

2004 Taxpayer Advocacy Panel Recommendations

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| TAP E04-079 | Schedule C-EZ from \$2,500 to \$5,000 | | Status: | Closed, Proposal Accepted | |
| Date Elevated to IRS: | 6/30/2003 | Date Counter Response to IRS: | | Date Response(s) Received: | 8/20/2004 |
| Issue Statement: | The \$2,500 limit on the deduction for business expenses on Schedule C-EZ has not been adjusted to keep pace with inflation. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The Schedule C Non-Filer Committee recommended that the \$2,500 business expense deduction limit be increased. | | | | |
| Response from: | Barbara Loos, SBSE Program Analyst | | | | |
| Response Notes: | The expense limit on Schedule C-EZ will be increased from \$2,500 to \$5,000 for tax year 2005. | | | | |

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| TAP D04-068 | E-File Marketing to Tax Professionals | | Status: | Closed, Proposal Accepted | |
| Date Elevated to IRS: | 10/1/2003 | Date Counter Response to IRS: | | Date Response(s) Received: | 9/30/2004 |
| Issue Statement: | Develop marketing packet for tax professionals who use software to prepare 1040 tax returns, but file on paper (V-coders). | | | | |
| Goal Statement: | | | | | |
| Proposal: | Develop direct mail packet for identified V-coders that will include a cover letter, e-file myths Quash, key messages and CD with E-File Made Easy product. | | | | |
| Response from: | Karen Taylor, Chief, Electronics Program Office, Business Marketing Services | | | | |
| Response Notes: | IRS produced and mailed the marketing packet developed by the TAP committee. Mailing went to 60,000 tax professionals to direct them to the "E-file Made Easy--A Tax Professional's One-Stop E-File & E-Pay Shop" website and further encourage them to file electronically. | | | | |

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| TAP D04-067 | E-File Made Easy | | Status: | Closed, Proposal Accepted | |
| Date Elevated to IRS: | 10/1/2003 | Date Counter Response to IRS: | | Date Response(s) Received: | 9/30/2004 |
| Issue Statement: | Practitioners have requested from IRS an "e-file made easy" publication to walk them through the process from application to filing returns electronically. | | | | |
| Goal Statement: | | | | | |
| Proposal: | Develop a step-by-step guide to tell tax professionals everything they need to know about the e-file program. Develop a product that is web-based and easy to search for needed information. | | | | |
| Response from: | Karen Taylor, Chief, Electronics Program Office, Business Marketing Services | | | | |
| Response Notes: | Produced and published the web-based "E-file Made Easy--A Tax Professional's One-Stop E-File & E-Pay Shop." Web publication can be found at http://www.irs.gov/efile/article/0,,id=120335,00.html . | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| TAP A04-015 | EITC Contact Letter and Examination Report | | Status: | Closed, Proposal Partially Accepted | |
| Date Elevated to IRS: | 10/22/2003 | Date Counter Response to IRS: | | Date Response(s) Received: | 5/13/2004 11/18/2004 |
| Issue Statement: | The EITC Committee was asked to provide feedback on Contact Letter 566 B-EZ and Examination Report Form 886-H-EIC, which are issued together to taxpayers whose EITC claims are being examined, and Notice 75A, which is the first contact indicating that the IRS may examine the tax return with respect to EITC and that the claimed refund may be delayed until an assessment is made or a refund issued. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The Committee suggested Notice 75A indicate that the IRS will (rather than "may") examine the return. The Committee made specific line-by-line recommendations for changes to letter 566B-EZ and Form 866H-EIC. including the inclusion of a third-party affidavit as alternative form of documentation to support claiming a qualifying child. The Committee proposes that if Notices 75 and 75A are going to be eliminated, Letter 566 B-EZ should not be a "combo letter" combining the initial contact with the "30-day letter" because, if the taxpayer fails to respond to the 566 B-EZ, a statutory notice of deficiency will be triggered. | | | | |
| Response from: | David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | EITC Director circulated revised Form 75A, which incorporated Committee recommendations, at May 2004 meeting and reported at the end of the year that all of the Committee's recommendations in the redesign of the notices to taxpayers about the examination process were considered. | | | | |

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| TAP G04-016 | TAP Marketing Strategy | | Status: | Closed, Proposal Accepted | |
| Date Elevated to IRS: | 11/17/2003 | Date Counter Response to IRS: | | Date Response(s) Received: | 12/16/2003 |
| Issue Statement: | By raising TAP's profile both externally and internally, increasing visibility and awareness among all its audiences and stakeholders, improved "brand recognition" of TAP's national identity will be achieved. This recognition will increase participation and feedback from taxpayers and allow TAP members to achieve broader influence within IRS, ensuring that their pre-decisional input is received concerning IRS policy and/or procedural matters directly affecting taxpayers. | | | | |
| Goal Statement: | | | | | |
| Proposal: | Provide a national communication strategy for the Taxpayer Advocacy Panel, helping raise its profile and thereby strengthen its identity as the leading voice for the taxpayer in all 50 states with the ability to shape IRS policies and procedures that directly affect taxpayers. <ul style="list-style-type: none"> • Raise public awareness of TAP by increasing <ol style="list-style-type: none"> a. Outreach Events b. Marketing c. Partnering with Key Stakeholder Groups | | | | |
| Response from: | TAP Joint Committee | | | | |
| Response Notes: | TAP adopted marketing strategy and agreed to implement on an on-going basis. | | | | |

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| TAP 704-004 | OIC Processing Problem | | Status: | Closed, Proposal Partially Accepted | |
| Date Elevated to IRS: | 12/2/2003 | Date Counter Response to IRS: | | Date Response(s) Received: | 12/29/2003 |

2004 Taxpayer Advocacy Panel Recommendations

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| Issue Statement: | Offer in Compromise (OIC) Forms 656 are received and processed in one of two centralized locations. The Form 656 is reviewed by an Internal Revenue Service (IRS) employee to determine if the OIC is processable. At this time, the IRS employee checks the database to determine if the taxpayer is current with filing requirements. A requirement for filing an OIC is that a taxpayer must be in compliance and have filed all required tax returns. If a taxpayer has not filed a return for a particular year, Form 656 is returned to the taxpayer as unprocessable. However, there is no way to indicate on the OIC that a tax return was not filed in a particular year because the taxpayer's income was below the filing requirement, and a taxpayer's OIC may be rejected for not filing all tax returns. |
| Goal Statement: | |
| Proposal: | <p>Add a sentence to the OIC instructions informing taxpayers who are not required to file a return in a particular year because the taxpayer's income was below the threshold amount to include a statement to that affect with the Offer.</p> <p>Add the following note to the section called "When Am I Not Eligible for Consideration of an Offer in Compromise?" on page 2 of the instructions: Note: If you were not required to file a return in any year, because your income was below the minimum taxable amount for that year include a written statement with your Form 656 that states your reason(s) for not filing in each particular year.</p> <p>Add an additional item to the "What we Need to Process Your Offer in Compromise" section that explains the reason(s) IRS may return the form to indicate an Offer will be returned if you haven't filed all required federal tax returns, or included an explanation for not filing.</p> <p>Add an additional note to the section called "When Am I Not Eligible for Consideration of an Offer in Compromise?" on page 2 of the instructions:</p> <p>Note: If you were not required to file a return in any year, because your income was below the minimum taxable amount for that year include a written statement with your Form 656 that states your reason(s) for not filing in each particular year.</p> <p>Add an additional item to the "What we Need to Process Your Offer in Compromise" section that explains the reason(s) IRS may return the form to indicate an Offer will be returned if you haven't filed all required federal tax returns, or included an explanation for not filing.</p> |
| Response from: | Cheryl Sherwood, Director, SBSE Payment Compliance |
| Response Notes: | IRS accepted TAP's recommendations to add instructions informing taxpayers to add a statement to the OIC application package advising IRS of tax periods for which there were no filing requirements and will include the changes in the next revision of the form. Similar instructions will be added to the section called "When Am I Not Eligible for Consideration of an Offer in Compromise?" but not to the section on "What we Need to Process Your Offer in Compromise" because IRS felt it did not fit and was adequately covered by its addition to the other sections. |

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| TAP 504-005 | Free File Notification of Charges | | Status: | Closed | |
| Date Elevated to IRS: | 12/2/2003 | Date Counter Response to IRS: | 9/15/2004 | Date Response(s) Received: | 1/21/2004 7/30/2004 |
| Issue Statement: | FreeFile Alliance Partners may charge extra fees for filing particular forms or schedules such as the Schedule C or for additional services such as filing the state tax return or for printing the tax return. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The Committee concluded that taxpayers should be informed before beginning preparation of their tax return of any charges by the FreeFile service providers for using particular forms or services. The Committee recommended that the IRS develop a tool that would lead the taxpayer | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| | <p>to the Alliance member(s) that best suited that taxpayer's needs. The taxpayer would provide general information on the IRS site (through its Wizard or Gateway) to identify pertinent free Alliance software that matches the taxpayer needs. The completed profile should generate links to the FreeFile Alliance software that best fits the taxpayer's requirements and also disclose any additional service fees before the taxpayer initiates the e-filing process.</p> <p>The use of the word profile was misleading in TAP's proposal. The intent was to develop a tool that would lead the taxpayer to the Alliance member(s) that best suited his/her needs. The taxpayer would provide general information adequate to determine the best site(s) but not requiring identifying information. In addition, the general information would not be stored after the taxpayer left the site. The landing page feature started this filing year serves a similar purpose but still requires more effort on the taxpayers part to find the software that best fits his/her needs. TAP continues to recommend that IRS develop a tool to assist taxpayers in locating the software that best fits his/her needs.</p> |
| Response from: | Terence H. Lutes, Deputy Associate Chief Information Officer and Bert DuMars, Director Electronic Tax Administration |
| Response Notes: | <p>The IRS notified the Committee that taxpayers who meet a particular Alliance member's eligibility requirements will be able to complete their Federal income tax return and e-file it for free, regardless of the tax forms and schedules they use. IRS requires Alliance members to disclose all forms and schedules associated with their free offering. For example, more than one W-2, or lack of a form. State programs must be disclosed on each Alliance member's landing page and made clear whether such returns are free or paid, and, if paid, the cost. Members must also list their customer service options and the associated fees, if any. Taxpayers use the Free File Wizard to identify the free services they qualify for but, to protect privacy the information requested, the wizard is used only for such purposes and is entirely anonymous and not retained.</p> <p>The IRS originally responded that, because the Wizard is hosted through a public portal and the information is kept anonymous, the IRS is not able to accept the TAP's suggestion of creating an electronic taxpayer profile on the IRS site. After Area 5 clarified that the recommendation did not contemplate the taxpayer supplying identifying information nor storing the information after the taxpayer left the site, the IRS responded that the Free File Wizard application on the web page, which is used for purposes of determining the services for which taxpayers may qualify, can help taxpayers better identify the red offers that best meet their needs.</p> |

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| TAP 504-006 | Free File Record Retention | | Status: | Closed | |
| Date Elevated to IRS: | 12/2/2003 | Date Counter Response to IRS: | | Date Response(s) Received: | 1/21/2004 |
| Issue Statement: | Although the Internal Revenue Service (IRS) does not require the individual taxpayer to archive their tax return by either saving the return on a disc or by printing a copy, it is prudent to retain tax returns for at least three years. FreeFile Alliance members do not archive tax returns as a free service. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The IRS should negotiate immediately with the participating FreeFile Alliance members to provide taxpayers free archiving and printing of tax returns. Before starting the electronic filing process, the taxpayers should be informed of the additional cost to maintain the appropriate records. | | | | |
| Response from: | Terence H. Lutes, Deputy Associate Chief Information Officer | | | | |
| Response Notes: | In response to similar feedback, the IRS now requires all Alliance members to allow taxpayers who qualify for their free service to print out a copy of their federal return for free. This capability must be provided for the same period of time that such services are provided for free to paying customers. | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| TAP 304-003 | Electronic Deposit of Form 1040X Refund | | Status: | Closed, Proposal Accepted | |
| Date Elevated to IRS: | 12/2/2003 | Date Counter Response to IRS: | 8/19/2005 | Date Response(s) Received: | 1/12/2004 8/16/2007 |
| Issue Statement: | Form 1040 (U.S. Individual Income Tax Return) allows a taxpayer to direct his/her refund directly into a bank account that the taxpayer identifies on the form by routing and account numbers. Currently, Form 1040X (Amended U.S. Individual Income Tax Return) does not allow direct deposit of a refund. | | | | |
| Goal Statement: | | | | | |
| Proposal: | Form 1040X should be changed to allow direct deposit of any refund to the taxpayer's account identified by routing and account number. On February 23, 2004, TAP received a response from Wage and Investment, Submissions Processing (also attached) endorsing the proposal, noting it would alleviate taxpayer burden and provide a faster means for taxpayers to receive their refunds. The response also observed that implementation of the recommendation would require several different organizations within the IRS to coordinate efforts and that it "may be feasible and more cost effective to provide business requirements for direct deposit on Forms 1040X as part of a Modernization project rather than make substantial changes to the current processing environment." Therefore, we are re-directing our recommendation to you with the request that you undertake it as a Modernization project. | | | | |
| Response from: | Ruth Jeansonne, Management Analyst, Business System Modernization | | | | |
| Response Notes: | W&I Submission Processing endorsed the proposal but noted that implementation will require a coordinated effort within several different IRS organizations and consideration of the risks associated when IRS employees have access to direct deposit account information. Forms 1040 and Forms 1040X are not processed through the same system. The system used for the 1040X cannot provide input of bank account information at this time. As we modernize our systems including filing of a 1040X electronically we plan to include the capability for a taxpayer to receive a direct deposit from an amended return. This capability however is several years away. | | | | |

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| TAP 504-007 | FreeFile Alliance Member RALs | | Status: | Closed | |
| Date Elevated to IRS: | 12/2/2003 | Date Counter Response to IRS: | 9/15/2004 | Date Response(s) Received: | 1/21/2004 7/30/2004 |
| Issue Statement: | For over a decade, Refund Anticipation Loans (RALs) have been marketed by preparers to taxpayers who want their cash quickly; with the advance offset by the "anticipated" tax refund. This method allows taxpayers to have their refund in hand within a day or two of having their taxes completed. Because of the complexity involved in the transaction and the inability for full disclosure of the terms on-line, FreeFile Alliance members' services should not include RALs. Because of the complexity involved in the transaction and the inability for full disclosure of the terms on-line, Free File Alliance members' services should not include RALs. | | | | |
| Goal Statement: | | | | | |
| Proposal: | FreeFile Alliance members should follow the lead of Intuit and eliminate the marketing of RALs to on-line consumers. The IRS needs to set the standard to limit this service, as the intricacies of the on-line "loan" are confusing to taxpayers. Clients in this transaction are unable to ask questions, gain clarification or other meaningful feedback from the preparer at the time they sign up for the on-line loan. Because of the complexity involved in the transaction and the inability for full disclosure of the | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| | <p>terms on-line, FreeFile Alliance members' services should not include RALs.</p> <p>TAP understands that IRS cannot prohibit RALs' existence in ancillary products/services being offered by the Alliance members. However, TAP recommends IRS prominently place a statement informing the public that they are under no obligation to purchase a RAL or any other ancillary service from the Free File Alliance service providers in order to avail themselves of the free filing of their Federal tax return. TAP believes the IRS would receive fewer complaints, if such a caveat were displayed more prominently.</p> |
| Response from: | Terence H. Lutes, Deputy Associate Chief Information Officer and Bert DuMars, Director Electronic Tax Administration |
| Response Notes: | <p>The IRS does not endorse RALs and informs taxpayers they are under no obligation to purchase RALs or any product or service from software companies. The IRS cannot prohibit their existence in ancillary products/services being offered by the Alliance members. While IRS cannot legally require the companies not to sell RALs, many have decided on their own accord not to include them in their 2004 Free File offering.</p> <p>Area 5 responded that, although the IRS cannot prohibit RALs' existence in ancillary products/services being offered by the Alliance members, the IRS should prominently place a statement informing the public that they are under no obligation to purchase a RAL or any other ancillary service from the Free File Alliance service providers in order to avail themselves of the free filing of their Federal tax return. The IRS responded by identifying three locations within the Free File web site that already indicate to taxpayers they are under no obligation to purchase any product or service from an Alliance member to use their product for free.</p> |

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| TAP 504-008 | FreeFile State Returns | | Status: | Closed, Proposal Accepted | |
| Date Elevated to IRS: | 12/2/2003 | Date Counter Response to IRS: | | Date Response(s) Received: | 1/21/2004 |
| Issue Statement: | The IRS FreeFile Alliance service does not address the individual's responsibility to prepare and file a state tax return. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The IRS should negotiate immediately with the participating FreeFile Alliance to provide complete free filing services including state returns when the taxpayer meets the stated IRS Wizard requirements at the beginning of the vendor selection process. If the IRS cannot renegotiate the alliance agreement to include the filing of the state return until a later date, then information should be added to the IRS Wizard process to accurately inform the taxpayer of the cost to comply with both federal and state filing requirements and inform taxpayers of the software providers that meet their needs. | | | | |
| Response from: | Terence H. Lutes, Deputy Associate Chief Information Officer | | | | |
| Response Notes: | The existing agreement between IRS and the Free File Alliance, LLC, provides taxpayers free online commercial tax preparation software for federal income tax returns only. This agreement does not require Alliance members to provide taxpayers with a free state return as well. Therefore, taxpayers may incur a cost to file their state return through Free file Alliance members. To ensure taxpayers clearly understand the potential fees, associated with the state return, Alliance members will now be required to disclose on their Free File landing page, whether such returns are free or paid, and if paid, the cost of such returns. Please note, there are a handful of companies that did provide both a free federal and state return in 2004. | | | | |

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| TAP 504-009 | Free File—Lack of Feedback | | Status: | Closed | |
| Date Elevated to IRS: | 12/2/2003 | Date Counter Response to IRS: | 9/15/2004 | Date Response(s) Received: | 1/21/2004 7/30/2004 |
| Issue Statement: | During an Area 5 Committee meeting, Mr. Paul J. Mamo of the IRS addressed the formation of | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| | the FreeFile Alliance Partnership. One glaring weakness of that original agreement was the lack of taxpayer feedback concerning the ease of 1) selecting a FreeFile provider, 2) filling out the required information for that provider, and 3) finding out at the end of the process that they were not eligible or that there were unrevealed costs for completing the process. Mr. Mamo indicated that the FreeFile Alliance members were concerned that the IRS would use the feedback from the taxpayers to "rate" the Alliance members. |
| Goal Statement: | |
| Proposal: | TAP believes the IRS should negotiate immediately with the FreeFile Alliance members for the right to survey the taxpayers who use the FreeFile electronic filing method. The feedback gathered should not be used in a judgmental or critical way. However, it should be used to respond to the needs of the actual users of the FreeFile electronic method to make the system more user-friendly and understandable. The new and improved electronic filing method based on the feedback would attract repeat and new users and, thus, would ultimately help the IRS achieve the electronic filing goal as set by Congress. Area 5 subsequently explained that the recommendation was to initiate a marketing survey of those who used the Free File process to file their income tax. The feedback currently solicited through the helpdesk is of a technical nature such as "Did the hyper-link work?" or "Did the online wizard direct you to the proper Free File service provider?" The IRS responded that Free File Alliance members, with input from the IRS, have agreed to utilize an online survey that will be implemented by the 2005 filing season allow the IRS to gather customer satisfaction information on Free File users. |
| Response from: | Terence H. Lutes, Deputy Associate Chief Information Officer |
| Response Notes: | In preparation for the 2004 Filing season, the IRS has worked to improve the content, functionality and usability of the Free File pages within irs.gov. This effort included working with taxpayers to conduct content/design usability testing.. In addition, in 2004, the IRS is providing taxpayers with an email address, helpdesk@speedymail.com, to submit feedback regarding their Free File experience. The recommendation (and provision of samples) to survey Free File users will be reviewed and discussed in the coming months. As part of an overall solution to measure the Free File program, the Free File Alliance members, with input from the IRS, have agreed to utilize an online survey that will allow the IRS to gather customer satisfaction information on Free File users. This survey will be implemented by Filing Season 2005. |

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| TAP E04-080 | EZ Pay Safe Harbor | | Status: | Elevated Directly by Committee | |
| Date Elevated to IRS: | 12/9/2003 | Date Counter Response to IRS: | | Date Response(s) Received: | 8/2/2004 |
| Issue Statement: | Based on IRS statistical data and analysis, the Committee found that A) low and middle income, self-employed taxpayers do not file because they are unable to pay the amount due with the return. One non-filed return leads to chronic non-filing for subsequent years; B) Failure to pay estimated taxes is caused by the following: 1) the quarterly payment calculation is too complex, 2) the pertinent form, instructions and worksheet are lengthy and difficult to understand, 3) low-income self-employed taxpayers often lack the financial ability to pay quarterly, and d) low-income self-employed taxpayers often do not know how to satisfy the estimated tax payment obligation. C) The typical self-employed taxpayer who fails to comply with the estimated tax payment obligations has the following traits: 1) has gross income of less than \$50,000 per year (mostly SE income); 2) has no practitioner assistance; 3) receives mostly 1099 income, but often does not receive 1099; 4) owns consumer-oriented business; 5) is not a member of a recognized industry or trade association; and 6) has a high school education or less. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The Schedule C Non-Filer Committee asked the IRS to adopt an "EZ Pay" Safe Harbor for estimated taxes that would have the following components: 1) impose a 15% flat percentage rate on gross income from self-employment, 2) be available to self-employed taxpayers with total self-employment income not | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| | <p>exceeding \$50,000 or AGI not exceeding \$25,000, with at least 90% of gross income derived from self-employment ,</p> <p>3) serve as an additional safe harbor to avoid estimated tax penalty,</p> <p>4) require payments no less frequently than monthly, with taxpayer option to pay more frequently,</p> <p>5) incorporate EFTPS system and modified "form 8109 coupon/deposit slip" payment procedure,</p> <p>6) marketing strategy to educate the public as to availability , and</p> <p>7) non-exclusive, meaning taxpayers would have the option to resort to more complicated estimated tax calculation to avoid penalty.</p> |
| Response from: | Howard Swarts, Non-Filer Program Manager |
| Response Notes: | TEC is currently working this proposal and has presented it to the National Board of Directors aiming at estimated tax penalty relief. TEC has set up a cross-functional committee to get the proposal implemented by 2006. |

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| TAP 504-002 | Revisions to Form 6251 | | Status: | Closed, Proposal Partially Accepted | |
| Date Elevated to IRS: | 12/10/2003 | Date Counter Response to IRS: | | Date Response(s) Received: | 8/30/2004 |
| Issue Statement: | The Area 5 Committee found the Instructions for Form 6251, Alternative Minimum Tax for Individuals, to be extremely complex. | | | | |
| Goal Statement: | | | | | |
| Proposal: | Since it is estimated that many more ordinary taxpayers may be subject to the AMT in 2003 and 2004, the Committee believes that the instructions need to be simplified so that the average tax filer can understand them. IRS staff member Bob Erikson of Forms and Publications indicated that he would welcome suggestions for revising the Instructions from an external panel such as TAP. Area 5 provided line -by -line recommendations for improving the Form 6251 Instructions. The Committee decided to limit its review to the General Instructions and to those Specific Instructions that would most likely apply to the ordinary taxpayer caught up in the AMT. | | | | |
| Response from: | Sandra L. Kopta, Chief, Individual Forms and Publications Branch | | | | |
| Response Notes: | The IRS initially responded that the suggested revisions were received after the form had already been released for print and indicated the intention to consider the proposals for 2004 revisions. Subsequently, the IRS provided an itemized response to the proposals to revise the Form 6251 Instructions. The IRS adopted or partially adopted many of the line-by-line suggestions for change proposed by TAP. The IRS also provided a detailed explanation of the reason(s) each suggestion was only partially accepted or not accepted. | | | | |

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| TAP 704-010 | Taxpayer Rights Under RRA98 | | Status: | Closed, Proposal Partially Accepted | |
| Date Elevated to IRS: | 1/5/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 4/20/2005 |
| Issue Statement: | The delegation order and Internal Revenue Manual (IRM) provision for releasing systemic levies may be a source of confusion to the Taxpayer Advocate Service (TAS) and other IRS employees if understood to restrict issuance of a Taxpayer Assistance Order (TAO) to order release of non-systemic levies. | | | | |
| Goal Statement: | | | | | |
| Proposal: | Add a note to IRM Section 13.1.2.3.19(1) reminding TAS employees that, while they cannot release a non-systemic levy, they could, under appropriate circumstances, issue a TAO to enforce all of the rights secured to taxpayers by the 1998 Reform Act to avoid significant hardship to the taxpayer. | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| Response from: | Bernie Coston, Director, TAP |
| Response Notes: | Nina Olson, National Taxpayer Advocate, has agreed to amend the IRM in accordance with TAP's proposal. . The IRM revised 1/2/2007 does not remind the TAS employee to issue a TAO but does direct the employee to complete an Operations Assistance Request (OAR) according to the agreement with the IRS operating divisions. If the operating division is not responsive to the OAR, the TAS employee is then instructed to issue the TAO (IRM 13.1.7.7.4). |

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| TAP A04-019 | EITC Qualifying Child Residency Certification Web Page | | Status: | Elevated Directly by Committee | |
| Date Elevated to IRS: | 2/26/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 11/18/2004 |
| Issue Statement: | The Earned Income Tax Credit Issue Committee was asked to provide comments about the IRS web page titled "Frequently Asked Questions - Earned Income Tax Credit (EITC) Qualifying Child (QC) Residency Certification Test." | | | | |
| Goal Statement: | | | | | |
| Proposal: | The proposal was a compilation of EITC committee members comments on the Frequently Asked Questions page, including recommendations to correct zip codes provided, clarify the instructions about how certification pilot participants are to file their returns and the qualifying child requirements. | | | | |
| Response from: | David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | EITC Director reported that the Committee's recommendations will be used to improve the 2005 FAQs about the certification test. | | | | |

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| TAP A04-017 | Online Toolkit for SPEC And Partners | | Status: | Closed, Proposal Partially Accepted | |
| Date Elevated to IRS: | 3/9/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 11/18/2004 |
| Issue Statement: | The EITC Issue Committee was asked to provide recommendations for improving the online toolkit for W&I Stakeholder Partnerships, Education and Communication (SPEC) employees and partner organizations. This resource provides tax information, tax tips, downloadable materials in both English and Spanish and links to other resources. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The proposal contained line-by-line and feature-by -feature specific recommendations for improving the usability of the resources. In addition, the EITC Committee proposed that IRS provide a link to all IRS forms and publications when mentioned, improve the search feature, and provided specific proposals about duplicative material, confusing terminology, and grammatical errors. | | | | |
| Response from: | David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | EITC Director reported that many of the Committee's recommendations were incorporated into the SPEC toolkit for Tax Year 2004 and a detailed analysis is forthcoming. | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| TAP 204-012 | EFTPS—Clarification of Tax Year | | Status: | Closed, Proposal Accepted | |
| Date Elevated to IRS: | 3/10/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 4/26/2004 |
| Issue Statement: | The Electronic Federal Tax Payment System (EFTPS) payment instruction booklet, telephone and on-line payment systems do not differentiate between calendar and fiscal year-end taxpayers resulting in misapplied payments, inappropriate refunds, or both. | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>IRS should add instructions clarifying what is meant by tax filing year for both fiscal and calendar year filers at the time the taxpayer is prompted to enter this information, and add an instruction or prompt to existing instructions to identify "Fiscal Year-End Taxpayers", as suggested below:</p> <p>For Fiscal Year-End Taxpayers, [Enter 2 digits for Month Fiscal Year-Ends ____.</p> | | | | |
| Response from: | Phyllis Grimes, Director, Business Marketing Services | | | | |
| Response Notes: | <p>The IRS agrees that this is an issue that warrants further attention and will continue to explore ways to reduce the number of misapplied payments by fiscal year-end taxpayers. Scheduled Implementation: EFTPS is currently undergoing several major transitions. The system changes must coincide with printed changes in the Payment Instruction Books and other publications through TEC. The earliest estimated completion date is July 2004. However, this date is subject to approval and revision after review by Financial Management Services and our Treasury Financial Agent.</p> <p>A clarification will be added to the next revision of the EFTPS Payment Instruction Booklet, along with a Help message for EFTPS-Online and the next revision of the EFTPS batch-software or what is meant by tax filing year.</p> <p>IRS will also modify the voice response system to prompt taxpayers when the tax period appears to be inconsistent with the type of payment being made. Taxpayers will have the option of accepting or changing their payment information at that time. This additional service will result in an increase in the quality of the payment data.</p> <p>However, IRS does not believe adding the instruction or prompt for "Month Fiscal Year Ends" will address the problem. When EFTPS was in its infancy, businesses were required to enter their two-digit tax period ending month. Feedback received indicated that fiscal year businesses were inputting the incorrect fiscal year-end month, resulting in errors and unpostable payments. Therefore, EFTPS has been programmed to generate the fiscal year-end month from the master file in order to reduce these errors.</p> | | | | |

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| TAP 204-011 | Immediate Feedback on Toll Free | | Status: | Closed, Proposal Rejected | |
| Date Elevated to IRS: | 3/10/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 3/18/2004 |
| Issue Statement: | Upon completion of a call, a taxpayer has no opportunity to comment on the quality of the service the Internal Revenue Service (IRS) employee rendered. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The IRS random taxpayer satisfaction survey should be expanded to solicit customer feedback from all individuals who access the IRS through the toll-free number. The questions asked in the random survey should be reviewed and modified as appropriate to ensure useful feedback is provided. | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| Response from: | David L. Medeck, Director, Joint Operations Center |
| Response Notes: | <p>The IRS already administers a random customer satisfaction survey to gather customer input about service. This survey is currently completed by a statistically valid random sample of taxpayers; the results are used to assess performance and make systemic changes to the telephone system. The IRS believes the additional data that would be gathered if this suggestion was implemented would not significantly increase IRS ability to make system or service improvements.</p> <p>During FY 2003, the IRS received over 41 million call attempts into the toll-free system from taxpayers seeking assistance from a customer service representative. The additional costs associated with developing and implementing a survey of this type, coupled with the telecommunications costs associated with lengthening a large number of these calls to accommodate a survey, are prohibitive.</p> <p>Based on these two factors, the IRS cannot support the implementation of this recommendation.</p> |

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| TAP 204-078 | Revised Form 2848- Power of Attorney | | Status: | Closed, Proposal Accepted | |
| Date Elevated to IRS: | 4/16/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | |
| Issue Statement: | The currently revised Form 2848, Power of Attorney Form, requires the Social Security Number of the Representative in addition to the CAF#, which may raise privacy concerns. There is no justification for the SSN in the Instructions, but the form is rejected if the SSN is not provided. | | | | |
| Goal Statement: | | | | | |
| Proposal: | On April 13, 2004, SME informed the Area 2 Committee that Form 2848 was being revised, and Area 2 recommended that the revised Form 2848 eliminate the requirement that a tax practitioners report their SSNs. | | | | |
| Response from: | | | | | |
| Response Notes: | IRS had not intended that block to be on form so IRS immediately recalled all undistributed copies of form and published a corrected version. | | | | |

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| TAP 304-021 | Tax Treatment of Health Benefits Education | | Status: | Closed, Proposal Implemented | |
| Date Elevated to IRS: | 4/20/2004 | Date Counter Response to IRS: | 7/29/2005 | Date Response(s) Received: | 8/7/2007 |
| Issue Statement: | Many small businesses are making decisions about whether to offer health benefits to their workers without being fully aware of the tax advantages that can make offering health benefits more affordable. | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>TAP proposed that the IRS partner with educational and professional organizations to provide clear, accurate, and balanced explanations of the tax treatment of health benefits to provide technical advice and encouragement to small businesses considering providing health benefits to employees, and specifically recommended that the IRS:</p> <ol style="list-style-type: none"> 1) Combine in a new publication explanations about all the tax provisions governing payments for medical expenses to provide information comparable to that provided in various IRS publications about retirement plans for small business. 2) Add to the small business web site information about providing health benefits comparable to | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| | <p>the information provided about retirement plans.</p> <p>3) Expand the explanation of the tax treatment of health benefits and provide a cross-reference to the new publication explaining health benefits in existing publications directed at employers and small businesses.</p> <p>After receiving Helene Bayder's response, TAP 04-021 was split into two sets of recommendations: the original recommendation was forwarded to Forms and Publications (See TAP 04-021B), and TAP also responded to SB/SE urging that small business taxpayer education materials that are produced by or under the direction of SB/SE Taxpayer Education and Communication (TEC) include comprehensive explanations of the tax treatment of health benefits.</p> <p>After the TAP recommendations were originally submitted, Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans, which formerly covered only Medical Savings Accounts, was expanded to include information also on Health Savings Accounts, flexible spending arrangements, and health reimbursement accounts. Helene Bayder advised that the recommendation about the Tax Treatment of Health Benefits Education be directed to Forms and Publications (W & I).</p> |
| Response from: | Beth Tucker, Director, Communications, Liaison & Disclosure |
| Response Notes: | <p>In 2005, IRS reorganized small business outreach and education within the newly created Communications, Liaison & Disclosure function in the Small Business/Self-Employed Division. The task of educating the small business community through partnerships with practitioner and small business/industry groups became the responsibility of Stakeholder Liaison with a headquarters and field component, for national and local outreach, respectively.</p> <p>Simultaneously, with this realignment, came a new comprehensive and innovative product - A Virtual Small Business Tax Workshop DVD available in English, Spanish and Mandarin Chinese. This product incorporated information from the Small Business Workshop workbook, the Virtual Small Business Workshop CD and the Introduction to Federal Taxes for Small Business/Self-Employed CD, plus added more facts to assist the small business owner with understanding their tax obligations. The former products, now obsolete, were discontinued.</p> <p>Unfortunately, the tax treatment of health benefits was not part of the IRS website during the development of the DVD and, therefore, was not incorporated in this new product. The information was also not available during the last revision of the Small Business Resource Guide. We have provided your recommendations to the Product Development staff in our Communications function to consider including this topic in future product revision.</p> <p>Currently there is information on IRS.gov regarding health benefits. The Publication 969, "Health Savings Accounts and other Tax-Favored Health Plans," can be found when performing a search on the keywords "health benefits." We will also consider ensuring this information is found easily from the small business website. There is already an easy reference on the small business page regarding the Health Coverage Tax Credit.</p> <p>We will also explore this topic through further research to consider incorporating this information into our outreach plans to the small business community. Our liaison events with practitioners and small business/industry groups would be a good forum to share information on health benefits.</p> |

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| TAP 204-020 | W-4 Form Percentage Option | Status: | Closed | | |
| Date Elevated to IRS: | 4/20/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 8/12/2004 |
| Issue Statement: | The Form W-4, "Employee's Withholding Allowance Certificate" does not provide for a choice between dollar amount and percentage increase on line 6 under the heading "Additional Withholding". | | | | |
| Goal Statement: | | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| Proposal: | 1) Change line 6 on the W-4 form to indicate that additional withholding can be expressed in dollar amounts or as a percentage of the paycheck. 2) Change appropriate instruction sheet/page and related publications including Treasury/Internal Revenue Service (IRS) Regulations regarding W-4. |
| Response from: | |
| Response Notes: | Margie Kinney from the Office of Taxpayer Burden requested that this proposal be part of the W-4 Form project undertaken by the combined committees of Areas 3, 4, and Payroll. |

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| TAP V04-066 | VITA Training Input | | Status: | Closed | |
| Date Elevated to IRS: | 5/1/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 9/30/2004 |
| Issue Statement: | The current VITA training material and qualifying test do not concentrate on the type of tax assistance provided by VITA volunteers. | | | | |
| Goal Statement: | | | | | |
| Proposal: | Elaine S. Beck, Senior Manager, Education & Product Development, W&I, SPEC, annually convenes a work group comprised of IRS Tax Specialists and partners external to the IRS to assist in writing the certification test/retest. She included TAP Area 4 members in this year's group. The work group recommended that a more intensive review of the VITA Income Tax training program be made. The content of the training should reflect the limitations on the type of assistance VITA volunteers can provide taxpayers And the questions on the qualifying test should reflect the information provided to the students as to what they should know in order to successfully provide the service advertised in the program. The problems on the test which must be solved should be limited to the types of problems that will be encountered within the limitations allowed in VITA. | | | | |
| Response from: | Elaine S. Beck, Senior Manager, Education & Product Development, W&I, SPEC | | | | |
| Response Notes: | The work group completed all phases in the construction of the certification test/retest from creation and problem writing to review and final evaluation. The work group began in May 2004 in Atlanta, GA and concluded with a final product in September 2004 | | | | |

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| TAP A04-069 | EITC Website | | Status: | Closed, Proposal Partially Accepted | |
| Date Elevated to IRS: | 5/14/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 11/18/2004 |
| Issue Statement: | The Committee was asked for feedback as to whether www.irs.gov/eitc is user-friendly. | | | | |
| Goal Statement: | | | | | |
| Proposal: | Committee members tested the website during a face-to-face meeting and made recommendations for improvements. | | | | |
| Response from: | David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | The EITC Director reported that the website has been revised and corrected based on the recommendations of Committee members. | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| TAP A04-031 | EITC Notices CP-09 and CP-27 | | Status: | Elevated Directly by Committee | |
| Date Elevated to IRS: | 5/21/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 10/25/2004 11/8/2004 |
| Issue Statement: | At the request of the Notice Process Improvement Manager, the EITC Committee agreed to provide feedback on the CP-09 and CP-27 notices, which will be sent to taxpayers whose returns indicate that they may be eligible to claim the Earned Income Credit (EIC) but have not claimed it. | | | | |
| Goal Statement: | | | | | |
| Proposal: | In addition to providing line by line feedback and proposed changes in wording to clarify the notice, the Committee made the following general comments: 1. Header information on all notices should be uniform. 2. Too much information is included on one sheet of paper which can cause confusion. 3. The font size should be increased to improve readability. | | | | |
| Response from: | Dorothy W. Rucker, Notice Process Improvement Program Manager, & David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | NPIIT Program Manager initially thanked Committee for such a prompt response and good information for IRS to consider, stating "You have definitely surpassed my expectations!," and subsequently provided a point-by-point response indicating that all the Committee's concerns were addressed and that many Committee suggestions were incorporated into revised notices. The EITC Director also reported that many of the Committee's suggestions were incorporated into the revision of the notices. | | | | |

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| TAP A04-032 | EITC Rule Re Caring for a Child | | Status: | Closed, Proposal Rejected | |
| Date Elevated to IRS: | 5/21/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 5/25/2004 11/8/2004 |
| Issue Statement: | The EITC Committee was asked to provide comments on interpreting "caring for a child as your own" by Mark Schwimmer of the Office of Chief Counsel. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The feedback is a compilation of individual members' comments. Following are examples of the comments: the standard should require minimum intrusion into family's privacy and decision-making about child rearing; taxpayers claiming qualifying children who meet the other requirements should be presumed to be caring for the claimed child(ren) as their own; taxpayers should be required to have engaged in four or five categories of nurturing activities (with examples provided). | | | | |
| Response from: | Judy Wall, Special Counsel to the NTA | | | | |
| Response Notes: | The TAP director received the following feedback by email: "I am very impressed with what the TAP subcommittee put together so quickly. It was important to get their input in such a timely fashion. I am confident that all of us in counsel will look at these closely. Thanks for arranging the logistics for the conference call and the written comments. This was definitely a worthwhile exercise." The EITC Director later reported that subsequent legislation deleted the "cares for" language from the new definition of "qualifying child," negating the need for a ruling on the topic. | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| TAP A04-033 | Improving EITC Audit Notice "Stuffer" | | Status: | Closed, Proposal Rejected | |
| Date Elevated to IRS: | 5/28/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 11/18/2004 |
| Issue Statement: | The EITC Committee was asked to review and suggest changes to the draft "stuffer" to be included with the Contact Letter 566B, which is sent to taxpayers whose EITC claims are being examined. The purpose of the stuffer is to reduce the number of non-responses to audit notices. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The Committee recommended the stuffer be placed on top of the notice and all enclosures, possibly as a wrapper and the stuffer be printed on eye-catching colored paper or with dollar bills in the background. The Committee also recommended both an English and a Spanish side and large font size. In addition, the Committee made line by line specific recommendations and attached a draft version showing the suggested changes. | | | | |
| Response from: | David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | EITC Director reported that Committee comments were provided to the IRS group working on the form but that it had been decided that the notice stuffer would not be used at this time. | | | | |

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| TAP A04-034 | EITC Pre-Certification Notice | | Status: | Elevated Directly by Committee | |
| Date Elevated to IRS: | 5/28/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 11/18/2004 |
| Issue Statement: | EITC Director, David Williams, requested the Committee review and suggest changes to the draft CP-84A, Pre-Certification Notice. This notice will be sent in August 2004 to taxpayers selected for the EITC precertification pilot. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The Committee generally found the structure and appearance of the form user-friendly. The notice contains an italicized note in Spanish indicating its availability in Spanish and recommended all notices include a comparable note. The Committee provided line by line suggestions for changes in format and wording and copies of the notices showing the changes. The Committee also recommended the use of the term, Earned Income Credit, rather than Earned Income Tax Credit, to avoid the implication that tax must be owed before the credit can be claimed. | | | | |
| Response from: | David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | EITC Director reported that Committee comments were very good and to the extent possible were incorporated into CP-84A. | | | | |

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| TAP N04-029 | Notice Elimination Review Phase 1 | | Status: | Closed, Proposal Accepted | |
| Date Elevated to IRS: | 6/1/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 8/11/2004 |
| Issue Statement: | The Notice Committee was asked to review the "Individual Master File Computer Paragraph Notice and Automated Collection System Letter Notice Elimination Review" of January 2004. The report included general notice process improvement recommendations, recommendations on streamlining the notice package, and recommendations on specific notices or letters. | | | | |
| Goal Statement: | | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| Proposal: | The Committee commended the Notice Process Improvement Initiative Team (NPIIT) recommendations that, if implemented, would positively impact on customer satisfaction, business results, and employee satisfaction. Multiple related notices, which cause confusion, would not be mailed to customers. Notices would provide enough detail for the taxpayer to prepare for follow-up action. IRS could realize a tremendous cost savings and staffing demands to maintain obsolete programming and procedural guidelines would be reduced. IRS employee resources would also be used more efficiently by reducing the drain on telephone services. |
| Response from: | Ann Gelineau, Wage & Investment Single Point of Contact |
| Response Notes: | <p>Ann Gelineau thanked the committee for their supportive response to the Phase 1 Notice Elimination report. The response answered some of the notice group's questions regarding IRS management of notices. Gelineau also reported that the IRS has already acted on some of the team's recommendations. The IRS eliminated some of the notice paragraphs and eliminated the insertion of the "stuffer" notices included with most IRS notices. The operation unit responsible for collection issues is reviewing the team's recommendations for collection notices and letters and is working with another subcommittee of the TAP Notice committee to continue this work.</p> <p>The Team's idea of an ongoing notice life cycle review has made the program owner aware of the need to consider how minor changes, over time, can significantly change a notice's message and purpose. The response also indicated how IRS was unable to implement all the committee's recommendations due to the current operational environment.</p> |

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| TAP N04-030 | Notice Standardization Guide | | Status: | Closed, Proposal Partially Accepted | |
| Date Elevated to IRS: | 6/1/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 7/13/2004 |
| Issue Statement: | The Notice Committee was asked to review the April 30, 2004 Notice Standardization Guide, which is the style guide for re-writing notices. The document addresses verbal and written information changes aiming for easier and more effective communication between the IRS, taxpayers, and others involved in the tax system. | | | | |
| Goal Statement: | | | | | |
| Proposal: | Specific recommendations or questions regarding the report included the logistics for installing 11 point font for all notices and a suggestion to include answering the question, "What are the consequences if I don't pay?" The proposal also asked for clarification of the legal language, the documents assessment tool and recommended placing the acronym directory and glossary in the forward rather than the last chapter. | | | | |
| Response from: | Andrea J. Law, Chief, Notice Support | | | | |
| Response Notes: | Included the narrative chart TAP developed in the "Using the Document Assessment Tool" section of the Notice Standardization Guide. Agreed with TAP's page number suggestion to include the section number with the page number, however, it was too late to incorporate but will set up links on the website version to alleviate the problem. Regarding the standardization of fonts used by IRS, because this involves so many different internal systems, IRS needs to implement slowly. Disagreed with adding special section on "What are the consequences if I don't pay?" because it is their belief all elements covered in "Why should I pay?" IRS will ask for additional comments on A Standard Format or Layout in the future. Suggested changes could not be made to the Document Assessment Tool since it is a copyrighted document. | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| TAP G04-039 | Confidentiality of Information Provided to Tax Preparers | | Status: | Elevated Directly by Committee | |
| Date Elevated to IRS: | 6/7/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | |
| Issue Statement: | The disclosure of taxpayers' personal information by tax preparers has become a serious issue and may be a contributing factor in the rapid rise of identity theft. | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>1. Publicity to inform the public about the confidentiality laws, taxpayer rights, and the avenues provided by IRS, OPR, and DOJ to taxpayers to report violations of confidentiality and to pursue their cases with these agencies. This publicity could be as simple as an additional explanation in the FTC booklet, ID Theft: What's it All About?</p> <p>2. Encourage OPR and the IRS' Return Preparer Program to seek out cases rather than wait for referrals. The new director of OPR has indicated that he would like OPR to take a more active role in identifying cases; in addition, he has begun a collaboration with 94 DOJ offices about cases the OPR can pursue.</p> <p>3. Establish an IRS toll-free hotline with trained personnel who are able to refer cases to OPR or RPP. The Service could consider piggybacking on an existing toll-free line, thereby minimizing its costs. Information about the hotline and its number could be included in the 1040 Instructions under the section "Help with Unresolved Tax Issues: Office of the Taxpayer Advocate." The information could also be available at Taxpayer Assistance Centers and other locations where tax information is disseminated.</p> | | | | |
| Response from: | | | | | |
| Response Notes: | | | | | |

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| TAP 404-025 | Innocent Spouse/Injured Spouse | | Status: | Closed, Proposal Rejected | |
| Date Elevated to IRS: | 6/9/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 8/16/2007 |
| Issue Statement: | Confusion exists among taxpayers between the terms "injured spouse" and "innocent spouse." | | | | |
| Goal Statement: | | | | | |
| Proposal: | TAP recommended that the new terminology for "Injured Spouse Relief," become "Relief From Denied Spouse Refund," or such other language as the IRS deems appropriate and effective to reduce confusion. | | | | |
| Response from: | Sue Sottile, Director, Tax Forms and Publications | | | | |
| Response Notes: | In 2005, the IRS began a major revision to the Form 8857, Request for Innocent Spouse Relief. As part of the project, the issue of confusion about innocent spouse and injured spouse was addressed. To alleviate confusion, we redesigned the 2007 revision of Form 8857 and provided detailed information about when a taxpayer should file Form 8379, Injured Spouse Allocation, as opposed to Form 8857. We believe this redesign has adequately addressed the issue raised. | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| TAP 704-023 | Financial Literacy--Adult Education | | Status: | Closed, Proposal Accepted | |
| Date Elevated to IRS: | 6/9/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 8/16/2007 |
| Issue Statement: | There is an educational gap for many taxpayers in regards to understanding the importance of tax obligations and having the basic skills to file a simple tax return. This gap is higher in taxpayer populations such as lower income, some minority groups, people with disabilities, and those who are not English proficient. Without the basic understanding of taxes and the consequences of noncompliance, it is impossible to have financial stability or establish good credit | | | | |
| Goal Statement: | | | | | |
| Proposal: | <ul style="list-style-type: none"> • Encourage the IRS W&I Operating Division to devote resources to promote tax education for adults with existing and future coalitions. • Develop tax modules for the adult learner or modify the existing tax modules on www.irs.gov for use in financial literacy programs such as Money Smart developed by FDIC, or those found on financial institutional websites such as Fannie Mae. • Develop these products in different languages as well as for the visually impaired. • Encourage existing Financial Literacy websites to link to the IRS tax module website • Produce IRS' own financial literacy CD-Rom and incorporate a module on taxes. | | | | |
| Response from: | Sue Sottile, Director, Tax Forms and Publications | | | | |
| Response Notes: | <p>IRS has established an Asset Building/Financial Education (ABFE) Strategy team in our SPEC organization. The team has written a three year strategy that addresses tax education for adults utilizing current and future coalitions. The strategy was written and developed in FY 07. Implementation will begin October 1, 2007 (FY 08).</p> <p>While the ABFE Strategy does not specifically suggest IRS produce a financial education CD-Rom and include a module on taxes. It will utilizing our leveraged business model and by working with key national partners we will assemble an inventory of existing financial literacy curricula which will be utilized extensively with our vast network of partners, in our media outreach and within our publications. Included with this response is a separate description of the strategy and current information available (Attachment 3)</p> | | | | |

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| TAP A04-070 | EITC Forms Testing | | Status: | Closed | |
| Date Elevated to IRS: | 6/10/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | |
| Issue Statement: | Forms and Publications has issued new criteria for testing, which suggests that more EITC documents may be tested in the future. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The Committee recommended (1) that standing focus groups comprised of individuals working with EITC recipients and EITC recipients themselves be established to test EITC forms and instructions; and (2) that the TAP Earned Income Tax Credit Issue Committee be advised as soon as possible of all EITC forms and instructions that are being revised or targeted for revision to allow the Committee to become involved early in the revision process. | | | | |
| Response from: | | | | | |
| Response Notes: | This issue was closed and referred to Area 5. See TAP 04-022 Forms Testing and TAP 05-023 New and Revised Tax Forms & Publications for additional information on this topic. | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| TAP 404-026 | Innocent Spouse Outreach | | Status: | Closed, Proposal Rejected | |
| Date Elevated to IRS: | 6/14/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 10/4/2004 |
| Issue Statement: | Taxpayers and their legal advisers often are unaware that the terms of a divorce decree do not override the federal statutory liability created by the execution of a federal joint income tax return. | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>As an IRS outreach educational program, the Service should seek to work with the Family Law Sections of the American Bar Association, State Bar Associations, and local bars, as well as the Judicial Family Law organizations.</p> <p>In addition, the IRS should propose model language for inclusion in divorce decrees as follows:</p> <p>Joint and Several Liability This divorce decree does not override federal tax law. Generally, joint and several liability applies to all joint returns. This means that both you and your spouse or former spouse are jointly and individually responsible for any underpayment of tax plus interest and penalties. This is true even though this divorce decree states that your former spouse will be responsible for any amounts due on previously filed joint returns.</p> <p>In addition, the IRS should propose model language for inclusion in divorce decrees as follows: Joint and Several Liability This divorce decree does not override federal tax law. Generally, joint and several liability applies to all joint returns. This means that both you and your spouse or former spouse are jointly and individually responsible for any underpayment of tax plus interest and penalties. This is true even though this divorce decree states that your former spouse will be responsible for any amounts due on previously filed joint returns.</p> | | | | |
| Response from: | Margaret L. Warren, Director, Product and Partnership Development | | | | |
| Response Notes: | The IRS funds the development and printing of two brochures for the ABA Section of Taxation relating to Innocent Spouse, "Tax Facts for Seniors With A Change in Marital Status" and "Your Money Matters-Tax Information for Survivors of Domestic Abuse." Innocent Spouse is a very small population and does not provide sufficient ROI to pursue further. | | | | |

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| TAP 404-024 | Innocent Spouse--Notification of Non-Requesting Spouse | | Status: | Closed, Proposal Partially Accepted | |
| Date Elevated to IRS: | 6/14/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 10/7/2004 |
| Issue Statement: | Many taxpayers who seek "innocent spouse" relief from joint and several tax liability based on a joint tax return are unaware that the law requires the IRS to notify the non-requesting spouse of the request for relief. | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>Insert in Part 1 of Form 8857, Request for Innocent Spouse Relief, the following sentence in bold lettering under the third line (in lieu of the present bold sentence commencing "If you have been a victim retaliation, check here"): "THE LAW REQUIRES THE IRS TO INFORM YOUR SPOUSE OR FORMER SPOUSE OF THE REQUEST FOR RELIEF FROM LIABILITY See page 2 of the instructions."</p> <p>Re-insert the sentence regarding the" Victim..... and check box as a new Part VI.</p> <p>On page 2 of Publication 971, Innocent Spouse Relief, BOLD the entire paragraph captioned "IRS spousal notification."</p> | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| Response from: | Sandra L. Kopta, Chief, Individual Forms and Publications Branch |
| Response Notes: | The IRS believes this suggestion to mention the spousal notification requirement in Part 1 of Form 8857 has merit and will consider making the change in 2006 when the IRS next plans to revise the form. However, the IRS will not move the domestic violence sentence from Part I to a new Part VI. This is because of a lack of space and because of the interrelationship between the domestic abuse sentence and the spousal notification requirement. IRS will not adopt the suggestion to boldface the entire "IRS spousal notification" paragraph on page 2 of Publication 971. Research has shown that, when too much bold text is used, emphasis loses its impact. For this reason, the IRS is decreasing use of bold text in forms, instructions, and publications. For instance, next year, references to headings within these products will be shown in italics instead of bold. |

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| TAP A04-038 | EITC Notice 79A Revision | | Status: | Elevated Directly by Committee | |
| Date Elevated to IRS: | 6/17/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 11/18/2004 |
| Issue Statement: | The EITC Committee was asked to review and provide comments on the revised Notice 79A, which is used to inform taxpayers that they are banned from taking the Earned Income Credit for two years. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The EITC Committee provided line-by-line suggestions for improving the form along with several general suggestions, including to clarify the explanation of how to determine to which years the two-year ban applies. | | | | |
| Response from: | David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | EITC Director reported that two of the Committee's recommendations were incorporated into the latest revision of Notice 79A, and other Committee recommendations are under consideration. | | | | |

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| TAP 504-036 | Form 656 OIC Revision | | Status: | Closed | |
| Date Elevated to IRS: | 7/7/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 7/19/2004 |
| Issue Statement: | On behalf of Forms and Publications, Houston Local Taxpayer Advocate and OIC expert William Sonnack, asked the Area 5 Committee to provide public feedback on revised Form 656, Offer in Compromise (OIC), about its clarity to the taxpayer. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The Area 5 Subcommittee made line-by-line suggestions for improving the Form 656. | | | | |
| Response from: | Michael P. McDermitt, National Program Manager, Offer in Compromise | | | | |
| Response Notes: | Recommendations were received after the cut-off time frame for suggestions. TAP input did mirror a number of value added suggestions that were raised by other stakeholders. Recommendations will be kept on file for the next revision. | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| TAP 104-028 | EFTPS Information Access Period | | Status: | Closed, Proposal Partially Accepted | |
| Date Elevated to IRS: | 7/7/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 7/16/2004 |
| Issue Statement: | Taxpayers can electronically review payments that they made via the Electronic Federal Tax Payment System (EFTPS) for a period of 16 months. Taxpayers who are granted a six-month extension to file their tax return by October 15, cannot view their complete estimated tax payment history because the first payment could have been credited more than 16 months earlier. | | | | |
| Goal Statement: | | | | | |
| Proposal: | Extend the period of time EFTPS payment history is available to taxpayers from 16 months to 36 months | | | | |
| Response from: | Phyllis T. Grimes, Director, Business Marketing Services | | | | |
| Response Notes: | The IRS responded: "This is a good idea. In fact, we just extended the payment history in EFTPS based on feedback that the timeframe was too short. We have consulted with SBSE CAS and they have indicated that a 24-month payment history is planned for our next release. Unfortunately in our current program, 36 months is not possible due to system capacity issues, but they are working on that as well. The change to accommodate a 24-month payment history is planned as an enhancement for EFTPS On-Line version 3.0 which is scheduled for delivery in early 2006." | | | | |

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| TAP 604-027 | Fax Numbers on Notices | | Status: | Closed, Proposal Partially Accepted | |
| Date Elevated to IRS: | 7/7/2004 | Date Counter Response to IRS: | 10/20/2005 | Date Response(s) Received: | 3/8/2005 10/26/2005 |
| Issue Statement: | Notices that allow for written communication between the IRS and a taxpayer or tax professional generally do not include a fax number in addition to the phone number and mailing address currently provided. | | | | |
| Goal Statement: | | | | | |
| Proposal: | TAP recommended that the IRS begin including fax numbers on all correspondence that currently includes a telephone number and mailing address. The IRS should eliminate the use of stand-alone fax machines and migrate to the use of fax server technology to increase productivity, achieve cost-savings, and reduce taxpayer burden. After receipt of the response from the Notices Support Group, TAP forwarded the recommendation to Modernization and Information Technology to consider implementing the necessary technology and processes. | | | | |
| Response from: | Debra G. Lopez, Acting Chief, Notice Support Group | | | | |
| Response Notes: | <p>Notice Support Group Acting Chief, Debra Lopez responded as follows: Including a fax number in addition to a phone number and a mailing address for taxpayers responding to IRS notices has merit. The Standardization Notice Process Improvement Initiative Team has just (3/1/05) finished developing a standard layout for IRS notices. The standard layout contains an option to include an IRS fax number. Current notices do not print a fax number because the supporting processes and technology are not in place. When it becomes feasible to process fax responses, the fax number may be included in the "contact us" section of the notice. This addresses the simple part of your recommendation.</p> <p>The more complicated part of the suggestion involves, of course, implementing the technology and processes to support it. You identified many of the issues involved in changing equipment and procedures. In addition to those you mentioned, we would be required to analyze and quantify both the cost/benefit and the burden reduction that would result before we could consider moving forward with this idea. Unfortunately, we do not have the funds or the resources to</p> | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| | <p>pursue this recommendation at this time.</p> <p>After re-directing the recommendation to Modernization and information Technology, TAP was informed that use of a Request for Information Services (RIS) is the standard way Information Technology reviews requests for changes. The RIS is brought before a review board who makes the decision on whether to implement the request. There is a question whether the Taxpayer Advocate Service RIS coordinator working with TAP staff should complete the RIS or whether the recommendation should be routed to the program owner (the Notices Support Group) with the request that the program owner to submit the RIS. TAP staff is reviewing policy.</p> <p>8/16/2007 Response from Sue Sottile: Some compliance notices that require a written document for case resolution such as Underreporter and Correspondence Examination now include a fax number that allows a taxpayer or tax professional to provide information by fax. We plan to further expand this option on notices that do require specific written taxpayer information when we have fax server capabilities at all of our centers by the end of the year. For most notices that do not ask for nor require a written response we don't plan to offer this option as it digresses from the IRS Strategic Objectives and implementation would yield limited customer service value. In concert with the IRS 2005-2009 Strategic Objective to Modernize Information Systems to Improve Service and Enforcement, our focus continues to be the development of modernized electronic systems (e.g. self assist and interactive web applications) that promote a paperless environment to facilitate the processing of taxpayer information and responses. Our goal is to decrease taxpayer burden by requesting and receiving fewer paper documents from taxpayers and third parties.</p> |
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| TAP 504-022 | Forms Testing | | Status: | Closed | |
| Date Elevated to IRS: | 7/7/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 7/7/2004 |
| Issue Statement: | There has been very little focus group testing of IRS individual income tax forms or instructions during the last seven years. | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>The Area 5 Committee recommended that the number of forms and instructions that are tested with focus groups be increased to a greater extent than is currently being planned.</p> <p>The Committee endorses all the recommendations made by the GAO and urges their implementation by the IRS. These recommendations and the Committee's comments are:</p> <ul style="list-style-type: none"> • Develop written criteria for determining which changes to tax forms and instructions should be tested with taxpayers before publication. <p>Criteria should include the potential for error and the number of taxpayers affected. Data regarding potential for error could be gleaned from the "top 20" list of errors, statistics from call-in centers, the audit process, and surveys of tax preparers.</p> <ul style="list-style-type: none"> • Develop official written guidance that incorporates those criteria and ensure that the guidance requires staff that develop new or revised forms and instructions to document which changes would merit testing and why. <p>This is a logical extension of the previous recommendation. Acting Commissioner Bob Wenzel stated that these first two recommendations would be implemented in 2004.</p> <ul style="list-style-type: none"> • Clarify procedures by designating when in the annual forms development process that a draft version of forms and instructions should be available for testing with taxpayers. <p>It should be possible to have testing done before the document is submitted to legal staff and well ahead of a last minute time crunch. Written procedures should be in place to ensure this.</p> <ul style="list-style-type: none"> • Ensure that an appropriate range of evaluations are conducted of tests that are | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| | <p>performed to better establish the costs and benefits of performing tests and to refine IRS's approach to testing.</p> <p>In the years 1997-2002 only five forms and instructions were tested. A larger sample needs to be tested and evaluated to determine the costs and benefits of testing.</p> <ul style="list-style-type: none"> Use information gained from documenting when changes to forms or instructions likely would be beneficial and from evaluations of tests to reassess an appropriate level of resources to perform testing. <p>The benefits are hard to quantify and occur over the long run. The IRS should seek more resources on the basis of the long run benefits.</p> |
| Response from: | Denise S. Fayne, Director, Tax Forms and Publications Division |
| Response Notes: | After this recommendation was approved by the Joint Committee, Area 5 was advised that a comprehensive set of criteria for "Selecting New/Revised/Redesigned TAS Forms and Instructions for Forms Testing" had been developed. Proposal was sent forward and acknowledged. |

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| TAP 304-037 | Low Dollar Balance Due Abatement | | Status: | Closed, Proposal Rejected | |
| Date Elevated to IRS: | 7/13/2004 | Date Counter Response to IRS: | 4/28/2005 | Date Response(s) Received: | 11/19/2004 8/16/2007 |
| Issue Statement: | In July 2001, the Internal Revenue Service computer program was updated to permanently abate the portion of the tax, penalty, and interest that remains unpaid when the amount is less than \$5.00. Since that time, costs of processing notices to taxpayers on balance due accounts has increased | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>Increase the tolerance level to \$25. and update the notices informing taxpayers of changes to their account using a statement similar to the current notice for balance dues of less than \$5. After receipt of the IRS response, TAP requested to be kept informed of the results of any further research and advised of when the research is expected to be completed and a recommended date for TAP to follow up.</p> <p>4/28/2005 TAP appreciates the response and requests to be kept informed of the results of any further research. In addition, TAP would like to be advised of when the research is expected to be completed, and of a recommended date for TAP to set as a follow-up date.</p> | | | | |
| Response from: | Pamela G. Watson, Director, Filing & Payment Compliance | | | | |
| Response Notes: | <p>11/19/2004 Compliance functions in both W&I and SB/SE reviewed the proposal but do not plan to implement the recommendation. A cost analysis of IRS Balance Due Notices showed the cost of a single notice ranging from 45 cents to \$4.79 depending on the type of notice and whether it is reviewed by the notice Review function prior to issuance. The cost of administering a tax module through a cycle of several notices is significantly higher.</p> <p>The process would cost between \$5.68 to \$12.33 on whether a review is performed on all notices, (1st, 2nd, 3rd, 4th notices followed by 4 annual reminders). However, few accounts would warrant this type of review. Additional costs may be incurred in the administration of a low dollar balance account. For example, remittance processing ranges from 52¢ for an individual account to 72¢ for a business account. While the cost of responding to a taxpayer inquiry via telephone or paper could vary greatly, with a 15-minute average resolution time, we could estimate a salary cost of \$4.50. In summary, the cost of processing a low dollar account could range from between 97¢(single notice issued and payment receive) to \$13.30 (individual account - seven notices, all reviewed, one payment and one inquiry). Most would be at the lower end of the range.</p> <p>In addition, IRS analyzed the number of accounts with balance dues less than \$25.00. Based on</p> | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| | <p>the volume of accounts and the costs of processing, IRS would lose revenue by raising the abatement amount to \$25.00. Further research will be conducted to determine if the abatement amount should be raised higher than \$5.00 but less than \$25.00.</p> <p>An analysis of this recommendation shows that there is no valid business reason to support increasing the low dollar balance tolerance level to \$25.00. A single notice ranges in cost from 49 cents to \$4.79, depending on the notice. Also, an extract of inventory of accounts below \$25 showed that 59% of the current years BMF and 42% of the IMF accounts below \$25 were settled. Of these accounts, there was a fairly even distribution of amounts between \$5.00 and \$25.00. Rather than saving money it would reduce owed monies to the treasury unnecessarily.</p> |
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| TAP F04-014 | Form W-4EZ | | Status: | Closed | |
| Date Elevated to IRS: | 8/12/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 12/30/2004 |
| Issue Statement: | Some taxpayers have difficulty accurately calculating withholding on Form W-4 due to its complexity. | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>The Committee recommended that a new W-4EZ form be created and designed a "mock" W-4EZ as an example.</p> <p>However, based on research data, the Committee agreed that a single W-4EZ form would not work, because the situations are so different for single and married taxpayers, so recommended one new form for single (W-4EZ-S) and one for married (W-4EZ-M) individuals. The forms would be most accurate using the following criteria for taxpayers using these new forms:</p> <ol style="list-style-type: none"> 1. Income of less than \$50,000 per year 2. Having less than three children 3. Not itemizing deductions <p>Finally, the Committee encouraged the addition of instructions that explain that a taxpayer should not claim the exemptions on this W-4 if they have more than one job and this W-4 is not for the primary job. One of the situations that will cause taxpayers to be under withheld is when they work at more than one job (or both the spouse and taxpayer claim the same exemptions). Because the new W-4EZ-S and W-4EZ-M would eliminate many of the complexities of the regular W-4 form, these additions to the instructions should not make the new form too difficult to understand.</p> <p>The Committee encouraged the program owner to include the Committee in implementing this recommendation, if it is accepted.</p> | | | | |
| Response from: | Michael R. Chesman, Director, Office of Taxpayer Burden Reduction (OTBR) | | | | |
| Response Notes: | <p>OTBR Director Michael Chesman explained that TAP's recommendations have been forwarded to the Withholding Compliance Task force. The task force is recommending that a separate study be undertaken to focus solely on revising the Form W-4 and its instructions.</p> <p>The Director of Taxpayer Burden Reduction also has added the issue to his office's Burden Reduction Initiative Inventory. Based on the information TAP provided and that of other stakeholders, the form and the withholding process appear to be a clear opportunity for burden reduction. Once resources are available to pursue this initiative, he will afford TAP the opportunity to provide further input and comment.</p> | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| TAP F04-041 | Form W-4 Employer Compliance | | Status: | Closed, Proposal Partially Accepted | |
| Date Elevated to IRS: | 8/12/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 12/30/2004 |
| Issue Statement: | On the draft Form 941 for 2005, Line 1 identifies the number of employees in the middle of the third month of each quarter for income tax purposes. Line 4 identifies total exemption from withholding Social Security and Medicare Taxes for qualified state, county, and municipal governments and certain other employers. The form does not provide a place for employers to identify the number of nonresident employees subject to income tax as identified in Line 1 but not subject to Social Security and Medicare Taxes. | | | | |
| Goal Statement: | | | | | |
| Proposal: | All Employer Forms should identify the existence of nonresident employees who are generally exempt from contributions to Social Security and Medicare Tax. The Committee recommends (1) changing Form 941 Line 5 so that Line 5a reads, "Number of employees listed in Line 1 who are exempt from Social Security and Medicare Wages and tips." The subsequent information would become lines 5b, 5c, 5d, and 5e; (2) creating a citizenship checkbox on Form W-4 or a new Form W-4 for Nonresidents (i.e. Form NR W4); and (3) including a citizenship checkbox and a checkbox for exempt from taxes withheld on Form W-2. | | | | |
| Response from: | Michael R. Chesman, Director, Office of Taxpayer Burden Reduction (OTBR) | | | | |
| Response Notes: | <p>OTBR Director Michael Chesman responded as follows: The tax treatment of these employees is often different from that of American citizens. While the Service has noted the different treatment in its publications, it has not yet emphasized the differences in its forms. However, a number of changes are pending.</p> <p>Form 940: The form is currently being redesigned. It has been recommended that a box and indicator for exemption from Federal Unemployment Taxes be included.</p> <p>Form 941: The form is expected to go through a second revision due to the creation of a Form 941X for amending quarterly employment tax reports. By creating a separate form for amendments, a number of line items will no longer be needed on the Form 941. The inclusion of an indicator for the exclusion of certain wages from withholding of income taxes, or for computing social security and Medicare taxes will be considered as part of the new redesign effort.</p> <p>Form W-4: The recommendation for creation of a Form W-4 NR has been made by a number of stakeholders. The recommendation has been included in the Withholding Compliance Task Force Report and in the Burden Reduction Initiative Inventory. The Office of Burden Reduction hopes to identify resources with the appropriate expertise to move this initiative forward in the near future</p> | | | | |

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| TAP A04-071 | EITC Interactive Internet Programs | | Status: | Closed, Proposal Partially Accepted | |
| Date Elevated to IRS: | 8/16/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 9/15/2004 11/18/2004 |
| Issue Statement: | The Committee was asked for feedback on two online computer applications demonstrated at a face-to-face meeting: the EITC Eligibility Calculator, an interactive application to determine EITC eligibility, and the EITC CERT, a tool for participants in the qualifying child test to determine the status of their claim | | | | |
| Goal Statement: | | | | | |
| Proposal: | Committee members made suggestions for improvements at the meeting and subsequently via | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| | email. |
| Response from: | Crystal Philcox, Director, EITC Systems Operations & David R. Williams, Director, Earned Income Tax Credit |
| Response Notes: | The Director of EITC Systems Operations gave a detailed account of the status of individual member's oral and emailed comments, many of which were incorporated, and the EITC Director reported that member comments will continue to be considered as the EITC program enhances these applications. |

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| TAP A04-040 | EITC Preparers' Electronic Toolkit | | Status: | Closed, Proposal Partially Accepted | |
| Date Elevated to IRS: | 8/16/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 11/18/2004 |
| Issue Statement: | The EITC Committee was asked by the EITC program to review and suggest changes to "Earned Income Tax Credit: An Electronic Toolkit for Tax Preparers," an online source of basic information about the EITC designed and maintained by a private vendor and accessible via a link on the IRS website. | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>The Committee wrote 17 pages of specific comments on how to implement the following recommendations:</p> <ul style="list-style-type: none"> • Provide information on direct access to the Electronic Toolkit in publications and forms. • Add guidance to ease navigation of the site. • Eliminate empty space so that users do not have to sort through several screens or pieces of paper to get to the substance of the topic. • Reformat online and printed versions to improve readability. • Whenever forms, schedules, and publications are mentioned, provide web addresses and links that take the user directly to the cited material, not the IRS website home page. • Employ a more sophisticated and user-friendly search engine that would identify more potentially relevant documents. • Provide clearer and more complete explanations | | | | |
| Response from: | David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | The EITC Director reported that many of the Committee's recommendations were incorporated into the revised toolkit for Tax Year 2004 and a detailed response is forthcoming. | | | | |

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| TAP B04-086 | MLI Bilingual Brochures | | Status: | Closed, Proposal Accepted | |
| Date Elevated to IRS: | 8/20/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 1/21/2005 |
| Issue Statement: | The MLI program owner asked the Committee to comment on draft bilingual brochures developed by the MLI office to explain basic tax information to limited English proficient taxpayers. | | | | |
| Goal Statement: | | | | | |
| Proposal: | Each committee member reviewed Publication 4346, Basics of Tax Processing (English/Spanish), and provided input the to MLI program owners. | | | | |
| Response from: | Toni M. Cross, Chief, MLI Project Office | | | | |
| Response Notes: | The bilingual brochures are currently being revised and the MLI Committee's suggestion for adding information on the Taxpayer Advocate Service's power to issue taxpayer assistance orders will be considered. All changes to this brochure must be approved by the TAS office. We will keep you apprised of our efforts. | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| TAP E04-083 | Expand Eligibility for Schedule C-EZ | | Status: | Elevated Directly by Committee | |
| Date Elevated to IRS: | 8/20/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | |
| Issue Statement: | To be eligible to use Schedule C-EZ, a taxpayer must have no inventory in the trade or business. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The Committee recommended that the IRS remove the eligibility requirement that the taxpayer have no inventory in the trade or business be dropped. | | | | |
| Response from: | | | | | |
| Response Notes: | | | | | |

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| TAP E04-084 | Form W-9 IC for Independent Contractors | | Status: | Elevated Directly by Committee | |
| Date Elevated to IRS: | 8/20/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | |
| Issue Statement: | Schedule C non-filing and underreporting of non-employee compensation. | | | | |
| Goal Statement: | | | | | |
| Proposal: | In order to combat Schedule C non-filing and the underreporting of non-employee compensation, the Committee recommends that the IRS develop and publicize, through outreach and education, a new Form W-9IC to be submitted by independent contractors to payors. The Form-W-9 could be modified in design and narrative to create the Form W-9IC. | | | | |
| Response from: | | | | | |
| Response Notes: | | | | | |

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| TAP E04-082 | Form SS-4 Changes | | Status: | Elevated Directly by Committee | |
| Date Elevated to IRS: | 8/20/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | |
| Issue Statement: | The IRS requested the advice of the Schedule C Non-Filer Committee to combat the following problem: When completing the Form SS-4 to apply for an EIN, many small business owners will incorrectly state in their application that they will have employees in their business. An incorrect statement on the SS-4 will cause the IRS problems with the filing requirements expected of that business. The IRS asked that the Committee analyze Question 12 and 13 of the Form SS-4. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The Committee proposed to strike questions 12 and 13 and create new questions to be designated 12a and 12b. The questions would be: Q12a: "Are you paying wages currently?" – "Yes/No" Q12b: If "Yes" -"state the date wages or annuities were first paid"; and, "What is the number of employees of each type paid: Agriculture-Household-Other?" | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| | A "Yes" answer would trigger the IRS computers to send out the standard employment "Compliance Packet," including payment coupons, returns and instructions. "No" answers would trigger the IRS computers to send out employment tax obligation booklets with instructions to contact the IRS when first wages/annuities are scheduled to begin in order to request the Compliance Packet. |
| Response from: | |
| Response Notes: | |

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| TAP E04-081 | 1099 Matching Program | | Status: | Elevated Directly by Committee | |
| Date Elevated to IRS: | 8/20/2004 | Date Counter Response to IRS: | 11/3/2005 | Date Response(s) Received: | |
| Issue Statement: | The IRS requested feedback from the Schedule C Non-Filer Committee on a proposed Form 1099 Matching Program. | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>The Committee stated that the 1099 Matching Program was "logical, sensible and would achieve its objective". The Committee also advised the IRS replace the term "non-employee compensation" with "contract labor" so that the Form 1099 is consistent with Form 1096. The Committee also suggested rephrasing two questions that are part of this Program.</p> <p>To track taxpayers who do not pay tax on self-employment income, the IRS proposes adding two questions to the Forms 1120, 1120S, 1065 and Schedule C. The two questions are:</p> <p>1- "What are your total contract labor costs for the year?"</p> <p>2- "What are the total contract costs for which you are required to issue a Form 1099?"</p> <p>The answers to these questions would a) tie to other answers on the Forms, b) would require the taxpayers to educate themselves as to the Form 1099 issuing and reporting requirements, c) would generate public awareness that the IRS can now match Form 1099 data with particular taxpayers, d) would allow the IRS to track the information through computer automation, and e) would allow the IRS to develop industry-specific data as to Form 1099 income.</p> | | | | |
| Response from: | | | | | |
| Response Notes: | | | | | |

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| TAP N04-065 | Language Standardization Guide—Layout Standards | | Status: | Closed, Proposal Accepted | |
| Date Elevated to IRS: | 9/7/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 5/4/2005 |
| Issue Statement: | The IRS Language Standardization Notice Committee is developing a Language Standardization Guide for IRS notices. This guide helps notice writers understand what they need to do when changing or writing a notice. The W & I Notice Committee was asked to review and provide feedback on the draft Layout Standards of the guide. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The Committee had positive feedback for the excellence of the document and provided specific recommendations on various parts, including: use of birth date as an identification application, definition and application of TEGE and SBSE, time zone concerns, and future use of taxpayer's email address. The proposal also suggested an example of the notice using the templates as it is very difficult to picture the end result without an example. | | | | |
| Response from: | Bonnie Babcock, Tax Law Analyst, Notice Support Group | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| Response Notes: | <p>The Notice Support Group thanked the committee for its positive comments and constructive feedback. The paper versions of the Language and Layout Standards are now complete. IRS is currently converting them into their final form - on-line tools located on the Notice Support Services intranet Web site. The on-line Web format was chosen for several reasons:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The Web tools are immediately available to all IRS employees, <input type="checkbox"/> The Web tools can be updated quickly and without the expense of paper publishing, and <input type="checkbox"/> The Notice Support Services intranet Web site is the repository for all notice writing and Dynamic Project Team resources and tools. <p>Most of the Committee's feedback and suggestions were incorporated into the final product. The IRS further provided line by line responses to each of the Committee's suggestions.</p> |
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| TAP 504-042 | Identity Theft, IRS Procedures | | Status: | Closed | |
| Date Elevated to IRS: | 9/17/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | |
| Issue Statement: | Identity theft has proliferated exponentially, affecting individuals, private industries, and governments at all levels, and growing into a Service-wide problem for the Internal Revenue Service (IRS) and taxpayers. The cost in dollars and time is monumental. Pamara Blount and Christopher Lee, the NTA's representatives on the IRS task force on identity theft, indicated that TAP members' input would be beneficial to the development of an IRS identity theft policy. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The Committee recommended that the NTA representatives on this the IRS task force on identity theft request input from TAP members in the development of the identity theft policies to be recommended to the IRS and for Area 5 to serve as the point of contact for TAP members. | | | | |
| Response from: | | | | | |
| Response Notes: | Area 5 subcommittee provided feedback to Taxpayer Advocate Service group working with IRS on this issue. | | | | |

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| TAP B04-085 | Questions About Utility of Kiosks | | Status: | Elevated Directly by Committee | |
| Date Elevated to IRS: | 9/17/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | |
| Issue Statement: | The Committee has doubts about the cost-effectiveness of kiosks to serve the needs of limited English speaking taxpayers. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The Committee submitted a series of questions to MLI program owners regarding the cost-effectiveness of kiosks to help analyze their utility. | | | | |
| Response from: | | | | | |
| Response Notes: | | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| TAP 404-043 | Lien Processing | | Status: | Closed, Proposal Partially Accepted | |
| Date Elevated to IRS: | 9/17/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 5/2/2005 |
| Issue Statement: | The IRS is currently changing lien processing services from 32 geographically based Area offices, to a centralized model. Operating procedures have not been completed for the new centralized lien process and implementation has not yet occurred. | | | | |
| Goal Statement: | | | | | |
| Proposal: | To increase the effectiveness of the new centralized lien process, the TAP Area 4 Committee proposed that IRS program owners include TAP members as external stakeholders as operating procedures are completed and the design goes to implementation. TAP members can represent all of the customers of the lien process: taxpayers, taxpayers' representatives and other third parties. TAP involvement in the reorganization process can provide key stakeholder input that is currently missing. | | | | |
| Response from: | Geneva Bagnato Lead Analyst, Campus Collection Service operations & Mary McLeish, Program Manager, AUR Operations | | | | |
| Response Notes: | Geneva Bagnato held a conference call with Area 4 regarding Lien Processing. Area 4 members present on the conference call were satisfied that their concerns when this issue was raised are being addressed by the changes IRS is making in the lien processing area. Area 4 thanked the IRS program owner for the update, and the opportunity to provide input into the decisions being made. This issue will be considered closed, without further need for follow-up, unless future concerns are brought up from the grassroots level once the new procedures are in place. | | | | |

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| TAP N04-056 | CP5XX Series Usability Testing | | Status: | Closed, Proposal Accepted | |
| Date Elevated to IRS: | 9/22/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 9/22/2004 |
| Issue Statement: | Members of the Notice Committee were invited to observe the Notice Usability Testing and provide comments on the process and notices themselves. The notices tested were the CP 501, Reminder of a Balance Due, CP 504, Urgent Notice of a Balance Due, and the CP 515, First notice of failure to file a return. | | | | |
| Goal Statement: | | | | | |
| Proposal: | Observations on the process: Taxpayers were asked to assume a role as they evaluated the Notices. IRS should simply ask them what they felt about the Notices rather than requiring them to imagine what some other person might have felt. CP-515 is sent with a completed tax return and the TAP members felt it was confusing since taxpayers may not be required to file or, if they file, might need to change the information on the return. It was also suggested to have more interaction with the parties doing the interviewing and the IRS. | | | | |
| Response from: | | | | | |
| Response Notes: | Committee members observed the notice testing process and reported back to the full notice committee on the process. | | | | |

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| TAP 504-044 | Tax Transcripts for Taxpayers | | Status: | Closed, Proposal Rejected | |
| Date Elevated to IRS: | 9/22/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 11/4/2004 |
| Issue Statement: | Taxpayer Assistance Centers (TACs) no longer provide tax return and tax account transcripts to taxpayers. These transcripts must now be requested by phone or mail with a two-week | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| | timeframe for delivery These transcripts often meet the requirements of lending institutions and demonstrate residency for taxpayers. Oftentimes there is an urgent need by the taxpayer and waiting two weeks increases taxpayer burden. |
| Goal Statement: | |
| Proposal: | To decrease taxpayer burden, TAC offices should resume providing tax return and tax account transcripts to taxpayers visiting TAC offices who request them. Time required to provide copies is nominal; and as per statistics of the documented requests listed above; continuing to provide these copies would require minimal increase in resources |
| Response from: | Jan Marlor, Senior Technical Advisor, Director, Field Assistance, W & I, CARE |
| Response Notes: | <p>The proposed solution from the Taxpayer Advocacy Panel is for the TAC to provide the copies of transcripts and tax return at all times. We are not recommending this change due to the mass number of tax law assistance the TAC provides, and the redirection of the skill level of employees to resolve compliance and collection issues.</p> <p>The TACs will provide transcript information (tax account transcripts) to the taxpayers and/or their representatives (the representative will need a power of attorney for the taxpayer) when an extreme hardship exists. Taxpayers or their representative are required to show verification of the hardship when they cannot wait the normal processing time.</p> |

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| TAP 204-050 | Simplify Form 1041 Instructions | | Status: | Closed, Proposal Partially Accepted | |
| Date Elevated to IRS: | 9/22/2004 | Date Counter Response to IRS: | 7/29/2005 | Date Response(s) Received: | 8/16/2007 |
| Issue Statement: | The Instructions for Form 1041, U.S. Income Tax Return for Estates and Trusts, are confusing. | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>TAP redirected to Forms and Publications the following recommendations for revision of Form 1041, U.S. Income Tax Return for Estates and Trusts originally elevated 9/22/2004 to W&I Liaison, Sue Sottile.</p> <ol style="list-style-type: none"> 1. Clarify the concept of Distributable Net Income (DNI). A flowchart illustrating the concept of DNI and the flow of information in conjunction with an improved explanation should be included in the instructions. 2. Include a section at the beginning of the instructions of the "Most Commonly Asked Questions." This section should reference the appropriate page(s) in the instructions where the answer can be found. Some of the questions, and references, to include would be: <ol style="list-style-type: none"> a. Does the beneficiary or the estate/trust pay any taxes due? (income taxation of trusts and decedents estates, page 2: line 18- income distribution deduction, Page 17) b. When is a return due? (when to file, Page 6; extension of time, Page 6) c. What income is reported? (line 1 thru 8 Income, Page 8) d. What deductions are available? (deductions, Page 14; lines 10 thru 15b, Pages 15 and 16) 3. Include a section at the beginning of the instructions for the List of Important Documents. This list should include typical documents the taxpayer will need to complete Form 1041. This should include forms, such as K-1; publications, such as 559, and documentation, such as beneficiary information. 4. Segment the instruction book by the type of entity. Since the form is used for significantly different entities, the instructions and examples specific to an entity should be grouped together. There should be a section on a decedent's estate, a section on a simple trust, complex trust, small business trust, grantor trust, and qualified disability trust. 5. Include a Glossary of Terms. Terms to include would be beneficiary, distribution, grantor, estate, and trust. | | | | |
| Response from: | Sue Sottile, Director, Tax Forms and Publications | | | | |
| Response | Adopt Partially (as redesign of the instructions to Form 1041 is developed) | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| Notes: | <ol style="list-style-type: none"> 1. Not Adopt – Schedule B, Form 1041 currently provides the computation for distributable net income (DNI). Considering the various scenarios involved, a flowchart would not be practical. 2. Not Adopt – The Contents list at the beginning of the instructions for Form 1041 are already designed to help filers find the most common issues where answers to questions can be found. Estates are also included in Frequently Asked Questions on irs.gov. 3. Consider– We will consider moving the information in the instructions about what other forms may be required for better placement. 4. Consider – The instructions are currently segmented to provide information common to all trusts and estates and have separate sections for Grantor Type Trusts, Pooled Income Funds, and Electing Small Business and for Bankruptcy Trustees and Debtors-in-Possession. In upcoming revisions to the instructions we will consider whether additional segmentation is needed. 5. Not Adopt - As identified in the Contents list, the instructions include definitions, particularly Beneficiary, Income required to be distributed currently, and Trust. A glossary would be duplicative. |
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| TAP 704-049 | Marketing TAP | | Status: | Closed, Proposal Accepted | |
| Date Elevated to IRS: | 9/22/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 12/30/2004 |
| Issue Statement: | It is an ongoing concern that the Taxpayer Advocacy Panel is not widely known. | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>To promote TAP's existence and purpose and increase the quantity and quality of grass-root issues brought to the TAP, The Area 7 Committee suggested the following prepared language to be inserted in IRS news releases and text from the IRS National Office often used by various businesses/outlets during tax season to communicate important tax information and changes.</p> <p>SPEAKUP The Taxpayer Advocacy Panel is an independent panel of citizen volunteers appointed by the Secretary of the Treasury to make suggestions for improving customer service at the Internal Revenue Service. Panel members from all 50 states, Washington, D.C., and Puerto Rico will not only listen to what you have to say but will also give your suggestions a voice. For more information call us at 1-888-912-1227 or visit our website at www.improveirs.org.</p> <p>This information should be coordinated nationally with any organization that normally provides tax tips and information to their customers. For example, businesses such as Payroll Services (ADP) and the National Association of Federal Credit unions provide tax tips in statements mailed to their customers. Information about TAP should be made available to various communication vehicles that use news releases from the IRS to make tax guides.</p> <p>This prepared language should also be included in news releases about TAP.</p> | | | | |
| Response from: | Bernard E. Coston, Director Taxpayer Advocacy Panel | | | | |
| Response Notes: | TAP developed a Communication Strategy and implementation is ongoing. | | | | |

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| TAP 504-045 | IRS Correspondence, Change of Address | | Status: | Closed, Proposal Partially Accepted | |
| Date Elevated to IRS: | 9/22/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 9/28/2004 |
| Issue Statement: | The broad issue is why taxpayers do not get their mail from the IRS and how the IRS can foster more taxpayers getting their correspondence. The responsibility for proper addresses and | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| | reporting address changes to the IRS lies with the taxpayer. |
| Goal Statement: | |
| Proposal: | <p>The Area 5 Committee recommended the IRS do the following:</p> <ol style="list-style-type: none"> 1. Emphasize the importance of filing a Form 8822, Change of Address, more prominently. In future revisions of the 1040 Instructions and Publication 17, information related to Form 8822 could be emphasized. Its current placement on page 60 of the 1040 Instructions is buried. It could also be moved to the Important Reminders on page 2 in Publication 17. 2. Clarify in taxpayer materials what is required for a "match." Taxpayers need to know that name matches are performed when names are exactly identical--like an e-mail address or they will potentially be rejected. "Robert Smith" who sometimes goes by "Bob" or "Robbie" or "Robert Smith, Sr." will not be a match. 3. Publicize the address change policy. The National Taxpayer Advocate's 2003 Annual Report recommends advertising through public service announcements the importance to the taxpayer of notifying the IRS of an address change using Form 8822 and inserting a direct link to the form on the home page of the IRS website. |
| Response from: | Sandra L. Kopta, Chief, Individual Forms and Publications Branch |
| Response Notes: | In the 2004 Instructions for Form 1040, the IRS has moved the change of address information pertaining to Form 8822 from the General Information in the back of the instructions to page 16 (the first page of the line instructions), and added a reminder on change of address to the Important Reminders section on page 2 of the 2004 Publication 17. However, the IRS prefers not to publicize the address change policy whereby the IRS matches names against the United States Postal Service's national address database. The IRS does not want taxpayers to rely on this match as a method of updating their address with the IRS. |

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| TAP 104-051 | Advertising TAP in Publication 1546 | | Status: | Closed, Proposal Accepted | |
| Date Elevated to IRS: | 9/22/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 4/20/2005 |
| Issue Statement: | It is an ongoing concern that the Taxpayer Advocacy Panel is not widely known. | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>In an effort to advertise the Taxpayer Advocacy Panel (TAP) as an Independent advisory group to the IRS, TAP proposed that the following statement of TAP's mission and contact information be included in the Taxpayer Advocate Service (TAS) Guide "How to Get Help With Unresolved Tax Problems" (Publication 1546):</p> <p>Taxpayer Advocacy Panel (TAP) – An independent panel of citizen volunteers who make suggestions for improving the way IRS does business. Contact TAP at: 1-888-912-1227 or www.improveirs.org.</p> | | | | |
| Response from: | Bernie Coston, Director, TAP | | | | |
| Response Notes: | Nina Olson, the National Taxpayer Advocate, agreed to TAP's proposal. Publication 1546 is being revised and TAP's proposal will be included in the revision. The January 2006 revision of the publication contains the requested changes. | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| TAP F04-060 | Forms 941, W-2, W-3 & W-4 Electronic Filing Issues | | Status: | Closed, Proposal Accepted | |
| Date Elevated to IRS: | 9/22/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 12/30/2004 |
| Issue Statement: | The Committee was charged with exploring the possible barriers for small businesses in the use of electronic filing of payroll and tax reporting information. Specifically; (1) why they do or do not use electronic filing that is currently available, (2) their attitudes and opinions toward electronic filing, and (3) what might encourage greater use of electronic filing of forms 941, Employer's Quarterly Federal Tax Return ,W-2, Employer's Wage and Tax Statement, and W-3, Employer's Transmittal of Wage and Tax Statement. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The Committee surveyed small business owners and practitioners and found three categories of issues: educational, financial, and procedural. | | | | |
| Response from: | Michael R. Chesman, Director, Burden Reduction | | | | |
| Response Notes: | <p>Education is a key component of IRS efforts to encourage small businesses to utilize the electronic filing tools that are available to them.</p> <ol style="list-style-type: none"> 1. The Marketing Strategies Group is currently reviewing all publications, documents and notices to assure a prominent and consistent message is displayed relative to electronic filing and payment programs. 2. E-File and E-Pay posters are currently displayed in IRS service locations and the marketing group is studying opportunities to have them posted in business centers, such as offices of the Small Business Administration, the Social Security Administration, and educational institutions that serve as incubators for new businesses. Post offices and libraries, with their own areas of interest, have historically been less supportive of these messages. 3. While the IRS no longer has the resources to host small business workshops, it is leveraging the resources of other organizations, such as SCORE, and tax practitioners to include e-file and e-pay messages in their workshops and presentations. 4. IRS actively markets e-pay to new business owners. The Marketing Strategies Manager is in the process of determining if e-file materials are included among the products sent to those receiving a new EIN. 5. IRS has consistently found that mailing pamphlets or other marketing materials directly to taxpayers is not productive. Taxpayers either throw them away once they realize they are not specific to their tax obligations, or turn the materials over to their tax return preparers. <p>Financial incentives to electronically file tax returns have long been given consideration. However, such initiatives face enormous hurdles.</p> <ol style="list-style-type: none"> 1. Tax credits to reimburse taxpayers for expenses incurred require legislation and would result in considerable cost to the government. 2. Establishment of a "penalty" fee for paper filing would also require legislation, however it is considered unlikely that Congress would create a fee for taxpayers to do what they are legally required to do. 3. A more likely opportunity is one that would offer new or the smallest businesses the capability to file on-line at no cost. The success of Free- File for individual taxpayers supports this recommendation. The Marketing Strategies Manager plans to explore this recommendation with IRS' office of Electronic Tax Administration. <p>Better understanding of IRS plans and procedures can have a positive effect on changing taxpayer and practitioner behavior.</p> <ol style="list-style-type: none"> 1. The IRS has developed an E-File Strategy that is currently being put in print for distribution. It outlines the Service's priorities and includes a schedule for delivery of new and improved electronic products and services. 2. While no legislation is in place nor requested to require electronic filing, should there be such legislation; the IRS would expect it to include a transition schedule that would allow businesses a reasonable time to meet the new requirements. 3. Security has increasingly been raised as a barrier to electronic transactions. As a result, new | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| | marketing products and new messages are being developed that will focus more attention on the security measures in place that afford protection to taxpayers and their information. |
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| TAP N04-057 | Scoring Notices | | | Status: | Closed |
| Date Elevated to IRS: | 9/22/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | |
| Issue Statement: | IRS uses a Document Assessment Total (DAT) to score the readability and usability of IRS notices. | | | | |
| Goal Statement: | | | | | |
| Proposal: | Members of the W & I Reducing Taxpayer Burden (Notice) Issue Committee were trained in scoring notices using the DAT in February 2004. Using the DAT tool, the members have scored the CP07, CP27, CP501, CP503, CP504, CP515, CP518, CP521, and CP523. The DAT scoring documents have been sent to the leads of the respective Dynamic Project Team (DPT). | | | | |
| Response from: | Ann Gelineau, Wage & Investment Notice Single Point of Contact | | | | |
| Response Notes: | W&I Notice Single Point of Contact thanked Committee for scoring the notices and adding credibility to the process. | | | | |

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| TAP F04-059 | Annualized Form 941 | | | Status: | Closed |
| Date Elevated to IRS: | 9/22/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 12/30/2004 |
| Issue Statement: | Quarterly filings of Form 941 are an unnecessary burden to the small business owner in the time it takes to complete and file quarterly returns. The IRS processing of quarterly Form 941's are also an unnecessary use of IRS resources. | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>To decrease the burden for small business owners, the Committee recommended that the IRS initiate the pilot study proposed by the IRS Annualized Form 941 Task Force, to be expanded if successful for small business owners who owe less than \$2500 per quarter to file Form 941 annually. The panel recommends the following conditions:</p> <ol style="list-style-type: none"> 1. Businesses must show a record of compliance for the previous 8 quarters in both filing timely and current on payments. 2. The IRS should structure the final implementation of an annualized Form 941 to include indexing for inflation. 3. The IRS should look at other options such as biannual filing for those taxpayers who owe more than \$2500 per quarter. 4. To encourage electronic filing and payment, require both for participation in the annual Form 941 program. | | | | |
| Response from: | Michael R. Chesman, Director, Office of Taxpayer Burden Reduction (OTBR) | | | | |
| Response Notes: | <p>OTBR, Michael Chesman, responded that the committee's support for the concept and the recommendations it made have been a helpful part of the ongoing discussions. It is important to note that the committee's surveys and discussions with small business employers provide a recognized additional foundation and credibility to its recommendations.</p> <p>The Office of Burden Reduction and the task force are continuing to pursue an agreement among all of the stakeholders. In order to be successful, the task force must balance tax simplification with the concerns of the Social Security Administration regarding its need to accurately estimate the amount of funds available quarterly to the social security trust fund and the Department of Treasury's concern regarding the impact of the initiative on the flow of tax revenues that fund the</p> | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| TAP 404-046 | Married Filing Separate Income Reporting | | Status: | Closed, Proposal Rejected | |
| Date Elevated to IRS: | 9/22/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 9/28/2004 |
| Issue Statement: | A married taxpayer who file separately every year is likely to receive an IRS notice that information is missing from the individual tax returns when income to which both spouses are legally entitled (such as interest from a joint bank account) has been allocated to the return of the other spouse. Even if the allocation is proper, IRS inquiry will be triggered if information reporting attributes the income to the other spouse because that is the primary social security number on the account. | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>1. IRS should inform taxpayers that the IRS matches the Social Security Number used by the bank or other institution to report the income to the Social Security Number on the return. To help taxpayers and avoid correspondence, IRS should print this information in the instructions for the Forms 1040A and 1040. IRS should include a warning that not listing the income under the social security number that is used on the reporting forms may trigger an inquiry from IRS.</p> <p>2. There are a number of non-governmental publications used by many taxpayers. IRS informally, through National Communications and Liaison and Stakeholder Partnerships, Education, and Communication should respectfully recommend the publications contain warnings to taxpayers about this potential problem</p> | | | | |
| Response from: | Sandra L. Kopta, Chief, Individual Forms and Publications Branch | | | | |
| Response Notes: | <p>The IRS decided against adopting this suggestion for the following reasons:</p> <p>There is currently a section in the Instructions for Forms 1040 and 1040A entitled "Do Both the Name and SSN on Your Tax Forms Agree with Your Social Security Card?" that is listed under General Information, and informs taxpayers that if a Form W-2, Form 1099, or other tax document shows an incorrect SSN or name, to notify the employer or form-issuing agent as soon as possible to make sure that the earnings are credited to the proper social security record. Also, by law, taxpayers are required to properly report their own income on their individual tax return. This is reflected in the line 3 instructions for Forms 1040 and 1040A. Including a warning for married taxpayers who file separate returns that not listing income under the social security number that is used on the reporting forms may result in an inquiry from the IRS and may result in the improper reporting of such income.</p> | | | | |

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| TAP 304-053 | Outsourcing of Tax Return Preparation | | Status: | Closed, Proposal Accepted | |
| Date Elevated to IRS: | 9/23/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 8/16/2007 |
| Issue Statement: | IRS rulings and regulations do not specifically address the rapidly growing accounting firm practice of outsourcing, without client knowledge or consent, preparation and processing of tax returns to third parties outside the United States and disclosing to those third parties financial and personal information about taxpayers used in preparing their returns. Taxpayers have expressed concern about who has access to or will be looking at their financial records and where this is being done. | | | | |
| Goal Statement: | | | | | |
| Proposal: | TAP recommended that IRS rulings and/or regulations under Code sections 6713 and 7216 clarify that providing return information to a third-party preparer outside the United States without | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| | <p>the client taxpayer's knowledge and consent constitutes unauthorized disclosure of return information and that client consent is valid only if the preparer prominently, fully, and clearly discloses if all or a significant portion of the preparation or processing of a return will be or could be outsourced to a location outside the United States. The name of the country or countries to which the tax return preparation and/or processing is being or could be outsourced should be disclosed, and such disclosure should be prominently displayed and not "buried" in an engagement letter or some other document.</p> <p>In addition, Circular 230 should provide that outsourcing tax returns without the client's informed consent is "disreputable conduct" or, at the very least, include among "best practices" informing clients if tax return preparation will be outsourced.</p> |
| Response from: | Nina E. Olson, National Taxpayer Advocate |
| Response Notes: | <p>We agree with the TAP that tax return preparers should not be permitted to disclose tax return information to third parties outside the United States without the written and informed consent of the taxpayer client.</p> <p>Our office has addressed this issue in several ways:</p> <ul style="list-style-type: none"> • The National Taxpayer Advocate first raised the outsourcing issue in her 2004 Annual Report to Congress in the Most Serious Problem discussion on Oversight of Unenrolled Return Preparers. The discussion stated that the current regulations were ambiguous as to whether returns could be outsourced to foreign preparers without taxpayers' meaningful written consent. In the Key Legislative Recommendation on Filing Issues in the 2006 Annual Report to Congress, the NTA noted TAP's concerns and recommended that Congress prohibit the disclosure or use of information to or by any tax return preparer located outside of the United States, unless the taxpayer has provided written consent. • The Taxpayer Advocate Service has worked closely with the Office of Chief Counsel on the IRC § 7216 regulations. Proposed regulations issued in December 2005 require the taxpayer's written consent before a return preparer discloses tax return information overseas. Moreover, our office has continued to work with the Office of Chief Counsel on final regulations. • In a letter to Commissioner Everson dated August 18, 2006, the TAP recommended that return preparers redact personal identifying information before disclosing tax return information overseas. Our office recommended to the Office of Chief Counsel that the final regulations under IRC § 7216 include such a requirement. <p>We will continue to advocate on this issue throughout the process to revise the regulations under IRC § 7216. We will also further pursue TAP's recommendation to revise Circular 230 to address this issue.</p> |

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| TAP 104-052 | Elimination of Form 2688 | | Status: | Closed, Proposal Implemented | |
| Date Elevated to IRS: | 9/23/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | |
| Issue Statement: | The Internal Revenue Code states that the Secretary may grant a reasonable extension of time for filing a tax return and that, except in the case of taxpayers who are abroad, no such extension shall be for more than six months. In order to obtain this six month extension taxpayers must complete and timely file two tax forms. | | | | |
| Goal Statement: | | | | | |
| Proposal: | To simplify taxpayer compliance, a single form should be required to obtain the maximum six-month extension of time to file a tax return as allowed by the Internal Revenue Code. The Form 4868 could be expanded to an automatic six-month extension of time to file and the Form 2688 can be eliminated. This conforms to the procedures of corporate extension requests. | | | | |
| Response from: | | | | | |
| Response Notes: | The Office of Taxpayer Burden Reduction has worked with the SB/SE Committee on implementing this proposal for both individuals and business owners. The IRS has announced that beginning in 2006, Form 4868 will provide an automatic six-month extension and Form 2688 | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| TAP 304-055 | Provide Third Party Designee Notices Automatically | | Status: | Closed, Proposal Rejected | |
| Date Elevated to IRS: | 9/24/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 5/1/2006 |
| Issue Statement: | Taxpayers are allowed to designate a third party to discuss questions about various tax returns by checking a box adjacent to the signature section on the returns. Designees are authorized to receive information or transcripts related to the return, upon request to the Internal Revenue Service (IRS). | | | | |
| Goal Statement: | | | | | |
| Proposal: | The third party designee should be co-recipient of IRS notices about math errors, offsets, and return preparation. The designated practitioner should be notified automatically and at the same time as the taxpayer. | | | | |
| Response from: | Priscilla J. Hagan-Hetherington, Chief, Policy, Procedures & Guidance | | | | |
| Response Notes: | <p>Wage and Investment/Accounts Management Position and Actions W&I Accounts Management does not concur with the TAP recommendation for a variety of policy, privacy, and legal issues:</p> <ul style="list-style-type: none"> • The Service never intended to impinge upon the authority granted by the Power of Authority (Form 2848) with the Checkbox or Third Party Designee authority. Even though the 1040 check-the-box authority has been expanded to include a sharing of information to resolve some account issues, it continues to be nothing greater than disclosure authority to assist in the completion of return processing. • By expanding the use of the Checkbox as the TAP proposes, the IRS may give a false indication of authority the preparer or Third Party Designee may have, because the person identified by the Checkbox, or Third Party Designee, is not always the person who prepares the tax return. If the person with check-the-box authority is not the preparer, and he or she also received copies of notices, this may cause communication problems between the preparer and the client. • At the one-year anniversary of the return due date, any unresolved account issues are generally in Examination or Collections status. A Third Party Designee does not have the authority to represent or resolve issues with Examination or Collections personnel about his/her client's tax account. The intent of the check-the-box authority was for the designee to be anyone, and clearly not someone representing the taxpayer in a tax dispute. • The check-the-box authority is irrevocable. Often the Designee is the return preparer, not friend or family. The issue then becomes one of unauthorized disclosure, if the taxpayer decides he or she no longer wants the Designee/preparer's services. An irrevocable designation must be limited in time to keep unauthorized disclosures from occurring. This is especially crucial at a time when maintaining privacy of personal financial information is most critical; any release of unauthorized information would be unacceptable. | | | | |

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| TAP A04-072 | Consistent Use of "EIC" or "EITC" | | Status: | Closed, Proposal Rejected | |
| Date Elevated to IRS: | 9/24/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 5/6/2005 |
| Issue Statement: | Many taxpayers and even some experienced practitioners are confused by the reference to the | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| | Earned Income Tax Credit in some documents as “Earned Income Tax Credit” (“EITC”) and the use in other documents of the term “Earned Income Credit” (“EIC”). |
| Goal Statement: | |
| Proposal: | The Committee recommended that the EITC program work with other IRS organizations to agree upon and implement consistent use of either “Earned Income Tax Credit” (“EITC”) or “Earned Income Credit” (“EIC”). |
| Response from: | David R. Williams, Director, Earned Income Tax Credit |
| Response Notes: | EITC Director advised Committee that the recommendation was not politically feasible. |

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| TAP A04-073 | Sharing EITC Outreach Best Practices | | Status: | Elevated Directly by Committee | |
| Date Elevated to IRS: | 9/27/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | |
| Issue Statement: | There exists no IRS-sponsored program for sharing best practices among EITC outreach partner organizations in order to achieve the EITC program goals of encouraging eligible taxpayers to claim the EITC and ensure that taxpayers and their advisers understand the eligibility requirements. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The Committee recommended that the EITC program work with Stakeholder Partnerships, Education and Communication (SPEC) to establish a “National Best Practices Sharing Program” for EITC outreach partner organizations comparable to the best practices sharing programs of the National Community Tax Coalition and the National Tax Assistance for Working Families Campaign. | | | | |
| Response from: | | | | | |
| Response Notes: | | | | | |

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| TAP A04-074 | EITC Rural Outreach | | Status: | Closed, Proposal Accepted | |
| Date Elevated to IRS: | 9/27/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 4/1/2005 |
| Issue Statement: | Stakeholder Partnerships, Education and Communication (SPEC) has no strategy for EITC rural outreach that is nationwide. | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>The Committee recommended that the EITC program work with SPEC to implement the following six recommendations to achieve the EITC program goals of encouraging eligible taxpayers to claim the EITC and ensure that taxpayers and their advisers understand the eligibility requirements:</p> <ol style="list-style-type: none"> 1. Adopt a centralized national strategy. 2. Expand the number and nature of the groups contacted in local rural outreach efforts. 3. Arrange for sharing EITC rural outreach best practices among SPEC offices. 4. Establish operating guidelines, including national and local priorities. 5. Establish processes for measuring the effectiveness of outreach efforts. 6. Establish a consistent definition of “rural.” | | | | |
| Response from: | Margaret L. Warren, Director, Product and Partnership Development, Stakeholder Partnerships, | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| | Education and Communication (SPEC) |
| Response Notes: | <p>The Director of Strategic Planning announced at the 2004 TAP Annual Meeting that SPEC was reviewing its EITC rural outreach strategy in response to the Committee's proposal, and the EITC Director reported that the proposal was forwarded to the appropriate staff for consideration.</p> <p>At the EITC Committee meeting on May 6, 2005, SPEC representatives reported that SPEC had formulated and implemented a Rural Strategy during FY 05. The FY 05 SPEC Rural Strategy utilizes rural pilots and models to demonstrate SPEC's ability to deliver outreach, free tax return preparation (VITA) and financial literacy training to selected areas of low income rural America. The strategy utilizes identification of, collaboration with and building alliances with groups that have extensive pre-existing rural infrastructures as a means of SPEC reaching the most rural population.</p> <p>There are 15 pilot sites in 11 states targeting specific populations with high poverty levels. The sites participate in five (5) key activities:</p> <p>Activity 1 - Identify and Increase SPEC's inventory of rural partners that have capacity to be self-sufficient rural partners.</p> <p>Activity 2 - Conduct direct and indirect outreach in low-income rural communities via rural groups with established rural locations.</p> <p>Activity 3 - Collaborate with rural partners that will participate in self-sufficient rural VITA/Coalition sites.</p> <p>Activity 4 - Partner with rural organizations that place special emphasis on financial literacy programs.</p> <p>Activity 5 – Develop three (3) information sharing and Collaboration Memorandums of Understanding (MOU) with major government agencies that provide grants to community based organizations.</p> <p>In addition, the FY 05 Rural Strategy contains initiatives for outreach to individuals and businesses. A key component of the FY 05 Rural Strategy is a meeting of partners and SPEC Territory Managers to obtain feedback and best practices to better inform implementation of FY 06 Rural Strategy activities.</p> <p>The FY 05 SPEC Rural Strategy contains extensive measures including:</p> <ul style="list-style-type: none"> • Increased EITC Outreach • Increased number of returns prepared |

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| TAP A04-075 | TAP Participation in EITC Grass Roots Forums | | Status: | Closed, Proposal Accepted | |
| Date Elevated to IRS: | 9/27/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 3/17/2005 |
| Issue Statement: | TAP members were not involved in EITC Grass Roots Forums conducted in Los Angeles and Miami in 2004. | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>The Committee asked the EITC program to:</p> <ol style="list-style-type: none"> 1. Provide the TAP Earned Income Tax Credit Issue Committee with information on future Grass Roots Forums. 2. Invite TAP to set up a table at future Forums to inform taxpayers about the opportunity to make suggestions as to how to improve the IRS by contacting TAP. 3. Notify local TAP members of future Forums and invite them to participate. | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| Response from: | Kay Farrow |
| Response Notes: | EITC Committee members were informed of the dates of the 2005 forums. |

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| TAP A04-018 | SPEC Partnership Process | | Status: | Elevated Directly by Committee | |
| Date Elevated to IRS: | 9/30/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 4/1/2005 |
| Issue Statement: | Problems partnering with SPEC experienced by the YMCA in Iowa; lack of outreach materials and support for Volunteer Income Tax Assistance (VITA) groups in some communities; lack of VITA and EITC outreach activities in some locales. | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>The Committee recommended that the EITC program work with SPEC to implement the following eight improvements to SPEC partnership processes to achieve the EITC program goals of encouraging eligible taxpayers to claim the EITC and ensure that taxpayers and their advisers understand the eligibility requirements:</p> <ol style="list-style-type: none"> 1. Establish a national partnership strategy including both national and local partners. 2. Establish a single point of contact for all SPEC partnership activity in a given locale. 3. Liberalize the criteria for "national" partners. 4. Establish a national marketing strategy. 5. Establish an evaluation process for existing partner organizations. 6. Re-evaluate the current business model requiring partner organizations to have substantial resources. 7. Provide clear guidance for partner organizations, including national and local priorities. 8. Provide more outreach support to partner organizations. | | | | |
| Response from: | Margaret L. Warren, Director, Product and Partnership Development (P&PD), Stakeholder Partnerships, Education and communication (SPEC) | | | | |
| Response Notes: | <p>SPEC P&PD Director, Margaret Warren provided a point by point answer to each recommendation raised by the Committee. Following are some of the highlights:</p> <ul style="list-style-type: none"> • P&PD endeavors to create interest, participation and investment of national partners who in turn engage their local affiliates in community-based infrastructure-building across the U.S. SPEC Field Operations works to bring local partners who are not tied to national organizations together with the affiliates of national partners to form community-based coalitions focused on outreach & education, free tax assistance and asset building strategies for W&I taxpayers in the communities in which they reside. • Local SPEC personnel work to navigate this dynamic environment with the support of each other, P&PD, SPEC leadership, and the interests and influence of local and national partners. SPEC has chosen not to apply a rigid formula to such decisions but rather to direct managers to consider multiple variables in allocating resources to achieve business objectives. • There are 72 local SPEC offices. P&PD works in concert with national partners and local SPEC offices to engage the local affiliates of national partners in any given community. No duplication of contact occurs. • Through numerous formal and informal feedback channels, SPEC solicits and assesses partner definition of value to improve and refine SPEC support and services. Changes to training, technology and product offerings reflect this partner driven input. Support of successful existing partnerships should take precedence over aggressive new recruitment. • SPEC uses a management information systems tool called STARS (SPEC Taxpayer Assistance Reporting System), to maintain a database of national partners and assess their potential in SPEC initiatives. • SPEC's focus is not on an absolute objective of minimal resource investment, but rather on determining the proper amount of resources SPEC can and should contribute to each partner's efforts. In evolving to greater partner self-sufficiency over time, SPEC considers a number of variables. • SPEC is continually assessing the business model and acknowledged it is not the best model for all partners. It is not feasible to develop such a model that could effectively incorporate | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| | <p>the significant diversity among national and local organizations.</p> <ul style="list-style-type: none"> • By successfully articulating the value of engaging in partnership with the IRS to conduct outreach & education, free tax assistance and to engage in asset building strategies, SPEC persuades organizations to serve a joint constituency. • SPEC does systemically work to understand partner marketing material needs through a formal annual needs assessment process in late spring/early summer each year. The Education & Product Development group within P&PD works through Territory Managers who collect partner needs locally each year |
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| TAP 304-054 | Expanding Third Party Authorization Term | | Status: | Closed, Proposal Rejected | |
| Date Elevated to IRS: | 10/18/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 5/1/2006 |
| Issue Statement: | Taxpayers are allowed to authorize a third party to discuss questions about various tax returns with the Internal Revenue Service (IRS) by checking a box adjacent to the signature section on the returns. The authorization is limited to one year from the due date, without extension, of the return. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The IRS should expand the term of the authorization to three (3) years. Many times the IRS is not able to correspond with taxpayers about math errors, offsets, and return preparation within one year of the due date. Part of the delay is caused by taxpayers filing returns past the original due date. Extending the authorization to three (3) years would not jeopardize or change any IRS enforcement actions. | | | | |
| Response from: | Priscilla J. Hagan-Hetherington, Chief, Policy, Procedures & Guidance | | | | |
| Response Notes: | <p>Wage and Investment/Accounts Management Position and Actions W&I Accounts Management does not concur with the TAP recommendation for a variety of policy, privacy, and legal issues:</p> <ul style="list-style-type: none"> • Although the 1040 check-the-box authority has been expanded to include a sharing of information to resolve some account issues, it continues to be nothing greater than disclosure authority to assist in the completion of return processing and resolve issues within a short period of time. • A Third Party Designee does not have the authority to represent or resolve issues with Examination or Collections personnel. Generally, account issues are in Examination or Collections after one year. If the authorization period is expanded, designees may attempt to handle issues that require representation by someone qualified to practice before the IRS. • The check-the-box authority is irrevocable. The Designee may be the person who prepared the return, not friend or family. If the taxpayer decides they no longer needs or want the Designee/preparer's services, because the authority is irrevocable, the Designee could receive information they are not entitled to receive. • Customer Service Representatives will be required to perform additional research to determine when the Check Box authority ends, if the period is extended. This change could create confusion and cause inadvertent disclosures. | | | | |

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| TAP F04-062 | Electronic Deposit of Payroll Taxes | | Status: | Closed, Proposal Partially Accepted | |
| Date Elevated to IRS: | 10/18/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 12/30/2004 |

2004 Taxpayer Advocacy Panel Recommendations

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| Issue Statement: | How can the number of small businesses and self-employed taxpayers who utilize electronic deposits, be increased? |
| Goal Statement: | |
| Proposal: | <p>The Committee recommended the following:</p> <p>Education:</p> <ol style="list-style-type: none"> 1. Continue to educate taxpayers in order to dispel the fears taxpayers have about electronic methods. 2. Educate and encourage tax professionals to utilize electronic methods. <p>Procedure:</p> <ol style="list-style-type: none"> 1. Continue with innovative programs such as the Penalty Rebate Program and the EFTPS pre-enrollment of new small businesses. 2. Encourage the development of payroll software, which not only does payroll computations but also would electronically file and make payroll deposits. |
| Response from: | Michael R. Chesman, Director, Burden Reduction |
| Response Notes: | <p>OTBR Director Michael Chesman responded that while a number of the initiatives recommended are already underway, the committee identified new initiatives the Marketing Strategies Group plans to address.</p> <ol style="list-style-type: none"> 1. Because older business owners appear the least interested in new processes, the Marketing Strategies group plans to explore opportunities for industry groups, with which Taxpayer Education and Communication partners, to identify industries and organizations that are likely to have older demographics. Once the information has been obtained, special messages for those market segments can be developed. 2. Interactive software training modules for the Electronic Federal Tax Payment System (EFTPS) are currently available on the Internet and on CDs available upon request from the IRS Distribution Centers. 3. Marketing electronic payments to tax professionals has been the key component of IRS' marketing strategy for a number of years. 4. The Penalty Rebate Program was made available nationwide approximately one year ago. The IRS is just at the point when it will be able to measure the impact of the program. If it is as successful as the pilot project, there is every expectation that the program will continue. 5. The EFTPS Pre-Enrollment Program appears to have been very successful in promoting the use of EFTPS among new business owners, with approximately 30% of the new businesses completing the registration process and making payments electronically. If that success is validated through further research, it can be expected that the program will continue as a key part of the e-pay strategy. 6. Encouraging payroll software developers to include e-file and e-pay in their software products has met with limited success in the past. However, a new effort is in the planning stage, one that will focus on the market for such products and the marketing opportunities available through partnering with the IRS |

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| TAP G04-058 | Preparer Licensing | | Status: | Elevated Directly by Committee | |
| Date Elevated to IRS: | 10/27/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | |
| Issue Statement: | <p>Taxpayers, who may have little knowledge of tax preparation, are deluged with choices of tax preparers who are not regulated and are not required to demonstrate the minimum competency to prepare tax returns. At this time, there is no requirement for licensing or certification process for tax preparers. Tax preparers are not subject to any rules or standards of conduct and are not required to participate in continuing education programs. There is very little federal regulation. Tax preparers who prepare returns for a fee that fail to comply with certain requirements such as signing a return or failing to provide a copy to the taxpayer could be assessed a penalty. A penalty could also be assessed if a tax preparer knowingly disregards Treasury or IRS rules and regulations such as preparing a return that they know or should have known is wrong. In reality,</p> | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| | very few penalties are assessed and, of those, a small fraction is actually collected |
| Goal Statement: | |
| Proposal: | <p>Rather than create a new level of bureaucracy (testing, certification, etc.), the federal tax system should rely on the private sector to encourage, require and supervise a system of continuing professional education. There are a number of national tax associations (NSTP, NATP, NSA and NAEA) that would be in a position to provide the foundation for establishing a system for measuring competence. Such a system would be easy to monitor with each of the national associations assuming direct responsibility for providing standards and procedures for registering and certifying all tax preparers. The IRS would designate the VITA exam as the basic testing mechanism for the Federal Tax Return Preparer (FTRP), and the IRS would be authorized to impose a per return penalty for failure to register. Current preparers would be grandfathered into the program by submitting an application subject to approval by the IRS.</p> <p>For future tier licensing the IRS would develop a series of examinations designed to test technical knowledge and competency of unenrolled return preparers</p> |
| Response from: | |
| Response Notes: | |

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| TAP F04-064 | Form W-4 Employer Compliance | | Status: | Closed | |
| Date Elevated to IRS: | 10/28/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 12/30/2004 |
| Issue Statement: | Burden of Form W4 on employers and associated noncompliance with filing requirements. | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>The Committee recommended the following three-part approach to the employer's W-4 responsibilities:</p> <ol style="list-style-type: none"> 1. To ensure that the correct W-4 information is collected and proper withholding is made, (a) the employer would be responsible to perform a Form W4 check with the IRS and, in turn, the IRS would provide accuracy identification and whether or not to use the Employee W4; and (b) the IRS would ask for a Form W4 for a new employee, an employee claiming exempt status, and/or employee claiming over 10 allowances or increasing allowances by two or more. 2. To correct compliance problems using Form W2 information supplied by the SSA, the IRS would contact the employers of those employees who are underwithheld due to incorrect Form W-4 information, and ask the employer to change withholding. 3. To track problem Form W-4 filers, using prior tax information for those employees who have been identified as a problem, track them from one job to the next job using new hire data. | | | | |
| Response from: | Michael R. Chesman, Director, Burden Reduction | | | | |
| Response Notes: | The information gathered and the opinions expressed by TAP members were an important part of the discussions within the Withholding Compliance Task Force and the recommendations are to be included in the task force report. OTBR Director Michael Chesman stated that, while it can be anticipated that changes made to such a program will be debated over a lengthy period of time and the resulting initiatives will be subject to the resource constraints of the Service, the opportunity to receive input from stakeholders at the beginning of the process is of great value. | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| TAP F04-063 | Simplified Form 941 | | Status: | Closed, Proposal Partially Accepted | |
| Date Elevated to IRS: | 10/28/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 12/30/2004 |
| Issue Statement: | The current Form 941 is a burden for small business owners because of the complexity of both the Form and the instructions. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The Committee made comments and recommendations concerning the draft redesigned Form 941 and offered support and encouragement for the IRS to continue progress on simplifying Form 941. | | | | |
| Response from: | Michael R. Chesman, Director, Burden Reduction | | | | |
| Response Notes: | OTBR Director Michael Chesman responded that, while the recommendations of the committee were part of the discussions that resulted in the simplified Form 941, not all recommendations could be accommodated at this time. The form and the electronic systems that support it are limited as to what can be accommodated. However, the IRS is currently in the process of developing a Form 941X for amended payroll tax returns. It is expected that this new form will result in a number of lines being removed from the Form 941. At that point, space will be open to make additional changes that will further simplify use of Form 941 and add clarity to the information being conveyed to the government. | | | | |

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| TAP F04-061 | Payroll Taxes Deposit Penalties | | Status: | Closed, Proposal Partially Accepted | |
| Date Elevated to IRS: | 10/28/2004 | Date Counter Response to IRS: | | Date Response(s) Received: | 12/30/2004 |
| Issue Statement: | How can the IRS improve deposit compliance while making the deposit penalty rules and procedures less complicated for small businesses and the self-employed? | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>The Committee offered the following recommendations:</p> <p>1) Publicize more widely the Federal Tax Deposit Penalty Refund Offer. This information should include telephone numbers. Local IRS centers should also train personnel to work with business owners. If the IRS expends resources to educate and promote systems such as EFTPS to reduce processing errors, the IRS will benefit because of increased compliance and reduced processing costs due to errors. The benefit to the taxpayer is less time spent and associated costs incurred with dealing with the IRS. Suggestions for increasing exposure and improving EFTPS communication include:</p> <ul style="list-style-type: none"> a. Ensure that the EFTPS website is updated and upgraded periodically. b. Maintain a focus group, such as utilizing TAP members, to make suggestions for improving the website, including content and website instructions for less sophisticated computer users. c. Utilize the IRS Tax Forums as a method for outreach to the practitioner communities who work with small business clients. <p>2) Provide better materials to small businesses and the self-employed regarding their respective tax deposit responsibilities. Currently, educational materials are not readily available to small business owners. Suggestions include:</p> <ul style="list-style-type: none"> a. When a new small business is formed and the IRS issues an Employer Tax Identification Number (EIN), the IRS should also send tax information with the new EIN. If IRS resources do not allow for direct mailings, information on how to request information on the Internet site should be included. b. When the Small Business Administration holds classes for new business owners, the IRS should actively participate in teaching filing and deposit requirements. c. Local IRS personnel should periodically (perhaps twice a year) offer a workshop for small business owners on reporting and compliance issues. | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| | d. The local IRS personnel should also initiate contact with newly established businesses within their respective areas to meet with the new business owners and answer any questions and address any concerns. |
| Response from: | Michael R. Chesman, Director, Burden Reduction |
| Response Notes: | <p>OTBR Director Michael Chesman responded that while a number of the recommendations are directly being implemented, others are welcome for future consideration.</p> <p>Education</p> <p>1. The Federal Tax Deposit Penalty Refund Offer is a new program. The Taxpayer Education and Communication organization is making every effort to increase awareness of the program among business owners by working with the tax practitioner community and providing articles for news letters issued by business, trade and professional organizations.</p> <p>2. The IRS is continuing to use every opportunity to market EFTPS. Information on the program, as well as the opportunity to register on the system, are included each year in the IRS Tax Forums. The IRS expects to obtain input from TAP about the EFTPS.</p> <p>3. The IRS is working with all stakeholders to market the learning and assistance tools that are available to small businesses. The IRS Partnership Outreach organization is currently working with the Customer Accounts and Services organization to assure new employers receive the information they need when they are assigned a new EIN. Unfortunately, the IRS no longer has the resources necessary to directly offer small business workshops. It currently works with other Federal agencies, the tax practitioner community and business organizations to include tax issues in their workshops. To assist these organizations, the IRS develops products and training materials that can be used for such presentations or, in the case of some products, can be obtained directly by the business owner.</p> <p>Procedures</p> <p>1. The redesigned Form 941 afforded the IRS the opportunity to rewrite the instructions for payroll tax reporting. These instructions will be published in conjunction with the new form.</p> <p>2. The IRS expects to obtain comments on new products from TAP before the products are finalized.</p> <p>Legislative Proposals</p> <p>1. Because the Federal government operates on a pay-as-you-go basis, to the extent that adequate funding is not available, the government must pay interest for the use of funds to support its operations. It is considered unlikely that the Congress would alleviate the interest charged for the delayed payment of funds due the government. However, it is within the IRS' discretion to abate penalties for late deposits, and it does so on a regular basis when the taxpayer presents reasonable cause for a delayed deposit.</p> <p>2. The multiplicity of deposit penalties is a reflection of the government's desire to accommodate the interests of taxpayers and the need to assure payment compliance.</p> <p>A. For example, the reason there are different penalty rates based on the number of days the deposit is late, is to recognize the difference between taxpayers who may unintentionally have made a deposit late and quickly addressed the situation (2%), those who may have encountered a problem and those who demonstrate little effort to pay the taxes timely and fail to pay the taxes promptly upon demand (10%).</p> <p>B. A higher threshold for making FUTA deposits was implemented. We believe this will substantially reduce the burden on the small business owner.</p> |

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| TAP 704-047 | Interactive Installment Agreement Website | Status: | Elevated Directly by Committee | | |
| Date Elevated to IRS: | 1/27/2005 | Date Counter Response to IRS: | | Date Response(s) Received: | 4/12/2005 |
| Issue Statement: | There are problems with the usability of the current interactive Installment Agreement Website. | | | | |
| Goal Statement: | | | | | |

2004 Taxpayer Advocacy Panel Recommendations

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| Proposal: | The Area 7 Committee participated in a focus group on a new Interactive Installment Agreement Website and made additional recommendations for improvement. |
| Response from: | Kristen Baily SB/SE, SB/SE Program Analyst; and Harry Clemson, SB/SE Program Analyst Lenny Cutler, SB/SE Program Analyst. |
| Response Notes: | IRS is no longer funding improvements to the Installment Agreement Website and has committed to contact TAP as a focus group if funding is reinstated. |

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| TAP 704-048 | Improvements to CP521 Notice | | Status: | Closed, Proposal Partially Accepted | |
| Date Elevated to IRS: | 1/27/2005 | Date Counter Response to IRS: | | Date Response(s) Received: | 1/27/2005 |
| Issue Statement: | The current CP521 Notice, Monthly Installment Agreement Notice, contains grammatical errors, lacks a projected payoff date, the language is awkward, and the look of the notice is not reader friendly. | | | | |
| Goal Statement: | | | | | |
| Proposal: | The Committee proposed changes to the language, grammar, format and content of CP521. | | | | |
| Response from: | Kirsten Baily, SB/SE program Analyst, Harry Clemson, SB/SE Program Analyst, and Lenny Cutler, SB/SE Program Analyst | | | | |
| Response Notes: | IRS has revamped the notice and included some of the suggestions. | | | | |

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| TAP 204-076 | Change TAP Name | | Status: | Closed, Proposal Rejected | |
| Date Elevated to IRS: | 3/14/2005 | Date Counter Response to IRS: | | Date Response(s) Received: | 3/31/2005 |
| Issue Statement: | The current name of Taxpayer Advocacy Panel (TAP) continues to cause confusion for the taxpaying public. The names and functions of both Taxpayer Advocacy Panel (TAP) and Taxpayer Advocacy Service (TAS) are perceived as synonymous by the taxpaying public | | | | |
| Goal Statement: | | | | | |
| Proposal: | A name change will be less confusing to the public, the Panel clearly identified as independent from both IRS and TAS, and the taxpaying public better able to associate TAP with its correct mission and goals. Further, TAP staff would be less burdened with the overwhelming number of misrouted telephone calls to TAS by the taxpaying public. Change TAP's name to one that will not be confused with TAS. | | | | |
| Response from: | Bernard E. Coston, Director, Taxpayer Advocacy Panel | | | | |
| Response Notes: | The TAP Director responded that the name "Taxpayer Advocacy Panel" was assigned by Treasury, and therefore Treasury was approached about the possibility of changing the name. The response was that the name would not be changed and that TAP, as a new organization, would initially have recognition issues. The Director subsequently met with his staff about getting the TAP name out to the public in a more consistent way. The result of this was the formation of the TAP Communication Issue Committee, which is charged with branding the TAP name, both internal to the IRS and external to citizens and stakeholders. | | | | |

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| TAP 304-021B | Tax Treatment of Health Benefits Education | | Status: | Closed, Proposal Accepted | |
| Date Elevated to | 7/29/2005 | Date Counter | | Date | |

2004 Taxpayer Advocacy Panel Recommendations

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| IRS: | | Response to IRS: | | Response(s) Received: | 8/16/2007 |
| Issue Statement: | Many small businesses are making decisions about whether to offer health benefits to their workers without being fully aware of the tax advantages that can make offering health benefits more affordable. | | | | |
| Goal Statement: | | | | | |
| Proposal: | <p>TAP redirected to Forms and Publications the proposal originally directed to SB/SE in TAP 04-021 that the IRS partner with educational and professional organizations to provide clear, accurate, and balanced explanations of the tax treatment of health benefits to provide technical advice and encouragement to small businesses considering providing health benefits to employees, and specifically recommended that the IRS:</p> <ol style="list-style-type: none"> 1. Combine in a new publication explanation about all the tax provisions governing payments for medical expenses to provide information comparable to that provided in various IRS publications about retirement plans for small business. 2. Expand the explanation of the tax treatment of health benefits and provide a cross-reference to the new publication explaining health benefits in existing publications directed at employers and small businesses. <p>TAP noted that since these recommendations were originally submitted, Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans, which formerly covered only Medical Savings accounts, had been expanded to include information also on Health Savings accounts, flexible spending arrangements, and health reimbursement accounts. The TAP Joint Committee applauded this effort as significantly advancing taxpayer education on the tax treatment of health benefits. Nevertheless, TAP advocated further expansion of the publication.</p> | | | | |
| Response from: | Sue Sottile, Director, Tax Forms and Publications | | | | |
| Response Notes: | IRS will review current coverage of these issues and consider either introduction of a new publication or increased coverage in Publication 535, Business Expenses, Publication 334, Tax Guide for Small Business, or other appropriate publication. In 2006, IRS conducted a well-received seminar at the Nationwide Tax Forums regarding Health Care Tax Incentives. IRS will coordinate revisions to the publications with the appropriate internal stakeholders and add them to the Small Business web site. | | | | |

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| TAP 104-001 | Self-Employment Tax for Newspaper Carriers | | Status: | Closed, Proposal Rejected | |
| Date Elevated to IRS: | 7/29/2005 | Date Counter Response to IRS: | 7/20/2005 | Date Response(s) Received: | 8/8/2007 |
| Issue Statement: | The information the Internal Revenue Service provides regarding the self-employment tax liability on the earnings of a newspaper carrier under the age of 18 cannot be easily found or understood. | | | | |
| Goal Statement: | | | | | |
| Proposal: | TAP recommended adding a sentence or "Note" to the section titled "Newspaper Carrier or Distributor" in IRS Publication 533 that reads "Earnings of carriers and vendors under age 18 are not subject to self-employment tax." | | | | |
| Response from: | Mary W. Marshall, SBSE Executive Assistant | | | | |
| Response Notes: | It is recommended that this issue be closed. It pertains to recommendations to Pub 533 which is now obsolete. The information located in Publication 533 has been incorporated in Publication 334, Tax Guide For Small Business (For Individuals Who Use Schedule C or C-EZ), in which the section on self-employment tax is much abbreviated. | | | | |