

Bill Cobb Remarks
President and CEO, H&R Block
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Thank you Emily, for that kind introduction and good morning everyone.

It is an honor to be here today with so many distinguished experts, especially Nancy Cook, The Atlantic team and so many outstanding panelists.

A special thank you to our keynote speaker, Senator Ben Cardin, for being with us as well.

Today marks three weeks until most people's taxes are due. It's the last push of our season and, as we do every day, H&R Block will help millions of taxpayers navigate increasingly complex federal and state tax systems making sure they get it right. And for many of our more than 22 million U.S. clients, that means getting a tax refund. This is often the most important financial transaction for them every year.

So this is an appropriate time to talk about a critical missing component of the current tax reform discussion dominating Washington today. Not simply the merits of a host of tax credits and deductions, but one issue that has a significant impact on individuals and the system's ability to function.

That overlooked issue is the problem of improper payments arising from refundable tax credits, which have cost the U.S. Treasury more than \$140 billion over the last ten years. And the missing voice in the discussion is the consumers'.

We know something about consumers' views on taxes. With the millions of taxpayers coming into our more than 10,000 offices, we are on the frontlines of where tax policy meets real world implementation. We see face-to-face the excitement and eager anticipation when a client gets their first refund; and we help those who may end up owing money back to better understand their tax situation and plan for the future.

Our experts don't simply answer tax questions or file returns, they know how to ask the right questions, advise on the best actions and prepare and sign accurate returns for our clients.

I mention all of this because for us, the tax filing process isn't a simple transaction; it's a window into our client's lives; and we see it as our mission to look at our clients' lives through the lens of tax and find ways to help.

And every year, as each of these millions of consumers is doing their part to contribute to the country's financial security by filing their tax returns, we know that there are losses in the system. Whether these losses come from fraud committed by criminals or honest mistakes made by tax filers navigating complex rules, today's discussion examining how to mend the system could not come at a better time.

Consider the existence and scope of refundable credits, like the Earned Income Tax Credit and the American Opportunity Tax Credit, that are themselves frequent subjects of discussions among policymakers. Putting aside the merits of any particular credits or their qualification requirements, everyone can agree that they should function as intended and help those they are designed to help.

For example, there should be no debate that corrective action is needed when government statistics show more than one dollar out of every four paid through the EITC in FY2012 was improper, at a cost of more than \$13.6 billion.

Or consider that today only four states require minimum training and continuing education standards for the person who helps you to navigate the thousands of pages of federal and state tax laws and regulations. This is where errors have significant implications for the taxpayer and, if credits are improperly claimed, can perpetuate the burden of improper payments on the system.

Something is out of whack when you are better protected getting your hair cut than sitting across the desk from a tax preparer. Consider this, almost all 50 states license and have competency tests for someone to cut hair; while, as I said earlier, only 4 states require that for tax preparers.

Requiring return preparers to meet minimum training standards is not about simply creating another category of professionals- it's about empowering the 60% of consumers who get help with their taxes every year.

Until today the only voices discussing these issues have been tax administration officials, policy experts and industry players like those of us here today.

That is why we wanted to be part of this conversation today and ensure the voice of the consumer is a part of the discussion. And to that end, we commissioned a study to uncover consumer awareness and attitudes on the issue of tax fraud and prevention, and their appetite for addressing this issue.

Our experts at The Tax Institute at H&R Block worked with ORC International to field a national survey to measure opinions on these issues, and the results were compelling.

There were three key findings:

First: Taxpayers are willing to do more to help combat tax fraud.

We found that almost seven in 10 respondents would be willing to answer more questions on their returns to prevent fraud. This demonstrates that from the taxpayer's point of view, additional questions are not automatically perceived as burdensome or as adding needless complexity – because when it comes to preventing improper payments and making sure refundable credits are properly issued, consumers are *willing to do more*.

Six in 10 respondents even expressed willingness to wait longer for their refund if it meant helping combat tax fraud. And this result didn't vary between groups who typically get refunds versus those who typically owe. It also did not vary among income groups.

Second: Consumers support requiring professional tax preparers to meet minimum training standards – nine in 10 respondents agreed with this.

Consumers want to know that the person they turn to for one of the biggest financial transactions of their year is capable – that they are meeting consistent and minimum standards that address the expertise needed to prepare tax returns.

Third: No matter how you file your taxes – if you do-it-yourself or use a preparer – the study found that most consumers support having the same documentation requirements across all filing methods. 94% of respondents said that this kind of parity across all tax preparation platforms was imperative.

This is especially insightful when it comes to the EITC where there is the most inconsistency in the filing requirements between assisted preparation and do-it-yourself. Since we serve our clients in both channels – however they choose to be served – we see the disparity first-hand.

So where do we go from here?

For Block, we'll continue to help our clients get ready for April 15. We'll continue to ensure that our preparers are some of the best trained and most highly certified in the industry, interpreting and applying the current tax law. And we'll continue to listen to the millions of tax filers we assist so we can make sure that their voice is not lost in the debate.

We are pleased to sponsor today's discussion and hope that it will help shine a light on some of the straightforward, but often overlooked, solutions that can have a significant impact on reducing the cost of fraud on the tax system.

Thank you again to our distinguished panelists, Senator Cardin and Nancy Cook for joining us here today. I look forward to the conversation.

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