift tax revenues would rise from \$21.6 billion in 2021 and to \$49.5 billion in 2031, with estate tax revenues projected to increase sharply after 2025, when the applicable exclusion amount is scheduled to drop to pre-2018 levels. Over the 2021–2031 period, combined estate and gift tax revenues are projected to total \$372 billion. In CBO’s projections, estate and gift tax revenue equal less than 0.2% of GDP in each year of that period.

³⁸ *Id.* at 3.

³⁹ *Id.*

⁴⁰ Understanding Federal Estate & Gift Taxes, CBO, June 9, 2021 (available at: <https://www.irs.gov/pub/irs-pdf/p6292.pdf>).

Table 1. Fiscal Year Projections of the Number of Returns To Be Filed with IRS, 2022–2029

Type of Return	Actual— FY 2021	Projected							
		2022	2023	2024	2025	2026	2027	2028	2029
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Grand Total	269,032,799	271,612,000	275,952,100	274,485,300	276,795,100	278,843,400	280,930,100	283,213,100	285,550,700
Paper Grand Total	62,757,525	55,455,900	56,508,300	50,220,300	46,689,800	44,177,900	41,748,500	39,486,800	37,237,000
Electronic Grand Total	206,275,274	216,156,100	219,443,700	224,265,000	230,105,300	234,665,500	239,181,600	243,726,200	248,313,700
Total Primary Returns	235,038,001	232,790,200	237,558,100	236,396,600	238,687,500	240,294,200	241,905,500	243,614,000	245,361,400
Estate, Forms 706, 706NA/GS(D)/GS(T), Total	28,473	26,800	15,200	14,200	13,300	12,300	11,400	10,600	9,700
Gift, Form 709	282,054	251,000	228,900	227,900	226,900	226,000	225,000	224,000	223,000

Source: IRS Publication 6292⁴¹

When (or if?) the applicable exclusion amount is reduced back to approximately \$5M before applicable CPI adjustments, the number of estate tax returns being filed will climb; so, too, will the number of gift tax returns being filed in anticipation of the reduction of the applicable exclusion amount as the wealthiest individuals rush to use as much of the applicable exclusion amount as possible before the end of 2025. This, of course, means a significant increase in the number of Forms 709 being filed over the course of the next two and one-half years (2023-2025), all replete with extensive valuations, appraisals, fractional interest discount justifications, and the like. Correspondingly, beginning January 1, 2026, the number of Forms 706 being filed reporting those lifetime gifts in on those lifetime transfers will also measurably increase. Which returns, like their Form 709 cousins, will include not only date of death appraisals/valuations, trusts and other testamentary documents, but also copies of all of those gifts tax returns and the documentation supporting each. The sheer amount of paper and boxes likely to be received by the Service’s estate and gift tax technicians is mind numbing and incongruous with Treasury’s stated goal of reducing its carbon footprint. The time to overhaul filing procedures for Forms 709 and Forms 706 is now—before the anticipated tidal wave of estate and gift tax return filings hits shore.

In recent years, the Service has worked to increase efficiencies and simplify filing procedures for taxpayers—indeed, taxpayers have enjoyed the ability to e-file income tax returns for more than a decade, while the Electronic Federal Tax Payment System (EFTPS) has processed more than 1 billion tax payments since its inception in 1996.⁴² Despite these efforts, transfer tax returns (i.e., estate and gift tax returns) have been left behind and must still be filed by mail. Because a legacy filing process remains in use for transfer tax returns, the system is burdensome, labor intensive, unnecessarily expensive and user unfriendly. By permitting e-filing of transfer tax returns, the Service can automate the estate and gift tax filing process thereby increasing its ability to utilize the gold which can more readily mine from the data reported therein. Further, facilitating electronic filing of estate and gift tax returns would foster taxpayer compliance and make for easier and more expeditious process of those returns. Moreover, by creating an interactive database, which would necessarily result from permitting electronic filing, the Service would be able to tie together and fully associate return information with the returns to which it relates, regardless of where such information might reside, thus enhancing ease of review for estate and gift tax examiners.

⁴¹ *Id.*

⁴² EFTPS, Frequently Asked Questions (*available at: www.eftps.gov/eftps/direct/FAQGeneral.page#whyUse*). According to the EFTPS website, “millions of businesses, individuals, federal agencies, tax professionals, and payroll services have used EFTPS...[it is] [q]quick, secure, and accurate... [and] available by phone or online 24 hours a day, 7 days a week.” (<https://www.eftps.gov/eftps/direct/HelpAboutMain.page>).

VI. Policy Considerations

The Paperwork Reduction Act (PRA) of 1995⁴³ empowers the Executive Branch’s Office of Management and Budget to collect information by Federal agencies. The PRA was enacted to “ensure that agencies do not overburden the public with federally-sponsored collections of information, by mandating that agencies minimize the information management burden that they place on the public.”⁴⁴ Consistent with this statutory requirement, it is the policy of the Department of the Treasury to ensure that “[i]nformation gathering activities, including rulemaking, impose no more than the minimum burden on the public consistent with the need for information.”⁴⁵

Indeed, Treasury’s 2023 Strategic Plan sets forth specific department wide goals to modernize tax administration by making “it easier for taxpayers to submit required forms and filings [which] will enhance tax compliance,” while additionally improving taxpayer experience.⁴⁶ The Strategic Plan lists increased online filing rates as a measure and indicator of program improvement success; and further, cites the modernization of “tax information technology systems [by] . . . build[ing] the critical infrastructure needed to enhance taxpayer service and enforcement activities,” and improving “the ability for [taxpayer] and IRS to collaborate through technology.”⁴⁷

Goal 4 of the Treasury’s Strategic Plan is to “[i]mprove Treasury’s overall environmental and energy sustainability,” and increase “mitigation efforts to reduce its greenhouse gas (GHG) emissions.”⁴⁸ Treasury further states its desire to “modernize the physical and virtual workplace to provide an improved employee experience,”⁴⁹ with its Critical Management Initiative seeking to “implement an enterprise metadata catalog solution to provide a searchable inventory of Treasury’s available data.”⁵⁰

For its part, the Service’s Strategic Plan for 2023-2031, also lists improved technology and efficiencies as one of its goals, in which it provides “world class customer service operation where taxpayers can engage with the IRS in a fully digital manner if they choose,”⁵¹ and observing that a “lack of investment has led to low levels of service, paper-based processes, antiquated technology, and an overall experience for taxpayers that falls short of what [it] want[s] to deliver.”⁵² Designating “issue resolution for taxpayers as a result of better data storage and access as an indicator for its success in enhancing data and technology operations,”⁵³ the

⁴³ 44 U.S.C. § 35.

⁴⁴ TREAS. DIR. 80-06, Sept. 25, 2017 (*available at*: <https://home.treasury.gov/about/general-information/orders-and-directives/td80-06>)

⁴⁵ *Id.*

⁴⁶ DEPT. OF TREAS., Strategic Plan, at 9 (*available at*: <https://home.treasury.gov/system/files/266/TreasuryStrategicPlan-FY2022-2026.pdf>).

⁴⁷ *Id.*, at 10.

⁴⁸ *Id.*, at 36.

⁴⁹ *Id.*, at 42.

⁵⁰ *Id.*, at 44.

⁵¹ I.R.S. Strategic Operating Plan, at 2 (*available at*: <https://www.irs.gov/pub/irs-pdf/p3744.pdf>).

⁵² *Id.*, at 7.

⁵³ *Id.*, at 82 & 84.

Service indicates its desire to retire legacy databases and implementing standardized data processing systems and case management platforms as key projects intended to modernize its antiquated systems. Facilitating electronic filing of Forms 709 and Forms 706 when the CBO is anticipating a significant increase in the number of those returns being filed over the next several years would certainly help to achieve that goal. It would also minimize frustration, stress, and anxiety for taxpayers and practitioners. Similarly, the Service would benefit from such a digitization of estate and gift tax returns. The current trend for remote working environments requires employees have electronic access to the information they need to work efficiently and productively.

VII. Authority to Amend Filing Procedure

The IRM sets forth a significant amount of authority for the Service to revise filing procedures; and, in some respects, requires the Service to do so when such innovation would promote voluntary compliance by taxpayers. Specifically, it is incumbent on the Service to create “administrative procedures and forms... designed to promote voluntary compliance,”⁵⁴ in recognition of the “importance of voluntary compliance on the part of taxpayers to the efficient operation of the tax system,”⁵⁵ with Service officials taking “positive action to critically examine the Service's forms, procedures and administrative practices and ensure they are designed to provide for sound administration of the law and effective use of resources... [while] [s]imultaneously, ensur[ing] that the effects upon taxpayers of these forms, procedures, and administrative practices are considered.”⁵⁶ Both Treasury and Service are empowered—and previously have—initiated and facilitated the electronic filing of income tax returns; estate and gift tax returns should no longer be left behind.

CONCLUSION: PROPOSED CHANGES

The authors acknowledge the Service’s stated desire to, and current efforts being made to modernize its filing procedures. Allocating budget resources to the expansion of an online portal that would allow taxpayers and practitioners to electronically file estate and gift tax returns in anticipation of the reduction of the transfer tax exemption would increase filing compliance by reducing the burdens associated with the filing of hardcopy-paper Forms 706 and Forms 709, conserve Service resources, and align with Treasury and Service’s stated goals of modernizing its systems, ability to harvest data, and reduce the federal government’s carbon footprint.

⁵⁴ I.R.M. 1.2.1.2.31 (11-04-1977).

⁵⁵ I.R.M. 1.2.1.2.31 (11-04-1977).

⁵⁶ I.R.M. 1.2.1.2.31 (11-04-1977).