Countdown to the new Millennia

Electronics in the millennium: Our strength and weaknesses

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The general consensus seems to be that the United States as a nation is fairly well prepared for Y2K, and that it will somehow stumble through whatever gaps exist.

While total assurance and efficiency are out of the question, Americans are long accustomed to emergencies and the need to improvise, and probably are at their best doing so.

Still, and without a doubt, the passage into the new millennium will impress upon the public the fragility of the computerized world now in the early stages of creation.

In the new world, a power outage won't just mean doing without lights, heat and elevator service; it might mean an entire system, whatever it is, since great conveniences also create great problems.

Consider the potential Y2K problem at the Internal Revenue Service should its computer systems fail to meet the test. IRS officials say they are ready, but who really knows what can happen?

"If our returns processing systems fail, our contingency plans do not provide alternate information systems to process returns or issue refunds," says IRS Commissioner Charles Rossotti.

Such an eventuality would be shocking to millions of American families who, unwisely or not, use the IRS as a savings plan, allowing overwithholding of taxes in eager anticipation of a refund.

Last year, 83 million refunds totaling $112 billion were processed by the IRS computer systems, a staggering sum equal in economic power to a short-term but major tax cut. Rossotti's assessment of IRS readiness, contained in an Oct. 15 letter to House Ways and Means Committee Chairman Bill Archer, R-Texas, explains the contingency plan would mean issuing refunds manually as a stopgap measure.

It offers a vivid illustration of how computer-dependent America has become.

At busiest periods, Rossotti writes, the IRS would have to invoke contingencies within days to process the largest number of manual refunds within the 45-day interest-free period.

The commissioner then explains, "The 10 IRS Service Centers can produce a maximum of 6,000 to 10,000 manual refunds daily," a rate that Dan Pilla, a tax litigation consultant, observes would require more than 30 years of five-day weeks.

Pilla, a student of the IRS code, author of numerous books on the IRS, and instructor of tax professionals, believes there will be some problems, but to what extent he cannot say.

But, he suggests, the attempt to handle manually such a mammoth task, even as a stopgap, would break down in confusion.

Stark as the numbers appear, he says, they're only part of the problem. The procedures that follow, necessary as they might be, could add to confusion.

One such procedure, Pilla says, is the failure scenario under which, the commissioner explains, "We would issue manuals to those taxpayers 'most in need.'"

Topping the priority list in the additional procedure would be "taxpayers meeting 'hardship criteria,' e.g., having an approved Form 911, Application for Taxpayer Assistance Order."

What taxpayer would know what a "911" is, Pilla asks. What taxpayer would have the foresight to file such a form with his or her tax return? And wouldn't that mean an even heavier paper burden?

Rossotti expresses confidence the IRS will be ready for the changeover from 1999 to year 2000 (not 1900), and that contingencies won't have to be implemented.

But in such matters you never can be sure. There is always an element of risk. "And we do have some trouble spots in our effort towards becoming Y2K compliant," he says.

Always those "ifs." And always the need for backups and contingencies.

Such are the problems of an electronic age, which drives the economy to new heights and dimensions of power but leaves it fragile and dependent, too.