

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP N09-5178</b>	<b>Generic Scorecard vs Document Assessment Tool Scoring</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	1/6/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Provide a comparison of the generic scorecard from the contractor with the currently used Document Assessment Tool. Response is requested by 1/9/09.				
<b>Goal Statement:</b>	N/A				
<b>Proposal:</b>	Generic Scorecard vs. Document Assessment Tool Scoring.				
<b>Response from:</b>					
<b>Response Notes:</b>					

<b>TAP N09-5179</b>	<b>State EITC Letter Reviewed/Feedback Given</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	1/9/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Review the State of New York EITC letter and provide feedback on the questionnaire				
<b>Goal Statement:</b>					
<b>Proposal:</b>					
<b>Response from:</b>					
<b>Response Notes:</b>					

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<b>TAP F09-5001</b>	<b>Pub. 550 - Investment Income &amp; Expenses</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	1/15/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	7/15/2009
<b>Issue Statement:</b>	Provide feedback to program owners.				
<b>Goal Statement:</b>	The goal is to provide feedback to the Program Owners of Tax Forms and Publications regarding Publication 550, Investment Income & Expenses.				
<b>Proposal:</b>	<ol style="list-style-type: none"> <li>1. Cover page, under contents, Chapter 3, first 3 references should be 32, not 31 (i.e. page references). (P1, C2)</li> <li>2. Table of Contents pages that are incorrect: S Corporations should be 27, Investment Clubs should be 27, Chapter 2 should be 29, Chapter 3 should be 32, Limits on Deductions should be 32, Interest Expense should be 32, Bond Premium Amortization should be 35 etc (I assume this was caught before publication so I am not listing all of them). (P1, C3)</li> <li>3. First paragraph under "What's New" is incomprehensible to me. Use of "maximum" against several different numbers seems in error. (P2, C1)</li> <li>4. Under What's New, "Beginning in 2008, the 5% maximum rate...is reduced to 0 (zero) %." Should specify that this is for those taxpayers in the lowest tax bracket? (P2, C1)</li> <li>5. First Paragraph, second sentence: "...qualified dividends and net capital gain (the excess of net long-term capital gain over net short-term capital loss) is reduced to 0 (zero) %." Last sentence: "The 15% maximum tax rate on qualified dividends and net capital gain has not changed." Should the last sentence read "The 15% maximum tax rate on short term qualified dividends and net capital gain has not changed.?" (Pg 2)</li> <li>6. Under "Useful Items", Forms and Instructions. Since the title of the publication states we are also dealing with Capital Gains and Losses, should include Schedule D also. (P3, C1)</li> <li>7. Should not the list of pubs include "929 Tax Rules for Children and Dependents" to complete the list? (Pg 3)</li> <li>8. Publication 550 hyperlinks online: Seems to work well within the document. But would it be possible to link the list of publications referred to in Pub 550 to the actual other publication? (P.3, col 1, Useful items)</li> <li>9. In the Forms and Instructions Section the IRS cites form 3115 (Application for Change in Accounting Method). Should Pub. 538 (Accounting Periods &amp; Methods) be also listed in the Publication section? (P.3, C1)</li> <li>10. Delete "a", or change "children" to "child" in bolded sentence: "Tax on investment income of a certain children". (P.3, Col 2, General Information)</li> <li>11. Clarify that the paragraph under Item 5 is an example by inserting words "For example..." (3, Col 2, General Information)</li> <li>12. Under General Information, Tax on investment income of certain children, item 2. "The child is required to file a tax return" should point to the publication that explains when a child is required to file a tax return. (P.3, C2)</li> <li>13. Is a correction needed? "If the joint account contains combined funds, give the SNN of the person whose name is listed first on the account". Because all owners of a joint account have equal rights to the funds in that account, and because of the "know your customer" programs, SSNs of all owners of joint account are needed. (Don't know if these are institutional policies or legal requirements since 9/11) (P.3, Col 3, SSN for joint accounts)</li> <li>14. Under SSN for joint account: This paragraph is difficult to understand. It states, for example, "If the joint account contains combined funds, give the SSN of the person whose name is listed first on the account." It is unclear what this is referring to. Please change to read... Since only one SSN is typically reported by your payer, make sure your bank or investment house has the SSN and matching name of one of the account holders. See the discussion on nominee distributions. (P.3, C3)</li> <li>15. Under Penalty for failure to supply SSN. This section really has nothing to do with this publication. It should be removed to make reading of the documents, as a whole, easier. (P.3,</li> </ol>				

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C3)

16. Under Nominees, add "see Chapter 3" to the end of the second paragraph. (P5, C2)

17. Under Information-reporting requirement, replace "later" with "see Chapter 3" at the end of the paragraph. (P5, C2)

18. Under Dividends that are actually interest, it states "Certain distributions commonly called dividends are actually interest. You must report as interest so-called "dividends" on deposits or on share accounts in...": This is not clear to the average taxpayer a) how they know a dividend is actually interest and b) what they need to do about it. Either clarify that paragraph or remove it. (P5, C3)

19. Is the paragraph on 'Money Markets Funds' generally true? Many banks offer money-market accounts, which are FDIC insured accounts that pay interest and report on 1099-INT, not dividends. Maybe the IRS should re-visit and re-phrase better in next issue. (P.5, C3)

20. Under Usurious interest, it states "Usurious interest is interest charged at an illegal rate...". Confusing what this is referring to and how it should actually be treated. I would either clarify what this section means (ie, "illegal rate") or remove it. (P.6, C2)

21. Under Below Market Loans, it states "A tax avoidance loan is any below-market loan where the avoidance of federal tax is one of the main purposes of the interest arrangement." So if you have a below market loan and a main purpose is not avoiding federal tax, this does not apply? I would remove the qualification that it must be the main purpose. (P.6, C3)

22. Under Exception for loans without significant tax effect, it states "6. Other loans on which the interest arrangements can be show to have no significant effect on the federal tax liability of the lender or the borrower" So this contradicts with the previous item. If someone is not trying to avoid federal tax or if there is "no significant effect on...tax", then you do not need to worry about this? This point should either be better clarified or removed. (P.7, C2)

23. Under "Cash Method Taxpayers", replace sentence that reads: "But see Series EE and series I bonds below" with "Other methods of accounting are discussed under Series EE and Series I bonds below". Note the consistent capitalization of "Series" as well. (P7, C3)

24. (U.S. Savings Bonds) Perhaps including a sample form for changing from Method 2 would be helpful for both the taxpayer and the IRS (P.8, col 1 to col 2, Change from Method 2)

25. Under Changes from method 2. Item 2 states: 2. it includes your name and social security number under the label in (1). What does 'label in (1)' refer to? Bullet 1 says nothing about this. I am guessing this might mean that a) you type "131" at the top and under that you type the name and social security number. If so, it should be stated this way. (P8 C2)

26. Fifth line down, "Under these circumstances, changing "other co-owner" to "redeeming co-owner" would clarify which owner will receive/be responsible for what action. (8 Col 3, One Co-owner's funds used)

27. This document is very long. I would suggest giving the entire bond section (pages 7-16) it own separate publication and refer to it in this publication. (P7-16)

28. Big gap. Re-align columns? (P11, Col 1)

29. Extra bullet before "Enterprise zone facility bonds (P13, Col 2)

30. The last paragraph in this section spoke on 'Market Discounts'. I re-wrote to read better: 'A market discount results from a decrease in the value of a debt obligation after its issue date; Generally this is due to an increase of the interest rate. If you buy a bond on the secondary market, it may have market discount.' (P.15, C1)

31. Last bullet: To clarify which person: "A stripped bond...(or by any other person whose basis in the obligation is determined by reference to the basis in the hands of that person.)" Replace "that person" with "the person who stripped the bonds/coupon"? (16 Col 2, Short-term obligations for which no choice is available)

32. I rewrote the paragraph describing Form 1099-INT as follows: 'Your taxable interest income is shown in box 1 of Form 1099-INT. This does not include interest from U.S. savings bonds and other Treasury obligations. You must add and report this amount with any other taxable interest income you received, along with taxable interest income were your financial institution did not issue you a Form 1099-INT.' Were a Form 1099-INT was not issued for taxable interest income contact your financial institution to avoid under reporting.' (P.17, C1)

33. Under Nominee Distributions: This discussion on nominee distributions repeats itself throughout the document. Since many people who have an issue with nominee distributions probably have it for other categories (interest, dividends, gains, etc.), it would be cleared to have one single writeup on Nominee Distributions (either in this document or another publications) and, where necessary, refer to that in other specific sections. (P.19, C3)

34. REMICs, FASITs, and Other CDOs. The document is very long. I would suggest moving this

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	<p>section to a publication intended for this specific audience. (P.25-26)</p> <p>35. Under Form 4952 example, it states “..She also has a gain of \$1,000 from the sale of a painting given to her by an artist friend. The painting is not a capital asset because Jane’s basis in the painting is determined by reference to her friends’ basis in the painting.” This is a very complex statement. Furthermore, the section before talks about Losses from Passive activities not counting while this talks about capital assets in the example. I would suggest eliminating this part of an already complicated example. (P.34 C3)</p> <p>36. Under Child’s Alaska Permanent Fund Dividends. In a very long document, do we really need a) an explanation and b) an example for something so obscure? I would suggest removing the whole section. (P.34, C1)</p> <p>37. Under Surrender of Stock, it is not clear what a ‘dominant shareholder’ refers to. If this is defined in another publication, I would refer to the other publication for the official definition. Otherwise, it needs to be defined here. (P. 39, C3)</p> <p>38. References to regulations: Is it possible to link these to the actual regulations themselves for ease of reference? Similar to reference to Internal Revenue Bulletins (ex: p 40, col 2 end of “Exception for certain closed transactions, Example on p. 39, Col 3, last sentence in “Redemption or retirement of bonds”)</p> <p>39. Under TIP, it states “The IRS partners with companies that offer Schedule D software...To find out more, go to <a href="http://www.irs.gov/efile">http://www.irs.gov/efile</a>”, I do not see anything remotely dealing with schedule D importing at that URL. (P.44, C1)</p> <p>40. A very common issue with respect to stock gain or loss calculations has to do with employee stock options (ISO or NQO) or stock grants and corresponding withholding on the W2. This confuses many employees and it would be helpful to have a section dealing with this issue. In addition, there should be an explanation of the various employee options and grant options with respect to holding or selling past the grant date. (P43-47)</p> <p>41. Similarly, there should be an explanation (or a pointer to a publication) that explains gain/loss issues with respect to incentive stock options, non-qualified stock options and restricted stock units. (P43-47)</p> <p>42. The term ‘qualified financial institution’ is not defined in glossary and not mentioned in index, maybe define in body of text. (P.50, C3)</p> <p>43. In the ‘Hedging Transaction Section’, 3rd paragraph uses the word ‘numerous’ to describe transactions in commodity futures. I suggest replacing to the word ‘numerous with multiple’. (P.51, C3)</p> <p>44. In the very first sentence of the ‘Puts and Calls” sections I rewrote to read better: Puts and calls are options on securities which are covered by the rules discussed for options. (P.57, C2)</p> <p>45. Online search: When I searched for “market discount”, there were 88 results. As I clicked on each result, it did not go in order. For example one click brought me to top of column 3, next click brought me to column 1 of same page. If possible, would be helpful to arrange the results in the order one would read the document, (i.e., column 1 top to bottom, the column 2, etc). Was difficult to find what I was looking for because of the bouncing around on the same pages. All, online view</p> <p>46. References to Internal Revenue Code. Is it possible to link these to actual IRC? References to Internal Revenue Code. Is it possible to link these to actual IRC?</p>
<p><b>Response from:</b></p>	<p>Patty Wagner, Senior Tax Analyst &amp; Bob Erickson, Tax Law Specialist</p>
<p><b>Response Notes:</b></p>	<p>The IRS provided the following responses to each recommendation:</p> <ol style="list-style-type: none"> <li>1.The page numbers are correct in the version we released to the public.</li> <li>2. The page numbers are correct in the version we released to the public.</li> <li>3.We use “maximum tax rate” because that is the highest tax rate that can apply to qualified dividends and net capital gain. In other words, the tax rate applicable to that income can’t be any higher than the maximum rate.</li> <li>4.Not adopt. Taxpayers in the highest tax bracket may have qualified dividends and net capital gain that are subject to the 0% rate.</li> <li>5.Not adopt. There’s no such thing as short-term qualified dividends. Qualified dividends are merely the ordinary dividends that are subject to the same 15% and 0% maximum tax rates that apply to net capital gain.</li> <li>6. Adopt.</li> <li>7.Not adopt. It’s mentioned only in one place in chapter 1.</li> <li>8.No, because not all of the final versions of these items are available at the time Pub. 550 is approved for print.</li> <li>9.Not adopt. Reading Pub. 538 doesn’t appear to be necessary for the topics discussed in</li> </ol>

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chapter

10. Adopt. We deleted “a”.

11. Not adopt. These aren’t examples; they are the rules used to determine when a child reaches a certain age.

12. We mention it in the last paragraph of this discussion. We want readers to read the entire numbered list and discussion before reading the reference to Pub. 929.

13. Not adopt. On Forms 1099, payers can show the name and SSN of only ONE account owner regardless of the number of owners. If an account has multiple owners, that one owner may be a nominee who is subject to the special rules for nominees discussed under How to Report Interest Income and How To Report Dividend Income.

14. Adopt in principle, may not use language provided. We will revise to clarify the paragraph.

15. Not adopt. This is part of the social security number (SSN) discussion. We are obligated to tell taxpayers the consequences of not supplying their SSNs.

16. Not adopt. The information is in chapter 1—not chapter 3.

17. Not adopt. The information is in chapter 1—not chapter 3.

18. Adopt. The institutions listed call the amounts “dividends” but are required to report them as interest on Form 1099-INT. Thus, taxpayers will know to report these amounts on their returns as interest income. We will clarify this in the 2009 edition of Pub. 550.

19. Adopt. The paragraph is correct. FDIC-insured money market accounts are offered by banks and pay interest. Money market funds are offered by nonbank financial institutions, such as mutual funds and stock brokerage houses, and pay dividends. We will clarify this in the 2009 edition of Pub. 550

20. Adopt in principle, may not use language provided. The definition is correct. We’ll add “under state law” at the end of the sentence.

21. Not adopt. The sentence doesn’t say that tax avoidance has to be the main purpose; it says tax avoidance has to be one of the main purposes.

22. Not adopt. It doesn’t contradict the previous item; instead it’s an exception to the previous item. In the unlikely situation that a tax avoidance loan meets the exception for loans without significant tax affect, the tax avoidance loan isn’t subject to the below-market loan rules.

23. Adopt in principle, may not use language provided. We will clarify the sentence.

24. Not adopt. We believe the overwhelming majority of people file the simple statement instead of the complicated Form 3115. The simple statement is the method we want people to use.

25. Adopt.

26. Adopt.

27. Not adopt. All the topics on these pages fall under the interest income category and need to be discussed together in Pub. 550.

28. There is no big gap in the version we released to the public.

29. There is no extra bullet in the version we released to the public.

30. Adopt.

31. Adopt.

32. Adopt. We will tell readers to contact their financial institution if they don’t receive a Form 1099-INT.

33. Not adopt. While this is true of many people, it’s not true of all people. This is the reason the rules for nominee distributions appear in various parts of the publication.

34. Not adopt. Publication 550 is the publication intended for this specific audience.

35. Not adopt. The Form 4952 discussion is separate from, and not a part of, the passive activity loss discussion. The sale of the painting was added several years ago because of a suggestion we received from a taxpayer.

36. Not adopt. Special rules apply when computing the child’s net investment income that is reported on a parent’s return and we are obligated to explain them. Publication 550 is the appropriate document to explain these rules.

37. Adopt.

38. This would be too time consuming and we don’t have the resources to do it. Access to the regulations on irs.gov is provided by a link to the website of the U.S. Government Printing Office.

39. We will change the link to <http://www.irs.gov/efile/topic/index.html> 40. Adopt in principle. ISOs and NQOs are explained in Pub. 525 under Employee Compensation. We will add a reference to Pub. 525 somewhere in Pub. 550.

41. See response to previous comment.

42. Adopt.

43. Adopt. This rule applies even if you have only a few transactions.

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	<p>44. Not adopted. The suggested sentence would be correct if it were made nonrestrictive by inserting a comma after "securities". However, the existing sentence is correct as written and we prefer it that way.</p> <p>45. We can't change this because that's the way Adobe works.</p> <p>46. This would be too time consuming and we don't have the resources to do it. Access to the Code on irs.gov is provided by a link to the Website of Cornell University Law School.</p>
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<b>TAP N09-5202</b>	<b>DAT Score - CP78</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	1/22/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Provide Document Assessment Tool (DAT) scores for CP78.				
<b>Goal Statement:</b>					
<b>Proposal:</b>	<p>Subcommittee reviewed the notice and provided the program owner with the scores of the notice using the Documents Assessment Tool (DAT). They scored it as follows:</p> <p>Message and Task - A-            Logical Structure - A-            Presentation - A-            Overall - A-</p>				
<b>Response from:</b>					
<b>Response Notes:</b>					

<b>TAP N09-5201</b>	<b>DAT Score - CP77</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	1/22/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Provide Document Assessment Tool (DAT) Scores for CP77				
<b>Goal Statement:</b>					
<b>Proposal:</b>	<p>Subcommittee reviewed the notice and provided the program owner with the scores of the notice using the Documents Assessment Tool (DAT). They scored it as follows:</p> <p>Message and Task - B+            Logical Structure - B+            Presentation - A-            Overall - B+</p>				
<b>Response from:</b>					
<b>Response Notes:</b>					

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<b>TAP N09-5204</b>	<b>DAT Score - CP298</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	1/23/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Provide Document Assessment Tool (DAT) scores for CP298.				
<b>Goal Statement:</b>					
<b>Proposal:</b>	Subcommittee reviewed the notice and provided the program owner with the scores of the notice using the Documents Assessment Tool (DAT). They scored it as follows: Message and Task - A- Logical Structure - A- Presentation - B+ Overall - A-				
<b>Response from:</b>					
<b>Response Notes:</b>					

<b>TAP N09-5203</b>	<b>DAT Score - CP297</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	1/23/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Provide Document Assessment Tool (DAT) scores for CP297.				
<b>Goal Statement:</b>					
<b>Proposal:</b>	Subcommittee reviewed the notice and provided the program owner with the scores of the notice using the Documents Assessment Tool (DAT). They scored it as follows: Message and Task - B- Logical Structure - B Presentation - B- Overall - B-				
<b>Response from:</b>					
<b>Response Notes:</b>					

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<b>TAP N09-5198</b>	<b>DAT Score - CP91</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	1/26/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Provide Document Assessment Tool (DAT) score for CP91.				
<b>Goal Statement:</b>					
<b>Proposal:</b>	<p>Subcommittee reviewed the notice and provided the program owner with the scores of the notice using the Documents Assessment Tool (DAT). They scored it as follows:</p> <p>Message and Task - A            Logical Structure - A            Presentation - A            Overall - A</p>				
<b>Response from:</b>					
<b>Response Notes:</b>					

<b>TAP N09-5197</b>	<b>DAT Score - CP90</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	1/26/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Provide Document Assessment Tool (DAT) scores for the CP90.				
<b>Goal Statement:</b>					
<b>Proposal:</b>	<p>Subcommittee reviewed the notice and provided the program owner with the scores of the notice using the Documents Assessment Tool (DAT). They scored it as follows:</p> <p>Message and Task - A            Logical Structure - A            Presentation - A            Overall - A</p>				
<b>Response from:</b>					
<b>Response Notes:</b>					

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<b>TAP N09-5200</b>	<b>DAT Score - CP92</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	1/28/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Provide Document Assessment Tool (DAT) Score for CP92.				
<b>Goal Statement:</b>					
<b>Proposal:</b>	Subcommittee reviewed the notice and provided the program owner with the scores of the notice using the Documents Assessment Tool (DAT). They scored it as follows:  Message and Task - B Logical Structure - B Presentation - B Overall - B				
<b>Response from:</b>					
<b>Response Notes:</b>					

<b>TAP 509-5250</b>	<b>"Where is my Refund"</b>		<b>Status:</b>	Referred to SAMS - Accepted	
<b>Date Elevated to IRS:</b>	1/28/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	2/12/2009
<b>Issue Statement:</b>	IRS has posted a valuable research tool for taxpayers to check on the status of their federal refunds, "Where is my refund" on the www.IRS.gov website. The IRS needs to ensure the correct refund deposit date is listed.				
<b>Goal Statement:</b>	To ensure the programming of the refund cycle charts posted on www.IRS.gov are current and up-to-date.				
<b>Proposal:</b>	Contact the Systemic Advocacy Management System (SAMS) network to advise them they have an incorrect refund deposit time table associated with federal refunds posted to the www.IRS.gov web site.				
<b>Response from:</b>					
<b>Response Notes:</b>	The SAMS (Issue number I0030599) program allowed the TAP employee to raise an immediate intervention on this problem. Positive actions were taken by the Modernization & Information Technology Services (MITS) team with in 24 hours of notification. They placed the correct deposit schedule into the programming of "Where is My Refund."				

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<b>TAP N09-5199</b>	<b>DAT Score - CP297A</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	1/30/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Provide Documents Assessment Tool (DAT) score for CP297A				
<b>Goal Statement:</b>					
<b>Proposal:</b>	Subcommittee reviewed the notice and provided the program owner with the scores of the notice using the Documents Assessment Tool (DAT). They scored it as follows: Message and Task - B+ Logical Structure - B Presentation - B Overall - B				
<b>Response from:</b>					
<b>Response Notes:</b>					

<b>TAP 409-5452</b>	<b>EITC Calculation Incorrect for Disaster Areas</b>		<b>Status:</b>	Referred to SAMS - Rejected	
<b>Date Elevated to IRS:</b>	2/13/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	4/15/2009
<b>Issue Statement:</b>	Full Credits not Allowed to Taxpayers Affected by Midwestern Storms.				
<b>Goal Statement:</b>	Allow Full Credits to Taxpayers Affected by Midwestern Storms. Provisions of the Heartland Disaster Tax Relief Act of 2008 allow taxpayers impacted by the Midwestern storms to use their 2007 earned income for purposes of figuring any Earned Income Tax Credit for tax year 2008, which may affect any additional child tax credit and education credit.				
<b>Proposal:</b>	To ensure the IRS processes Disaster Relief Benefits correctly.				
<b>Response from:</b>					
<b>Response Notes:</b>	The IRS is aware of the problem and has taken steps to correct it. The IRS issued SERP Alert 090104 on 2/23/2009.				

<b>TAP N09-5238</b>	<b>DAT Score for Notice 441</b>	<b>Status:</b>	Closed, Project/Assignment Completed		
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Date Elevated to IRS:	2/17/2009	Date Counter Response to IRS:		Date Response(s) Received:	
<b>Issue Statement:</b>	Program Owner requested committee to use the Document Assessment Tool (DAT) score for the Notice 441.				
<b>Goal Statement:</b>					
<b>Proposal:</b>	<p>Subcommittee reviewed the notice and provided the program owner with the scores of the notice using the Documents Assessment Tool (DAT). They scored it as follows:</p> <p>Message and Task - B+            Logical Structure - B            Presentation - B            Overall - B</p>				
<b>Response from:</b>					
<b>Response Notes:</b>					

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<b>TAP 409-4946</b>	<b>Form 1098-T, Tuition Statement</b>		<b>Status:</b>	Referred to SAMS-Legislative	
<b>Date Elevated to IRS:</b>	2/17/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	4/21/2009
<b>Issue Statement:</b>	The Form 1098-T does not give taxpayers the information needed to properly calculate the education credits and deductions.				
<b>Goal Statement:</b>	The Form 1098-T, Tuition Statement, does not give taxpayers the information needed to properly calculate the education credits and deductions. The schools are reporting the information for Box 2 - amounts billed for qualified tuition and related expenses, and for Box 5 - scholarships or grants, but the key piece of missing information that schools could provide is Box 1 - the amount paid toward qualified expenses. The Form 1098-T would be more useful if the schools were required to provide all of the information stipulated on the form.				
<b>Proposal:</b>	Recommendation would be to require schools to provide all requested information on the current form. In addition, there should be an additional box on the form that shows whether the school was in an area covered by any disaster relief legislation impacting education credits. (There seems to be a current legislative trend to offer additional tax breaks to schools located in presidentially-declared disaster areas).				
<b>Response from:</b>					
<b>Response Notes:</b>	Legislative issue referred to SAMS, issue number I0030747 or control number 7110. Response received: The Office of Systemic Advocacy has chosen not to create an advocacy project from your submission at this time. The issue you raise regarding the Form 1098 - T would require a either a legislative change or a change to the Treasury Regulations. The National Taxpayer Advocate provides recommendations for legislative changes once a year in her Annual Report to Congress (ARC) which is submitted at the end of every calendar year. For this reason, we forwarded your issue to the National Taxpayer Advocate's Attorney-Advisors for consideration as a future Legislative Recommendation (LR) in the National Taxpayer Advocate's Annual Report to Congress.				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP N09-4951</b>	<b>Insert Project - CP 14</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	2/20/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Stuffers or notice inserts increase the cost of mailing notices to taxpayer.				
<b>Goal Statement:</b>					
<b>Proposal:</b>	<p>Notice Number: CP14 Request for Payment  Inserts:  Team: Steve Fulkrod, Lee Stieger, Ed Uhrig</p> <ul style="list-style-type: none"> <li>• Value adding blank tax forms or tax form instruction booklets with this notice.</li> </ul> <p>Conclusion: No other instructions or forms are needed.</p> <p>Reasons: The notice, with the penalty and interest chart, are fine.</p> <ul style="list-style-type: none"> <li>• If the material is not enclosed and a blank form is needed, method to obtain the needed materials/forms/instructions.</li> </ul> <p>Conclusion: No other forms or instructions are needed. 800 number and/or website for additional assistance provided on notice.</p> <p>Reasons: The notice, with the penalty and interest chart, are fine.</p> <ul style="list-style-type: none"> <li>• Value of including other forms or schedules and their related instructions.</li> </ul>				
<b>Response from:</b>					
<b>Response Notes:</b>					

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP M09-5297</b>	<b>MLI- Review of Publication 17 SP</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	2/20/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	10/14/2009
<b>Issue Statement:</b>	To review the most current version of Publication 17 SP to ensure accuracy in translation and content.				
<b>Goal Statement:</b>	To review the most current version of Publication 17 SP to ensure accuracy in translation and content.				
<b>Proposal:</b>	Ensure that the Publication 17 in Spanish (Pub 17 SP) is accurate in its translation and technical content. To accomplish this, the Committee members reviewed the complete Publication and suggested some changes.				
<b>Response from:</b>	Maria Cheeks, Virtual Translation Office, Section Chief				
<b>Response Notes:</b>	Heard from Program Owner Maria Cheeks that all changes, additions/deletions, recommended to Publication 17 SP, were used by the Program.				

<b>TAP 309-5946</b>	<b>Form1099 Instructions for Death Benefits</b>		<b>Status:</b>	Referred to SAMS - Rejected	
<b>Date Elevated to IRS:</b>	3/2/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	<p>One of the issues addressed in the Emerging Compliance Issues Subgroup Report (2008 IRPAC Report) dealt with the reporting of nonqualified deferred compensation benefits following an employee's death. IRPAC recommended the payments to a death beneficiary from a nonqualified deferred compensation plan be reportable as wages on Form 1099-MISC instead of Form 1099-R.</p> <p>The IRS indicated that the instructions to the 2009 Forms would incorporate the suggested Changes for .benefits only. In addition, the IRS will not be able to recognize these distributions on Form 1099-MISC as qualified death benefits which may be subject to the \$5,000 death exclusion.</p>				
<b>Goal Statement:</b>					
<b>Proposal:</b>	Correct Instructions.				
<b>Response from:</b>					
<b>Response Notes:</b>					

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP F09-5312</b>	<b>New Schedule M (Focus Group)</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	3/5/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	5/26/2009
<b>Issue Statement:</b>	Tax Forms and Publications are creating a new Schedule M, Making Work Pay Credit (Including Special Credit for Government Retirees). Currently there are 2 versions that are being developed. We'd like to hold a focus group, via telephone call, to determine what version is preferred.				
<b>Goal Statement:</b>	The program owners needs a group of members from the TAP Tax Forms and Publication (TF&P) Issue Committee to evaluate 2 versions of the Schedule M. They will later determine which version is more appropriate, based on the feedback provided by the TAP TF&P Issue Committee.				
<b>Proposal:</b>	The program owner will use the feedback provided by TAP Tax Forms and Publication (TF&P) Issue Committee and other focus groups to determine which version is more appropriate, based on the feedback provided by the TAP TF&P Issue Committee.				
<b>Response from:</b>	Bob Erickson, Senior Tax Analyst and Patricia Wagner, Senior Program Analyst Bob Erickson, Senior Tax Analyst and Patricia Wagner, Senior Program Analyst				
<b>Response Notes:</b>	Here are the suggestions that IRS used from the TAP focus group comments on Schedule M. Version A was selected to be the final version. All the TAP members preferred this version. <ul style="list-style-type: none"> <li>•Changed Line 1 wording to be similar to Version B Line 1, which most preferred.</li> <li>•Added white space between Lines 6 and 7 and Lines 10 and 11</li> <li>•Line 10 - If checked No box, added 'Enter -0- on line 10 and go to line 11'</li> <li>•Line 11 - If checked No box, added 'Enter -0- on line 11 and go to line 12'.</li> <li>•Moved Line 12 box to align with other boxes.</li> </ul>				

<b>TAP 509-5333</b>	<b>Incorrect Telephone Number Listed on Correspondence Audits</b>		<b>Status:</b>	Referred to SAMS - Accepted	
<b>Date Elevated to IRS:</b>	3/6/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	4/7/2009
<b>Issue Statement:</b>	Ensure the proper telephone number is listed on Examination Correspondence Audit letters.				
<b>Goal Statement:</b>					
<b>Proposal:</b>	Change the telephone number in the computer system so the correct number is shown on the letters sent out in correspondence audits.				
<b>Response from:</b>					
<b>Response Notes:</b>					

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 609-4358</b>	<b>Form 3949-A, Information Referral – Tax Return Preparers Reporting Fraud</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	3/10/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	4/13/2009 4/6/2009
<b>Issue Statement:</b>	Informants who wish to report suspected tax fraud cannot currently submit Form 3949-A, Information Referral, online. This lack of a convenient submission method may impede reporting of alleged fraud.				
<b>Goal Statement:</b>	Reduce the tax gap and increase compliance by decreasing the number of fraudulent or abusive returns.				
<b>Proposal:</b>	<ul style="list-style-type: none"> <li>• Make the Form 3949-A available on the IRS website as a web-based form that the user could complete on-line and electronically submit to the IRS with “one-click” ease, and</li> <li>• Amend the IRS web page to include information on filing Form 3949-A electronically.</li> </ul> <p style="color: green;">NOTE: Response came in two letters. The second letter to arrive, is actually the first letter chronologically.</p>				
<b>Response from:</b>	Alain Dubois, Director, Examination Policy				
<b>Response Notes:</b>	<p>We consider your recommendation to be a valuable suggestion for the agency to review to address our tax compliance activities for the future. This recommendation does represent a complex undertaking which would involve multiple operational divisions and functions. We are well on our way to address a segment of this recommendation through our efforts to automate the process by which referrals concerning preparers and practitioners can be submitted. We believe the actions we are already taking as a result of recommendations from a Treasury Inspector General for Tax Administration (TIGTA) audit (reference number 2009-40-032) will accomplish the objective to automate the referral process focusing on return preparers. The Director, Examination, Small Business/Self-Employment (SB/SE) Division commissioned a cross-functional team to identify opportunities to improve the return preparer complaint process. In addition to clarifying the website information regarding types of return preparers, jurisdiction and the complaint process, the team is developing an electronic method for submitting return preparer complaints. We envision that the changes being considered will provide an easy-to-use and efficient electronic means to submit complaints regarding allegations of fraud or abusive returns. The automation of the process by which an informant can submit a referral regarding any individual suspected of filing a fraudulent or abusive return is more complex and would involve many parts of the organization. Your suggestion merits consideration and I have forwarded your suggestion to SB/SE Stakeholder Liaison to coordinate future endeavors to automate this form.</p> <p style="color: red;">This is in response to your correspondence dated March 10, 2009 sent to Sue Sottile, Director, Tax Forms &amp; Publications. In the correspondence you asked that the Internal Revenue Service consider electronic submission of Form 3949-A Information Referral -Reporting Fraud.</p> <p style="color: red;">We have submitted your recommendation for consideration to the IMRS (Issue Management and Resolution System). Please contact Molly Smith, IMRS Project Manager, at 412-395-5601 for further information or to check on the status.</p> <p style="color: red;">If you have any questions about this response, please contact Senior Disclosure Specialist, Linda Barnes of my staff at 312-566-3531.</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP F09-5174</b>	<b>Form 5405 - First Time Home Buyer's Credit</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	3/12/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	5/7/2009
<b>Issue Statement:</b>	The program owners just want the TF&P Committee to review the Form 5405.				
<b>Goal Statement:</b>	The goal is to provide feedback regarding Form 5405.				
<b>Proposal:</b>	<ol style="list-style-type: none"> <li>1. Under Who Can Claim the Credit, change 3-year to 36-month period to avoid confusion with calendar years. (P1, C1)</li> <li>2. Under Who Can Claim the Credit, clarify situation where a single person buys first home in 2009 prior to July 1, but marries July 1 or after to someone who is not qualified for the credit. (P1, C1)</li> <li>3. Under Who Can Claim the Credit, clarify that if previously married and owning a home within the 36-month period, but now separated or divorced, neither party in the marriage is a first time home buyer. (P1, C1)</li> <li>4. Under Who Cannot Claim the Credit, suggest a new #1 saying: 1. You (or your spouse, if married), had an ownership interest in a main home during any part of the 36-month period ending on the date of purchase. This is the corollary to the second point under Who Can Claim the Credit. (P1, C2)</li> <li>5. Under Who Cannot Claim the Credit, # 3 should add examples of tax-exempt mortgage interest. (P1, C2)</li> <li>6a. Under Who Cannot Claim the Credit, six states: 6. You sell the home, or it ceases to be your main home, before the end of 2008. Given the credit is valid through July 1, 2009, can this be correct? (P1, C2)</li> <li>6b. What happens if you purchase the home in 2009, claim the credit retroactively, then sell the home before the end of 2009? (P1, C2)</li> <li>7. Under Who Cannot Claim the Credit, for # 8, does a related person include relationships by marriage? For example, can a taxpayer purchase a house from her mom's husband (no blood relative to the taxpayer) and still qualify for the credit? (P1, C2)</li> <li>8. Under Amount of the Credit ...purchase price of the home should clarify if this price includes closing costs. (P2, C1)</li> <li>9. Under Amount of the Credit, a chart showing the phase-out increments should be included. Disagree as Part II, Lines 4 and 5 provide the calculation if the taxpayer is affected by the phase-out. No table is needed. (P2, C1)</li> <li>10a. Under Repayment of Credit, the second sentence should read "The repayment period begins 2 tax years after the year in which you claim the credit." This will avoid confusion for taxpayers who claim the credit for a 2009 purchase, retroactively on their 2008 tax returns. (P2, C1)</li> <li>10b. The third sentence should read "...if you claim the credit on your 2008 tax return or amended 2008 return, the repayment period begins in 2010. (P2, C1)</li> <li>11. Under Repayment of Credit, second paragraph, first sentence ... your home ceases to be your main home before the 15 year period is up... needs to be clarified in terms of converting your home to business or rental property. Does this include converting part of your home to business or rental, as in having an office in the home, providing day care in the home, or renting out a room in the home? (P1, C1)</li> <li>12. Under Repayment of Credit, add an example of repayment due when the home is sold – use facts that show the home was sold for the same price it was purchased for. People need to be aware that if they don't put the "credit" toward the equity in their home or put it in the bank so they have it available to repay in case they must sell their home, which they can wind up owing a bunch of money when they sell. (P1, C1)</li> <li>13. Under Repayment of Credit, it states: If you sell the home to someone ...the repayment in the year of sale is limited to the amount of gain on sale. And then what? Is the remaining amount owed a) forgiven, b) still owed in the future? (P2, C1)</li> <li>14. Under Specific Instructions Line C, it states "You can choose to claim the credit on your 2008</li> </ol>				

## 2009 Taxpayer Advocacy Panel Recommendations

	<p>Form 1040 for a main home purchased ... before July 1, 2009". So does this mean if you actually buy the home in June 2009, you have the choice to either claim the credit in either 2008 (by amending) or in 2009? (P2, C2)</p> <p>15. For the issue of future year repayment of credit, I would rather see this as a separate form – more like a voucher. Ideally, the IRS would mail the person this form with the voucher amount and the amount still owed to the IRS. (P2, C2)</p> <p>16. The new provision in the Stimulus Bill that is for January, 2009 to November 30, 2009 will need to be reconciled with the Form 5405 which is for April, 2008 to June 30, 2009. (Overall)</p> <p>17. The term credit vs. loan with the First Time Home Buyers Credit confuses the taxpayers on whether it is a credit or a loan that needs to be paid back. (Overall)</p>
<p><b>Response from:</b></p>	<p>Patty Wagner, Senior Tax Analyst &amp; Bob Erickson, Tax Law Specialist</p>
<p><b>Response Notes:</b></p>	<p>The IRS responded to the recommendations as follows:</p> <ol style="list-style-type: none"> <li>1. Not adopt. The statute uses "3-year period". Plus we believe it's easier to count back 3 years than to count back 36 months.</li> <li>2. Adopt.</li> <li>3. Not adopt. We believe that the second bullet under Who Can Claim the Credit clearly addresses this situation.</li> <li>4. Not adopt. This repeats a requirement previously listed under Who Can Claim the Credit. Our experience tells us that repeating instructions does not improve compliance.</li> <li>5. Not adopt. This is not a requirement for homes purchased in 2009 and will not appear in the 2009 Form 5405 instructions.</li> <li>6a. Yes, this is correct for homes purchased in 2008. On the 2009 form, we will change "2008" to "2009".</li> <li>6b. You have to repay the credit with your 2009 tax return unless you meet one of the exceptions.</li> <li>7. The taxpayer would qualify for the credit if he or she has not been legally adopted by mom's husband. If the taxpayer has been legally adopted by mom's husband, mom's husband is a related person and the taxpayer would not qualify for the credit. We will consider clarifying this in the 2009 Form 5405 instructions.</li> <li>8. Purchase price is defined under the line 1 instructions.</li> <li>9. Not adopt. This isn't necessary because the phase-out is computed on lines 4 and 5.</li> <li>10a. This sentence was changed in the February 2009 revision of the 2008 Form 5405.</li> <li>10b. This sentence was deleted in the February 2009 revision of the 2008 Form 5405.</li> <li>11. Adopt. Your home does not cease to be your main home if you convert only a part of it to business or rental use and you continue to use it as your main home.</li> <li>12. Not adopt. Although taxpayers may have to repay the credit, the statute does not impose any restrictions on how taxpayers use the additional money generated by the credit. For example, if the taxpayer receives a tax refund solely because of the credit, he or she is free to use the refund for whatever purpose he or she desires (e.g., for new furniture or a vacation); he or she isn't required to bank the refund or put it toward the equity in the home.</li> <li>13. The remaining amount does not have to be repaid. We will clarify this in the 2009 Form 5405 instructions.</li> <li>14. Yes.</li> <li>15. The IRS has determined that the Form 5405 is the optimal method of collecting the repayment of the credit given its available resources.</li> <li>16. Adopt. See the February 2009 revision of the 2008 Form 5405.</li> <li>17. We're not aware that this has caused any widespread confusion. We explain under Purpose of Form that the credit for homes purchased in 2008 operates much like an interest-free loan and has to be repaid over 15 years. This instruction will not appear in the 2009 Form 5405 because the credit for homes purchased in 2009 does not have to be repaid over 15 years.</li> </ol>

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP M09-5298</b>	<b>Disseminate Tax Information to the LEP taxpayers</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	3/12/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Program Owners requested TAP members' assistance in finding organizations in their communities to establish contacts and be able to distribute the multilingual tax information.				
<b>Goal Statement:</b>	To reach organizations that could assist the IRS' Multilingual Issues Initiative Office in distributing translated tax information and their DVD. The purpose of this material is to educate the Limited-English Proficient communities on their federal tax obligations.				
<b>Proposal:</b>	<p>Two proposals were provided to accomplish the goal.</p> <p>Proposal 1: Our Committee suggests placing MLI documents in the following locations to assist citizens of their tax responsibilities.</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> All Schools as part of the enrollment package</li> <li><input type="checkbox"/> Libraries</li> </ul> <p>Example and immediate contact Claudia Koenig cKoenig@state.pa.us – The libraries have a list of ESL programs in the state and would be willing to have the DVD and pamphlets available.</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Dept of Education</li> </ul> <p>Example: Dr. Red Taught for the State Dept, now is the Head of Fairfax County Public Schools ESOL 703-658-2777</p> <p>University Business Programs University of Alabama Dr. William Harris 1135th University Drive Montgomery, Alabama 36104 334-229-5805/5810</p> <p>Miami Dade Public School System ESL Classes Nova Southeastern University ESL program</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> City Hall</li> <li><input type="checkbox"/> Bergen County Community Action Program-ESL Program</li> </ul> <p>241 Moore Street Hackensack, NJ 07601 201-968-0200 ext 7001</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Chambers of Commerce</li> <li><input type="checkbox"/> Contractor Licensing Boards</li> <li><input type="checkbox"/> Community Colleges</li> </ul> <p>Yavapai College</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> ESL professor Contact info to follow</li> <li><input type="checkbox"/> Score</li> <li><input type="checkbox"/> 800-634-0245 resource partner of SBA</li> <li><input type="checkbox"/> US Citizenship and Immigration Services</li> <li><input type="checkbox"/> Add a link to the Spanish website from USCIS website</li> <li><input type="checkbox"/> The USCIS already has links with libraries for publications.</li> <li><input type="checkbox"/> Health Departments</li> <li><input type="checkbox"/> Dept of Human Services</li> <li><input type="checkbox"/> Human Services Advisory Council</li> </ul> <p>Bergen Plaza 2nd Floor</p>				

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	<p>Hackensack, NJ 07601</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Post Offices</li> <li><input type="checkbox"/> Welcome Wagon- When you sign up for utilities</li> <li><input type="checkbox"/> Domestic Violence Agencies</li> <li><input type="checkbox"/> Division of Child and Welfare offices</li> <li><input type="checkbox"/> Banks as part of the opening a bank account</li> <li><input type="checkbox"/> Check cashing Business/Western Union</li> <li><input type="checkbox"/> Social Security Office and Website should adopt links</li> <li><input type="checkbox"/> In addition, all High Schools should teach how to file the 1040 to their students before graduation</li> </ul> <p>Proposal 2:          In lieu of mailing DVDs out to the different locations and having the risks that the DVDs will not be placed out for public view and distribution:          This suggestion proposes contracting or obtaining agreement from these contacts, that they would place a link on their website that would play the DVD in interactive mode. This suggestion has many benefits:</p> <ul style="list-style-type: none"> <li>• Cost savings of producing and the subsequent mailing of the DVDs</li> <li>• Provide access to more individuals</li> <li>• Able to target the different languages with one simple link</li> <li>• Updates and additional information can be accessed without any additional reproduction and marketing costs</li> </ul>
<p><b>Response from:</b></p>	
<p><b>Response Notes:</b></p>	

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<b>TAP N09-5373</b>	<b>Private Debt Collection Letters</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	3/27/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Program Owner from Taxpayer Advocate Service requested feedback on 2 Private Debt Collection (PDC) letters.				
<b>Goal Statement:</b>					
<b>Proposal:</b>					
<b>Response from:</b>					
<b>Response Notes:</b>					

<b>TAP 509-4480</b>	<b>Name Control and SSN/ITIN Mismatch on E-filed Returns</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	4/3/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	7/27/2009
<b>Issue Statement:</b>	The Internal Revenue Service (IRS) frequently rejects electronically filed (e-filed) returns when the taxpayer's name control (NC) fails to match the associated taxpayer identification number (TIN). This occurs most often for taxpayers with multiple or hyphenated last names.				
<b>Goal Statement:</b>	To eliminate rejections of e-filed returns due to NC and TIN mismatches for taxpayers using the correct names and numbers.				
<b>Proposal:</b>	Create a module on the IRS web site similar to the "Where's my refund?" feature so taxpayers confirm their correct NC and the NCs of their spouses and dependents prior to e-filing. Require taxpayers to input identifying information, such as social security number (SSN) or individual taxpayer identification number (ITIN) and date of birth to retrieve NCs.				
<b>Response from:</b>	Pamela J. Walker, Director, Submission Processing				
<b>Response Notes:</b>	<p>Dear Mr. Davidson:</p> <p>We have reviewed the recommendation entitled "Name Control (NC) and Social Security Number (SSN) and Internal Revenue Service Individual Taxpayer Identification Number (ITIN) Mismatch on E-filed Returns." The Taxpayer Advocacy Panel (TAP) recommendation suggests the Internal Revenue Service (IRS) create a website similar to "Where's My Refund" so taxpayers can confirm their Name Control and their spouse's and dependent(s) Name Controls prior to filing electronically.</p> <p>The IRS has recently established an Authentication Working Group tasked with developing a Servicewide taxpayer authentication strategy. This group will develop the authentication guidelines necessary to protect taxpayer accounts and ensure the IRS does not disclose Personally Identifiable Information (PII). Since there are numerous security and privacy challenges inherent to performing on-line taxpayer authentication, the working group must</p>				

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	<p>develop these agency-wide procedures prior to implementing any new on-line taxpayer services.</p> <p>We have shared this TAP recommendation with the Authentication Working Group and it, along with similar proposals, will be considered as the group develops a Servicewide authentication strategy. We appreciate the TAP Joint Committee submitting this recommendation. If you have any questions on this issue, please contact Venitta Barrett at (202) 283-0277 or Helen Hill at (202) 283-0559.</p> <p>Pamela J. Walker Director, Submission Processing</p>
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## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 309-4930</b>	<b>Taxpayer Phone Contact Tracking and Follow-up</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	4/7/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	6/22/2009
<b>Issue Statement:</b>	<p>IRS representatives, who deal with taxpayers over the phone for a particular tax return, often do not have access to notes of prior contacts the taxpayer has had regarding the same return. Taxpayers are in a situation where the IRS is supposed to be handling an issue and getting back to the taxpayer, and after a period of no follow-up by the IRS, the taxpayer has to start over with each new contact. There is no fail-safe method to ensure that taxpayer's issues do not get dropped in the system.</p>				
<b>Goal Statement:</b>	<p>Prevent taxpayer issues from getting lost in the system. Ensure that IRS representatives who deal with taxpayers about a return have all information regarding prior contacts the taxpayer has had with the IRS regarding the same return. This will improve efficiency by decreasing the number of phone calls and duplication of work by multiple IRS personnel on a single issue.</p>				
<b>Proposal:</b>	<p>Create an entry into the taxpayer file opened for every taxpayer contact containing: the IRS representative's ID number, an explanation of the conversation and what follow-up is to occur. All issues should be tracked in a fail-safe way so that taxpayer issues do not get lost in the system. The information in the taxpayer file should be available during subsequent conversations with the taxpayer.</p>				
<b>Response from:</b>	Cedrick Swain, AMS Program Director				
<b>Response Notes:</b>	<p>Charles Davidson            Chair, Taxpayer Advocacy Panel            211 West Wisconsin Avenue            Stop 1006 – MIL            Milwaukee, WI 53203-2221</p> <p>Dear Mr. Davidson,</p> <p>Re: TAP 309-4930 Taxpayer Phone Contact Tracking and Follow-up</p> <p>The above Taxpayer Advocacy Panel (TAP) request was forwarded to the Account Management Services (AMS) Program Office because the goals and solutions put forth coincide with those of AMS. The Desktop Integration (DI) system referenced in your referral document has been renamed to AMS when AMS Release 1.3 deployed in February 2009. We appreciate the opportunity to respond to the Taxpayer Advocacy Panel referral.</p> <p>We fully agree with the goals that you stated and the proposed solutions. However, since AMS is not funded beyond this year due to the efforts of the Modernize Taxpayer Accounts (MTA) group, we cannot forecast when we might be able to integrate these objectives into our planning for future development. We have attempted to address your stated goals, recommendations and proposed solutions.</p> <p>Issues: IRS assistants often do not have access to notes of prior contacts with the taxpayer regarding the same return. When IRS representatives fail to follow-up on issues that are not resolved during initial contact, the taxpayer must start the issue resolution process over again with a new representative.</p> <ul style="list-style-type: none"> <li>• When AMS users access an account the system requires at a minimum that they input the reason for the access. Policy also dictates that users leave narrative history to explain their actions and advice to the taxpayer. Actions input to the taxpayer's account are captured</li> </ul>				

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systemically by AMS and IDRS (Integrated Data Retrieval System). AMS provides significant capacity for users to enter additional case notes.

- To support other business needs, users still have the capacity to bypass AMS and perform research and initiate transactions directly in IDRS. Depending on the transaction involved, IDRS may require the input of some minimal history – which could be as little as three characters. If the only action taken is research, no history is captured on either system.

The IRS does not have a fail-safe method to ensure that issues are dealt with until they are resolved.

- The combination of system and policy requirements support the expectation that taxpayer issues originating and remaining in areas with access to AMS will be dealt with until they are resolved. However, when issues must be referred outside AMS enabled areas for resolution, they are converted to paper which limits tracking to those actions taken on IDRS.

Goals: Prevent taxpayer issues from getting lost in the system. Ensure IRS representatives have all information relating to prior contacts with the taxpayer regarding the same return.

- Though perhaps not broken down in this way, these are certainly implicit goals of AMS and the Business Modernization Office.

Solutions: For every taxpayer phone contact, inputting the following data to the taxpayer's account: the IRS representative's EIN, an explanation of the conversation, expected follow-up actions.

Making the taxpayer accounts available to any representative who has a subsequent conversation with the taxpayer.

- Both of the above are standard procedures for AMS users. Employee information is captured systemically, however, procedures requiring input of notes cannot be fully enforced by the system alone so cannot be considered fail safe. These concerns are addressed with employees if identified during quality review.

Tracking all issues presented by taxpayers across business units, through resolution.

- This solution is not addressed by AMS in any currently planned release. Many areas of the IRS still do not have access to AMS. With a few exceptions, systems used in other areas do not interface with AMS to leave history.

Conclusions: Having an automated issue tracking system would enable the IRS to respond to taxpayer inquiries in a more efficient manner and ensure that these issues do not get lost in the system. This would enhance both IRS employee and taxpayer satisfaction.

- As noted above, AMS already provides some of the documentation and tracking requested. Expanding access to AMS would meet many, but not all of the TAP goals. Delayed expansion to other IRS areas is mainly a matter of resource limitations. We are optimistic that this issue will be resolved over time.

- The concerns not addressed by the current AMS system would have been addressed by the original AMS concept, which included a universal case folder, an inventory manager and an account monitor to track transactions and direct traffic. Unfortunately, we are currently not funded to continue with these enhancements.

If you have additional questions, you may contact me or a member of your panel may contact Thomas Erwin of my staff at 202-283-2833.

## 2009 Taxpayer Advocacy Panel Recommendations

Sincerely,

Cedric Swain  
AMS Program Director

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 609-5939</b>	<b>Hope or Life Time Learning Credits</b>		<b>Status:</b>	Referred to SAMS-Legislative	
<b>Date Elevated to IRS:</b>	4/10/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	The Modified Adjusted Gross Income (MAGI's) limits for the Hope or Life Time Learning Credits and Tuition Deductions seen as prejudicial against widowed parents.				
<b>Goal Statement:</b>					
<b>Proposal:</b>	Taxpayer has sought remedies and relief from Taxpayer Advocate Service Assistance, but as the issue is legislative in nature, was denied.				
<b>Response from:</b>					
<b>Response Notes:</b>					

<b>TAP N09-5408</b>	<b>Review CP21b</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	4/17/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Review and provide feedback on CP21b to Taxpayers Communication Task Group (TACT).				
<b>Goal Statement:</b>					
<b>Proposal:</b>					
<b>Response from:</b>					
<b>Response Notes:</b>					

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP N09-5406</b>	<b>Review L1058</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	4/17/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Review and provide feedback on L1058 to Taxpayers Communication Task Group (TACT).				
<b>Goal Statement:</b>					
<b>Proposal:</b>					
<b>Response from:</b>					
<b>Response Notes:</b>					

<b>TAP N09-5410</b>	<b>Review CP503</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	4/17/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Review and provide feedback on CP503 to Taxpayers Communication Task Group (TACT)				
<b>Goal Statement:</b>					
<b>Proposal:</b>					
<b>Response from:</b>					
<b>Response Notes:</b>					

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP N09-5409</b>	<b>Review CP521</b>			<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	4/17/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>		
<b>Issue Statement:</b>	Review and provide feedback on CP521 to Taxpayers Communication Task Group (TACT).					
<b>Goal Statement:</b>						
<b>Proposal:</b>						
<b>Response from:</b>						
<b>Response Notes:</b>						

<b>TAP N09-5407</b>	<b>Review CP22a</b>			<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	4/17/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>		
<b>Issue Statement:</b>	Review and provide feedback on CP22a to Taxpayers Communication Task Group (TACT).					
<b>Goal Statement:</b>						
<b>Proposal:</b>						
<b>Response from:</b>						
<b>Response Notes:</b>						

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP C09-5435</b>	<b>Generic Business Card</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	4/22/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Panel members have to wait up to several months to receive their TAP business cards.				
<b>Goal Statement:</b>	Ensure new panel members have business cards to hand out as soon as they become panel members.				
<b>Proposal:</b>	Print generic TAP business cards for members to use until they receive their personalized business cards.				
<b>Response from:</b>					
<b>Response Notes:</b>					

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 409-4210</b>	<b>Identity Theft Suspension of Return Processing</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	4/23/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	10/14/2009
<b>Issue Statement:</b>	Identity thieves often obtain the social security numbers (SSNs) of individuals who are not required to file income tax returns and use this information to claim fraudulent refunds. Taxpayers currently have no proactive method of notifying the IRS that they are not required to file in order to prevent the unauthorized use of their SSNs.				
<b>Goal Statement:</b>	To protect individuals who are not required to file tax returns from the unauthorized use of their SSNs.				
<b>Proposal:</b>	We propose adding a section to Form 9452, Filing Assistance Program, to allow individuals to notify the IRS of their desire to block the use of their SSNs. This revision would include current address information, a perjury statement and two check-a-box options to allow individuals to block or unblock the use of their SSNs on tax returns. [See attached mock-up of the proposed form revision.] Once the form has been processed, the IRS will notify the individual the action has been taken to block their SSN and provide instructions on how to unblock their SSN before a return can be filed.				
<b>Response from:</b>	Joseph D. O'Leska, Deputy Director, Identity Protection Office of Privacy and Information Protection				
<b>Response Notes:</b>	<p>Charles A. Davidson, Chair Taxpayer Advocacy Panel 211 West Wisconsin Avenue Stop 1006 -MIL Milwaukee, WI 53203 -2221</p> <p>Regarding: TAP 409-4210 Identity Theft Suspension of Return Processing</p> <p>Dear Mr. Davidson,</p> <p>Thank you for your recommendation regarding the revision of Form 9452, Filing Assistance Program. We agree with the TAP's observation that giving taxpayers a mechanism for "locking" their accounts and thereby preventing the unauthorized use of their social security number can help us reduce the incidence of Identity Theft among this population of taxpayers and increase compliance by decreasing the number of fraudulent or abusive returns.</p> <p>We consider your recommendation to be a valuable suggestion for the agency to review to address our identity theft activities for the future. This recommendation does represent a complex undertaking which would involve multiple operational divisions and functions. As a proactive approach to implementation of this recommendation we have already requested the creation of a new identity theft indicator which would specifically indicate the taxpayer has no filing requirements and has requested their account be locked. Additional associated programming would utilize the presence of this indicator to reject any returns received using the social security number of an individual who had "locked" their account. The returns would be rejected prior to acceptance of electronically filed returns thereby maintaining the integrity of taxpayer account information. Paper returns will require a different treatment stream though will be similar in functionality. We will continue to work with other operational divisions to determine the best methods for complete implementation. We will also work with Tax Forms and Publications to pursue revisions to Form 9452 and instructions to provide a means to notify us that they have no filing requirements and wish to have their accounts locked.</p> <p>Thank you again for suggesting changes to improve our operations. If you have any questions, please contact Curtis Lynn Privett, Identity Protection at (202)-283-7362 or</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

	<p>curtis.l.privett@irs.gov.</p>
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Sincerely,  
Joseph D. O'Leska  
Deputy Director, Identity Protection Office of Privacy and Information Protection

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 709-4545</b>	<b>Customer Service Complaints</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	4/23/2009	<b>Date Counter Response to IRS:</b>	7/21/2009	<b>Date Response(s) Received:</b>	5/26/2009 11/17/2009
<b>Issue Statement:</b>	The Internal Revenue Service (IRS) does not provide a user-friendly means for callers to report receiving unacceptable customer service from IRS toll-free call center employees. When callers do manage to find a way to file a complaint, the IRS does not follow-up regarding resolution.				
<b>Goal Statement:</b>	To improve customer satisfaction with using the IRS toll-free call system.				
<b>Proposal:</b>	<p>1. Develop a user-friendly system for filing complaints against IRS call-center employees through existing Treasury Inspector General for Tax Administration (TIGTA) procedures, the IRS website, email, toll-free telephone, U.S. mail, or all of the foregoing.</p> <p>2. Establish a procedure for systematically recording and following up on these complaints, including acknowledgement of the complaint to the customer, aging, tracking, and, where feasible, customer feedback regarding resolution.</p> <p>3. Amend the Internal Revenue Manual (I.R.M.) to include instructions on the correct manner for taking and recording taxpayer complaints about IRS employees. July 21, 2009</p> <p>Patty Wagner, Senior Tax Analyst Internal Revenue Service, Wage and Investment Division 5000 Ellin Road Lanham, MD 20706</p> <p>Re: TAP Recommendation 709-4545</p> <p>Dear Ms. Wagner:</p> <p>We received your response of May 26, 2009 to Taxpayer Advocacy Panel Recommendation 709-4545. We would like to thank you for your consideration of our recommendation.</p> <p>As you will recall, TAP Recommendation 709-4545 concerns situations in which an IRS customer wishes to register a complaint regarding the behavior of an IRS employee in the Tax Practitioner or other IRS toll-free tax assistance hot line.</p> <p>We believe your response misses the point of our recommendation in several important respects, which we have outlined in a rebuttal attached to our original recommendation. While we agree that the IRS may have a process for registering complaint, we do not believe that taxpayers know how to access that process to resolve their complaints. Your reply also does not approach the subject of an appropriate response to a complaint from a taxpayer, which we believe is a critical component of our recommendation.</p> <p>We believe that resolving taxpayer complaints is an extremely urgent and important matter for all taxpayers and that the Internal Revenue Service would benefit from a much more transparent complaint system.</p> <p>For the reasons set forth above, we are again submitting TAP Recommendation 709-4545 for your prompt consideration. We respectfully urge you to reconsider your response.</p> <p>Thank you, once again, for your time and consideration.</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

	<p>Sincerely yours, Charles Davidson</p> <p>Rebuttal to IRS Response re: TAP Issue 4545 You state “The Internal Revenue Service provides customers an outlet to report both complaints as well as compliments of its employees.” We do not believe that, in all cases, an outlet exists or that IRS customers exercising reasonable diligence will generally be able to determine how or to whom they should communicate concerns of this nature. Asking to speak to a manager may not be sufficient because:</p> <ol style="list-style-type: none"> <li>1. The employee may not honor the taxpayer’s request by terminating the call, or</li> <li>2. The employee may not elevate the request to the supervisor.</li> </ol> <p>In such cases, it is difficult or impossible for IRS customers to determine how a complaint should be made or to whom it should be submitted.</p> <p>While we acknowledge that the Contact Recording program may be useful to audit call center performance, unless all calls are reviewed, which we do not believe is currently the case, it is possible for situations such as the one described in TAP Recommendation 709-4545 to slip through the cracks. You explained the IRS is diligent about investigating and correcting problems once a complaint is received, but we are concerned that, in many cases, managers are unaware that their employee acted inappropriately by terminating the conversation with the taxpayer. IRS customers are unable to determine how effectively to bring a problem to the attention of the IRS. In the experience of the IRS customers with whom we have interacted, it is simply not the case that taxpayers generally receive a response to, or even an acknowledgement of, complaints that are submitted.</p> <p>We feel that the issue identified in TAP Recommendation 709-4545 is sufficiently widespread and important to merit more serious consideration by the IRS. Among currently active issues before the TAP Area 7 Committee, at least four (i.e., issues 5411, 5510, 4918, and 4545, the subject of recommendation at issue here) relate to taxpayer complaints regarding problematic IRS toll-free phone service employee behavior and a perceived lack of a means to communicate complaints. This problem also appears among the issues identified through the IRS Issue Management Resolution System (IMRS 07-00478, attached). Note that in Publication 1, Your Rights as a Taxpayer, the solution proposed in the IRS Response, (a) provides no guidance to a taxpayer whose request to speak with a supervisor is refused, and (b) places the burden, inappropriately in our view, on the IRS customer to determine how and to whom a complaint should be submitted.</p>
<p><b>Response from:</b></p>	
<p><b>Response Notes:</b></p>	<p>May 26, 2009</p> <p>Response to TAP recommendation 709-4545 regarding Customer Service Improvements.</p> <p>The Internal Revenue Service provides customers an outlet to report both complaints as well as compliments of its employees. When negative employee feedback is received from a taxpayer, IRS management makes every effort to determine the facts of the taxpayer contact. If the contact was an incoming call made through the Toll-free telephone system, the call can be identified through the Contact Recording program, where calls are recorded to ensure the quality of the service received. If management determines the taxpayer complaint has merit, the employee is documented by their immediate manager and if the contact was egregious, disciplinary action may be taken. Regardless, all taxpayer complaints receive a response to their inquiry, when possible.</p> <p>IRM 21.1.3.16 outlines procedures for reporting both good and bad feedback about the employee and the Agency. IRM 21.1.3.16 (3) instructs employees to transfer customer complaints and compliments (calls or correspondence) to their manager. The manager receiving the complaint or compliment then forwards the information to the appropriate manager for necessary research and action based on the findings.</p>

## 2009 Taxpayer Advocacy Panel Recommendations

We realize this is not a complaint processing system with the features suggested in your proposal TAP 709-4545, however, we believe our current system (detailed in the paragraphs above) is adequate and provides customers an effective way to voice a concern.

Accounts Management has provided the below additional information/response to the TAP Recommendation rebuttal:

The IRS Publication 1, Your Rights as a Taxpayer, provides taxpayers instructions on how to file a complaint or communicate concerns to IRS. Publication 1, Section III, "Professional and Courteous Service," states: "If you believe that an IRS employee has not treated you in a professional, fair, and courteous manner, you should tell that employee's supervisor. If the supervisor's response is not satisfactory, you should write to the IRS director for your area or the center where you file your return." If the employee terminates the call before allowing the taxpayer to speak to a supervisor or does not elevate the taxpayer's request to speak to the supervisor, the taxpayer may write to the IRS Director to file the complaint or communicate his/her concerns.

To ensure our employees communicate to the taxpayer on how to file a complaint as outlined in Publication 1 we will update the applicable Internal Revenue Manuals (IRMs). In addition, to ensure our managers are provided with the necessary guidance on how to handle taxpayer complaints we will update the applicable managerial IRMs.

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP N09-5363</b>	<b>Installment Agreement Letters - Letter 2357C</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	4/27/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Program Owner requests Document Assessment Tool (DAT) scoring of Letter 2357C.				
<b>Goal Statement:</b>					
<b>Proposal:</b>	<p>Subcommittee reviewed the notice and provided the program owner with the scores of the notice using the Documents Assessment Tool (DAT). They scored it as follows:</p> <p>Message and Task - B            Logical Structure - C            Presentation - A-            Overall – B</p>				
<b>Response from:</b>					
<b>Response Notes:</b>					

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP F09-5070</b>	<b>Form 1040EZ Instructions</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	4/28/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	6/15/2009
<b>Issue Statement:</b>	Provide feedback on how the subcommittee view the Instructions for Form 1040EZ.				
<b>Goal Statement:</b>	Provide feedback on how the subcommittee view the Instructions for Form 1040EZ.				
<b>Proposal:</b>	<p>1. Charts and Tables used in Instruction 1040EZ should match the Charts and Tables from 1040A and 1040 Instructions. (Throughout Pub.)</p> <p>2. Publication Lacks warning about Earned Income Tax Credit. This includes warning taxpayers about filing returns to claim credit, while no actual filing requirement may exist. Add this note to table at bottom of page 6. (P5,C1 &amp; P6, C1 &amp; C2)</p> <p>3. Someone using the 1040EZ should be given the same filing guidance as someone filing the 1040 or 1040A. (P5 C1, C2 P6)</p> <p>4. Make more information available about the different tax credits; regardless if these credits can be claimed using the 1040EZ form. (P4 C1,C2)</p> <p>5. Add a 'Caution or Tip Box' for Line 1 instructions. Caution Box should read: For details on Household Employees use TeleTax Topic 756 or see Publication 926. (P10 C1)</p> <p>6. Also I suggest adding 'What is a Household Employee' to Definitions &amp; Specials Rules section on pages 14 &amp;15. (P14, P15)</p> <p>7. Add a 'Tip Box' to Taxable Interest Received. The Tip Box should read: For details on interested received use TeleTax Topic 403 or refer to Publication 550. (P11, C1)</p>				
<b>Response from:</b>	Patty Wagner, Senior Tax Analyst & Bob Erickson, Tax Law Specialist				
<b>Response Notes:</b>	<p>The IRS provided the following responses to each recommendation:</p> <p>1. Charts and tables should not match charts and tables from Form 1040A and 1040. The charts and tables in the Instructions for Form 1040 are designed to give taxpayers information they need to file their return. For example Chart A on page 6, contains filing information for single and married filing joint filers. You cannot file Form 1040EZ if you are over 65, married filing separately, head of household, or as a qualifying widow(er) so we do not include them on the chart. We also do not include the tax rate table, except for other single and married filing joint, which saves space and money for printing.</p> <p>2. The warning appears as a tip on page 5 under the Do You Have to File checkboxes.</p> <p>3. They should not be given the same guidance a someone filing the 1040 or 1040A. The Checklist for Using Form 1040EZ on page 5, that is updated for 2009 to include additional points from and back of the form Use this form if, and new legislative change. Taxpayers file form 1040EZ because it is easy and matches their tax situation.</p> <p>4. The Checklist for Using Form 1040EZ tells the taxpayer the only credits they can claim filing Form 1040 are the earned income credit and recovery rebate credit (2008). In 2009 that will change to the making work pay credit. We refer them to TeleTax for the other tax credits and have them listed on the TeleTax Topics table. Adding a description in the instructions for all the credits would be confusing if they can't claim them on the form, I'm not sure we should go there.</p> <p>5. TeleTax Topic 756 is for the employers not the employees of household employees as is Publication 926. Employers cannot file Form 1040EZ and attach Schedule H. Line 1 instructions on page 10, first bullet, has the information required for reporting the wages a household employee receives when they don't receive a Form W-2 from their employer.</p> <p>6. Definitions and Special Rules is for the earned income credit which starts on page 12 of the</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

	<p>2008 version. It would not be appropriate to put that definition there. We will add a definition or an example to the first bullet on line 1 instructions.</p> <p>7. OK. We do refer them to Publication 550, but we will add a tip and refer them to TeleTax topic 403</p>
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## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP N09-5360</b>	<b>Installment Agreement Letters - DAT Score - Letter 2257C</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	4/29/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Program Owner requests Document Assessment Tool (DAT) scoring of Letter 2257C				
<b>Goal Statement:</b>					
<b>Proposal:</b>					
<b>Response from:</b>					
<b>Response Notes:</b>					

<b>TAP N09-5330</b>	<b>Document 9183 - Desk Guide for Employees</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	5/22/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Provide a recommendation on the usefulness of this document to employees when writing correspondence.				
<b>Goal Statement:</b>					
<b>Proposal:</b>	<p>Why we support the distribution of document 9183</p> <p>Following the clear guidelines for good writing set out in the document will:</p> <ol style="list-style-type: none"> <li>1. Make the job of the IRS easier by assuring that communications sent to the taxpayer are clear and concise.</li> <li>2. Elicit better responses from taxpayers regardless of their level of sophistication.</li> <li>3. Provide a consistent guideline and format for writing an IRS document or notice.</li> <li>4. Set standards for well written documents and notices.</li> <li>5. Provide guides for good writing that are based upon the carefully crafted document assessment tool used to evaluate IRS notices by the volunteers on the Taxpayer Advocacy Panel.</li> </ol>				
<b>Response from:</b>					
<b>Response Notes:</b>					

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP N09-5495</b>	<b>Notice Review - CP2100A</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	5/27/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Program Owner Requests a review and Document Assessment Tool (DAT) Score for the CP 2100A.				
<b>Goal Statement:</b>					
<b>Proposal:</b>					
<b>Response from:</b>	James Cesarno, W&I Program Analyst				
<b>Response Notes:</b>	<p>Subcommittee reviewed the notice and provided the program owner with the scores of the notice using the Documents Assessment Tool (DAT). They scored it as follows:</p> <p>Message and Task - C+            Logical Structure - C-            Presentation - C-            Overall - C-</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 509-5790</b>	<b>Incorrect Process of the Recovery Rebate Credit</b>		<b>Status:</b>	Referred to SAMS - Accepted	
<b>Date Elevated to IRS:</b>	5/28/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	9/29/2009
<b>Issue Statement:</b>	Practitioner has a client that is high-income, married filing joint taxpayer with six children; five are qualifying children for the RRC – the oldest did not qualify. The taxpayer qualified for additional RRC since they did not receive their maximum stimulus payment in 2008 based on their 2007 tax return.				
<b>Goal Statement:</b>	Ensure taxpayers receive the additional RRC they are entitled to.				
<b>Proposal:</b>	IRS needs to correct their programming to allow correct processing of the RRC.				
<b>Response from:</b>					
<b>Response Notes:</b>	<p>Response from SAMS on 7/1/2009 - Thank you for your recent advocacy issue submission: Incorrect Calculation for Standard Deduction, which was assigned control number 15307 on the Systemic Advocacy Management System (SAMS). Your submission has been closed.</p> <p>Your Submission was not selected to become a project at this time; however, we did forward your concerns to the Electronic Tax Administration (ETA) department in the Wage and Investment division. ETA has a dedicated staff who works with vendors on problems such as this; therefore, we feel this is the best venue to resolve any problems related to your submission.</p> <p>Every submission helps us identify trends, which lead to new approaches to improving the IRS and tax administration. We carefully review and assess all issue submissions, then score them based on uniform criteria to decide which ones should become advocacy projects. Those that are not immediately selected to become projects still help us analyze trends and provide us data for the National Taxpayer Advocate's Annual Report to Congress. If you have further questions on your submission, you may contact our office at <a href="mailto:systemic.advocacy@irs.gov">systemic.advocacy@irs.gov</a>. If you do, please refer to the issue number above. Thank you for participating in the Systemic Advocacy program.</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 509-5512</b>	<b>Incorrect Calculation for Standard Deduction</b>		<b>Status:</b>	Referred to SAMS - Accepted	
<b>Date Elevated to IRS:</b>	5/28/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	7/1/2009
<b>Issue Statement:</b>	Two practitioners notified us that their clients are getting tax bills because the software company calculates an incorrect amount for the standard deduction for dependents claiming a business loss on Schedule C, line 12.				
<b>Goal Statement:</b>	Correct the software so it computes the taxes correctly to prevent taxpayers from getting a bill.				
<b>Proposal:</b>	Notify the software companies that they need to correct their software calculations.				
<b>Response from:</b>					
<b>Response Notes:</b>	<p>Summary and Conclusion:            Response from SAMS on 7/1/2009 - Thank you for your recent advocacy issue submission: Incorrect Calculation for Standard Deduction, which was assigned control number 15307 on the Systemic Advocacy Management System (SAMS). Your submission has been closed.</p> <p>Your Submission was not selected to become a project at this time; however, we did forward your concerns to the Electronic Tax Administration (ETA) department in the Wage and Investment division. ETA has a dedicated staff who works with vendors on problems such as this; therefore, we feel this is the best venue to resolve any problems related to your submission.</p> <p>Every submission helps us identify trends, which lead to new approaches to improving the IRS and tax administration. We carefully review and assess all issue submissions, then score them based on uniform criteria to decide which ones should become advocacy projects. Those that are not immediately selected to become projects still help us analyze trends and provide us data for the National Taxpayer Advocate's Annual Report to Congress. If you have further questions on your submission, you may contact our office at <a href="mailto:systemic.advocacy@irs.gov">systemic.advocacy@irs.gov</a>. If you do, please refer to the issue number above. Thank you for participating in the Systemic Advocacy program.</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 209-5080</b>	<b>Access to IRS Payment Transcript</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	6/1/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	7/27/2009
<b>Issue Statement:</b>	The Internal Revenue Service ("IRS") is currently unable to provide an individual taxpayer with ready access to the amount its records show as having been paid in estimated tax and other credits to the taxpayer's account ("Payments and Credits") for a given year.				
<b>Goal Statement:</b>	To afford individual taxpayers immediate access to the amount of their payments and credits for the current year and the immediate preceding year.				
<b>Proposal:</b>	The IRS should make available the amount of a taxpayer's payments and credits for the current year and immediate preceding year via the IRS website or an automated telephone line (or preferably, both).				
<b>Response from:</b>	Debbie Awalt, CAS: Program Coordination & Support				
<b>Response Notes:</b>	<p>July 27, 2009</p> <p>TAP 209-5080 Access to IRS Payment Transcript</p> <p>Issue Statement: Individual taxpayers and their preparers are currently unable to obtain from the Internal Revenue Service ("IRS") website or an automated telephone line the amount of estimated-tax payments and other credits applied to the taxpayer's account.</p> <p>In response to taxpayers receiving Estimated Tax account information via irs.gov:</p> <p>The Internal Revenue Service (IRS) is currently developing a comprehensive e-strategy which will identify a set of e-services for taxpayers, tax professionals and other partners. The service will consider and address the components outlined in the recommendation to maximize potential taxpayer benefits. We do not have a timeframe for delivery of an on-line account tool.</p> <p>In response to taxpayers receiving Estimated Tax account information via the telephone:</p> <p>Compliance is undertaking several efforts to increase the amount of information available on the telephone to taxpayers and professionals. A couple of which include steps necessary to provide access to payment information for all taxpayers. At this time, we do not have a target date for this particular functionality. With these efforts already in progress, the IRS does feel that it is appropriate to divert resources to deliver this functionality.</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP N09-5470</b>	<b>DAT Score - CP39</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	6/3/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Program Owners requested committee to prepare Document Assessment Tool (DAT) score for CP39.				
<b>Goal Statement:</b>					
<b>Proposal:</b>					
<b>Response from:</b>					
<b>Response Notes:</b>	DAT scores were provided to the program owner on the CP30				

<b>TAP 309-5340</b>	<b>Form 8889 (Health Savings Account)</b>		<b>Status:</b>	Referred to F&P-Accepted	
<b>Date Elevated to IRS:</b>	6/15/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	The wording on line 15 of Form 8889 is very confusing. The IRS should correct it to make it more understandable.				
<b>Goal Statement:</b>	The committee's goal is to correct line 15 of Form 8889.				
<b>Proposal:</b>	Form 8889 is very confusing. I knew my HSA contributions were pre-tax yet no matter how I interpreted the form I came up with an amount to ADD to my taxable income - which is wrong! The wording is so vague. "Unreimbursed qualified medical expenses" is simply the wrong description for Line 15. In the instructions line it says "only include on line 15 distributions from your HAS that were used to pay or reimburse you for "qualified" medical expenses." Not unreimbursed Qualified Medical Expenses.				
<b>Response from:</b>	Patty Wagner, Senior Tax Analyst & Bob Erickson, Tax Law Specialist				
<b>Response Notes:</b>	The program owner's provided the following response: "Wording in first sentence in Caution under Line 15 will be changed to read: Only include on line 15 distributions from your HSA that were used to pay you for qualified medical expenses (see page 1) not reimbursed by insurance or other coverage and that you incurred after the HSA was established."				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP N09-5494</b>	<b>DAT Score - Notice 441</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	6/16/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Provide Document Assessment Tool (DAT) Score for the Notice 441.				
<b>Goal Statement:</b>					
<b>Proposal:</b>	<p>Subcommittee reviewed the notice and provided the program owner with the scores of the notice using the Documents Assessment Tool (DAT). They scored it as follows:</p> <p>Message and Task - A-  Logical Structure - A-  Presentation - A-  Overall - A-</p> <p>ADDITIONAL COMMENTS FOR NOTICE 441</p> <ul style="list-style-type: none"> <li>• The notice is wordy and some of the information could be deleted.</li> <li>• Paragraph #1 – repeat of title first few words. Repeat of info in other parts of the notice.</li> <li>• The Second Heading could be divided up into two parts – “Availability For Public Inspection” and “How Public Inspection Affects You”</li> <li>• The topics stand out in the “green print” and makes it easy to see the hierarchy of the information being presented.</li> <li>• If the only redaction (edit) has been deletions, then why not just use “delete” or “omit”. I count eleven (11) “deletes” and seven (7) “redacts”.</li> <li>• Move the “what you can do” paragraph to the beginning of the notice.</li> <li>• The order of the paragraphs is confusing. The last two paragraphs should have been switched in the order sequence.</li> <li>• The last paragraph under “What You Can Do” on page 2 should have the word “Service” changed to “IRS” so that it accurately matches to the wording it refers to on page 1. All the other references to page 1 match the working exactly except this one.</li> <li>• The notice “looks” really nice, but when you actually read it, assuming you can understand it, you will see that it needs to have some changes made.</li> <li>• Include something like a table of contents after “Why We Are Contacting You” paragraph.</li> </ul>				
<b>Response from:</b>					
<b>Response Notes:</b>					

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP M09-5580</b>	<b>Publication 850- Adding Terms to this Glossary</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	6/23/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	10/14/2009
<b>Issue Statement:</b>	To review Publication 850, English-Spanish Glossary of Words and Phrases Used in Publications Issued by the IRS, in order to achieve a comprehensive glossary of tax terms.				
<b>Goal Statement:</b>	To review Publication 850, English-Spanish Glossary of Words and Phrases Used in Publications Issued by the IRS, in order to achieve a comprehensive glossary of tax terms.				
<b>Proposal:</b>	The Committee members compiled a list of suggested terms to be added.				
<b>Response from:</b>	Maria Cheeks, Virtual Translation Office, Section Chief				
<b>Response Notes:</b>	Heard from Program Owner Maria Cheeks that all changes, additions/deletions, recommended to Publication 850, were used by the Program.				

<b>TAP V09-5592</b>	<b>Pubs 4491/4555/4012, Link-n-Learn- Project</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	6/25/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	To refine the content and ensure accuracy of the information in Publication 4491/4555 and 4012 as well as link and Learn Taxes.				
<b>Goal Statement:</b>	To ensure the training materials used in training VITA/TCE volunteers are updated, clear and technically correct.				
<b>Proposal:</b>	Review of publications used in the VITA/TCE Program as training material to insure technical accuracy and clarity.				
<b>Response from:</b>	Roger Burton, Program Liaison				
<b>Response Notes:</b>	The VITA Program was grateful for the input provided by the TAP members to insure clarity and technical accuracy in the VITA training material.				

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<b>TAP V09-5589</b>	<b>Testing Materials - Project</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	6/25/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	To develop and ensure the accuracy of the papaper and electronic VITA/TCE testing materials- the test and retest (Form 6744) and test answers (Publication 4189).				
<b>Goal Statement:</b>	To develop and ensure the accuracy of the papaper and electronic VITA/TCE testing materials- the test and retest (Form 6744) and test answers (Publication 4189).				
<b>Proposal:</b>	To deliver accurate products - Form 6744 Pub 4189- for printing.				
<b>Response from:</b>	Roger Burton, Program Liaison				
<b>Response Notes:</b>	The Program was grateful for the participation of the TAP members in the team that reviewed the electronic VITATCE materials such as the test and the retest.				

<b>TAP V09-5590</b>	<b>Publication 4491-W- Project</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	6/25/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	To refine the content of Publication 4491-W and ensure the accuracy of the problems and exervises for the basic immediate, advanced military and international VITA/TCE courses.				
<b>Goal Statement:</b>	To refine the content of Publication 4491-W and ensure the accuracy of the problems and exervises for the basic immediate, advanced military and international VITA/TCE courses.				
<b>Proposal:</b>	To ensure accuracy of the materials used in VITA/TCE training.				
<b>Response from:</b>	Roger Burton, Program Liaison				
<b>Response Notes:</b>	The Program was grateful to those TAP members who participated in the review of Publication 4491-W.				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 109-5508</b>	<b>Standard Deduction Worksheet - Incorrect Instructions</b>		<b>Status:</b>	Referred to F&P-Accepted	
<b>Date Elevated to IRS:</b>	6/29/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Instructions for Worksheet 10 Standard Deduction for 2009 in Publication 919, How To Adjust My Tax Withholding is incorrect.				
<b>Goal Statement:</b>	The committee's goal is to correct worksheet 10 of the Standard Deductions.				
<b>Proposal:</b>	<p>Taxpayer was calculating his withholding for 2009. He reported that in Publication 919, the instructions for Worksheet 10 is not correct. In Worksheet 10, the instructions for Item #11 Standard Deduction, say to add lines 4, 5, 6, 9, and 10k and enter here. If you expect to house individuals displaced by the Midwestern disasters, also enter this amount on Worksheet 11, line 5. Otherwise, enter the total on Worksheet 1, line 4.</p> <p>On Worksheet 1, line 4, the instructions say: If the amount on line 1 is:          - Not more than the amount shown below for your 2009 filing status, multiply the number of exemptions you plan to claim on your 2009 tax return by \$3650 and enter the result here.</p> <p>-More than the amount shown below for your 2009 filing status, use Worksheet 3 to figure the amount to enter here          - Single - \$166,800          - Married filing jointly or Qualifying widow(er) - \$250,200          - Married filing separately - \$125,100          - Head of household - \$208,500</p> <p>According to the taxpayer, line 4 is for exemptions. The instructions for item 11 on Worksheet 10 should instruct the user to enter the total on Worksheet 1, line 2.</p>				
<b>Response from:</b>	Patty Wagner, Senior Tax Analyst & Bob Erickson, Tax Law Specialist				
<b>Response Notes:</b>	The program owner's provided the following response: "There was an error on line 11 of Worksheet 10 in Pub 919. The reference to line 4 of Worksheet 1 was corrected to reference line 2 of Worksheet 1. Pub 919 has been revised and posted to IRS.gov."				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP N09-5599</b>	<b>Focus Group - Usefulness of F 2210 and I 2210 as inserts</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	7/13/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	12/7/2009
<b>Issue Statement:</b>	Program Owner asked the committee to review the usefulness of the Form 2210 and Instructions 2210 being inserted with certain W&I Notices. During a focus group, questions were asked and answers were recorded and provided to the Program Owner as directed.				
<b>Goal Statement:</b>	N/A				
<b>Proposal:</b>	N/A				
<b>Response from:</b>	Kevi Painter, Tax Analyst, Notice Support Services,				
<b>Response Notes:</b>	IRS decided to remove the Form 2210 and instructions as inserts from IMF notices. This was approved by TACT. The date for implementation will be in 2010.				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP N09-5328</b>	<b>Insert Project - CP11</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	7/13/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Review CP11 and inserts to determine the necessity of the insert enclosed with the notice.				
<b>Goal Statement:</b>	N/A				
<b>Proposal:</b>	N/A				
<b>Response from:</b>					
<b>Response Notes:</b>					

<b>TAP N09-5329</b>	<b>Insert Project - CP23</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	7/13/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Review CP23 and inserts to determine the necessity of the insert enclosed with the notice.				
<b>Goal Statement:</b>	N/A				
<b>Proposal:</b>	N/A				
<b>Response from:</b>					
<b>Response Notes:</b>					

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP N09-5600</b>	<b>Focus Group - Usefulness of F 2220 and I 2220 as inserts</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	7/13/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Program Owner asked the committee to review the usefulness of the Form 2220 and Instructions 2220 being inserted with certain SBSE Notices. During a focus group, questions were asked and answers were recorded and provided to the Program Owner as directed.				
<b>Goal Statement:</b>	N/A				
<b>Proposal:</b>	N/A				
<b>Response from:</b>					
<b>Response Notes:</b>					

<b>TAP N09-5361</b>	<b>Installment Agreement Letters - DAT Score - Letter 2271C</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	7/14/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Program Owner requests Document Assessment Tool (DAT) scoring of Letter 2271C.				
<b>Goal Statement:</b>	N/A				
<b>Proposal:</b>	N/A				
<b>Response from:</b>					
<b>Response Notes:</b>					

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP N09-5362</b>	<b>Installment Agreement Letters - DAT Score - Letter 2318C</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	7/14/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Program Owner requests Document Assessment Tool (DAT) scoring of Letter 2318C.				
<b>Goal Statement:</b>	N/A				
<b>Proposal:</b>	N/A				
<b>Response from:</b>					
<b>Response Notes:</b>					

<b>TAP N09-5598</b>	<b>Installment Agreement Letters - DAT Score - Letter 2603C</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	7/14/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Program Owner requests Document Assessment Tool (DAT) scoring of Letter 2603C				
<b>Goal Statement:</b>	N/A				
<b>Proposal:</b>	N/A				
<b>Response from:</b>					
<b>Response Notes:</b>					

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP N09-5597</b>	<b>Installment Agreement Letters - DAT Score - Letter 2571C</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	7/14/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Program Owner requests Document Assessment Tool (DAT) scoring of Letter 2571C.				
<b>Goal Statement:</b>	N/A				
<b>Proposal:</b>	N/A				
<b>Response from:</b>					
<b>Response Notes:</b>					

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP V09-5219</b>	<b>Measuring Tax Return Accuracy in the VITA/TCE</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	7/14/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	1/25/2010
<b>Issue Statement:</b>	To improve SPEC's current methodology for determining VITA/TCE Return Accuracy.				
<b>Goal Statement:</b>	Review SPEC's current methodology for determining VITA/TCE Return Accuracy, and provide suggestions to improve and/or change the criteria/methodology.				
<b>Proposal:</b>	<ul style="list-style-type: none"> <li>• SPEC should increase communication to its VITA/TCE partners regarding the IRS program and process for reviewing return accuracy.</li> <li>• VITA/TCE site audits/reviews should be targeted using criteria which identifies those sites that have the greatest need for quality improvement.</li> <li>• As a general rule, the site audits/reviews should be announced (not greater than 10 days) in advance.</li> <li>• Form 6729C "Accuracy Return Review Sheet" (referred to as F6729C) should be revised as follows: <ul style="list-style-type: none"> <li>o The current format and methodology of F6729C is good for statistical analysis and reporting, including the Yes/No question format.</li> <li>o Question 13: Add "if No, identify in comments". On the Form 6729C "Accuracy Return Review Job Aid", after "the error" insert ", identify the source documents that were not reported correctly".</li> <li>o Revise Question 15 to read: "Is the choice between standard and itemized deductions correct?"</li> <li>o Revise Question 16 to read: "Is the deduction amount correct?"</li> <li>o Add new Question after #16: "Are all tax withholding and estimated payments reported correctly?"</li> <li>o Question 27 should be relocated (and renumbered) to follow the EIC questions, #'s 28-31. Further the wording should be changed to read: "Were all other credits reported properly?"</li> <li>o Add N/A boxes to page two, just like those on page one, with shading for all except #'s 18, 20, 22, 24, 26, 29 &amp; 31. For any non shaded questions, add "If No, check N/A and skip to Question ___."</li> <li>o Delete Questions 32 and 33, as they are no longer relevant. Consider replacing these questions with any new significant tax law changes, as warranted.</li> </ul> </li> </ul>				
<b>Response from:</b>	Julie Garcia, Director Stakeholder Partnerships, Education and Communication (SPEC)				
<b>Response Notes:</b>	<p>January 7, 2010</p> <p>Stephen Vanderver, Chair Taxpayer Advocacy Panel (TAP) 2028 Championship Drive Evansville, IN 47725</p> <p>Subject: Taxpayer Advocacy Panel (TAP) Committee Recommendations (TAP Database Number 5219), Measuring Tax Return Accuracy in the VITA/TCE Programs (dated July 14, 2009)</p> <p>Dear Mr. Vanderver:</p> <p>To improve the Stakeholder Partnerships, Education and Communication (SPEC) current methodology for determining Volunteer Income Tax Assistance/Tax Counseling for the Elderly (VITA/TCE) Return Accuracy, the TAP Committee proposed several recommendations that center on revisions or amendments to Forms 6729C and 6729-R (enclosed). The suggested proposals were made based on your review of VITA/TCE existing methods used to measure</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

accuracy.

We have given careful consideration to each recommendation. Your recommendations along with our responses to each are listed below.

First Recommendation - "SPEC should increase communication to its' VITAITCE partners regarding the IRS program and process for reviewing return accuracy."

Response -AGREE. We improved this year by implementing a Quality Statistical Sample (QSS) Cadre to conduct the quality reviews. But, there is always room for improvement. We emphasized the importance of sharing information/review results with our field personnel during our filing season training. This will be re-emphasized in the upcoming QSS Cadre Training. In addition, an analyst has been assigned the responsibility for development of reports. This should provide our partners with information needed to make immediate improvements and for use in future training.

Second Recommendation - "VITA/TCE site audits/reviews should be targeted using criteria which identify those sites that have the greatest need for quality improvement."

Response -AGREE. We have established criteria (i.e., new sites, sites found non-compliant in the previous year, high reject rates, etc.) used to select sites visited. To maintain the statistical validity of our QSS Reviews (the review results used to measure the accuracy of the VITA/TCE program), we must follow the criteria.

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Third Recommendation - "As a general rule, the site audits/reviews should be announced (not greater than 10 days) in advance."

Response -DISAGREE. The Statistics of Income (SOI) Office has advised us that we cannot announce our reviews. In the earlier days of our quality program, we announced our visits. As a result, the outcome of our reviews could not be reported as statistically valid. This was due to the advance notice of knowing we were coming (Le. the "Hawthorne effect").

Fourth Recommendation -The current format and methodology of Form 6729C "Accuracy of Return Review Sheet, is good for statistical analysis and reporting, including the Yes/No question format

Response -AGREE. The Form 6729C has been renamed, 'Criteria Return Review Sheet', and will be used by SPEC Territory Offices in conducting Criteria Reviews, also known as Assistance Visits. For Fiscal Year (FY) 2010, the QSS Cadre will use a new Form 6729-R, "QSS Return Review Sheet", to conduct its review of a statistically-valid number of sites. This form provides greater analysis as to the results of the error, if applicable. This will assist us in conducting training for the future. For your information, a copy is attached.

Your suggested revisions to Form 6729C are as follows:

- Revise Question 13 to add: "if No, identify in comments". On Form 6729C, following "the error" insert "identify the source documents that were not reported correctly".

AGREE. We also identified this as a weakness. This question has been renumbered as new line items 15, 16, and 17 on Form 6729C (and 6729-R).

- Revise Question 15 to read: "Is the choice between standard and itemized deductions correct?"

DISAGREE. We have to measure these separately in order to identify when an error is made to the standard deduction and when an error is made to the itemized deductions. This question has been renumbered as new line item 19 on Form 6729C (and 6729-R).

- Revise Question 16: "Is the deduction amount correct?"

DISAGREE. We have to measure these separately in order to identify when an error is made to the standard deduction and when an error is made to the itemized deductions. This question has been renumbered as new line item 20 on Form 6729C (and 6729-R).

- Add new Question after Number16: "Are all tax withholding and estimated payments reported correctly".

AGREE. We also identified this as a weakness. Two new questions, Numbers 31 and 32, have

## 2009 Taxpayer Advocacy Panel Recommendations

been added to Form 6729C (and 6729-R).

- Question 27 should be relocated (and renumbered) to follow the Earned Income Tax Credit (EITC) questions, Numbers 28-31. Further, the wording should be changed to read: "Were all other credits reported properly?"

AGREE. We identified this as a weakness also, Form 6729C (and 6729-R) has been realigned to follow the Form 1040, Since EITC falls under payments, this question is now renumbered as question Number 25.

- Add N/A Boxes to Page 2, just like those on Page 1, with shading for all except Numbers 18, 20, 22, 24, 26, 29 & 31. For any non-shaded questions, add "If No, check N/A and skip to Question \_."

AGREE. Form 6729C (and 6729-R) has been realigned to follow the Form 1040. The above questions have been renumbered as 21, 22, 24, 35, 23, 34 & 29 and N/A options have been added.

- Delete Questions 32 and 33, as they are no longer relevant. Consider replacing these questions with any new significant tax law changes, as warranted. AGREE. Form 6729C (and 6729-R) has been realigned to follow the Form 1040. The above questions have been deleted and replaced with other relevant tax-related questions (see new Numbers 33, 36, and 37).

We appreciate your efforts to help identify ways to improve the quality of the VITA/TCE program. Your recommended proposals have been adopted as noted above. If you have any questions, please feel free to contact our contact person, Fred McElligott, at 404-338-8578. Please thank the Committee on my behalf for their recommendations.

Sincerely,  
Julie Garcia  
Director Stakeholder Partnerships, Education and Communication (SPEC)

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP F09-5002</b>	<b>Pub. 946 - How to Depreciate Property</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	7/21/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	9/9/2009
<b>Issue Statement:</b>	Review Publication 946 and provide IRS program owners with feedback.				
<b>Goal Statement:</b>	Review Publication 946 and provide IRS program owners with feedback.				
<b>Proposal:</b>	<p>The Tax Forms and Publication Issue Committee provided the following recommendations:</p> <ol style="list-style-type: none"> <li>1. In definitions section, the paragraph that points out Glossary terms should include the starting page number of this section. (P.3, C1)</li> <li>2. In Incidents of Ownership section, this section should include examples of depreciable leased property. (P.4, C2)</li> <li>3. At Records icon at top of page, this tip should include information citing the IRS 'Recordkeeping' Publication. (P.5, C2)</li> <li>4. At the 'What Property Cannot Be Depreciated' section, Glossary cites should include page numbers for each cited term. This theme should be applied to all Glossary cites in Publication. (P.6, C1 &amp; Thru-out)</li> <li>5. At bottom of page, paragraph titled 'Retired From Service' should be renamed 'Retiring Property From Service'. This title better suits paragraph information. (P.7, C2)</li> <li>6. Discussion of pre 1986 and 1986 property. Why not first discuss property acquired or placed in service this year? For example, property placed in service this year is subject to the following elections..... Consider reorganizing the whole pub to first discuss property acquired or placed in service this year, with another chapter to discuss property already in service. 1986 was 23 years ago—how much personally is still in service with those years. (P.8)</li> <li>7. In the section called 'Related persons' this should be renamed, 'Related Persons &amp; Entities' since some the relationships listed are not people but business entities. (P.9, C1)</li> <li>8. Midway 2nd column at the paragraph called 'When to determine relationship', the first sentence should read, 'You must determine whether you are related to another person or business entity at the time you acquire the property.' (P.9, C2)</li> <li>9. The IRS should include examples in the 'Income Forecast Method' section. (P.11, C1)</li> <li>10. This is a very important publication that I have a feeling is used by quite a few people. This section in particular has some very important concepts applicable across a wide swath of businesses. So it is important to emphasize (i.e. bring to the front) issues that are important to a large number of people and remove those things that are more obscure. (ALL)</li> <li>11. If this publication is intended to be the primary reference for taxpayers to use in understanding "how to depreciate property", then its definitions should be all inclusive &amp; specific. For example, sec. 2 as well as other sections refers the reader to the glossary for an explanation of terms. The first term referenced in sec. 2, is adjusted basis. The definition says this represents the original cost plus certain additions.....minus certain deductions such as depreciation allowed.....without a detailed explanation of what "certain additions and deductions are. How is the TP to know? ♦(P.16, C1)</li> <li>12. Is this correct? Property acquired by an exchange or as payment for services – how should this be handled? Taxpayer is referred to pub.551, but it should be spelled out in this publication as well. (P16, C2)</li> <li>13. What are "fungible commodities"? Why not just say interchangeable? (P16, C2)</li> <li>14. Verbiage is not clear as to "custom" software. How is software created for a specific application, process or client to be handled? Is it considered to be "off-the-shelf" software, readily available to the general public? (P17, C1)</li> <li>15. What happens if business use drops below 50% in subsequent years? This is explained on page 24, col 2 @ para 1. A reader should be pointed to this explanation here. (P17, C1)</li> <li>16. This comment, "property acquired by gift or inheritance does not qualify" should also appear on page 16, column 2 at bullet point #3. (P17, C1)</li> </ol>				

## 2009 Taxpayer Advocacy Panel Recommendations

17. This explanation is confusing – does this mean that if a taxpayer has no out of pocket expense associated with the rental property, other than the initial acquisition cost, that Sec. 179 treatment is not allowed? (P18, C1)
18. Confusing – isn't the majority of lodging provided to transients? (P18, C1)
19. See para 2, bullet point #2 – the reader should be referred to page 21, col 1 “married individuals” for an explanation of how to figure their deduction. (P20, C1)
20. At para #5, is bullet point #2 necessary? (P20, C1)
21. At para #3, same as above. (P20, C2)
22. At para #7, same as above. (P20, C2)
23. The pub states that you must keep records for each piece of qualifying sect. 179 properties, but it doesn't state for how long. (P24, C1)
24. What does the revocation consist of? Are there special forms or specific wording that must be used? (P24, C1)
25. How much is recaptured, all or only a percentage? The reader should be pointed to the par. titled “figuring the recapture amount” to compute this. (P24, C2)
26. This section of pub 946 (Pages 16-24) is well written, considering the complexity of the issues addressed. However, some of the verbiage could be simplified to better facilitate its' understanding and application. It could be assumed that this publication is intended for those with expertise in either taxes or accounting but, it is available to all taxpayers and it should be presented in a manner that is easily understood by all, without regard to one's level of expertise in the matter. (P16-24)
27. “MACRS is used to recover the basis of most ...” if this is the most used information, why not earlier than chapter 4? (“MACRS is used to recover the basis of most ...” if this is the most used information, why not earlier than chapter 4? (P.36)
28. For glossary, why can't you at least have hot links to the actual glossary definition? It would be most helpful. (P.37, C1)
29. “you generally must use GDS” “you can elect to use ADS” Why must if there is an option? (P.37, C2)
30. It states “Your use of either the ...(GDS) or the ... (ADS) to depreciate property under MACRS determines what depreciation method ... to use”. I don't understand this sentence. Using GDS or ADS determines whether to use GDS or ADS?? (P.37, C2)
31. It is very confusing for most folks reading this to start this important section off with a rather obscure discussion of ADS vs. GDS. For a very large percentage of businesses, ADS is not generally going to be used. So why not just move this obscure passage to the end of the chapter, a separate publication or an appendix? (P.37)
32. Under Which Property Class Applies Under GDS. Since the appendix already lists the detail, why not use this section to outline some of the more common depreciation property classes such as software (not currently on list), automobiles, computers, office machinery, rental property, etc. Less popular categories, such horses, barges, etc. should be left for the appendix. (P.38)
33. Motor sports entertainment complex, Retail motor fuels outlet, Qualified smart electric meter, etc. seem way too narrow an issue (i.e., does not apply to enough readers) to detail here. Why not just list these in the glossary and leave out the details here? (P.39)
34. Indian Reservation Property. Again, way too narrow a subject to detail in this high level document. (P.42)
35. Under Mid-quarter convention, why suddenly deal with “Form 4562” and the specifics of how to fill it out? It seems it would make more sense to deal with how to fill in the specific form and one spot (either in the publication or separately in the instructions for the form). (P.44)
36. Under Electing a Different Method, with the entire minutia here, it would be great to see a higher level discussion on why one would choose 200% vs. 150% vs. SL on GDS. In Table 4-1, both 200% and 150% say it “Provides a great deduction during the earlier recovery years” and “Changes to SL when the method provides an equal or greater deduction”. So why would one choose one over the other?? (P.45-46)
37. Under Using the MACRS Percentage Tables, this chapter is already quite detailed and bounces between high-level concepts and minutia. It would be better to move this section to the appendix since most folks are not looking here for these kinds of details. (P.46)
38. Recapture—not enough information to be useful or clear—expand, or simply reference pub 544. (P.60, 61)
39. Depreciation rates expressed as %s are confusing for math challenged—for example, Table A-1, 3 year property, year 4 factor = 7.41 this % converts to .0741 as a decimal, but many TPs would not make the conversion correctly. Consider a decimal based table. (P.80)

## 2009 Taxpayer Advocacy Panel Recommendations

<b>Response from:</b>	Patty Wagner, Senior Tax Analyst & Bob Erickson, Tax Law Specialist
<b>Response Notes:</b>	<p>IRS program owners responding to the Committee's Recommendation: I sent the comments for Issue 5002 (Pub 946 – How to Depreciate Property) to the product owner. Unfortunately they do not have time to respond to all of the comments immediately. They offer the following response: Thank you for your review and comments on Publication 946, How to Depreciate Property.</p> <p>Unfortunately, due to conflicting workload priorities and because the Publication is not scheduled to go to print until January 2010, IRS will not be able to provide formal feedback to your comments until after the Publication is printed. However, IRS will consider your comments as the Publication is being revised for January 2010.</p> <p>Please thank the TAP Committee for all of their efforts. As mentioned above, TFP will consider their comments and suggestion when revising the Pub.</p>

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 409-5366</b>	<b>Bankrupt Taxpayer Refund Notification</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	7/23/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	9/2/2009
<b>Issue Statement:</b>	The IRS does not notify bankrupt taxpayers when their returns have been processed and refunds are available. This information lapse causes bankrupt taxpayers to repeatedly call the IRS toll free phone line asking about the status of their returns.				
<b>Goal Statement:</b>	To provide timely notice to bankrupt taxpayers that their refunds are available to be released to their bankruptcy estates in order to expedite access to these refunds and minimize inquiries to the IRS toll free line.				
<b>Proposal:</b>	The IRS should promptly notify bankrupt taxpayers that their returns have been processed so the taxpayers can contact their bankruptcy attorneys to resolve disposition of their refunds. Taxpayers calling the IRS toll free number should be advised that a notice will be issued when processing is complete.				
<b>Response from:</b>	Thomas Mathews, Director, Small Business/Self-Employed, Advisory, Insolvency & Quality				
<b>Response Notes:</b>	<p>Charles A. Davidson, Chair Taxpayer Advocacy Panel 211 West Wisconsin Avenue Stop 1006 -MIL Milwaukee, WI 53203 -2221</p> <p>Regarding: TAP 409 -5366, Bankrupt Taxpayer Refund Notification</p> <p>Dear Mr. Davidson, Thank you for the recommendation concerning a bankrupt taxpayer refund notification. We have reviewed this recommendation and believe it is not feasible to implement because it would duplicate current processes.</p> <p>The referral notes 1.1 million bankruptcy filings in 2008. That is true; however, the IRS is noticed on only about a third of these cases. Where we have no record of the bankruptcy, there is no impact on refund processing, and debtors are able to determine the status of their refund like all other taxpayers.</p> <p>In the cases where we are noticed, we screen out about 30% at the front end because the debtor does not have a tax liability. In these cases, there is no litigation freeze placed on the account and there should be no impact on the refund. Again, debtors should be able to determine their refund status like non-bankrupt taxpayers. (There are some exceptions but they are a small minority.)</p> <p>In bankruptcies where there is a tax liability, most refunds are offset or are issued to the debtor systemically, based on the litigation closing code. In these cases, there should not be a delay in holding or issuing the refund.</p> <p>And then there are bankruptcies where we freeze the credit but have to make individual decisions based on local court rules, standing orders, or other unique circumstances. The delays occur on cases where we must issue a manual refund. In FY 2008, the Centralized Insolvency Operation (CIO) issued about 56,000 manual refunds; fewer than 20% of bankruptcy cases involve manual refunds. The 56,000 figure includes all manual refunds, the majority of which are issued to bankruptcy trustees, not the debtors. And of the refunds issued to debtors, a significant number are unrelated to tax returns (for example, to return installment agreement or levy payments received after the petition date). (Field Insolvency also issues manual refunds, but CIO has most</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

	<p>of the inventory and issues most of the refunds.)</p> <p>Even in these cases, we are not sure why taxpayers would have to call back repeatedly to determine the status of their refunds. The Internal Revenue Manual has good procedures for the customer service call sites to address many refund inquiries directly, or to refer to Field Insolvency/CIO in other situations. In those cases where there is a referral, the Insolvency contact should be able to address most issues on a single contact.</p> <p>Our conclusion is that the volume of cases where the refund is delayed due to bankruptcy is not high enough to warrant issuing a notice to all bankrupt taxpayers that their returns have been processed. Noticing all bankrupt taxpayers would likely generate more calls, thereby negating the potential savings. And because manual refunds are driven mostly by local rules and standing orders, it would be difficult to program a systemic notice about the status of the return and refund. (The recommendation contemplates taxpayers would then contact their bankruptcy attorneys to resolve disposition of their refunds. Most bankruptcy attorneys are familiar with the courts' local rules or standing orders regarding trustee refunds or IRS offsets, so we are not sure about the utility of this information.)</p> <p>An alternative to the letter recommendation would be to add information to the "Where's My Refund" web response, stating, "If you are currently in bankruptcy and have questions about your refund, call 1-800-913-9358." We are considering this idea and welcome any comments you may have.</p> <p>Thank you again for suggesting changes to improve our operations. If you have any questions, please contact SB/SE TAP Liaison Melaney Partner at (202)-283-7362 or <a href="mailto:melaney.j.partner@irs.gov">melaney.j.partner@irs.gov</a>.</p> <p>Thomas Mathews Director, Small Business/Self-Employed Advisory, Insolvency &amp; Quality</p>
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## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 409-5493</b>	<b>Tax Law Updates on IRS Website</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	7/23/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	9/3/2009
<b>Issue Statement:</b>	Information on tax law changes is difficult to find on the Internal Revenue Service (IRS) website.				
<b>Goal Statement:</b>	Facilitate locating tax information that changes between issuance dates of major tax publications online.				
<b>Proposal:</b>	Make the link Tax Changes a permanent addition to the IRS homepage. The link should access a page that includes changes made since the publication date of current year information, organized by topic, by date, and by publication number.				
<b>Response from:</b>	Susanne M. Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	<p>Mr. Charles Davidson, Chair Internal Revenue Service Taxpayer Advocacy Panel 210 Walnut Street, Room 377 Des Moines, IA 50309</p> <p>Subject: TAP 409-5493 Tax Law Updates on the IRS Website</p> <p>Dear Mr. Davidson:</p> <p>Thank you for the Taxpayer Advocacy Panel (TAP) recommendation to add a permanent link to tax changes on the IRS.gov homepage. I have thoroughly considered your recommendation but I am not able to adopt it for the following reasons.</p> <p>The homepage primarily contains "dynamic" content and focuses on current issues. For example, the rotating spotlight highlights items of tax information that are of the greatest interest and impact to taxpayers. Subjects can change daily or weekly depending on the needs of customers, the Service, new legislation, filing season requirements, etc. However, there is actually limited space available for permanent commitments on the homepage, such as you suggested. Tax law changes are considered more "static" content because customers need to refer back to them for extended periods of time. In addition, they require more in-depth explanation so we locate them in areas where large content can be preserved longer. Tax law changes are available by selecting Forms and Publications on the homepage and then selecting Highlights of Tax Changes. The information is available within two mouse clicks of the homepage. Although the tax changes are presently organized by business type, we certainly can review the possibility of adding more interactive features in the future.</p> <p>You also recommended that we establish a systematic approach to minimizing broken links. We currently perform quarterly link checks to correct broken links. I apologize that the link to the U.S. Department of Agriculture, Child and Adult Care Food Program, was not working when access was attempted.</p> <p>Please thank the panel for their efforts to enhance tax information dissemination to taxpayers and practitioners.</p> <p>If you have any questions, please call me at 202-622-5200 or Patricia Wagner at 202-283-0188.</p> <p>Sincerely, Susanne M. Sottile</p>				

# 2009 Taxpayer Advocacy Panel Recommendations

	Director, Tax Forms and Publications
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## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 409-5561</b>	<b>Income Classification</b>		<b>Status:</b>	Referred to F&P-Partially Accepted	
<b>Date Elevated to IRS:</b>	7/27/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	2/18/2010 2/2/2010
<b>Issue Statement:</b>	Improve understanding of Income Classification to assist taxpayer in properly preparing Income Tax Return.				
<b>Goal Statement:</b>	Make taxpayer more aware of how the proper classification of income affects an individual's tax return				
<b>Proposal:</b>	Consolidating income classifications into a centralized location in both Publications will reduce unnecessary research, and maximize proper reporting. TAP received one response from the Tax Forms and Publications Office and one from Stakeholder Partnerships, Education and Communication (SPEC) regarding VITA training materials.				
<b>Response from:</b>	Patricia Wagner, Tax Forms and Publications				
<b>Response Notes:</b>	<p>Response from Forms and Publications in regard to the 1040 Instructions:</p> <p>Thank you for your recommendation, however we will not be able to implement your suggestion. In general, there is no need for the taxpayer to sort income into earned income and unearned income. On the parts of the return where it is necessary to figure earned income (such as to figure the earned income credit or the making work pay credit), we already provide worksheets for doing that. By the time we added all the necessary clarifications, we believe the table would be at least as long as the worksheets and, in contrast to the worksheets, would lack the advantage of enabling the taxpayer to compute earned income through a step-by-step process.</p> <p>Stephen Vanderver, Chair Taxpayer Advocacy Panel (TAP) 2028 Championship Drive Evansville, IN 47725</p> <p>Subject: Taxpayer Advocacy Panel (TAP) Area 4 Committee Recommendation (TAP Database Number 5561), Income Classification</p> <p>Dear Mr. Vanderver:</p> <p>This communication is in response to the TAP Committee's proposed recommendation to make taxpayers and Volunteer Income Tax Assistance (VITA) volunteers more aware of how the proper classification of income affects an individual's tax return. TAP recommends IRS consolidate income classifications (earned and unearned) into a centralized location. This refers to Form 1040 -Individual Income Tax Return (and instructions), and Publication 4012 -VITA Volunteer Resource Guide.</p> <p>Stakeholder Partnerships, Education and Communication (SPEC), has given careful consideration to this TAP recommendation. Our response is as follows:</p> <p>Recommendation –“Consolidating income classifications into a centralized location in both publications will reduce unnecessary research, and maximize proper reporting.”</p> <p>Response-- Accepted, in part. Volunteer Training Publication 4012, discusses taxable and nontaxable income on Page D-1. Also, for Earned Income Tax Credit (EITC) purposes, information on 'what is considered earned income' and 'what is not considered earned income' is discussed on Page H-1. We consider these different classifications of income useful for volunteer training purposes when preparing a tax return.</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

To improve the definition of taxable and non-taxable income, we will use your recommended table in our training for next filing season. We will also work with the TAP representatives that assist in updating our training products to identify enhancements to this specific topic and to ensure your recommendations are properly reflected.

Although we are able to make changes to our VITA Training Material, SPEC is unable to consider changes to the Form 1040 and instructions.

We appreciate your efforts and your recommended proposal has been adopted as noted. If you have any questions, please feel free to notify our contact person, Fred McElligott, SPEC Director Area 1 at 404-338-8578.

Also, please thank the Committee on my behalf for their recommendations.

Sincerely,  
Julieta Garcia, Director, Stakeholder Partnerships, Education and Communication

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP C09-5669</b>	<b>Identify Handouts for Outreach Events</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	7/29/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>					
<b>Goal Statement:</b>	Identify and order handouts to be used at the Tax Forums and various outreaches done by panel members.				
<b>Proposal:</b>	Committee members researched and identified handouts - luggage tags and coin purses.				
<b>Response from:</b>					
<b>Response Notes:</b>					

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 109-5942</b>	<b>Gift Tax Sent In Error</b>		<b>Status:</b>	Referred to SAMS - Rejected	
<b>Date Elevated to IRS:</b>	7/31/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Enrolled Agent reports that Gift Tax notice were recently in error. The EA reported receiving notices asking for gift tax returns when no gifts have been made.				
<b>Goal Statement:</b>					
<b>Proposal:</b>	The taxpayer reported recently receiving notices asking for gift tax returns when no gifts have been made. If this a systemic issue, it would be better if the Service did a systemic fix 'undoing' erroneous postings and sending an apology letter to the people who received erroneous notices.				
<b>Response from:</b>					
<b>Response Notes:</b>	Issue was rejected as a SAMS project.				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP F09-5665</b>	<b>Pub 535 – Business Expense</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	8/5/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	9/28/2010
<b>Issue Statement:</b>	Review and provide feedback of Publication 535.				
<b>Goal Statement:</b>	Review and provide feedback of Publication 535.				
<b>Proposal:</b>	<p>1. First paragraph reads if you filed Form 8379 – I would suggest that the form title also be entered here for clarification (46/C3)</p> <p>2. Reads order IRS products online....previous paragraph states download forms, instructions and publications. I think this should read order IRS forms, instructions and publications online...the word product is confusing. (46/C3)</p> <p>3. TTY/TDD equipment.....these abbreviations should be spelled out at least one time in the document. It may be familiar to some but not to everyone. (46/C3)</p> <p>4. Products is used again.....I would suggest using forms, instructions and publications instead of products in all instances ...consumers are used to these terms. (47/C1, C2, &amp;C3)</p> <p>5. Index I think the lines under the page numbers are distracting rather than helpful. I would suggest that if something is listed in the index it should be readily found on the page it is making reference too, this was not always the case. I checked every index item and they were not always stated the same or easy to find on the page. Would suggest that if something is listed in the index it be either bold or italic on the page it is referred to. Suggestions to where this should be done are as follows:          Ordinary and necessary Accounting method (2/C3) Business interest expense (4/C3) Form 1098 (10/C3) Loan origination fee (12/C3) Payment (13/C2) Forgone interest (14/C3) Assessment (14/C3) Form 3115 (16/C2) Self-insurance (19/C1) Extending useful life (20/C2) Geothermal wells (21/C3) Disabled (24/C3) Disabled and elderly (24/C3) Intangible drilling and development costs (32/C2) Economic interest (33/C1) Depletion (36/C2)          Oil and gas (37/C1) Standard Mileage rate (41/C2) Medical expenses (44/C1)</p> <p>6. The other items listed in the index were with bold or very easy to locate....the above items were not.          16/C3</p> <p>The sentence “The insurance plan must be established under your business” is mis-leading when read in conjunction with the language following it. The three bullet points following that sentence state that insurance plans can be in the individual’s name. Suggest adding a sentence before the bullets to further explain. Ex: “a policy may be deemed to have been established under the business when...” The existing bullet points then would not seem contradictory. (P, 18, Col 2)</p> <p>7. “Use the person’s age at the end of the year.” Clarify “calendar” year? (p.18, Col 2, Qualified Long-term Care Insurance, #2, Also worksheet on P. 19, #2)</p> <p>8. “You cannot take the deduction for any month you were eligible to participate in any employer (including your spouse’s) subsidized health plan at any time during that month.”—Add “even if you did not actually participate.” (p. 18, Col 3, Other Coverage, Also worksheet on p. 19, #2)</p> <p>9. I re-wrote the 1st paragraph under the section called, “Not-for-Profit Activities” to read: If the intent of your business or investment is not to make a profit, you can not use a loss from the activity to offset other income. Generally activities you do as a hobby, which includes for sport or recreation, are often considered not-for-profit. (P5, C1)</p> <p>10. Under the ‘Reasonableness Test 1’, section called ‘Factors to consider’. I suggest adding final factor reading as such: Taking into account all the factors above, does the individual’s pay resemble compensation paid to other employees at different businesses that perform similar services and goods (P6, C3)</p> <p>11. In the paragraph that defines Rent at the bottom of page 8, I re-wrote the last sentence in paragraph to read: If you have equity or receive title to property, the rent is not deductible; this includes property you have partial ownership. (P8, C2)</p> <p>12. In the section called, Interest on employment tax deficiency. I re-wrote this section to read: Interest charged on delinquent employment taxes assessed on your business is deductible. (P12,</p>				

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	<p>C3)</p> <p>13. Under Energy credit for costs of geothermal wells, add after Form 3468 “, Investment Credit” (P22, C1)</p> <p>14. Under Recapture, change last phrase to, “Depreciation Recapture under Ordinary or Capital Gain or Loss for Business Property in Publication 544, Sales and Other Dispositions of Assets.” (P23, C3)</p> <p>15. Under Introduction, add at end of second paragraph after Publication 550, “Investment Income and Expenses.” (P25, C3)</p> <p>16. In first column, the paragraph starting with “Intangible property”, add after Publication 946, “, How to Depreciate Property.” (P29, C1)</p> <p>17. At very top of column, add after Publication 544, “, Sales and Other Dispositions of Assets”. (P30, C1)</p> <p>18. Under If you go into business, it says “Generally, you cannot recover other costs until you sell the business or otherwise go out of business”. It would be helpful to give an example here of what these “other costs” would be. (P3, C1)</p> <p>19. Under Business Assets, it says “See Regulations section 1.263A-2 for information on these rules.” If you are going to site regulations on a high level document such as this, you must refer to where one could get access to this. Or, better yet, include a clickable pointer to the actual regulation. (P3, C2)</p> <p>20. Under Improvements, it would be helpful; given it is a popular topic today, to address the issue of Cost Segregation. In other words, if you do a major improvement but that consists of smaller pieces that can be individually expensed, how far can one take that? (P3, C2)</p> <p>21. Under Business use of your car, I would explicitly mention that commuting miles (from home to work) does not count as business miles. This is a very common misconception among business owners. (P4, C1)</p> <p>22. Under Economic Performance, it states “You generally cannot deduct or capitalize a business expense until economic performance occurs”. On the flip side, I would mention right after this: And if economic performance did occur, you must expense the cost in that year it occurred whether you paid for the expense or not. (P4, C3)</p> <p>23. Under Reimbursements for Business Expenses, it states “For example, if you pay an employee for travel expenses incurred on your behalf...” Not sure what “your” refers to. I would change “your” to “the business”. (P5, C2)</p> <p>24. Under Pollution Control Facilities. This publication, in general, seems to be dealing with high level business expense issues. Why have obscure subjects such as this in this publication? (P32, C1)</p> <p>25. Under Research and Experimental Costs, it states “...deduct them as current business expenses, or write them off over a 10 year period.” It then states “If you elect to amortize these costs, deduct them in equal amounts over 60 months or more.” It is confusing and not clear what the difference is between deducting over 10-years and amortizing over 60 months. This difference should be explained more clearly. (P32, C2)</p> <p>26. Under Costs you can amortize, it states “You can amortize costs chargeable to a capital account...” Please explain what does it means to be “chargeable to a capital account” (P32, C2)</p> <p>27. Under Depletion, this section affects a small amount of core small businesses that, I believe, represent most of those who read this publication. I would think it wise to move this section to a separate publication and simply refer to it in the document.</p> <p>28. Under Definition of Business Bad Debt, it states “Bad debts of a corporation are always business bad debts.” Please clarify whether this only applies to C-corporation or also applies to S-corporations, etc. (P38, C1)</p> <p>29. Under “Accrual method”, it states “You can only claim a bad debt deduction for an uncollectible receivable if you have previously included the entire uncollectible amount in income”. What does it mean “entire” amount? Please explain, give an example or remove the word. (P38, C2)</p> <p>30. Under Accountable Plans, it states “An accountable plan, requires...” Why is there a comma after plan? Please remove (P41, C1)</p> <p>31. Under Standard meal allowance, it states “You may pay only an M &amp; IE allowance to employees who travel away from home if ... You do not have reasonable belief that lodging expenses were incurred by the employee...” I am not sure I understand this bullet. If the employee did not incur the expense, why would one pay an allowance? (P41, C3)</p>
<b>Response from:</b>	<p>Bob Erickson, Senior Tax Analyst and Patricia Wagner, Senior Program Analyst          Bob Erickson, Senior Tax Analyst and Patricia Wagner, Senior Program Analyst</p>

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<p><b>Response Notes:</b></p>	<ol style="list-style-type: none"><li>1. Not adopt. We will not change this text in the 2009 Publication 535 because it is boilerplate text that is included in all our publications. However, we have forwarded this suggestion to the group that revises the boilerplate text for consideration for all of our 2010 publications.</li><li>2. Not adopt. See item #1 above.</li><li>3. Not adopt. See item #1 above.</li><li>4. Not adopt. See item #1 above.</li><li>5. Adopt.</li><li>6. Adopt.</li><li>7. Adopt.</li><li>8. Adopt.</li><li>9. Not adopt. The suggested text does not properly reflect Regulations section 1.183-2(a) which states that a reasonable expectation of profit is not required. Greater weight is given to objective facts than to the taxpayer's mere statement of his intent.</li><li>10. Not adopt. This factor is already discussed in the previous paragraph using the following text. "Generally, reasonable pay is the amount that like enterprises pay for the same, or similar, services."</li><li>11. Not adopt. T.C. Memo 1993-326 allowed the deduction even though the taxpayer was a partial owner of the property.</li><li>12. Not adopt. We believe adding "delinquent" may confuse taxpayers who, for example, promptly paid tax and interest on an audit assessment as soon as the amount was determined. They may not think of these as delinquent employment taxes.</li><li>13. Not adopt. Our style is not to give titles for products that are listed under and appear after "Useful Items" at the beginning of the chapter.</li><li>14. Adopt in principle. The phrase will read "Depreciation Recapture in Publication 544" There is a link in the index to that section so if it moves then the reference is still valid. The title of Publication 544 is not listed because our style is not to give titles for products that are listed under and appear after "Useful Items" at the beginning of the chapter.</li><li>15. Adopt.</li><li>16. Not adopt. See item # 13 above.</li><li>17. Not adopt. See item # 13 above.</li><li>18. Not adopt. We refer readers to chapter 8 for more information on this topic.</li><li>19. Adopt.</li><li>20. Not adopt. We were unable to locate any authoritative guidance to support a discussion of cost segregation.</li><li>21. Adopt.</li><li>22. Adopt.</li><li>23. Not adopt. We target sole proprietors as our typical reader and use "you" throughout this publication to refer to the business. This makes the text much easier to read. Other forms of business are much more likely to be using a paid preparer.</li><li>24. Not adopt.</li><li>25. This is the only product that discusses this issue in any detail. Other products, such as Publication 225 and the Instructions for Form 4562 refer to this section in Publication 535.</li><li>26. Adopt.</li><li>27. Adopt.</li><li>28. Not adopt. See item #24 above.</li><li>29. Adopt.</li><li>30. Adopt.</li><li>31. Adopt.</li><li>32. The standard meal allowance does not include any amounts for lodging expenses.</li></ol>
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## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP F09-4993</b>	<b>Documentation - Record Retention Methods</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	8/7/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	10/5/2009
<b>Issue Statement:</b>	Revenue Procedure 97-22, Recordkeeping requirements—electronic storage system provides guidelines on the electronic maintenance of books and records for tax purposes. However, IRS publications provide little guidance on electronic storage systems. Thus, taxpayers often are uncertain as to which electronic methods of documenting and retaining tax records are acceptable to the IRS.				
<b>Goal Statement:</b>	To provide clear guidance, in a publication that is commonly available to taxpayers, as to how taxpayers can maintain their books and records electronically.				
<b>Proposal:</b>	<p>a) In the on-line version of IRS Publication 583, Starting a Business and Keeping Records, on page 15 in the first paragraph under the heading "Electronic Storage System," hyperlink the text "Revenue Procedure 97-22" to a copy of the actual revenue procedure.</p> <p>b) Insert the following "taxpayer-friendly" text into Pub 583 at page 15 under the heading "Electronic Storage System," following the second paragraph. (See attached copy of the present Pub 583, page 15.)  Proposed Insert: The same requirements that apply to hard copy books and records apply to records you maintain in an electronic storage system. Your electronic storage system must provide a complete and accurate record of your data, be accessible to the IRS, and be reproducible in a readable format. Your electronic tax records must be maintained for as long as they are material to the administration of tax law.  The IRS may test your electronic storage system, including your equipment, indexing methodology, software, and retrieval capabilities. This test is not deemed an exam and the IRS must share your test results with you.  If your electronic storage system meets the aforementioned requirements, it will be deemed compliant. If not, you may be subject to penalties for non-compliance, unless you continue to maintain your original books and records.</p> <p>c) Since the use of microfilm as a storage medium has diminished significantly over the years, we recommend that the entire paragraph titled "Microfilm" at page 15 of Pub 583 be deleted.</p>				
<b>Response from:</b>	Patty Wagner, Senior Tax Analyst & Bob Erickson, Tax Law Specialist				
<b>Response Notes:</b>	With some modifications, we can adopt the suggestion to add the recommended text to Pub. 583. The next revision of Publication 583 is scheduled to be delivered December 30, 2010.				

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<b>TAP V09-5294</b>	<b>Method to Measure and Quantify Coalitions' Efforts</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	8/11/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	The Committee was asked to assist SPEC in identifying and quantifying types of assistance SPEC provides to its partners. The Committee was asked to assist SPEC in identifying and quantifying types of assistance SPEC provides to its partners.				
<b>Goal Statement:</b>	The goal of the Committee is to provide suggestions for measuring the quantitative ways in which partners have been helped by SPEC.				
<b>Proposal:</b>	<p>The Committee has developed a proposed reporting form for SPEC to use to gather information from its partners. Hard data is essential for SPEC to be recognized for its contributions and to continue to receive adequate funding in the competitive environment. for funds in which all government agencies operate. This committee anticipates that this form will elicit the necessary information for SPEC to provide evidence of its impact on the various communities throughout the country. Our hope is that the information gathered via this form will help SPEC further its mission to assist taxpayers in satisfying their tax responsibilities by building and maintaining partnerships with key stakeholders. It should assist SPEC as it seeks to create and share methods of informing, educating, and communicating with customers who do or who could benefit by the varied services provided at the volunteer sites</p> <p>The Committee believes, depending on the partnership group, that the form should be included in the site coordinator training materials. Additionally, it believes that it is imperative during this training for SPEC to give the policy and benefits behind the form so that various sites around the country do not feel burdened by the increase in paperwork.</p> <p>Moreover, the Committee believes that this form should be used at all sites in an effort to gain the most complete picture of the programs in which volunteers and volunteer sponsors are engaged. If we limit the use of the form to include only sites with say, 5 or more volunteers, we would undermine the purpose of reporting. Those smaller sites could be sponsors of larger programs. It could also give the impression SPEC does not value the contributions made by those sites. Furthermore, it is important for SPEC to realize that in some cases AARP outreach is done at the management level, so that will need to be taken into consideration.</p>				
<b>Response from:</b>	Roger Burton, Program Liaison				
<b>Response Notes:</b>	The reporting form will be used but it might need to be modified to meet the Program's needs.				

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<b>TAP M09-5704</b>	<b>Surevey -Review of MLI's DVD</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	8/28/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	To review the "Basic Tax Responsibility" DVD for content and translation.				
<b>Goal Statement:</b>	To review the "Basic Tax Responsibility" DVD for content and translation.				
<b>Proposal:</b>	Members completed a survey given by the MLI Office to provide their comments and suggestions on the content of the DVD and its translation- mostly subtitles.				
<b>Response from:</b>	Cynthia Lee- Program Liaison				
<b>Response Notes:</b>	The Program will adopt most of the suggestions in the TAP's review of the "Basic Tax Responsibility" DVD. The changes will need to be incorporated into the script.				

<b>TAP V09-5746</b>	<b>VITA- Publications 3189 and 4012</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	9/1/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	To refine the content of TaxWise and ensure the accuracy of the e-file Administrator and Volunteers Resource Guide.				
<b>Goal Statement:</b>	To refine the content of TaxWise and ensure the accuracy of the e-file Administrator and Volunteers Resource Guide in order to delived the finished products for publishing by August 21, 2009.				
<b>Proposal:</b>	To ensure the VITA/TCE training materials are accurate before sending for printing or publishing.				
<b>Response from:</b>	Roger Burton, Program Liaison				
<b>Response Notes:</b>	The Program was grateful to those who participated in the annual review of Tax Wise to insure the accuracy of the Resource Guide and other teaching materials.				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 109-5529</b>	<b>Toll free Line Vocal Response Option</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	9/1/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	9/30/2009
<b>Issue Statement:</b>	The IRS toll-free taxpayer assistance line presently requires callers to press buttons in order to respond to automated routing requests. This imposes a burden on taxpayers who are using cell phones and other phones where keypads are located on the handset, as well as to elderly and physically-challenged callers.				
<b>Goal Statement:</b>	To facilitate a caller's ability to interact with the automated IRS telephone system by providing a vocal response option.				
<b>Proposal:</b>	Provide a vocal response option on all IRS 800 telephone lines to allow callers to state a response as an alternative to pressing numbers on a telephone keypad.				
<b>Response from:</b>	Debra Awalt, CAS				
<b>Response Notes:</b>	IRS agrees with the Taxpayer Advocacy's Panel recommendations to enhance the toll free product lines with speech recognition. The Joint Operations Center (JOC) has performed initial research of this technology and has determined it to be beneficial to both the IRS as well as the taxpayers. Of the approximate 50 toll free service products offered to the public, about 36% of these numbers have speech recognition. At this time, there are no plans for implementing speech recognition for the other numbers due to funding.				

<b>TAP 609-4395</b>	<b>Expanding Definition of Immediate Family</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	9/1/2009	<b>Date Counter Response to IRS:</b>	1/29/2010	<b>Date Response(s) Received:</b>	9/16/2009 2/24/2010
<b>Issue Statement:</b>	Regarding which family members can represent a taxpayer in front of the IRS, the regulations and the Internal Revenue Manual (IRM) define immediate family as "a spouse, child, parent, brother or sister of the individual." According to the Census Bureau, 2.4 million grandparents are currently raising their grandchildren. In turn, these grandchildren eventually become their grandparents' caretakers. In light of these facts, the IRS definition of immediate family seems outdated.				
<b>Goal Statement:</b>	To expand the definition of immediate family to include grandparents and grandchildren for representation purposes.				
<b>Proposal:</b>	<ul style="list-style-type: none"> <li>• Amend Regulations 26 C.F.R. Sec. 601.502 (b) (5) (ii) and 31 C.F.R. Sec. 10.7(c)(1)(i) to include a definition of immediate family that contains "grandparent" and "grandchild".</li> <li>• Amend IRM 1.25.1.2.2(a), Limited Practice Based on Relationship to the Taxpayer, to include "grandparent" and "grandchild" in the definition of immediate family along with the existing named members of the family (spouse, child, parent, brother or sister of the individual). January 29, 2010 Patti Wagner, Senior Tax Analyst Internal Revenue Service</li> </ul>				

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	<p>Wage and Investment Division 500 Ellin Road Lanham, MD 20706</p> <p>Re: TAP Recommendation 609-4395</p> <p>Dear Ms. Wagner, We received your response of September 16, 2009 to Taxpayer Advocacy Panel Recommendation 609-4395. We would like to thank you for your consideration of our recommendation.</p> <p>Per your response, Richard Goldstein from Special Counsel said that Internal Revenue Service will only add a "for example" to the definition in the form's instructions and include a "for example, generally, etc" to the Internal Revenue Manual when they are updated.</p> <p>This was not our intent when we sent the issue forward. We want the Regulations 26 C.F.R. Sec 601.502 (b) (5) (ii); 31 C.F.R. Sec 10.7 (c) (1) (i) and the IRM 1.25.1.2.2 (a) to change the definition of immediate family to include "grandparent" and "grandchild".</p> <p>We feel that just adding a "for example" to the instructions and manual will not accomplish the same results. The change has to be in the regulations and manual so there is not a problem when the family member produces a Power of Attorney (2848). Now it is left to the interpretation of the IRS assister to determine if a grandparent/grandchild is immediate family or not. Please reconsider this issue and approve the change to the regulations and manual.</p> <p>Sincerely, Herbert Bohrer, Chair Area 6 Committee Taxpayer Advocacy Panel</p>
<p><b>Response from:</b></p>	<p>Richard Goldstein, Special Counsel</p>
<p><b>Response Notes:</b></p>	<p>During the next update of the Form 2848 and the Form's instructions, we will add a "for example" to the definition in the Form's instructions (the "for example" is present on the Form). Where the definition of immediate family member, as it pertains to the representation before the IRS, does not include a qualifier ("for example", "generally", etc.) in the IRM, we will ask the IRM authors to include this language when the IRM is next updated.</p> <p>The term "immediate family" is not defined currently in section 602.502(b) of the Statement of Procedural Rules or section 10.7(c)(1) of Circular 230. Adding a specific definition to these sections may have implications beyond powers of attorney inasmuch as the term is likely used in several places in the Code, regulations, and published guidance. Accordingly, we are not prepared to amend these provisions to provide a specific definition of this term without further study of what the appropriate definition is and the possible implications any definition may have on other provisions of the Code, regulations and published guidance. Rather, the insertion of "grandchild and grandparent" as examples of immediate family members on the Form 2848 (there is currently a "for example" provision on the Form) and the inclusion of this same information in the Instructions to the Form 2848 is an appropriate signal to the general public and IRS employees that the IRS considers a "grandchild and grandparent" an immediate family member for power of attorney purposes.</p> <p>February 24, 2009</p> <p>Re: TAP Recommendation 609-4395 Rebuttal</p> <p>Response from Richard Goldstein Special Counsel Office of Chief Counsel</p> <p>Note: Amendments to the Statement of Procedural Rules and Circular 230 require the issuance of Published Guidance. The Treasury Department and the Internal Revenue Service publish a Guidance Priority List each summer that identifies and prioritizes the tax issues that Treasury and the IRS intend to address through regulations, revenue rulings, revenue procedures, notices, and other published administrative guidance during the coming plan year (July 1 through June 30). Before the Guidance Priority List is published, the Treasury Department and the IRS issue an IRS Notice soliciting suggestions for Published Guidance from internal and external stakeholders. Because the Treasury Department and the IRS receive more suggestions for guidance than we can address in any given year, we evaluate the suggestions according to the criteria set forth in</p>

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	<p>section 32.1.1.4.3 of the Internal Revenue Manual and the annual solicitation notice to decide on the projects that make that year's Guidance Priority List. Although the plan for the 2009-2010 plan year has been published and there is no project to add a definition of immediate family to Statement of Procedural Rules and Circular 230 on this year's plan, the Taxpayer Advocacy Panel can submit a suggestion to include it on 2010-2011 Guidance Priority List in response to the annual solicitation notice that will be sent out this Spring.</p>
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<b>TAP 709-4680</b>	<b>1099-MISC Procedures</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	9/1/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	10/6/2009
<b>Issue Statement:</b>	Taxpayers do not have a procedure to inform the IRS of an error or discrepancy on a Form 1099-MISC - Miscellaneous Income.				
<b>Goal Statement:</b>	Provide a clear process for taxpayers to report errors or discrepancies on Form 1099-MISC.				
<b>Proposal:</b>	Adapt Form 4852, Substitute for Form W-2, Wage and Tax Statement, or Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., or create a similar form to allow taxpayers to explain a difference between amounts reported on Form 1099-MISC and their tax return.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	<p>To: TAP Committee Area 7</p> <p>Re: TAP Contract Number: 709-4680</p> <p>Title: Form 1099-MISC Correction Procedure</p> <p>Date: October 2, 2009</p> <p>TAP Issue Statement: Taxpayers do not have a procedure to inform the IRS of an error or discrepancy on Form 1099-MISC, Miscellaneous Income.</p> <p>TAP Goal Statement: Provide a clear process for taxpayers to report errors or discrepancies on Form 1099-MISC.</p> <p>IRS Reply:</p> <p style="padding-left: 40px;">The Tax Forms and Pubs Division of the Wage and Investment Operating Division of the Internal Revenue Service welcomes the opportunity to reply to the Taxpayer Advocacy Panel Committee of Area 7 to resolve the issue at hand.</p> <p style="padding-left: 40px;">The IRS does have a procedure for reporting errors or discrepancies on a Form 1099-MISC. The Instructions for Schedule C and C-EZ (Form 1040) both tell recipients of Form 1099-MISC to report the proper amount of income and to attach a statement explaining the difference between what they are reporting and what the Forms 1099-MISC they have received total.</p> <p style="padding-left: 40px;">Taxpayers who feel the 1099-MISC they have received was done so in error, or contains errors, are instructed, via the Instructions for Recipient page, to contact the issuer of the form to effect corrections. The statement "Contact the payer if you believe this form is incorrect or has been issued in error." has long been within the instructions for box 7, since, if an error in reporting has happened, it is almost invariably concerned with nonemployee compensation.</p> <p style="padding-left: 40px;">We have reviewed the form and have agreed to make a change to the Instructions for Recipient page for the ease of the users. Immediately following the paragraph titled "Amounts shown may be subject to self-employment (SE) tax," we will insert the following new heading and paragraph.</p> <p style="padding-left: 40px;">Form 1099-MISC incorrect? If this form is incorrect or has been issued in error, contact the payer. If you cannot get this form corrected, attach an explanation to your tax return and report</p>				

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	<p>your income correctly.</p> <p>We will remove the statement "Contact the payer if you believe this form is incorrect or has been issuer in error" from the instructions for box 7.</p> <p>Thank you for your continued advocacy for all taxpayers.</p>
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## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 509-4653</b>	<b>LLC and Rental Income</b>		<b>Status:</b>	Closed, Under IRS Consideration	
<b>Date Elevated to IRS:</b>	9/2/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	10/21/2009
<b>Issue Statement:</b>	The Internal Revenue Service (IRS) requires small limited liability companies (LLCs) holding only rental real estate to file partnership returns.				
<b>Goal Statement:</b>	The IRS will issue guidance permitting certain small rental real estate LLCs to elect not to be treated as partnerships.				
<b>Proposal:</b>	<p>The IRS should request the amendment of the regulations under Internal Revenue Code (IRC) section 761 to permit certain small rental real estate LLCs to elect out of the partnership provisions of IRC subchapter K in the same manner as a qualified joint venture election (i.e. stop filing Form 1065, U.S. Return of Partnership Income, and begin reporting on Form 1040, U.S. Individual Income Tax Return), except that the proportionate share of items of income and expense should be reported on Form 1040, Schedule E, Supplemental Income and Loss, rather than on Form 1040, Schedule C, Profit or Loss from Business (Sole Proprietorship).</p> <p>At a minimum, an exemption from IRC subchapter K provisions should extend to any partnership LLC consisting solely of a husband and wife who file a joint return. It is further recommended that the exemption apply to the following: Partnership LLCs with 10 or fewer members, each of whom is an individual; and LLCs in which all allocations are in proportion to members' interests (without the requirement that each member's individual return reporting his or her share of items from the LLC be timely filed).</p> <p>Until such time as the regulations can be amended, the IRS should issue interim guidance in the form of a revenue procedure or notice stating such LLCs will not be required to file partnership returns and will not be assessed late-filing penalties for failure to file partnership returns.</p>				
<b>Response from:</b>	Leslie Finlow, Senior Technician Reviewer, Branch 3 Office of the Associate Chief Counsel (Passthroughs & Special Industries)				
<b>Response Notes:</b>	<p>Internal Revenue Service Taxpayer Advocacy Panel 211 West Wisconsin Avenue Stop 1066-MIL Milwaukee, WI 53203 Attention: Mr. Charles Davidson, Chair</p> <p>Re: TAP 509-4653 Limited Liability Company and Rental Income</p> <p>Dear Mr. Davidson: Thank you for your letter dated September 2, 2009, addressed to Ms. Sue Sottile (Director, Tax Forms and Publications), concerning the recommendation of the Taxpayer Advocacy Panel (Panel) to amend the Treasury Regulations (Regulations) under section 761 of the Internal Revenue Code (IRC). The Panel recommended amendments to the Regulations that would permit certain small rental real estate limited liability companies (LLCs) to elect out of subchapter K of the IRC in a manner similar to the qualified joint venture election under section 761 (f). The goal of the Panel's recommendation is to simplify the tax reporting requirements for these types of LLCs.</p> <p>Published guidance plays an important role in increasing voluntary compliance by helping to clarify or simplify various requirements of the tax law. We encourage members of the tax community to make requests for published guidance with respect to any areas of the tax law that can be clarified or simplified through the published guidance process. We appreciate the time and</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

effort the Panel expended in preparing such a detailed and thorough submission concerning this recommendation.

We are carefully considering your recommendation. Developing possible solutions to the issue raised in your recommendation requires coordination with other Divisions within the IRS Office of Chief Counsel, other IRS Operating Divisions, and the Department of Treasury.

Thank you again for your recommendation, and please do not hesitate to contact me at (202) 622-3070 if I may be of further assistance in this matter.

Sincerely,  
Leslie Finlow Senior Technician Reviewer, Branch 3 Office of the Associate Chief Counsel  
(Passthroughs & Special Industries)

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 509-4651</b>	<b>Disregarded Entity Information Reporting</b>		<b>Status:</b>	Closed, Under IRS Consideration	
<b>Date Elevated to IRS:</b>	9/2/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	10/14/2009
<b>Issue Statement:</b>	The Internal Revenue Service (IRS) requires disregarded entities to be treated as separate entities for reporting of employment and certain excise taxes but as disregarded entities for filing information reports for reportable payments.				
<b>Goal Statement:</b>	The IRS will modify its rules to require disregarded entities to be treated as separate entities for filing information reports.				
<b>Proposal:</b>	The IRS should request the amendment of Treasury Regulation sections 301.7701-1(c)(2)(iv) and (v) to require that disregarded entities be treated as entities separate from their owners for purposes of filing information reports. Until such time as the regulations can be amended, the IRS should issue interim guidance in the form of a revenue procedure or notice stating the sole owners of such disregarded entities will not be subject to penalties for failure to file required information returns if such returns are filed under the name and employer identification number (EIN) of the disregarded entity.				
<b>Response from:</b>	Lynne Camillo, Branch Chief, Employment Tax Branch 2				
<b>Response Notes:</b>	<p>Mr. Charles Davidson Taxpayer Advocacy Panel 211 West Wisconsin Avenue Stop 1066-MIL Milwaukee, WI 53203</p> <p>Re: TAP 509-4651 Disregarded Entity Information Reporting</p> <p>Dear Mr. Davidson: Thank you for your letter dated September 2, 2009 concerning the Taxpayer Advocacy Panel's recommendation to amend the Treasury Regulations to treat single member disregarded entities as entities separate from their owners for purposes of backup withholding under section 3406 of the Internal Revenue Code and the related information return filing requirements.</p> <p>Published guidance plays an important role in increasing voluntary compliance by helping to clarify or simplify various requirements of the tax law. We encourage members of the tax community to make requests for published guidance with respect to any areas of the tax law that can be clarified or simplified through the published guidance process. We appreciate the time and effort the Taxpayer Advocacy Panel expended in preparing such a detailed and thorough submission concerning this recommendation.</p> <p>At this time, we can assure you that your recommendation will be given careful consideration. Looking at possible solutions to the issue you have raised in your recommendation will require coordination with other Divisions within the IRS Office of Chief Counsel, other IRS Operating Divisions and the Department of Treasury. Thank you again for your recommendation, and please do not hesitate to contact me at (202) 622-6040 if I may be of further assistance in this matter.</p> <p>Sincerely, Lynne Camillo Branch Chief, Employment Tax Branch 2 (Exempt Organizations/ Employment Tax/Government Entities) (Tax Exempt &amp; Government Entities)</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 409-5637</b>	<b>Foreign Tax Credit (FTC)</b>		<b>Status:</b>	Referred to SAMS-Legislative	
<b>Date Elevated to IRS:</b>	9/3/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	9/16/2009
<b>Issue Statement:</b>	The practitioner community would like to see the \$300 (single) and \$600 (married filing joint) limits on the FTC raised to \$500 and \$1,000				
<b>Goal Statement:</b>	Increase the FTC to \$500 (single) and \$1,000 (married filing joint).				
<b>Proposal:</b>	Increase the limits for FTC to \$500 (single) and \$1,000 (married filing joint).				
<b>Response from:</b>	SAMS				
<b>Response Notes:</b>	<p>Thank you for your recent advocacy issue submission: Raise Foreign Tax Credit (FTC) Limits, which was assigned control number 16051 on the Systemic Advocacy Management System (SAMS). Your submission has been closed.</p> <p>The Office of Systemic Advocacy has chosen not to create an advocacy project from your submission at this time. The issue you raise regarding the Form 1116 filing limits require a legislative change. The National Taxpayer Advocate provides recommendations for legislative changes once a year in her Annual Report to Congress (ARC) that is submitted at the end of every calendar year. For this reason, we forwarded your issue to the National Taxpayer Advocate's Attorney-Advisors for consideration as a future Legislative Recommendation (LR) in the National Taxpayer Advocate's Annual Report to Congress.</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 409-5791</b>	<b>Incorrect Processing of Recovery Rebate Credit (RRC)</b>		<b>Status:</b>	Referred to SAMS - Accepted	
<b>Date Elevated to IRS:</b>	9/3/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	9/17/2009
<b>Issue Statement:</b>	<p>Tax Practitioner advised three clients filed 2008 return with recovery rebate credit that was not processed correctly by IRS. Underlying facts: High income married filing joint taxpayers where spouse had a schedule C loss in 2008. Taxpayers qualified for an additional RRC since they didn't receive their maximum stimulus payment in 2008 based on their 2007 tax return. IRS denied the additional RRC even though IRS tax publication worksheet and tax software both agree on the additional RRC. Preparer called the IRS and was advised their computers were calculating the RRC incorrectly, however they were doing nothing to correct the issue and any taxpayer that wished to contest any denial of the RRC has to call and explain their position. IRS should correct their programming to allow correct processing of the RRC credit.</p>				
<b>Goal Statement:</b>	IRS should correct their programming to allow correct processing of the RRC credit				
<b>Proposal:</b>	Correct programming to allow correct processing of the RRC credit.				
<b>Response from:</b>	SAMS				
<b>Response Notes:</b>	<p>Response received from SAMS: RRC Processing Errors Denying Credit, which was assigned control number 16048 on the Systemic Advocacy Management System (SAMS). Your submission has been closed.</p> <p>Your submission was not selected as a project at this time. After our preliminary research of the issue, we found this was a combination of taxpayer error and IRS error. The IRS programming error may be due to the late decision by Congress to extend this credit to the 2008 tax return. Law changes made late in the year affect IRS programming by not allowing for proper testing and sometimes results in situational programming errors. This topic was the number one most serious problem reported by the NTA in her 2007 Annual Report to Congress. Since this credit only applied to the 2008 tax year, there is no need to correct the programming. Any remaining tax returns not processed by now should be corrected individually.</p> <p>Every submission helps us identify trends, which lead to new approaches to improving the IRS and tax administration. We carefully review and assess all issue submissions, then score them based on uniform criteria to decide which ones should become advocacy projects. Those that are not immediately selected to become projects still help us analyze trends and provide us data for the National Taxpayer Advocate's Annual Report to Congress. If you have further questions on your submission, you may contact our office at <a href="mailto:systemic.advocacy@irs.gov">systemic.advocacy@irs.gov</a>. If you do, please refer to the issue number above. Thank you for participating in the Systemic Advocacy program.</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 209-4806</b>	<b>Expatriate Issue-IRS Website User Friendly</b>		<b>Status:</b>	Elevated, Awaiting Response	
<b>Date Elevated to IRS:</b>	9/8/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Taxpayers living abroad, including those in the military, and non-resident aliens have a difficult time obtaining information from the Internal Revenue Service ("IRS") website.				
<b>Goal Statement:</b>	To make it easier for (1) taxpayers living abroad and (2) non-resident aliens living in the United States, about to depart, to obtain the tax information they need from the IRS website.				
<b>Proposal:</b>	The IRS website should be made more user-friendly by adding detailed prompts, charts and other useful tools to enable taxpayers living abroad and non-resident aliens to obtain ready answers to the questions they have about their tax obligations and any tax benefits to which they may be entitled.				
<b>Response from:</b>					
<b>Response Notes:</b>					

<b>TAP 109-5943</b>	<b>Free File Software Needs Better Review</b>		<b>Status:</b>	Referred to SAMS - Rejected	
<b>Date Elevated to IRS:</b>	9/8/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Free File software needs better review to ensure taxpayers are not duped into paying for e-filing.				
<b>Goal Statement:</b>					
<b>Proposal:</b>	TAP has received numerous complaints from people who attempted to Free File that they were 'gamed' into paying for e-filing by the software from the vendors. We suggest there is a strong need to better review and better regulate what the IRS's PARTNERS have done. Since filing is readily approaching, immediate intervention is needed so this does not continue to happen.  This is one of the reasons free filing figures have decreased.				
<b>Response from:</b>					
<b>Response Notes:</b>	Issue was rejected as a SAMS project.				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 209-4729</b>	<b>Online Tax Help for Caregivers</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	9/8/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	10/15/2009
<b>Issue Statement:</b>	IRS website does not provide direct access to tax information essential to elderly taxpayers and their caregivers.				
<b>Goal Statement:</b>	To provide caregivers and those receiving care, with a simple method of obtaining tax information specific to their needs.				
<b>Proposal:</b>	We propose development of a user-friendly section on the IRS website dedicated to answering "Frequently Asked Questions" common to elderly taxpayers and their caregivers. [See attachment for examples of the types of questions and issues that could be addressed.]				
<b>Response from:</b>	Marcia Corcoran, IRS SPEC Communication & Marketing				
<b>Response Notes:</b>	<p>October 15, 2009</p> <p>TAP 209-4729 Online Tax Help for Caregivers</p> <p>Thank you for your interest, research and recommendations to better reach this mutual audience of senior caregivers. Our Web page for Seniors &amp; Retirees (<a href="http://www.irs.gov/individuals/retirees/index.html">http://www.irs.gov/individuals/retirees/index.html</a>) is meant to house meaningful information to the senior population and we think it's the perfect place as well to add supplementary information such as that which you have brought to our attention.</p> <p>The sample questions you included were especially helpful. We have forwarded them for review to the office that coordinates, updates and posts IRS's frequently asked questions on IRS.gov. They have subject matter experts who convene each spring to add categories and update the FAQs for the next year.</p> <p>In the meantime, however, we will create an interim page containing links to IRS information already posted that answer as many of the questions you provided as possible. By linking this new page directly off the Seniors &amp; Retirees home page, it may provide assistance to those who are dealing with the senior caregiver issue.</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 209-5359</b>	<b>IRS Correspondence Reply Envelopes</b>		<b>Status:</b>	Closed, Under IRS Consideration	
<b>Date Elevated to IRS:</b>	9/8/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	10/22/2009
<b>Issue Statement:</b>	The Internal Revenue Service ("IRS") frequently requests that taxpayers reply to correspondence by using IRS-supplied envelopes bearing a legend on the reverse side which discloses that the contents contain the taxpayer's social security number and other personal information.				
<b>Goal Statement:</b>	To reduce the possibility that these envelopes can be used to obtain a taxpayer's personal information.				
<b>Proposal:</b>	Relocate the caption to the inside flap of the envelope.				
<b>Response from:</b>	Mitchell A. Farah Director, Media & Publications, Publishing Division				
<b>Response Notes:</b>	<p>Mr. Charles Davidson, Chair  IRS Taxpayer Advocacy Panel  Stop 1006-M IL  211 West Wisconsin Avenue  Milwaukee, WI 53203-2221</p> <p>Re: "TAP 209-5359 IRS Correspondence Reply Envelope"</p> <p>Dear Mr. Davidson:  Thank you for your letter of September 8, 2009, to Ms. Sue Sottile, director of the IRS Tax Forms and Publications division. Your letter has been forwarded to me since the IRS Envelope Program falls within the purview of my office. The envelopes used to communicate with taxpayers, whether the correspondence originates with IRS, is in response to a taxpayer's request, or is taxpayer generated correspondence; are all the same.</p> <p>We very much appreciate your suggestions and recommendations to modify IRS return envelopes so that taxpayers' personal information is safeguarded. The IRS shares your concerns about protecting the privacy of each taxpayer's personally identifiable information. The reminders printed on return envelopes instruct the taxpayer to take several steps in preparing materials sent to the IRS so that their tax accounts will be updated timely and accurately. Materials prepared incorrectly may increase the time necessary to post information to the taxpayer's account and may also increase error rates. Because response envelopes are used by numerous functional units within the IRS; the effect of this proposed change could result in broader repercussions in our work processes than otherwise anticipated.</p> <p>While we are unable to implement your suggestion immediately, we very much appreciate and are grateful for your input. We are launching a series of discussions accompanied by surveys of the offices and business units that utilize return envelopes. Once our analyses have been completed, we will be in a better position to determine whether certain wording and reminders should be moved, rephrased, or perhaps even deleted from our envelopes. As always, our principal objective is to ensure and protect the privacy of the taxpayer's personally identifiable information and eliminate enticements for would-be or actual identity thieves.</p> <p>We remain committed to protecting the privacy of the taxpayer's personally identifiable information and are most appreciative of your recommendation. Should you have any questions or if you would like to discuss this matter further, please contact me.</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 509-5800</b>	<b>Form 1041 Instructions</b>		<b>Status:</b>	Referred to F&P-Partially Accepted	
<b>Date Elevated to IRS:</b>	9/13/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	10/29/2009
<b>Issue Statement:</b>	The instructions for Form 1041, U.S. Income Tax Return for Estates and Trusts, do not address how to handle depreciation and amounts elected to be expensed that are attributable to pass-through entities in which a trust or estate holds an interest.				
<b>Goal Statement:</b>					
<b>Proposal:</b>	<p>Add language at the end of the section beginning in column 2, page 18 under "Depreciation, Depletion, and Amortization" similar to the following:</p> <p>Received from pass-through entities. If an estate or trust holds an interest in a pass-through entity, such as a partnership (including a limited liability company classified as a partnership) or S corporation, the estate or trust may be allocated a share of the depreciation, depletion, or amortization deduction of the pass-through entity. The deduction must be allocated between the estate or trust and its beneficiaries in the same manner as described above as if the estate or trust had incurred the deduction directly instead of from the pass-through entity.</p> <p>An estate or trust may also be allocated a share of an amount the pass-through entity has elected to expense under section 179. Because estates and trusts are prohibited from expensing under section 179, they cannot deduct the expensed amount. They are also not permitted to pass the expensed amount through to their beneficiaries or to amortize it as a separate asset. Partnerships are not permitted to make special allocations of amounts expensed under section 179 to avoid passing a share through to an estate or trust. The estate or trust is still required, however, to reduce its basis in its partnership or S corporation interest by the section 179 expensed amount that passed through to it and may not increase that basis when the pass through entity disposes of the expensed property.</p> <p>If an S corporation makes a qualified subchapter S trust (QSST) election, that portion of the trust consisting of stock in an S corporation is thereafter treated as a grantor trust with respect to the beneficiary. Beginning with the effective date of the election, therefore, all depreciation, depletion, amortization, and amounts expensed under section 179 that pass through to the estate or trust from the S corporation must be allocated directly to the QSST beneficiary without regard to the preceding rules.</p>				
<b>Response from:</b>	Patty Wagner, Senior Tax Analyst & Bob Erickson, Tax Law Specialist				
<b>Response Notes:</b>	<p>My response is directed to each of the three proposed paragraphs to be included under Depreciation, Depletion, and Amortization on page 18 of the 2008 Instructions for Form 1041. My proposed solutions will be included in the 2010 Instructions for Form 1041.</p> <p>Paragraph 1. We can include something similar to your proposed language under Depreciation, Depletion, and Amortization.</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

	<p>Paragraph 2. We are clear in our current discussion that section 179 does not apply to an estate or trust and will not be adopting your proposed language. However, the thrust of this paragraph appears to be how to figure the basis of a partnership or S corporation. The Instructions for Schedule K-1 for Form 1065 and Form 1120S each contain a worksheet to figure the basis.</p> <p>Paragraph 3. We will not be adopting this language as proposed and will not include language under the discussion for Depreciation, Depletion, and Amortization since that discussion is directed to filers under Subparts B, C, and D of Subchapter J. However, we recently received a number of inquiries regarding Qualified Subchapter S Trusts (QSSTs) and noticed that we do not have a discussion about them. We will add a discussion about QSSTs and include it under Special Filing Instructions since these trusts generally do not follow the rules under Subpart B or C.</p>
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## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP S09-5257</b>	<b>IRS Publication 4705 Update and Simplification</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	9/24/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Taxpayers dealing with foreclosure or other debt forgiveness issues related to their principal residence are often unaware that there may be tax consequences to the cancellation of that debt. This leads to taxpayers' incorrectly reporting or underreporting income and the subsequent IRS correspondence regarding the same.				
<b>Goal Statement:</b>	The TAP SB/SE Committee was asked to identify how and where to communicate with these taxpayers to better help inform them in a timely manner of the potential tax ramifications of the debt forgiveness.				
<b>Proposal:</b>	<p>(1) Clarify some of the verbiage in the current Internal Revenue Service (IRS) Publication 4705, Tax Relief for Struggling Homeowners while retaining most of the content, so this publication can be more easily used by housing counselors, mortgage advisors, real estate professionals and others who assist "Struggling Homeowners". This would apply to both the English and the Spanish versions of this publication. The attachment, "Proposed Changes to Existing Publication 4705," details the proposed revisions to Pub. 4705.</p> <p>(2) Create a greatly scaled down and simplified version of Pub. 4705, which can be much more easily read and understood by the "Struggling Homeowners" themselves. This document would also be published in both English and Spanish. The attachment, "New Tri-fold" is the draft version of the scaled down Pub. 4705. It is designed to be a tri-fold document that can be printed duplex on 8 ½ x 11 inch paper.</p> <p>(3) Prepare a list of distribution points for these publications. The attachment "Dissemination Plan for IRS Publication 4705 and New Simplified Publication" lists these in sequential order based on importance. The IRS should also allow taxpayers and entities that assist taxpayers facing foreclosure access to ordering Publication 4705 through the IRS web site.</p>				
<b>Response from:</b>					
<b>Response Notes:</b>					

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<b>TAP 409-5562</b>	<b>MFJ vs. MFS - Comprehensive List</b>		<b>Status:</b>	Referred to F&P-Accepted	
<b>Date Elevated to IRS:</b>	9/25/2009	<b>Date Counter Response to IRS:</b>	3/22/2010	<b>Date Response(s) Received:</b>	2/4/2010 5/13/2010
<b>Issue Statement:</b>	There is no comprehensive list of items affected when a taxpayer changes from MFJ to MFS. Examples include CG deduction limitation, \$25,000 rental loss deduction, and child care credit. Some itemized deductions and many state income tax laws favor MFS, so taxpayers need to know the federal tax consequences associated with each option.				
<b>Goal Statement:</b>	Make available a comprehensive list of list of items affected when a taxpayer changes from MFJ to MFS.				
<b>Proposal:</b>	Provide comprehensive list of items affected when a taxpayer changes from MFJ to MFS in Pub 17 and on IRS web page.				
<b>Response from:</b>	Patty Wagner, Tax Forms and Publications				
<b>Response Notes:</b>	<p>We are planning to add a sentence to Publications 501 and 17 to let taxpayers know they may want to take state taxes into account when they are figuring their combined taxes using the married filing separately filing status and comparing that amount to the tax on a joint return. We may also add a sentence to point out that if the taxpayer's adjusted gross income (AGI) on a separate return is lower than it would have been on a joint return, the taxpayer may be able to deduct a larger amount for those deductions that are limited by AGI, such as medical expenses. However, before we make such a change, we would be interested in any examples the TAP could provide to us of situations where the taxpayer's combined tax on separate returns is less than the tax on a joint return because of these deductions. We would also be interested in more information about, or examples of, situations where the combined state tax of both spouses is lower when they use the married filing separately filing status on their state tax returns.</p> <p>Thank you for the Kiplinger article related to Issue 5562. The article describes a situation where one spouse has significant medical costs and how it may be beneficial for the couple to file separately. It also warns the reader that some tax credits are not available if you file separately. We are adding a statement to the text in "Married Filing Separately" on pages 6 and 7 of Publication 501, informing the reader that if the AGI on a separate return is lower than it would have been on a joint return, that taxpayer may be able to deduct a larger amount of certain deductions.</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP F09-5666</b>	<b>Pub 525 – Taxable and Nontaxable Income</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	9/29/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	10/14/2009
<b>Issue Statement:</b>	Review and provide feedback of Pub 525.				
<b>Goal Statement:</b>	Review and provide feedback of Pub 525.				
<b>Proposal:</b>	<p>1. Under "Contents", delete What's New for 2008, Add What's New for 2010. Done. This is part of our annual review and updating process which is undertaken every year for annual products such as Publication 525.</p> <p>2. Delete entire section entitled "What's New for 2008" Done. This is part of our annual review and updating process which is undertaken every year for annual products such as Publication 525.</p> <p>3. Delete remainder of previous page titled "What's New for 2008" and insert "What's New for 2010" Done. This is part of our annual review and updating process which is undertaken every year for annual products such as Publication 525.</p> <p>4. Under the heading "Health Savings Account (HSA), there needs to be a definition or explanation of what is considered to be an "eligible individual". No, but added later. The "Reminders" section at the beginning of the Publication (page 2) is meant to be a brief reminder of a particular subject which one may choose to research further if it pertains to them. We will not make a change to this section. However, we reviewed the "Health Savings Accounts (HSA) on page 5 and decided to make an additional referral to Pub 969, Health Savings Accounts and Other Tax-Favored Health Plans in this paragraph. This referral is also made at the beginning of this section, "Accident or Health Plan."</p> <p>5. Additional employer provided taxable benefits that need to be explained are "Cell phones" provided by the employer and, the new proposed methods that would simplify the substantiation requirements for employee use. No. Notice 2009-46 requests comments regarding several proposals to simplify the procedures under which employers substantiate an employee's business use of employer-provided cellular telephones or other similar telecommunications equipment, and requests suggestions for alternative approaches to simplify those procedures. We cannot consider changes until we have more definitive information.</p> <p>6. Under the heading "Entire cost excluded", beginning at sentence #4, I suggest eliminating all verbiage under items 4, 4a and 4b. This information is dated and would only apply to individuals retiring before 1984 and currently 80+ years of age. No. We cannot remove this information at this time. There are many people 80+ years of age who retired before 1984 and are still paying taxes.</p> <p>7. Under the caption "Elective Deferrals" everywhere the date 2008 appears, substitute 2009, everywhere the amount \$15,500 appears, substitute the amount \$16,500 and everywhere the amount \$10,500 appears, substitute the amount \$11,500. Done. This is part of our annual review and updating process which is undertaken every year for annual products such as Publication 525.</p> <p>8. Under the caption "limit for deferrals under section 457 plans, substitute the amount \$16,500 for the amount \$15,500. Done. This is part of our annual review and updating process which is undertaken every year for</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

	<p>annual products such as Publication 525.</p> <p>9. Under the caption "Increased limit", eliminate both items 1 and 2 and substitute the following: Twice the annual limit (\$33,000 for 2009) or The basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions) OK. This change has been accepted and will be incorporated</p> <p>10. Under the caption "Excess Annual Additions", substitute 2009 for 2008 and the amount \$49,000 for \$46,000. Done. This is part of our annual review and updating process which is undertaken every year for annual products such as Publication 525.</p> <p>11. In the Canceled Debts section, 2nd paragraph in area titled 'Interest included in canceled debt'; I re-wrote to read: The non-deductible interest (such as interest on a personal loan) is shown in box 2 of Form 1099-C. For deductible interest (such as from a business loan), include in your income the net amount of the canceled debt (the amount shown in box 2 less the interest amount shown in box 3). No. We researched the taxing authorities (TAs), reviewed the section as it currently appears in the publication, and determined this is an editorial change.</p> <p>12. In the Life Insurance Proceeds section which ends on the top of page 21, I suggest adding a closing sentence to the sections as follows: However, interest income received as a result of life insurance proceeds may be taxable.</p> <p>13. I re-wrote the section of the Host or Hostess section, 1st paragraph to read: If you host a party or event at which sales are made, any gift or gratuity you receive for giving the event is a payment for helping a direct seller make sales. You must report this item as income at its fair market value. OK. This change has been accepted and will be incorporated. The only change made to the paragraph appears to be the addition of the words, "or gratuity." These two words will be added to the paragraph.</p> <p>14. In the last paragraph in the Unused Tax Credits section, I re-wrote this paragraph as follows: If after application of the credit your tax does not change, you did not have a tax benefit from the deduction. Do include this recovery in your income. No. We researched the taxing authorities (TAs), reviewed the section as it currently appears in the publication, and determined this is an editorial change.</p> <p>15. In the paragraph called Supplemental unemployment benefits, I changed the sentence From: They may be subject to Social Security and Medicare taxes. To: In addition, these benefits may be subject to Social Security and Medicare taxes. No. We researched the taxing authorities (TAs), reviewed the section as it currently appears in the publication, and determined this is an editorial change.</p>
<p><b>Response from:</b></p>	<p>Bob Erickson, Senior Tax Analyst and Patricia Wagner, Senior Program Analyst Bob Erickson, Senior Tax Analyst and Patricia Wagner, Senior Program Analyst</p>
<p><b>Response Notes:</b></p>	<p>1. Under "Contents", delete What's New for 2008, Add What's New for 2010 Done. This is part of our annual review and updating process which is undertaken every year for annual products such as Publication 525.</p> <p>2. Delete entire section entitled "What's New for 2008" Done. This is part of our annual review and updating process which is undertaken every year for annual products such as Publication 525.</p> <p>3. Delete remainder of previous page titled "What's New for 2008" and insert "What's New for 2010" Done. This is part of our annual review and updating process which is undertaken every year for annual products such as Publication 525.</p> <p>4. Under the heading "Health Savings Account (HSA), there needs to be a definition or explanation of what is considered to be an "eligible individual". No, but added later. The "Reminders" section at the beginning of the Publication (page 2) is meant to be a brief reminder of a particular subject which one may choose to research further if it</p>

## 2009 Taxpayer Advocacy Panel Recommendations

pertains to them. We will not make a change to this section. However, we reviewed the "Health Savings Accounts (HSA) on page 5 and decided to make an additional referral to Pub 969, Health Savings Accounts and Other Tax-Favored Health Plans in this paragraph. This referral is also made at the beginning of this section, "Accident or Health Plan."

5. Additional employer provided taxable benefits that need to be explained are "Cell phones" provided by the employer and, the new proposed methods that would simplify the substantiation requirements for employee use.

No. Notice 2009-46 requests comments regarding several proposals to simplify the procedures under which employers substantiate an employee's business use of employer-provided cellular telephones or other similar telecommunications equipment, and requests suggestions for alternative approaches to simplify those procedures. We cannot consider changes until we have more definitive information.

6. Under the heading "Entire cost excluded", beginning at sentence #4, I suggest eliminating all verbiage under items 4, 4a and 4b. This information is dated and would only apply to individuals retiring before 1984 and currently 80+ years of age.

No. We cannot remove this information at this time. There are many people 80+ years of age who retired before 1984 and are still paying taxes.

7. Under the caption "Elective Deferrals" everywhere the date 2008 appears, substitute 2009, everywhere the amount \$15,500 appears, substitute the amount \$16,500 and everywhere the amount \$10,500 appears, substitute the amount \$11,500.

Done. This is part of our annual review and updating process which is undertaken every year for annual products such as Publication 525.

8. Under the caption "limit for deferrals under section 457 plans, substitute the amount \$16,500 for the amount \$15,500.

Done. This is part of our annual review and updating process which is undertaken every year for annual products such as Publication 525.

9. Under the caption "Increased limit", eliminate both items 1 and 2 and substitute the following:

1. Twice the annual limit (\$33,000 for 2009) or

2. The basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions)

OK. This change has been accepted and will be incorporated.

10. Under the caption "Excess Annual Additions", substitute 2009 for 2008 and the amount \$49,000 for \$46,000.

Done. This is part of our annual review and updating process which is undertaken every year for annual products such as Publication 525.

11. In the Canceled Debts section, 2nd paragraph in area titled 'Interest included in canceled debt'; I re-wrote to read:

The non-deductible interest (such as interest on a personal loan) is shown in box 2 of Form 1099-C. For deductible interest (such as from a business loan), include in your income the net amount of the canceled debt (the amount shown in box 2 less the interest amount shown in box 3).

No. We researched the taxing authorities (TAs), reviewed the section as it currently appears in the publication, and determined this is an editorial change.

12. In the Life Insurance Proceeds section which ends on the top of page 21, I suggest adding a closing sentence to the sections as follows:

However, interest income received as a result of life insurance proceeds may be taxable.

OK. This change has been accepted and will be incorporated. We will add this to the end of the first paragraph in the section.

13. I re-wrote the section of the Host or Hostess section, 1st paragraph to read:

If you host a party or event at which sales are made, any gift or gratuity you receive for giving the event is a payment for helping a direct seller make sales. You must report this item as income at its fair market value.

OK. This change has been accepted and will be incorporated. The only change made to the paragraph appears to be the addition of the words, "or gratuity." These two words will be added to the paragraph.

14. In the last paragraph in the Unused Tax Credits section, I re-wrote this paragraph as follows: If after application of the credit your tax does not change, you did not have a tax benefit from the deduction. Do include this recovery in your income.

No. We researched the taxing authorities (TAs), reviewed the section as it currently appears in the publication, and determined this is an editorial change.

15. In the paragraph called Supplemental unemployment benefits, I changed the sentence

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	<p>From: They may be subject to Social Security and Medicare taxes. To: In addition, these benefits may be subject to Social Security and Medicare taxes. No. We researched the taxing authorities (TAs), reviewed the section as it currently appears in the publication, and determined this is an editorial change</p>
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## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 709-4661</b>	<b>IRS Website Feedback</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	9/30/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	10/26/2009
<b>Issue Statement:</b>	The IRS.gov has a webpage for submitting feedback about the website to the "IRS Website Help Desk." But after filling out the form, users receive a generic, unsatisfying, automated email and no other follow-up. This may lead users to assume that nothing has come of their feedback.				
<b>Goal Statement:</b>	To provide users with germane feedback on their submissions to the IRS Website Help Desk so that users are satisfied their input was acknowledged and that errors will be corrected or improvements made.				
<b>Proposal:</b>	<p>The IRS Website Help Desk should forward legitimate concerns to appropriate IRS departments and have those departments acknowledge submissions with some indication of authority (e.g., known problem, accepted, rejected, or cannot be implemented). At a minimum, users could be sent an appropriate email that thanks them for trying to improve IRS.gov.</p> <p>In addition, the website feedback mechanism should be upgraded so that it automatically captures the URL of the unsatisfactory page.</p>				
<b>Response from:</b>	Beth Krappweis, ETA Public Portal				
<b>Response Notes:</b>	At the start of the 2009 filing season IRS will require that content errors found by taxpayers receive a specific response from the point of contact (POC) rather than just a generic response. Currently these are marked as FYI and the POC is responsible for making the change, but it leaves the taxpayers wondering if the change is / was made. The IRS will thank the taxpayer for finding the error and the taxpayer will be sent a response letting them know when the error was corrected.				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 509-5803</b>	<b>Covered Employment of Children and Spouses</b>		<b>Status:</b>	Closed, Under IRS Consideration	
<b>Date Elevated to IRS:</b>	9/30/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	10/16/2009
<b>Issue Statement:</b>	On January 1, 2009, the Internal Revenue Service (IRS) began requiring entities that are disregarded from their owners for tax purposes (disregarded entities) to be treated as corporations for employment tax purposes. This will adversely affect taxpayers who, as one-member limited liability companies (LLCs) filing income tax returns as sole proprietors, will now be required to treat their employee children under 18 as covered employees subject to Social Security, Medicare, and Federal unemployment taxes and their employee spouses as subject to Federal unemployment tax (collectively "employment taxes").				
<b>Goal Statement:</b>	The IRS should permit one-member disregarded entities to continue to be treated as disregarded for purposes of the exception from covered employment of children under 18 and of spouses.				
<b>Proposal:</b>	The IRS should amend its regulations to permit one-member disregarded entities to determine whether, as disregarded entities, children under 18 would be treated as employed by a sole proprietor parent or a spouse by a sole proprietor spouse. If such treatment would result in the child or spouse being exempt from employment taxes if the proprietor parent or spouse were not operating through a disregarded entity, the exemption should still be available. Such disregarded entities could still report as corporations, but would be able to exclude wages paid to family members as covered wages. Until the regulations can be amended, the IRS should modify the instructions in its various publications dealing with employment taxes (such as Publication 15, Circular E, Employer's Tax Guide) and should issue other appropriate interim guidance.				
<b>Response from:</b>	Lynne Camillo, Branch Chief, Employment Tax Branch 2				
<b>Response Notes:</b>	<p>Mr. Charles Davidson Taxpayer Advocacy Panel 211 West Wisconsin Avenue Stop 1066-MIL Milwaukee, WI 53203</p> <p>Re: TAP 509-5803 Covered Employment of Children and Spouses</p> <p>Dear Mr. Davidson: Thank you for your letter dated September 28, 2009 concerning the Taxpayer Advocacy Panel's recommendation to amend the Treasury Regulations to permit single member disregarded entities to continue to be treated as disregarded for purposes of the FICA and FUTA exceptions in sections 3121 (b)(3)(A) and 3306(c)(5) of the Internal Revenue Code for children under the age of 18 in the employ of their parents, and for spousal employees.</p> <p>We encourage members of the tax community to make suggestions for published guidance. Your suggestion is very helpful to us, and we appreciate the time and effort the Taxpayer Advocacy Panel expended in preparing such a detailed and thorough submission that frames the issue, proposes solutions, and identifies the goal of helping small businesses remain viable in a difficult economy as a strong policy reason supporting the recommendation.</p> <p>At this time, we can assure you that we are actively considering your recommendation very carefully. The issues you have identified in your submission have previously come to our attention, and we are already in the process of determining whether it would be appropriate to address this matter through the issuance of published guidance. Thank you again for your recommendation, and please do not hesitate to contact me at (202) 622-6040 if I may be of further assistance in this matter.</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

	<p>Sincerely, Lynne Camillo Branch Chief, Employment Tax Branch 2 (Exempt Organizations! Employment Tax/Government Entities) (Tax Exempt &amp; Government Entities)</p>
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## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 209-5506</b>	<b>Extended filing date of Form 1041 by Trusts</b>		<b>Status:</b>	Closed, Under IRS Consideration	
<b>Date Elevated to IRS:</b>	9/30/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	11/9/2009
<b>Issue Statement:</b>	Trusts holding partnership interests frequently do not receive Schedule K-1 forms from the partnerships until the end of the extended due date for filing their trust returns Form 1041. Consequently, the returns they file, and the Schedule K-1 forms they mail to their beneficiaries, are incomplete and must subsequently be amended and corrected.				
<b>Goal Statement:</b>	To insure that trusts receive their Schedule K-1 forms from partnerships prior to the extended due date for filing their trust returns.				
<b>Proposal:</b>	Revise the Temporary Regulations to increase the automatic extension period for filing returns by trusts from 5 to 5 1/2 months.				
<b>Response from:</b>	Matt Howard, Office of Chief Counsel				
<b>Response Notes:</b>	On July 1, 2008, the Service issued proposed and temporary regulations setting the automatic extension of time to file Form 1041 at 5 months. The proposed regulations asked for comment, and although the listed comment period has expired, the Service, Chief Counsel, and the Treasury Office of Tax Policy will treat this recommendation as an official internal comment to the Notice of Proposed Rule Making when we revisit the issues and finalize the regulations. The project to revisit and finalize the proposed and temporary regulations is on the Priority Guidance Plan for 2009-2010.				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 609-5280</b>	<b>Wording of Letter 525</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	9/30/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	10/30/2009
<b>Issue Statement:</b>	Letter 525, General 30 Day Letter (Rev. 9/2008), contains misleading wording regarding proposed examination adjustments.				
<b>Goal Statement:</b>	To improve the clarity of Letter 525.				
<b>Proposal:</b>	<p>Strike the current "checkbox" paragraphs in Letter 525 and replace them with the following text:</p> <ul style="list-style-type: none"> <li>• The proposed amount of your refund is \$[XXX]. We will issue this amount to you if you don't owe other taxes and don't have other legal obligations that we are required to collect. We'll send your refund, which may include interest due to you, within 8 weeks after we receive the examination report you've signed.</li> <li>• The proposed amount you may owe is \$[XXX]. This amount may include tax, penalties, and estimated interest due. If you agree with this proposal, you should pay the total amount now because the law allows us to charge additional interest and certain penalties until you pay the amount you owe in full. If you can't pay the full amount now, please contact us now so we can discuss payment arrangements.</li> </ul>				
<b>Response from:</b>	Mary J Howard, Acting Director, Campus Reporting Compliance				
<b>Response Notes:</b>	<p>Charles Davidson, Chair Taxpayer Advocacy Panel 211 West Wisconsin Avenue Stop 1006-MIL Milwaukee, WI 53203-2221</p> <p>Dear Mr. Davidson:</p> <p>Re: TAP 609-5280 Letter 525 Revisions</p> <p>Thank you for your panel's suggestion. We have reviewed your recommendation and concur that it would be an improvement to include the word "proposed" in the opening paragraph of Letter 525.</p> <p>As you may be aware, in July of 2008, Commissioner Shulman chartered the Taxpayer Communications Task group (TACT) to study and improve the clarity, accuracy and effectiveness of written communications to taxpayers. Correspondence Examination Letter 525 is among the letters that are under direct review by the TACT for revision. In addition, all IRS letter and notice change recommendations must be reviewed by that office before implementation. We have discussed this change with the Director of TACT, Jodi Patterson, and are including members of her staff in our response to ensure that your recommendation is considered in the Letter 525 Prototype currently under development.</p> <p>Thank you again for suggesting changes to improve IRS Operations. If you have any questions, please contact me or you can contact Senior Policy Analyst Barbara Stecker of my staff. Questions directly related to TACT are best addressed directly to Jodi Patterson or Charlotte Kieliszek of her staff.</p> <p>Sincerely,</p> <p>Mary J Howard, Acting Director, Campus Reporting Compliance</p>				

# 2009 Taxpayer Advocacy Panel Recommendations

	cc: Jodi Patterson, Taxpayer Communications Task Group
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## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 509-5709</b>	<b>Automatic Six Month Extension Exempt Organizations</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	9/30/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	12/1/2009
<b>Issue Statement:</b>	Exempt organizations filing Form 8868, Application for Extension of Time To File an Exempt Organization Return, are granted an automatic three-month extension of time to file. An additional three-month extension is available only if the organization files an additional request, stating in detail why it needs the extension.				
<b>Goal Statement:</b>	The Internal Revenue Service (IRS) should permit exempt organizations filing Form 8868 to obtain an automatic six-month extension of time to file.				
<b>Proposal:</b>	The IRS should issue regulations allowing exempt organizations to obtain an automatic six-month extension of time to file instead of being granted an automatic three-month extension and having to request a second three-month extension. Until such regulations can be finalized, the IRS should issue a revenue procedure or other appropriate interim guidance implementing such change.				
<b>Response from:</b>	Stephen Macchio, Supervisory Program Analyst, TE/GE				
<b>Response Notes:</b>	<p>Thank you for your recommendation regarding the automatic six month extension for Exempt Organizations. Unfortunately, the IRS will not be able to implement your suggestion based on the following reasons:</p> <p>Providing an automatic extension will delay public disclosure of the return.</p> <p>Providing an automatic extension will shift Exempt Organization return processing to later in the year which may mean that the returns not processed by the end of the year would need to be converted from the old version to the new version requiring additional staff time.</p> <p>The automatic extension will delay the IRS's issuance of notice to taxpayers that have not filed their returns.</p> <p>In addition, extensive and costly programming changes would have to be made to process the form through the various IRS systems. IRS notices would need to be rewritten and programmed to reflect the new forms.</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 109-5189</b>	<b>Amended Returns &amp; E-Filing</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	9/30/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	11/12/2009
<b>Issue Statement:</b>	IRS delays the processing of amended returns which causes serious problems for some clients who subsequently receive liens on their properties and do not receive refunds for other tax years. Additionally, when calling collections to obtain current information regarding the amended return they state the return is still being worked on when in fact it is sitting on a shelf and not processed.				
<b>Goal Statement:</b>	Recommend to IRS to process amended tax returns in a timely manner, and provide accurate information to the taxpayer or representative.				
<b>Proposal:</b>	<ol style="list-style-type: none"> <li>1) Processing of amended tax returns should be no longer than 120 days</li> <li>2) Provide accurate information to the taxpayer or representative when calling collection</li> <li>3) Allow E-filing of simple amended tax returns</li> </ol>				
<b>Response from:</b>	CAS, Compliance and ETA				
<b>Response Notes:</b>	<p>1. Processing of amended tax returns should be no longer than 120 days</p> <p>The IRS normally processes Forms 1040X, amended returns in 8-12 weeks (56-84 days). In FY 2009, the IRS experienced higher than expected inventory levels of Forms 1040X, a 26.3% increase from FY 2007, which prompted the IRS and National Taxpayer Advocate to issue a press release advising the public of the extension in the time to process from 8-12 weeks to 12-16 weeks (84-112 days).</p> <p>In Filing &amp; Payment Compliance (F&amp;PC), F&amp;PC does not process returns, including amended returns. Employees are instructed to promptly forward them to Accounts Management using the mail routing addresses available on SERP.</p> <p>2. Provide accurate information to the taxpayer or representative when calling collection</p> <p>Collection employees do strive to provide accurate information to customers on pending amending returns, but this is often outside the scope for ACS and other Compliance employees. Referrals can be made either to the appropriate function to determine the status of an adjustment that has been in process for a long period of time, or to TAS if the criteria is met. Cases with lengthy delays related to amended returns or other audit and ASFR reconsiderations often do result in a referral to TAS.</p> <p>The overall concern raised in this TAP from a collection perspective seems to be avoiding enforcement action while the amended return is being processed. Procedures in IRM 21.3.3.4.10.2.1 require the input of a TC 470 with no closing code when an amended return is received by Compliance and forwarded to the appropriate function for processing. This transaction code indicates that a Taxpayer Claim in Pending, and</p> <ul style="list-style-type: none"> <li>• prevents the issuance of notices on this module (see IRM 21.3.3.4.10.2.1 and Doc 6209 description of TC 470, pg 8-20):</li> <li>• Prevents the issuance of a manual or systemic levy in ACS (see IRM 5.19.4.3.4 para 11): (see IRM 5.19.4.6.1)—note that liens are not to be filed if there is substantial doubt as to liability, so if an employee is aware that an amended return has been received and is awaiting processing, the lien should not be filed manually either; and</li> <li>• Excludes the account from FPLP if the TC 470 with no closing code posted before the FPLP levy (see IRM 5.19.9-4).</li> </ul> <p>The examples provided in the TAP 109-5189 do not indicate if the TC 470 code was present on</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

the accounts. If they did, the enforcement actions mentioned should have been prevented by current ACS and ALS programming and by current IRM procedures. If that coding was missing, the agency should approach this from that perspective to ensure that taxpayers are adequately protected from unwarranted enforcement action while their claim (or amended return processing) is pending by consistently inputting the TC 470 when an amended return is received

3. Allow E-filing of simple amended tax returns.

The Modernized e-File system already allows e-filing of superseding and amended tax returns and extensions for certain business-related forms. A superseded return is a subsequent return filed prior to the initial due date of the return. Superseded returns can be e-filed for Forms 1120, 1120-F, 1120S, 1065 and 1065-B. An amended return is a subsequent return filed after the initial due date of the return. Amended returns can be e-filed for Forms 1120, 1120-F, 1120S, 1065, 1065-B, 990, 990-EZ, 990-PF, 1120-POL and 2290.

Planning for simple amended Form 1040 tax returns on the MeF Platform is in progress. The earliest deployment date that can be considered is January 2011.

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 509-4640</b>	<b>Use of Online Form 8109-B</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	9/30/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	10/29/2009
<b>Issue Statement:</b>	Form 8109-B, Federal Tax Deposit Coupon, is used by certain entities to pay income, employment, and other taxes. Although available on the Internal Revenue Service (IRS) web site, the IRS currently does not allow taxpayers to use this form when printed from their personal computer because it is designed as a machine readable form.				
<b>Goal Statement:</b>	To allow taxpayers who do not have pre-printed Form 8109 coupons the ability to make payments on a timely basis when the existing options are not reasonably available, thus avoiding late payment of the taxpayer's tax obligation.				
<b>Proposal:</b>	We propose allowing taxpayers who find themselves without the preprinted machine readable Forms 8109 and 8109-B on or about the due date of their tax payment to print the Form 8109-B from their personal computer.				
<b>Response from:</b>	Debra Awalt, CAS: Program Coordination and Support				
<b>Response Notes:</b>	The IRS disagrees with the TAP recommendation to allow taxpayers who find themselves without the preprinted machine readable Forms 8109 and 8109-B to print copies from their personal computers. The IRS would be unable to control the printing of non-machine readable forms by taxpayers "in limited situations." Allowing the taxpayers to print Form 8109 and Form 8109-B from their home computers would cause a workload increase at each of the four Federal Tax Deposit (FTD) processing sites since these forms would not be processed via scanning. All of the home printed forms would be stopped in Receipt & Control and forwarded to Accounting, causing at least a one day delay in processing, and then each of the home printed forms would have to be handwritten onto original 8109-B forms by the Accounting Technicians on site in order for the documents to be scanned. Transcribing the information from the home printed forms would be time consuming, and an inefficient use of our resources.				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP F09-4417</b>	<b>Form 8824, Like-Kind Exchanges</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	10/2/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	11/30/2009
<b>Issue Statement:</b>	<p>Form 8824 (Like Kind Exchange) both the form and instructions need to be redesigned. the most confusion stems from Part 3 of the form and instructions.</p> <p>On line 13 (Adjusted basis of other property given up), the submitter says that the adjusted basis should be broken down. One line should be devoted to the basis, another line should be the appreciation and a third line should be the adjusted basis (currently line 13) which is the result of the basis, less appreciation.</p> <p>Line 15, which includes, "Cash received, FMV of other property received plus net liabilities assumed by other party, reduced (but not below zero) by any exchange expense you incurred," should actually be broken down into several lines on the form. The submitter recommends that each item be given its own line with line 15 being the sum (reduced by any exchange expense incurred) of the other lines.</p> <p>The submitter also noted that the instructions for line 15 are equally confusing and create much confusion when she tries to explain them to a client. She mentioned that a worksheet should really be inserted in this part of the instructions. Most confusion stems from determining the "Net liabilities" and the "over" in the following sentence: "Net liabilities assumed by the other party – the excess, if any, of liabilities (including mortgages) assumed by the other party over the total of (a) any liabilities you assumed, (b) cash you paid to the other party, and (c) the FMV of the other (not like-kind) property you gave up."</p>				
<b>Goal Statement:</b>	Redesign Form 8824, to clarify the confusion from Part 3 of the form and instructions.				
<b>Proposal:</b>	I estimate the replacement Part III would require about 5¼ to 5½ inches of space. I think this could be done by (1) closing up the paragraph leading (space between paragraphs) of Part I; (2) closing up the paragraph leading of Part II, moving it to the top of page 2, and renaming it Part III; (3) moving the revised Part III to the bottom of page 1 and renaming it Part II; and (4) leaving existing Part IV at the bottom of page 2. Parts III and IV would then also need to have their lines renumbered.				
<b>Response from:</b>	Patty Wagner, Senior Tax Analyst & Bob Erickson, Tax Law Specialist				
<b>Response Notes:</b>	We plan to adopt the suggested change to Form 8824 in principle (there may be some changes in the language on the form). We agree that even though this change will add several additional lines to Form 8824, the computation on the form will be simplified for the majority of taxpayers. This change will not appear until the 2011 revision of the form.				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP F09-4356</b>	<b>Form 56 -- Notice Concerning Fiduciary Relationship</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	10/5/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	9/28/2010
<b>Issue Statement:</b>	The original issue arose from complaints of confusion among practitioners concerning the use of Form 2848, Power of Attorney and Declaration of Representative, and Form 56, Notice Concerning Fiduciary Relationship. The subcommittee agreed that clarification was warranted. The subcommittee also agreed that Form 56, as it presently exists, is dated and lacks clarity in certain respects. The subcommittee therefore expanded the scope of the original issue accordingly.				
<b>Goal Statement:</b>	The Form 56, Notice Concerning Fiduciary Relationship and Form 2848, Power of Attorney and Declaration of Representative should contain a clear explanation of the difference among each other.				
<b>Proposal:</b>	<p>The subcommittee believes that the instructions for Form 56, Notice Concerning Fiduciary Relationship, should explain to taxpayers the difference between the Form 56 and the Form 2848, Power of Attorney and Declaration of Representative. The Form 2848 instructions should also better explain the difference between the two forms. We believe this is especially appropriate today with an aging population and the increasing use of private fiduciary arrangements through durable powers of attorney and living trusts. We also believe that Form 56 can be made clearer and easier for fiduciaries to use and for the IRS to process by making additional changes to the form. We therefore recommend the following changes.</p> <p>1. Add a subsection to "Who Should File" in column 1 of page 3 of Form 56 (the first page of the actual instructions) containing a caution and discussing the difference between a fiduciary and an authorized representative. We believe language such as the following would be appropriate:</p> <p><b>Difference Between a Fiduciary and Authorized Representative</b>  <b>Caution!</b> Do not use Form 56 if you are acting as the authorized representative of another taxpayer. Use Form 2848, Power of Attorney and Declaration of Representative, instead.  A fiduciary is treated by the IRS as if the fiduciary actually is the taxpayer. This means the fiduciary automatically has both the right and the responsibility to do anything the taxpayer could do on whose behalf the fiduciary is acting. The fiduciary must file any returns on behalf of and pay any taxes due from the taxpayer. Taxes are required to be paid, however, only from assets of the taxpayer. The fiduciary is not required to pay any taxes out of its own assets.  An authorized representative is treated by the IRS only as the agent of the taxpayer. The authorized representative can do only what the taxpayer has said the representative can do in Form 2848, Power of Attorney and Declaration of Representative. An authorized representative is neither required nor permitted to do anything else on behalf of the taxpayer.  The following are common examples of the uses of Form 56 and Form 2848 in the case of individuals.</p> <p><b>Example 1.</b> An individual dies and a personal representative (or executor or administrator) is appointed for the probate estate. The personal representative is a fiduciary for the deceased taxpayer who is responsible for filing any income tax, gift tax, or other returns that would have been filed by the decedent and for payment out of the probate assets of any taxes due on those returns. The personal representative should file Form 56.  If the IRS audits an income tax return filed by the decedent two years before death, the personal representative automatically has the right to represent the decedent in the audit. If the personal representative retains a lawyer for the audit, however, the personal representative will have to execute a Form 2848 authorizing the lawyer to represent the personal representative.</p> <p><b>Example 2.</b> An individual who has executed a durable power of attorney becomes medically unable to handle his or her affairs, including the filing of income tax returns. The durable power of attorney permits the agent (also known as the "attorney-in-fact") to represent the individual (known as the "principal") in Federal tax matters.  The agent can use the durable power of attorney to file income tax returns on behalf of the</p>				

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principal, but only if the agent (1) uses the durable power of attorney to execute a Form 2848 in accordance with the instructions for that form appointing himself or herself as the authorized representative and expressly including authority to execute the return; (2) includes a statement attached to the Form 2848 signed by the agent under penalty of perjury stating that the durable power of attorney is valid under the laws of the state whose laws govern the power; and, (3) attaches all of these to the income tax return (see "Non-IRS powers of attorney" in Publication 947, Practice Before the IRS and Power of Attorney, for more information). This will have to be done each time an income tax return is filed by the agent on behalf of the principle.

Alternatively, the agent can file a Form 56 because the agent is now treated under state law as a fiduciary acting on behalf of the principle. Except to the extent the IRS may require proof of the fiduciary relationship, the filing of Form 56 by itself will thereafter permit the agent to file income tax returns on behalf of the principal and to deal with the IRS on all tax matters affecting the principal without having to go through the procedure above of filing a Form 2848 each time.

Example 3. An individual who is the grantor of a revocable living trust dies and the trust becomes irrevocable. The individual's adult child becomes the successor trustee under the terms of the trust. The successor trustee should file a Form 56.

Example 4. An individual employs a CPA to prepare his or her income tax return. The CPA is also the successor trustee of the individual's revocable living trust, but is not currently serving as trustee. If the IRS has questions about an income tax return prepared by the CPA and filed by the taxpayer two years ago, the individual will have to execute a Form 2848 to permit the CPA to act as the individual's authorized representative. A Form 56 cannot be used because the CPA is not presently acting as a fiduciary of the individual.

2. In the instructions for Form 2848, page 1, column 1, delete the third paragraph under the heading "Purpose of Form."

3. In place of the deleted third paragraph insert the following:  
Caution! Do not use Form 2848 if you are a fiduciary. Use Form 56, Notice Concerning Fiduciary Relationship, instead.

An authorized representative is treated by the IRS only as the agent of the taxpayer. The authorized representative can do only what the taxpayer has said the representative can do in Form 2848, Power of Attorney and Declaration of Representative. An authorized representative is neither required nor permitted to do anything else on behalf of the taxpayer.

A fiduciary is treated by the IRS as if the fiduciary actually is the taxpayer. This means the fiduciary automatically has both the right and the responsibility to do anything the taxpayer could do on whose behalf the fiduciary is acting. The fiduciary must file any returns on behalf of and pay any taxes due from the taxpayer. Taxes are required to be paid, however, only from assets of the taxpayer. The fiduciary is not required to pay any taxes out of its own assets.

The following are common examples of the uses of Form 2848 and Form 56 in the case of individuals.

Example 1. An individual employs a CPA to prepare his or her income tax return. The CPA is also the successor trustee of the individual's revocable living trust, but is not currently serving as trustee. If the IRS has questions about an income tax return prepared by the CPA and filed by the taxpayer two years ago, the individual will have to execute a Form 2848 to permit the CPA to act as the individual's authorized representative. A Form 56 cannot be used because the CPA is not presently acting as a fiduciary of the individual.

Example 2. An individual who has executed a durable power of attorney becomes medically unable to handle his or her affairs, including the filing of income tax returns. The durable power of attorney permits the agent (also known as the "attorney-in-fact") to represent the individual (known as the "principal") in Federal tax matters.

The agent can use the durable power of attorney to file income tax returns on behalf of the principal, but only if the agent (1) uses the durable power of attorney to execute a Form 2848 in accordance with the instructions for that form appointing himself or herself as the authorized representative and expressly including authority to execute the return; (2) includes a statement attached to the Form 2848 signed by the agent under penalty of perjury stating that the durable power of attorney is valid under the laws of the state whose laws govern the power; and, (3) attaches all of these to the income tax return (see "Non-IRS powers of attorney" in Publication 947, Practice Before the IRS and Power of Attorney, for more information). This will have to be done each time an income tax return is filed by the agent on behalf of the principle.

Alternatively, the agent can file a Form 56 because the agent is now treated under state law as a fiduciary acting on behalf of the principle. Except to the extent the IRS may require proof of the fiduciary relationship, the filing of Form 56 by itself will thereafter permit the agent to file income

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tax returns on behalf of the principal and to deal with the IRS on all tax matters affecting the principal without having to go through the procedure above of filing a Form 2848 each time.

Example 3. An individual dies and a personal representative (or executor or administrator) is appointed for the probate estate. The personal representative is a fiduciary for the deceased taxpayer who is responsible for filing any income tax, gift tax, or other returns that would have been filed by the decedent and for payment out of the probate assets of any taxes due on those returns. The personal representative should file Form 56.

If the IRS audits an income tax return filed by the decedent two years before death, the personal representative automatically has the right to represent the decedent in the audit. If the personal representative retains a lawyer for the audit, however, the personal representative will have to execute a Form 2848 authorizing the lawyer to represent the personal representative.

Example 4. An individual who is the grantor of a revocable living trust dies and the trust becomes irrevocable. The individual's adult child becomes the successor trustee under the terms of the trust. The successor trustee should file a Form 56.

4. Change Part I, Identification, as follows:

A. Require the following additional information as part of Part I, Identification:

- Date of death if Part II, 1a or 1b checked
- Date of appointment, taking office, or assignment or transfer of assets

B. Add the following instructions to Part I for the additional information requirement concerning Date of appointment, taking office, or assignment or transfer of assets:

Date of appointment, taking office, or assignment or transfer of assets. If you are a trustee, enter the date you began acting as a successor trustee because a trust became irrevocable or you succeeded another trustee of an irrevocable trust. If you were appointed fiduciary by a court, enter the date of the court order appointing you. If you are acting as agent under a durable power of attorney permitting tax representation, enter the date you began acting as such. A durable power of attorney permits tax representation if it specifically states that the agent can represent the principal in tax matters or applicable state law permits such representation. If you received assets under an assignment for the benefit of creditors enter the date the assets were assigned to you. If you are acting for a debtor or other person through any other proceeding outside of bankruptcy, enter the date you were appointed or you took possession of the assets of the debtor or other person.

Reason for changes: This provides pertinent information without requiring fiduciaries to consult instructions. The instructions would also be modified by removing the instructions for Part II, as those items would either be covered by additional instructions for Part I or would be self-explanatory.

5. Change Part II, Authority, of Form 56 as follows:

A. Change line 1, Authority for fiduciary relationship to the following:

Section A---Authority

1. Authority for fiduciary relationship. Check applicable box.

- a Court appointment of testate estate (valid will exists)
- b Court appointment of intestate estate (no valid will exists)
- c Court appointment as guardian or conservator
- d Durable power of attorney permitting tax representation (see instructions for Part I, Date of appointment, taking office, or assignment or transfer of assets)
- e Valid trust instrument and amendments
- f Bankruptcy or assignment for benefit of creditors
- g Other. Describe

B. Move Part V to Part II and make it section B

Reason for changes: New choices are added to reflect the use of durable powers of attorney and court appointed guardians and conservators. Testate and intestate estates are defined on the form rather than in the instructions. The matter of tax representation under a durable power of attorney is addressed in the instructions for Part I rather than creating a separate instruction for Part II covering only this one item.

6. Change Part III, Nature of Liability and Tax Notices, as follows:

A. For lines 2 and 3, eliminate requiring the fiduciary to describe the types of taxes and tax form numbers. Instead, have check boxes so that all types of taxes and returns for which the fiduciary may be acting can be checked, with a box on each line for "Other (describe)" if there is a tax or form not represented by a box. We suggest, for example, the following:

Types of taxes: income; estate; gift; generation-skipping transfer; employment; information; excise; other

Form numbers: 706 series; 709; 941; 942; 1040; 1040-A; 1040-EZ; 1041; 1065; 1099 series; 1120; 1120-S

Reason for change: Having boxes instead of descriptions will result in consistency and ease of

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	<p>processing forms. It also eliminates the need for a separate Form 56 for each different tax and form.</p> <p>B. Eliminate line 4. Reason for change: A fiduciary is acting as the taxpayer, not as representative of the taxpayer. As such, the fiduciary is entitled to and responsible for acting on behalf of the taxpayer with respect to any periods. There is therefore no reason--unlike the Form 2848--to specify the year or years. If it is felt such information is nevertheless appropriate, modify the line to say, "Check here if your authority does not cover all years or tax periods of the person for whom you are acting and state the specific years or periods."</p> <p>C. Make the present notice sentence line 5a and add the following line 5b: Check this box if notices and other written communications should not be sent to the fiduciary listed under any prior Form 56. Reason for change: It is not uncommon for there to be successive successor trustees or other fiduciaries. Once a fiduciary has been succeeded by a replacement fiduciary, there is no reason for the former fiduciary to receive notices and written communications. We assume the IRS will be able to identify those notices based on the taxpayer identification of the person for whom the fiduciary is acting.</p> <p>7. Change Part IV, Revocation or Termination of Notice, as follows: A. Add the following caution before the existing paragraph of the instructions for Part IV: Caution. This section should not be completed only by a fiduciary to terminate its own authority. It is not to be used by a successor fiduciary to terminate the authority of a prior fiduciary. A successor fiduciary may, however, terminate the sending of notices and written communications to a former fiduciary by checking line 5b. B. Change line 7 to read as follows: 7 Check this box if you are revoking or terminating all prior notices concerning fiduciary relationships on file with the Internal Revenue Service for the same tax matters and years or periods covered by this notice concerning fiduciary relationship. This applies only to prior notices that were filed by you. Reason for change: This makes it clearer that a fiduciary does not have the authority to relieve a prior fiduciary from liability or to act on behalf of a prior fiduciary without a power of attorney or court order. A successor fiduciary should, however, be able to stop notices from being sent to a prior fiduciary, as the successor is now responsible (although generally not liable) for matters that would have been within the purview of the prior fiduciary. C. Add the following box choices to line 7 reasons for termination of fiduciary relationship: estate administration complete; trust administration complete; termination of authority under durable power of attorney. D. We are unaware of circumstances under which there could be a partial revocation of a fiduciary relationship. Unless the IRS has experienced such, line 8 should be eliminated. If it is kept, it should be re-worded as follows to make it clearer: 8a Check this box if you are revoking only certain notices, but not all notices, concerning fiduciary relationships on file with the Internal Revenue Service for the same tax matters and years or periods covered by this notice concerning fiduciary relationship. E. If the above suggestions are adopted, eliminate the separate sections of Part IV and change the title of Part IV to "Revocation, Termination or Substitution of Fiduciary Relationship." This would leave Part IV simply as lines 7-9. 8. If the existing Part V has been incorporated into Part II, add a new Part V (otherwise a new Part VI) as follows: Part V Authorized Employees of Corporate Trustee The duly authorized signer on behalf of a corporate fiduciary certifies that the following additional persons are authorized to act on behalf of the corporate fiduciary named in Part I: (Space would be provided for names and, if necessary, taxpayer identification numbers.)</p>
<p><b>Response from:</b></p>	<p>Robert A. Erickson, Tax Law Specialist and Patricia M. Wagner, Senior Tax Analyst</p>
<p><b>Response Notes:</b></p>	<p>We agree with the following changes in suggestions 6 and 7 of the Recommendations of the Subcommittee, and will incorporate the changes into the Form 56 as soon as possible:</p> <p>6. Change Part III, Nature of Liability and Tax Notices, as follows:</p> <p>A. For lines 2 and 3, eliminate requiring the fiduciary to describe the types of taxes and tax form numbers. Instead, have check boxes so that all types of taxes and returns for which the fiduciary</p>

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	<p>may be acting can be checked, with a box on each line for "Other (describe)" if there is a tax or form not represented by a box. We suggest, for example, the following:</p> <p>Types of taxes: income; estate; gift; generation-skipping transfer; employment; information; excise; other</p> <p>Form numbers: 706 series; 709; 941; 942; 1040; 1040-A; 1040-EZ; 1041; 1065; 1099 series; 1120; 1120-S</p> <p>Reason for change: Having boxes instead of descriptions will result in consistency and ease of processing forms. It also eliminates the need for a separate Form 56 for each different tax and form.</p> <p>We took their suggestions and developed the below proposed addition: 2 Type of tax: estate; gift; generation-skipping transfer; income; employment; information; excise; other ► ..... 3. Federal tax form number: 706 series; 709; 941; 942; 1040 series; 1041; 1065; 1099 series; 1120; 1120-S; other ► .....</p> <p>7. A. Add the following caution before the existing paragraph of the instructions for Part IV:</p> <p>Caution. This section should not be completed only by a fiduciary to terminate its own authority. It is not to be used by a successor fiduciary to terminate the authority of a prior fiduciary. A successor fiduciary may, however, terminate the sending of notices and written communications to a former fiduciary by checking line 5b.</p> <p>Okay by us, except for the last sentence (bolded) , which needs to be dropped.</p> <p>E. If the above suggestions are adopted, eliminate the separate sections of Part IV and change the title of Part IV to "Revocation, Termination or Substitution of Fiduciary Relationship." This would leave Part IV simply as lines 7-9.</p> <p>Okay, even without the acceptance of the rest of the provisions.</p> <p>The rest of the suggestions need considered and approved by Chief Counsel before we can make the suggested changes to the form.</p>
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<b>TAP F09-4683</b>	<b>Campus addresses for PDS</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	10/6/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	11/30/2009
<b>Issue Statement:</b>	Forms instructions for the use of private delivery services (PDSs) are confusing. The Form 1040 instructions state that PDSs can be used to satisfy the timely mailed/timely filed rule, yet also state that PDSs cannot deliver to post office box addresses. However, only IRS post office box addresses are listed in the instructions. No instructions are provided that tell taxpayers the proper means for addressing labels for delivery to the IRS by private delivery services (PDSs).				
<b>Goal Statement:</b>	Provide clearer instructions for the use of PDSs.				
<b>Proposal:</b>	<p>The forms instructions should be modified to tell taxpayers how to address shipping labels of PDSs for delivery to the IRS. This could include any of the following:</p> <p>(1) Place all information concerning PDSs on the same page as "Where to File." In doing so, eliminate the caution in the PDS instructions (see 2008 Form 1040 general instructions, page 8, column 3 under "Private Delivery Services" as an example) that PDSs cannot deliver to post office boxes and replace it with the following TIP:</p> <p>TIP: Private delivery services are required to provide delivery service to the street addresses of all IRS offices within the United States and the United States Tax Court, but cannot deliver to P.O. boxes. If you use a private delivery service, use only the city, state and zip code of the proper Service Center as shown above on page 161 of these instructions and not the P.O. box.</p> <p>(2) If the discussion of PDSs is not moved to the "Where to File" page, eliminate the caution in the forms instructions that PDSs cannot deliver to post office boxes and replace it with the following TIP:</p> <p>TIP: Private delivery services are required to provide delivery service to the street addresses of all IRS offices within the United States and the United States Tax Court but, cannot deliver to P.O. boxes. If you use a private delivery service, use only the city, state and zip code of the proper Service Center as shown on page ____ of these instructions and not the P.O. box. In addition, the following CAUTION should be added to the "Where to File" pages: CAUTION: If you are using a private delivery service instead of mail, see the instructions on page</p>				
<b>Response from:</b>	Patty Wagner, Senior Tax Analyst & Bob Erickson, Tax Law Specialist				
<b>Response Notes:</b>	The issue of publishing Service Center street addresses in the forms instructions for the private delivery services (PDS) has come up before. Most recently it was raised to the executives responsible for the Service Centers. Their decision, based on security concerns, was to not allow them to be published. The Postage and Transportation group also reviewed this request and stated that the TAP proposed solution is not viable since the PDS will need a street address.				

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<b>TAP F09-5334</b>	<b>The New Form 5405, First Time Homebuyers Credit</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	10/9/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	10/7/2009
<b>Issue Statement:</b>	The program owner will like the panel members to provide feedback of the new version of Form 5405.				
<b>Goal Statement:</b>	The goal is to provide feedback regarding Form 5405.				
<b>Proposal:</b>	<ol style="list-style-type: none"> <li>1. Under Who Can Claim the Credit, change 3-year to 36-month period to avoid confusion with calendar years. (P1, C1)</li> <li>2. Under Who Can Claim the Credit, clarify situation where a single person buys first home in 2009 prior to July 1, but marries December 1 or after to someone who is not qualified for the credit. (P1, C1)</li> <li>3. Under Who Can Claim the Credit, clarify that if previously married and owning a home within the 36-month period, but now separated or divorced, neither party in the marriage is a first time home buyer. (P1, C1)</li> <li>4. Under Who Cannot Claim the Credit, suggest a new #1 saying: 1. You (or your spouse, if married), had an ownership interest in a main home during any part of the 36-month period ending on the date of purchase. This is the corollary to the second point under Who Can Claim the Credit. (P1, C2)</li> <li>5. Under Who Cannot Claim the Credit, # 3 should add examples of tax-exempt mortgage interest. (P1, C2)</li> <li>6. Under Who Cannot Claim the Credit, for # 8, does a related person include relationships by marriage? For example, can a taxpayer purchase a house from her mom's husband (no blood relative to the taxpayer) and still qualify for the credit? (P1, C2)</li> <li>7. Under Amount of the Credit, a chart showing the phase-out increments should be included. (P2, C1)</li> <li>8. Under Repayment of Credit, the second sentence should read "The repayment period begins 2 tax years after the year in which you claim the credit." This will avoid confusion for taxpayers who claim the credit for a 2009 purchase, retroactively on their 2008 tax returns. (P2, C1)</li> <li>9. Under Repayment of Credit, second paragraph, first sentence "... your home ceases to be your main home before the 15 year period is up..." needs to be clarified in terms of converting your home to business or rental property. Does this include converting part of your home to business or rental, as in having an office in the home, providing day care in the home, or renting out a room in the home? (P1, C1)</li> <li>10. Under Repayment of Credit, add an example of repayment due when the home is sold – use facts that show the home was sold for the same price it was purchased for. People need to be aware that if they don't put the "credit" toward the equity in their home or put it in the bank so they have it available to repay in case they must sell their home, which they can wind up owing a bunch of money when they sell. (P1, C1)</li> <li>11. Under Repayment of Credit, it states: If you sell the home to someone ...the repayment in the year of sale is limited to the amount of gain on sale. And then what? Is the remaining amount owed a) forgiven, b) still owed in the future? (P2, C1)</li> </ol>				

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	<p>12. Under Specific Instructions Line C, it states “You can choose to claim the credit on your 2008 Form 1040 for a main home purchased ... before July 1, 2009”. So does this mean if you actually buy the home in June 2009, you have the choice to either claim the credit in either 2008 (by amending) or in 2009? (P2, C2)</p> <p>13. For the issue of future year repayment of credit, I would rather see this as a separate form – more like a voucher. Ideally, the IRS would mail the person this form with the voucher amount and the amount still owed to the IRS. (P2, C2)</p> <p>14. The term credit vs. loan with the First Time Home Buyers Credit confuses the taxpayers on whether it is a credit or a loan that needs to be paid back. Suggest title be “First Time Home Buyers Loan/Credit”. (Overall)</p>
<p><b>Response from:</b></p>	<p>Bob Erickson, Senior Tax Analyst and Patricia Wagner, Senior Program Analyst Bob Erickson, Senior Tax Analyst and Patricia Wagner, Senior Program Analyst</p>
<p><b>Response Notes:</b></p>	<p>The IRS responded to the recommendations as follows:</p> <ol style="list-style-type: none"> <li>1. Not adopt. The statute uses “3-year period”. Plus we believe it’s easier to count back 3 years than to count back 36 months.</li> <li>2. Adopt.</li> <li>3. Not adopt. We believe that the second bullet under Who Can Claim the Credit clearly addresses this situation.</li> <li>4. Not adopt. This repeats a requirement previously listed under Who Can Claim the Credit. Our experience tells us that repeating instructions does not improve compliance.</li> <li>5. Not adopt. This is not a requirement for homes purchased in 2009 and will not appear in the 2009 Form 5405 instructions.</li> <li>6a. Yes, this is correct for homes purchased in 2008. On the 2009 form, we will change “2008” to “2009”.</li> <li>6b. You have to repay the credit with your 2009 tax return unless you meet one of the exceptions.</li> <li>7. The taxpayer would qualify for the credit if he or she has not been legally adopted by mom’s husband. If the taxpayer has been legally adopted by mom’s husband, mom’s husband is a related person and the taxpayer would not qualify for the credit. We will consider clarifying this in the 2009 Form 5405 instructions.</li> <li>8. Purchase price is defined under the line 1 instructions.</li> <li>9. Not adopt. This isn’t necessary because the phase-out is computed on lines 4 and 5.</li> <li>10a. This sentence was changed in the February 2009 revision of the 2008 Form 5405.</li> <li>10b. This sentence was deleted in the February 2009 revision of the 2008 Form 5405.</li> <li>11. Adopt. Your home does not cease to be your main home if you convert only a part of it to business or rental use and you continue to use it as your main home.</li> <li>12. Not adopt. Although taxpayers may have to repay the credit, the statute does not impose any restrictions on how taxpayers use the additional money generated by the credit. For example, if the taxpayer receives a tax refund solely because of the credit, he or she is free to use the refund for whatever purpose he or she desires (e.g., for new furniture or a vacation); he or she isn’t required to bank the refund or put it toward the equity in the home.</li> <li>13. The remaining amount does not have to be repaid. We will clarify this in the 2009 Form 5405 instructions.</li> <li>14. Yes.</li> <li>15. The IRS has determined that the Form 5405 is the optimal method of collecting the repayment of the credit given its available resources.</li> <li>16. Adopt. See the February 2009 revision of the 2008 Form 5405.</li> <li>17. We’re not aware that this has caused any widespread confusion. We explain under Purpose of Form that the credit for homes purchased in 2008 operates much like an interest-free loan and has to be repaid over 15 years. This instruction will not appear in the 2009 Form 5405 because the credit for homes purchased in 2009 does not have to be repaid over 15 years.</li> </ol>

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<b>TAP 509-5811</b>	<b>Fonts in Form 1040 Publications are Hard to Read</b>		<b>Status:</b>	Referred to F&P-Accepted	
<b>Date Elevated to IRS:</b>	10/13/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	10/29/2009
<b>Issue Statement:</b>	The serif typeface used for tax and earned income tables in the instructions for Form 1040 is less readable than the sans serif typeface used for the tax tables in Publication 17. The screen of the columns in Publication 17 is also too dark.				
<b>Goal Statement:</b>	The serif typeface used for tax and earned income tables in the instructions for Form 1040 is less readable than the sans serif typeface used for the tax tables in Publication 17. The screen of the columns in Publication 17 is also too dark.				
<b>Proposal:</b>	The IRS should use sans serif typefaces for all numeric tables in its forms instructions and publications and should reduce the level of screening used in the tax table columns of Publication 17.				
<b>Response from:</b>	Patty Wagner, Senior Tax Analyst & Bob Erickson, Tax Law Specialist				
<b>Response Notes:</b>	<p>1. A change was already made for 2009. The tax table typeface was changed to Helvetica for the 2009 instructions.</p> <p>2. The shading in the Publications and regular instructions is set to 30% black. The shading in the over-the-counter version of the 1040 instructions is set to 15%. The publications and regular instructions share the same code for tables. The darker density was used in the regular instructions rather than the lighter density used in the 1040 in order to support the shading of the activity codes table. We shall reduce the density of the shading as requested.</p>				

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<b>TAP C09-5850</b>	<b>Reporting Compliance Customer Satisfaction</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	10/20/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Help redefine what is important in customer service. Compliance Customer Satisfaction Survey feedback. The Internal Revenue Service (IRS) program owner Systemic Advocacy & Wage & Investment (W&I) are requesting the Taxpayer Advocacy Panel (TAP) to provide input into survey questions presented to taxpayers. These taxpayers have been contacted by IRS either through a correspondence examination or the IRS CP 2000 under reporter program.				
<b>Goal Statement:</b>	Help redefine what is important in customer service. Compliance Customer Satisfaction Survey feedback. The Internal Revenue Service (IRS) program owner Systemic Advocacy & Wage & Investment (W&I) are requesting the Taxpayer Advocacy Panel (TAP) to provide input into survey questions presented to taxpayers. These taxpayers have been contacted by IRS either through a correspondence examination or the IRS CP 2000 under reporter program.				
<b>Proposal:</b>	<p>The Communications Committee members were surveyed and asked to prepare a list of potential survey questions they would like to see incorporated into the Compliance Customer Satisfaction Program. After two conference calls, the panel members have developed a list of questions that they would like to see included in the mailings. Mostly, a consensus of the questions comes from the taxpayer's positions who are challenged to deal with IRS correspondence. They also help to identify specific purpose statements for this program.</p> <ul style="list-style-type: none"> <li>• Did the IRS explain what the AUR process took so long to contact me?</li> <li>• Did the examiner provide a solution to prevent this from happening on future returns</li> <li>• Was a closing statement of all income and deductions offered to you at the end of the correspondence to reflect all issues have been resolved?</li> <li>• Did IRS educate you on properly reporting income and deductions on a return</li> <li>• Has this type of discrepancy occurred before?</li> <li>• If used did your tax preparer go over the return with you before you signed it?</li> <li>• Did the IRS notify you of possible other deductions that you may be entitled to because of this correspondence?</li> <li>• How much time did you spend to resolve this issue? (1-3) (3-5) (5-10) hours?</li> <li>• Has this IRS notice caused to look at other Federal income tax returns that you filed?</li> </ul> <p>Examination Questions for Correspondence Audits</p> <ul style="list-style-type: none"> <li>• Was the IRS instruction material easy to locate when you prepared your return?</li> </ul>				

## 2009 Taxpayer Advocacy Panel Recommendations

	<ul style="list-style-type: none"><li>• Did the notice fully explain the reason why an adjustment was made to your return?</li><li>• Did the IRS adjustment notice require you to amend your tax return to claim other deductions because of this adjustment?</li><li>• Did the IRS employee show concerns about helping you understand the examination process?</li><li>• Did the IRS employee take responsibility to resolve the issue?</li><li>• Did the IRS communicate with you more than once to help resolve the issue?</li><li>• Were you provided an estimate of time of how long the examination will take?</li><li>• Did the IRS understand all of your issues and requests that you made?</li><li>• If needed did the IRS ask you to present additional information?</li></ul>
<b>Response from:</b>	
<b>Response Notes:</b>	

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 409-5563</b>	<b>Simplified Method Worksheet</b>		<b>Status:</b>	Referred to F&P-Accepted	
<b>Date Elevated to IRS:</b>	10/20/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	2/3/2010
<b>Issue Statement:</b>	<p>Instructions for completing the Simplified Method Worksheet for calculation of non-taxable portion of pensions and annuities are misleading. Specifically, Line 6 does not make provisions for years in which the tax-free recovery could have been taken but, for whatever reason, was not. The intent of the law is that this is a "use or lose" situation. That is, the exemption should be calculated for the year the pension or annuity starts and completed each year until the cost is recovered. Line 6 should take into account all amounts that could have been taken in prior years even though they may not have been taken.</p>				
<b>Goal Statement:</b>	<p>To change the wording of the instructions for Line 6 of the Simplified Method Worksheet to allow for amounts that were excludable in prior years rather than amounts that were actually taken.</p>				
<b>Proposal:</b>	<p>Instructions for Line 6 state: Enter the amount, if any, recovered tax free in years after 1986. If you completed this worksheet last year, enter the amount from line 10 of last year's worksheet.</p> <p>The proposed change should read: Enter the amount that has been, or could have been, recovered tax free in years after 1986. If the starting date of the annuity was this year, enter -0- (zero). If you completed this worksheet last year, enter the amount from line 10 of last year's worksheet.</p>				
<b>Response from:</b>	Patty Wagner, Senior Tax Analyst, Tax Forms & Publications				
<b>Response Notes:</b>	<p>Response from TF&amp;P Response Date February 3, 2010</p> <p>TAP's proposal #5563 is to change line 6 of the simplified method worksheet. With the proposed change, line 6 would read, "Enter the amount that has been, or could have been, recovered tax free in years after 1986. If the starting date of the annuity was this year, enter -0- (zero). If you completed this worksheet last year, enter the amount from line 10 of last year's worksheet."</p> <p>We decided that with the concurrence of chief counsel, we will add language to Publication 575 to address the situation. However, we do not plan to change line 6 on the worksheet for the following reasons. The proposed change would not apply to very many taxpayers. Form 1099-R generally shows the gross distribution in box 1 and the taxable amount in box 2. It is only when the payer (issuer of Form 1099-R) does not have the facts needed to figure the taxable amount that the taxable amount is not shown. Secondly, adding "or could have been" would likely cause confusion and misinterpretation among taxpayers who have been claiming their full exclusion. For example, some</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

	<p>annuitants have the ability to get an ad hoc payment under the contract in addition to the annuity stream. They might think "could have been" applies to them even though it does not. Finally, the last sentence of the proposed addition would tell taxpayers to enter the amount from line 10 of last year's worksheet. If the amount on line 6 of the prior year worksheet was incorrect, then line 10 of last year's worksheet would also be incorrect.</p>
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## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP V09-5913</b>	<b>Beta Testing of Tax Wise Software</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	10/21/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	To test Tax Wise, the software used in VITA/TCE sites, and make improvements for the next tax filing season.				
<b>Goal Statement:</b>	To ensure Tax Wise is operational for the next tax filing season and provide enhancements that would make it easier to use.				
<b>Proposal:</b>	To ensure proper operation of the Tax Wise software that will be used in all VITA/TCE sites for the 2009 tax filing season.				
<b>Response from:</b>					
<b>Response Notes:</b>	Beta Testing of Tax Wise allows users to inform the vendor (CCH) of problems encountered with the software and develop enhancements for easier use.				

<b>TAP S09-5292</b>	<b>Increase E-filing of Forms 940 and 941</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	10/22/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	<p>Currently, approximately 20% of federal payroll tax returns are e-filed . By 2012, Congress has mandated that 80% of tax returns be filed electronically. The IRS Small Business/Self Employed Program Office asked the TAP SBSE Issue Committee (the Committee) to study how to achieve this for two payroll tax returns:</p> <ul style="list-style-type: none"> <li>• Form 940 Employer's Annual Federal Unemployment (FUTA) Tax Return</li> <li>• Form 941 Employer's Quarterly Federal Tax Return.</li> </ul>				
<b>Goal Statement:</b>	<p>For Forms 940 and 941, the Committee was asked to:</p> <ul style="list-style-type: none"> <li>• Identify employer barriers to e-filing these forms</li> <li>• Make recommendations on how to improve e-file rates</li> <li>• Study the feasibility of employers e-filing directly with the IRS</li> <li>• Study the feasibility of free e-filing using a public private partnership model similar to EFTPS or the Free File Alliance</li> </ul>				
<b>Proposal:</b>	<p>The Committee proposes the following three solutions, in order of perceived taxpayer preference, to promote adoption of e-filing for Forms 940 and 941.</p> <ol style="list-style-type: none"> <li>1. Re-implementation of the TeleFile System. In the Committee's outreach, many taxpayers specifically requested that similar functionality to TeleFile be reinstated. The IRS abandoned the TeleFile system in 2005, but its functionality provided near universal accessibility. It is also the easiest system to use for the 20-25% of returns that are zero-field filers, i.e., employers with no taxes to report for the period.</li> <li>2. Web based direct filing. A web based system allows the small business and self employed taxpayers to fill out their 940 and 941 forms online in a secured website. Such capability is already provided by the States of</li> </ol>				

## 2009 Taxpayer Advocacy Panel Recommendations

	<p>California and Connecticut which exhibit adoption rates in excess of 80%.</p> <p>3. Authorized E-Filers and Enrolled Agents (EA). Enrolled Agents (EAs) should be provided the same free file access for Forms 940 and 941 that they already have for Forms 1040, 1065 and 1120. In addition, the earlier filing deadline for e-filed returns should be eliminated.</p>
<b>Response from:</b>	
<b>Response Notes:</b>	

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 509-5368</b>	<b>Security of Taxpayer Information on Form 8879</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	11/3/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	12/4/2009
<b>Issue Statement:</b>	Volunteer tax practitioners working with the Tax Council for the Elderly (TCE) and the Volunteer Income Tax Association (VITA) have requested a better method to satisfy Internal Revenue Service (IRS) data submission requirements and to assure the remitter that the material has been received by the IRS.				
<b>Goal Statement:</b>	Provide an optional system for volunteer tax practitioners who wish for assurance that the Forms 8879, IRS e-file Signature Authorization, and related data have been timely received by the IRS.				
<b>Proposal:</b>	<p>Offer volunteer tax practitioners for programs such as TCE and VITA the option of using one of the following methods to submit Forms 8879 to the IRS:</p> <p>1) Submitting the IRS internal Form 3210, Document Transmittal, along with the Forms 8879. Form 3210 acts as a receipt for items sent to the IRS. The form includes fields to list the quantity and type of documents sent, along with the name and address of the originator. No other detail needs to be provided. Once received by the proper department within the IRS, a counter-signed copy will be sent to the originator's address of choice as proof of receipt; or</p> <p>2) Sending an email to the Stakeholder Partnership, Education, and Communication (SPEC) coordinator confirming the shipment of Forms 8879. The SPEC coordinator would reply with confirmation that the shipment was received</p>				
<b>Response from:</b>	Julieta D. Garcia, Director Stakeholder Partnerships, Education and Communication (SPEC)				
<b>Response Notes:</b>	<p>This correspondence is response to the Taxpayer Advocacy Panel (TAP) Committee Recommendations regarding TAP 509 -5368 (Security of Taxpayer Information on Form 8879, IRS e-File Signature Authorization). Stakeholder Partnerships, Education and Communication (SPEC) has reviewed the two recommendations submitted through Sue Sottile, Director, Tax Forms and Publications.</p> <p>We agree with Proposed Solution Number 2 by the committee. We believe this electronic solution will be easier for partners and SPEC, rather than on the paper transmittal offered in Proposed Solution Number 1.</p> <p>The recommended procedure will be adopted as follows:</p> <p>To confirm receipt of Form 8879, volunteer tax practitioners for Volunteer Income Tax Assistance/Tax Counseling for the Elderly (VITA/TCE) will be given the option of e-mailing the SPEC Coordinator that the Forms 8879 have been shipped. Under this procedure, the SPEC Coordinator will send an e-mail to the volunteer tax practitioners confirming that the shipment has been received.</p> <p>Sincerely, Julieta D. Garcia, Director Stakeholder Partnerships, Education and Communication (SPEC)</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 409-5434</b>	<b>Check Box Form 1065 to Indicate Partners Timely Filed</b>		<b>Status:</b>	Closed, Under IRS Consideration	
<b>Date Elevated to IRS:</b>	11/3/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	1/8/2010
<b>Issue Statement:</b>	Revenue Procedure 84-35 provides an exception from late-filing penalties for partnership returns if the partnership is a qualifying small partnership and each partner fully reports his share of the partnership's income, deductions, and credits. However, the IRS is imposing late-filing penalties on qualifying small partnerships without regard for Rev. Proc. 84-35.				
<b>Goal Statement:</b>	To prevent assessment of late-filing penalties for qualifying small partnerships when all partners have reported their shares of partnership activity on their individual income tax returns.				
<b>Proposal:</b>	<p>Include a check box on Form 1065, U.S. Return of Partnership Income, to indicate that all partners have fully reported partnership activity on their income tax returns in accordance with Rev. Proc. 84-35. Specifically, change Form 1065 as follows:</p> <ul style="list-style-type: none"> <li>• Re-title box "J" to box "K".</li> <li>• New Box J would read: "Does partnership meet the requirements of Rev Proc 84-35? See instructions". Yes or no answer (Check Box).</li> <li>• Instructions for new box J would read: "For late filed returns only: For purposes of meeting the requirements of Rev Proc 84-35, a qualifying small partnership must have 10 or fewer partners; each partner must be an estate or a natural person (other than a nonresident alien); each partner must have reported his or her share of the partnership activity on the partner's individual income tax return; and each partner's share of each partnership item is the same as such partner's share of every other item".</li> </ul>				
<b>Response from:</b>	Susan L. Latham, Acting Director, Tax Forms and Publications				
<b>Response Notes:</b>	<p>Mr. Charles Davidson, Chief Internal Revenue Service Taxpayer Advocacy Panel 211 West Wisconsin Avenue Stop 1006-MIL Milwaukee, WI 53203-2001</p> <p>Dear Mr. Davidson:</p> <p>Re: TAP 409-5434 Check Box Form 1065 to Indicate Partners Timely Filed</p> <p>Thank you for sending us the Taxpayer Advocacy Panel (TAP) recommendation titled, Check Box Form 1065 to Indicate Partners Timely Filed. You suggested that we modify Form 1065, U.S. Return of Partnership Income, by adding a "Yes" and "No" checkbox asking if the partnership meets the requirements of Rev. Proc. 84-35. This would indicate that they are not subject to a penalty for failure to file a partnership return. You recommended including instructions that would give a summary of the criteria a partnership must meet in order to conform to Rev. Proc. 84-35.</p> <p>We are currently considering your recommendation. However, making a change to achieve the goal statement in your recommendation will require us to work with other offices in the IRS to consider the full scope of necessary changes. Therefore, we will need additional time before we can provide a complete response to your recommendation.</p> <p>Please be advised that because of the time needed to implement any changes necessary to meet your goal statement, the earliest opportunity for us to add a checkbox (or make other changes to</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

the form) would be on the 2011 Form 1065. However, we also plan to pursue other administrative means of achieving your goal statement that would not require a change to Form 1065, which could possibly be implemented sooner.

If you have any questions, please call me at 202-622-5200 or Patricia Wagner at 202-283-0188.

Sincerely,  
Susan L. Latham  
Acting Director, Tax Forms and Publications

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 709-4639</b>	<b>Downloading Forms 1099 and 1096</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	11/3/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	12/15/2009
<b>Issue Statement:</b>	Forms 1099 and 1096 (Annual Summary and Transmittal of US Information Returns) are cumbersome to use, time consuming and costly to file for both the small business owner and the Internal Revenue Service (IRS).				
<b>Goal Statement:</b>	Provide the small business owner and the IRS a user-friendly way of filing and using Forms 1099 and 1096 that saves time, money, improves IRS performance, and reduces information reporting burdens on the public.				
<b>Proposal:</b>	<p>Use web-based technologies instead of Optical Character Recognition (OCR) technology to file forms 1099 and 1096 with the IRS.</p> <p>For example the Social Security Administration (SSA) website allows the small business person to prepare and file Forms W-2 Wage and Tax Statement, on-line without having to go through an agent and without having to order and prepare forms for OCR reading. These same on-line forms can be printed and issued to the recipient for filing their taxes. A similar technology can be used to file the Forms 1099 and 1096.</p>				
<b>Response from:</b>	Debra Awalt, CAS				
<b>Response Notes:</b>	<p>The IRS agrees that filing forms 1099 should be made more user friendly for employers/taxpayers submitting 10 or less forms. Our Customer Account Service (CAS), Electronic Product and Services Support (EPSS) function is gathering information to determine the best way to improve the filing of the Forms 1099s. EPSS is looking at the costs and benefits of providing an online form to the current Filing Information Returns Electronic system (FIRE) versus partnering with a software provider to develop an electronic form. We are looking at the technology used by the SSA and Free File Alliance on how their fillable on-line forms were created and how the submission works. In addition, EPSS will submit a work request to our internal IT function for their input on creating a fillable Form 1099.</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 709-5225</b>	<b>Reporting 1099-G Information on 1040</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	11/3/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	1/12/2010 1/25/2010
<b>Issue Statement:</b>	The IRS needs to provide instructions on how to report certain joint state income tax refunds on individual Form 1040 U.S., Individual Income Tax Return.				
<b>Goal Statement:</b>	Provide guidance on reporting prior year state income tax refunds.				
<b>Proposal:</b>	<p>Create proper guidance on instructions including:</p> <ul style="list-style-type: none"> <li>• Form 1040 line 10 - Taxable Refunds, Credits, or Offsets of State and Local Income Taxes</li> <li>• Publication 525 - Taxable and Nontaxable Income</li> <li>• Instructions for Form 1099-G – Certain Government Payments</li> </ul>				
<b>Response from:</b>	Chief Counsel and Tax Forms & Publication				
<b>Response Notes:</b>	<p>Information on how to report certain joint state income tax refunds on individual Form 1040 U.S., Individual Income Tax Return will be added in the Form 1040 instructions. We will also add a reference in the Form 1040 instructions to one or more publications (to be determined) for more detailed information.</p> <p>Section A of the General Instructions for Certain Information Returns already includes instructions for nominee distributions. Additional information will not be added to the 1099-G instructions.</p> <p>Background Information: We think the answer to the above question depends on whether the same-sex couple resides in a community property state that extends its community property laws to same-sex couples (e.g., California). If the same-sex couple resides in California, a state that extends its community property laws to registered domestic partners (same-sex couples who register with the state), one-half of the refund should be allocated to each registered domestic partner. In California, as of January 1, 2007, the earned income of a registered domestic partner must be treated as community property for state income tax purposes (unless the couple executes an agreement to opt-out of the community property system). Thus, for state income tax purposes, each partner is generally considered to have earned one-half of the income that generates the state income tax liability and should get credit for one-half of the state tax withholdings or other payments. Consequently, each should be treated as receiving one-half of any state tax refund for purposes of determining whether the refund should be included in gross income on a partner's separately filed federal income tax return.</p> <p>In contrast, if the couple is receiving a state income tax refund from a non-community property state, the refund should be allocated to each person in proportion to the amount of state income tax that he or she paid. For example, assume X and Y, a same-sex couple, reside in a non-community property state and file a joint state income tax return. For the 2009 tax year, the earnings of the couple resulted in \$240 of state tax withholdings, \$90 of which was attributable to X's withholdings and \$150 of which was attributable to Y's withholdings. X's and Y's joint state tax liability for 2009 was \$216 so X and Y received a state income tax refund of \$24 (\$240-\$216) in May of 2010. In determining whether X and/or Y must include the refund on their separate 2010 federal income tax return, 3/8 (90/240) of the \$24 refund should be allocated to X (\$9), while 5/8 (150/240) of the refund should be allocated to Y (\$15). Thus, both X and Y would separately determine whether they deducted their portion of the refund on their 2009 federal income tax return and, if they did, whether they received a tax benefit for the deduction.</p> <p>Charles Davidson Chair, Taxpayer Advocacy Panel</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

Internal Revenue Service  
211 West Wisconsin Avenue  
Stop 1006-MIL  
Milwaukee, WI 53203-2221

Dear Mr. Davidson:

Thank you for sending the recommendation (TAP 709-5225) from the Area 7 TAP Committee regarding the reporting of 1099-G information on the Form 1040. They would like us to provide instructions on how to report certain joint state income tax refunds on the Form 1040 and add guidance to Publication 525 and the instructions for Form 1099-G.

When we first got word of this issue from the TAP, we requested guidance from the Office of Chief Counsel which we received just recently. Generally, Chief Counsel has advised us that the refund should be allocated between the two spouses based on the amount of income they report. We plan to add this issue to the 2010 Instructions for Form 1040, with a reference to Publication 525 for the full details.

Please thank the Area 7 TAP Committee for the time and effort they took to raise this issue to us and submit this recommendation.

Sincerely,  
Susan L. Latham Director, Tax Forms and Publications

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 409-4945</b>	<b>Tax Law Access</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	11/3/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	2/25/2010
<b>Issue Statement:</b>	A tax practitioner expressed concern that he was not able to readily find Treasury Regulations on the IRS website, specifically up to date figures for rates that are adjusted midyear, such as standard meal allowances for day care providers. While the practitioner's issue was the location of a specific rate, the general issue is direct access to tax law from irs.gov				
<b>Goal Statement:</b>	Facilitate access to tax law from irs.gov.				
<b>Proposal:</b>	<p>Make the link Tax Law a permanent addition to the IRS homepage, and include on the page accessed links to:</p> <p>The US code                      <a href="http://uscode.house.gov/search/criteria.shtml">http://uscode.house.gov/search/criteria.shtml</a>  The Regulations                      <a href="http://www.gpoaccess.gov/cfr/index.html">www.gpoaccess.gov/cfr/index.html</a></p> <p>and additional appropriate links that the IRS or other sources may make available.</p>				
<b>Response from:</b>	Terry Lemons, C&L				
<b>Response Notes:</b>	<p>Thank you for your recommendation to add a permanent "tax law" link to the IRS.gov home page.</p> <p>The home page features a combination of frequently-changing links dedicated to current topics and permanent links for the most-requested material as identified through tracking software.</p> <p>Communications &amp; Liaison (C&amp;L) manages the center portion of the home page, which often highlights various aspects of tax law changes or issues through the rotating spotlights, featured content immediately below the spotlights and the special interest areas at the bottom. This center area contains the frequently-changing links. The remainder of the page, containing the more permanent links, is managed by Wage &amp; Investment's (W&amp;I) Electronic Tax Administration and Refundable Credits (ETA).</p> <p>Our research indicates that "tax law" is not among frequently-requested material, according to software which tracks search terms. Less than one percent of IRS.gov users have searched using "tax law" or similar search terms in the past year.</p> <p>Because the home page has real space limitations, and because research does not indicate a high demand for access to tax law on IRS.gov, we believe the best approach is to continue to maintain the tax law link on the "Tax Code, Regulations and Official Guidance" page in the Tax Professionals section of our Web site.</p> <p>Again, thank you for your recommendation. We will continue to prominently highlight tax law changes and related issues impacting taxpayers on the home page, Newsroom and other key places on IRS.gov.</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 609-5320</b>	<b>SSN on IRS Correspondence</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	11/3/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	3/11/2010
<b>Issue Statement:</b>	Pre-printed Social Security Numbers (SSN) on Internal Revenue Service (IRS) forms and correspondence could subject taxpayers to identity theft. The IRS is now addressing this issue in a methodical manner but has not adequately informed the public of the excellent plans in process.				
<b>Goal Statement:</b>	Inform taxpayers of the policy and procedural changes the IRS is enacting to redact and / or eliminate the use of a taxpayer's full SSN on both internal and external forms, thereby reducing the taxpayer's risk of identity theft.				
<b>Proposal:</b>	<p>Create a comprehensive communication strategy to inform taxpayers about the IRS' numerous efforts to safeguard identity theft such as these:</p> <ol style="list-style-type: none"> <li>1. The Office of Management and Budget (OMB) memorandum 07-16-2007 to "Eliminate Unnecessary Use" of SSN's, and "Explore Alternatives" which was submitted to Treasury in February 2009.</li> <li>2. Analysis of "internal use" forms identified 13 employee related forms containing mitigation opportunities to eliminate or reduce the SSN use: <ol style="list-style-type: none"> <li>a. 6 of these have completed their mitigation plan.</li> <li>b. 7 of these have communicated plans to mitigate.</li> </ol> </li> <li>3. Eliminate Unnecessary Use: Within 120 days of the 7.16.2007 memo, agencies were directed to establish a plan to eliminate the unnecessary collection and use of SSN's within 18 months.</li> <li>4. Explore Alternatives: Agencies were also directed to participate in government-wide efforts to explore alternatives to SSN use as a personal identifier for federal Employees and in Federal Program,(e.g. surveys, data calls etc.). One example of an economical effort would be to communicate IRS's plans in the rotating news window, on the irs.gov home page.</li> </ol> <p>Studies and strategic plans which could be highlighted and referenced in this communication effort are:</p> <ol style="list-style-type: none"> <li>1. The April 11, 2007, "Combating Identity Theft, A Strategic Plan" study and report chaired by Attorney General Alberto R. Gonzales, Attorney General and Deborah Majoras, of the Federal Trade Commission.</li> <li>2. The National Taxpayer Advocate, Nina Olson's reference to "Identity Theft" as a most serious problem, and the following establishment of the "Identity Theft Specialized Unit". 2008 Report to Congress: item 5, page 3.</li> <li>3. The 2007 Office of Management and Budget (OMB) Memorandum (07/16), "Safeguarding Against and Responding to the Breach of Personally Identifiable Information".</li> <li>4. The subsequent, 2007 Office of Privacy's very comprehensive "SSN Elimination and Reduction" (SSN ER) strategy.</li> <li>5. The new updated Internal Revenue Manual (IRM) guidance for employees regarding identity theft issues, IRM 10.5.3, (effective May 15, 2009).</li> </ol>				
<b>Response from:</b>	Deborah Wolf, Director, Office of Privacy, Information Protection and Data Security				
<b>Response Notes:</b>	<p>MEMORANDUM FOR CHARLES DAVIDSON CHAIR, TAXPAYER ADVOCACY PANEL</p> <p>FROM: Deborah Wolf Director, Office of Privacy, Information Protection and Data Security</p> <p>SUBJECT: TAP Recommendation #609-5320 – Minimize SSN on Correspondence/Lessen</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

### Identity Theft

The IRS' Office of Privacy, Information Protection and Data Security (PIPDS) organization appreciates the proposed solutions from the Taxpayer Advocacy Panel (TAP) regarding informing taxpayers of the policy and procedural changes the IRS is enacting to redact and / or eliminate the use of a taxpayer's full SSN to reduce the taxpayer's risk of identity theft. The Office of Management and Budget (OMB) Memorandum 07-16, "Safeguarding Against and Responding to the Breach of Personally Identifiable Information," mandates that all federal agencies take necessary actions to eliminate or reduce the unnecessary use of SSNs. As TAP acknowledges, the IRS has "excellent plans in process, built from thorough research and supported by target dates with a methodology relating to the forms needing revision." The IRS' PIPDS organization agrees that displaying these efforts publicly could greatly enhance taxpayer feelings and confidence that the IRS is truly making changes to increase their identity security.

In its cover letter TAP requested that the IRS "specifically address the recommended goal and the merits and defects of each proposed solution." After careful consideration, the IRS' PIPDS organization agrees with the recommended goal and the context of the four proposed solutions. However, the IRS agrees to utilize its IRS.gov website as the vehicle to communicate these solutions and numerous other efforts to the public, with the focus of the communications under this site being efforts related to the elimination and reduction of the unnecessary use of SSNs.

A link on the IRS.gov website titled "What IRS is Doing to Protect Taxpayer Privacy" would be used to inform taxpayers of IRS' aggressive strategies and substantive progress to implement enterprise-wide solutions to reduce IRS reliance on SSNs as a taxpayer / employee identifier, including information detailing IRS' efforts related to TAP's four proposed solutions. We anticipate this link will be available in the Fall of 2010.

IRS' PIPDS organization continues to remain committed to protecting taxpayer's privacy and risk of identify theft. The IRS embraces an opportunity to share its progress with the public through the IRS.gov website. If you have questions, please contact Erick Patterson, Acting Associate Director, Information Protection Projects, Office of Privacy and Information Protection at 202-283-5131.

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP E09-5184</b>	<b>EITC - Websites</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	11/4/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	2/3/2010
<b>Issue Statement:</b>	Committee will comment on the usability of www.eitc.irs.gov and make recommendations for improvement.				
<b>Goal Statement:</b>	<p>The EITC Web Subcommittee first met officially in May 2009. At that time the website subcommittee put together a document that defined user website testing for the entire EITC website based on earlier discussions. This document was a generic approach to be refined as committee discussed the project details with its owners. Initially, the subcommittee defined who the users should be and what performance criteria should be evaluated. While these evaluation criteria were somewhat broad they served as a base to develop the technical part of the subsequent survey. They results of this process are outlined below under User Website Testing.</p> <p>As a result of this meeting, the subcommittee's assignment was further refined by the EITC management. The project definition that resulted was: Review the Partners' Toolkit section of www.eitc.irs.gov website (eitc website) with partner-users to determine their impressions and feelings as to usefulness of site information and its overall functionality.</p>				
<b>Proposal:</b>	<p>Our conclusion therefore is that the IRS should create a more comprehensive marketing program to increase the awareness of the site and its excellent content and usability.</p> <p>Additionally, because the Web subcommittee has spent the last nine months working with eitc website we worked with Barbara Foley and performed our own review. While we found no major flaws or problems the subcommittee did make a number of suggestions to make minor changes to make the site even better. We recommend that the IRS ETC staff consider these suggestions and implement, where possible, as many as a they can prior to the 2009 filing season.</p>				
<b>Response from:</b>	Verlinda F. Paul, Director EITC				
<b>Response Notes:</b>	<p>1.The EITC Office has already implemented many of the suggestions especially correcting the identified errors. EITC will continue to use the general feedback provided as we update and maintain the Partner website. We are also carrying over the feedback into improving EITC Central as a whole.</p> <p>2.The EITC office used E-news and quick alerts to inform tax professionals of the start up of IRS Revenue and Criminal Investigation Agents visits to selected tax return preparers. The messages contained a link to the toolkit. We will continue to use these vehicles to get information out on the toolkit's availability. We have also worked with SPEC to increase awareness of the site to its field people who can help spread the word. EITC will continue to work with SPEC to "get the word out." We recently placed a prominent link to the toolkit on our EITC Tax Professional and Partner pages on irs.gov.</p>				

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<b>TAP C09-5439</b>	<b>Exiting Member Survey</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	11/4/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Collect feedback from the exiting members to be used for program improvement.				
<b>Goal Statement:</b>	Improve the TAP program with information, comments, and opinions offered by members who have completed their three year term and are rotating off TAP.				
<b>Proposal:</b>	Collect feedback from the exiting members to be used for program improvement.				
<b>Response from:</b>					
<b>Response Notes:</b>					

<b>TAP C09-5550</b>	<b>New Member Survey</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	11/4/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Collect feedback from new members to be used for orientation/program improvement.				
<b>Goal Statement:</b>	The Communications Committee will make recommendations to improve Orientation and training for panel members.				
<b>Proposal:</b>	The new member survey was modified and sent out to all new members for their feedback. The responses will be consolidated and rolled up into a final report. This will be used as a vehicle to identify change and improvements in the program.				
<b>Response from:</b>					
<b>Response Notes:</b>					

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP C09-5438</b>	<b>Returning Member Survey</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	11/4/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Collect feedback from the returning members to be used for program improvement.				
<b>Goal Statement:</b>	Improve the TAP program with information supplied by returning members.				
<b>Proposal:</b>	Collect feedback from the returning members to be used for program improvement.				
<b>Response from:</b>					
<b>Response Notes:</b>					

<b>TAP C09-5668</b>	<b>Develop Template to Track TAP Meetings</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	11/4/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	It is very difficult to keep track of all committee and subcommittee meetings. There needs to be a form developed where a panel member can list the dates, times, dial in numbers, and access codes for all the meetings they need to attend.				
<b>Goal Statement:</b>	Develop a template to track various committee meetings.				
<b>Proposal:</b>	A calendar listing all meetings was included in the 2010 Outreach Toolkit.				
<b>Response from:</b>					
<b>Response Notes:</b>					

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 309-4977</b>	<b>ITIN Deactivation Procedures</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	11/4/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	1/7/2010
<b>Issue Statement:</b>	Some taxpayers who are issued an Individual Taxpayer Identification Number (ITIN) and are subsequently issued a Social Security Number (SSN) are using both numbers. ITIN holders are required to inform the Internal Revenue Service (IRS) ITIN Unit when they have received a SSN so the ITIN may be deactivated. Taxpayers using both an ITIN and an SSN may be receiving some income reported under the ITIN and other income reported under the SSN which may result in underreporting of income on their tax return.				
<b>Goal Statement:</b>	To ensure that taxpayers are not using both an ITIN and SSN at the same time.				
<b>Proposal:</b>	<ol style="list-style-type: none"> <li>1. The ITIN Unit should revoke an ITIN once a SSN is issued.</li> <li>2. Change the wording on Notice CP565 (We Assigned You An IRS Individual Taxpayer Identification Number (ITIN)) to inform the ITIN holder what to do if he subsequently receives an SSN. (Attachment 1)</li> <li>3. Add a "frequently asked question" (FAQ) to the IRS website to address the process of "How do I notify the IRS that I no longer need an ITIN?"</li> <li>4. The Social Security Administration (SSA) and the IRS should share information.</li> </ol>				
<b>Response from:</b>	Debra Awalt, Submission Processing				
<b>Response Notes:</b>	<p>We agree with several of the TAP recommendations and made the following changes:</p> <ul style="list-style-type: none"> <li>- added CP 565 revision to 2011 UWR (paragraph #1)</li> <li>- added FAQ to ITIN website page (see item #3)</li> <li>- advised management and Office of Governmental Liaisons additional reason for SSA and IRS to share W-2/ITIN data (item #4)</li> <li>- revised IRM 3.21.263.4.15 to include the correct response when ITIN holders ask how to notify IRS when they receive a SSN (item #9)</li> </ul> <p>We publicized changes implemented because of TAP's recommendations in the following ways:</p> <ul style="list-style-type: none"> <li>- emailed all (approximately 5,600) Certified Acceptance Agents (CAA)</li> <li>- wrote an article summarizing these changes for the CAA Newsletter (scheduled to be mailed on or before 1-29-10)</li> <li>- posted an article to the ITIN website page</li> <li>posted an article on the irs.gov website</li> </ul> <p>See Attached Back-up information:  We support the TAP 309-4997 goal statement as it is identical to the IRS goal: ensure that taxpayers are not using both an ITIN and SSN at the same time. The proposed TAP solutions and observations are in bold type in the paragraphs below with our responses immediately afterward.</p> <p>TAP Suggestions and Observations:</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

1. The ITIN Unit should revoke an ITIN once a SSN is issued. This proposed solution echoes the intention of the Internal Revenue Service (IRS) to revoke ITINs once SSNs are issued. The IRS has written procedures in place and revokes ITINs for several reasons including when the taxpayer notifies the IRS that they have been assigned an ITIN. These procedures also require other IRS areas to notify the ITIN Unit to revoke ITINs when they learn an ITIN taxpayer is assigned a SSN.
2. Change the wording on Notice CP 565 (We Assigned You an IRS Individual Taxpayer Identification Number (ITIN)) to inform the ITIN holder what to do if he subsequently receives a SSN. You suggested "...It is improper to have both an ITIN and a SSN at the same time. When you receive a SSN, please send a copy of your social security card with a copy of this notice to the IRS ITIN unit or visit your local IRS office so we can update our records." The IRS agrees with your recommendation to add a statement advising the taxpayer to not have or use both an ITIN and a SSN at the same time. Notice revisions are done on a yearly basis so the IRS will include an additional statement for the CP 565 notice to be in effect January 2011. The IRS disagrees with your recommendation to have this notice state "...send a copy of your social security card with a copy of this notice to the IRS ITIN unit..." To reduce taxpayer burden by providing the actual current ITIN Unit address on the CP 565 and for the additional reasons explained in detail below for item #5., the IRS will continue to list the current Austin ITIN Unit address.
3. Add a frequently asked question" (FAQ) to the IRS website to address the process of "How do I notify the IRS that I no longer need an ITIN?" The IRS agrees and this has been added to the IRS website for ITIN.
4. The Social Security Administration (SSA) and the IRS should share information. The SSA has been sharing information with the IRS since the creation of the ITIN in 1996. The Agency continues to work with SSA at the highest level to find new ways to improve our services which includes additional ways of sharing information.
5. The address on the CP-565 notice changed in 2006, so the mailing address for ITINs issued several years ago is no longer a valid address. Prior to 2006, ITINs were processed in Bensalem, PA. When the ITIN processing moved from Bensalem to Austin, TX in 2006, the IRS closed the Bensalem post office box (POB). For one year after this POB closed, the U.S. Postal Service forwarded all mail addressed to this Bensalem POB to Austin. Since the one year forwarding time expired, the U.S. Postal Service continues to forward any mail addressed to that Bensalem POB which has "IRS" in the address. The Bensalem IRS campus routes this mail to the Austin ITIN processing center.

Since 2006, the Form W-7, Application for IRS Individual Taxpayer Identification Number, Publication 1915, Understanding your IRS Individual Taxpayer identification Number, ITIN, and the official IRS website (<http://www.irs.gov/>) all list the correct Austin mailing address for ITIN processing. This is also the address IRS employees give the taxpayer when they call our toll-free telephone lines or visit a local IRS office:

Internal Revenue Service  
ITIN Operations  
P O Box 149342  
Austin, TX 78714-9342

The IRS has issued over 12 million ITINs since the ITIN was created in 1996. It is not feasible to issue notices to the millions of taxpayers with ITINs created prior to 2006 solely to advise of the current address for contacting ITIN because generating these notices would:

- be cost prohibitive
- require extensive software changes
- not be implemented for years (software changes are scheduled years in advance)
- be of limited use for ITIN taxpayers (many are/will not be entitled to a SSN)
- create large volumes of undeliverable mail (many ITIN taxpayers have moved since ITIN assignment)

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6. Notice CP 565 states “if you do not use your ITIN to file a tax return or other federal purpose, it can be revoked”. Our TAP IRS analyst questioned the ITIN unit about the number of ITINs revoked and it appears that they are not revoking ITIN’s for than reason alone. To reduce taxpayer burden, the IRS has determined at this time not to revoke ITINs solely because the ITIN has not been used to file a federal tax return as the taxpayer may need to file a federal tax return in the future.

7. Publication 1915 (Understanding Your IRS Individual Taxpayer Identification Number) states on page 19: “What steps do I take when I have an ITIN and become eligible for a Social Security Number? Make proper application for a SSN and upon receipt advise the IRS ITIN Unit in writing of your new SSN. The new SSN will become the primary number and must be used for all future filing purposes. The IRS will void the ITIN. All prior tax information under the ITIN will be associated with the new SSN.” When taxpayers assigned ITINs become eligible for a SSN, receive a SSN, and notify the IRS in writing of the SSN, the IRS voids the ITIN. All prior tax information under the ITIN is associated with the new SSN. If the taxpayer with an ITIN does not notify IRS when they are assigned a SSN, the IRS may not know this and can not void the ITIN or combine all tax information under the new SSN.

8. ITIN holders who subsequently receive an ITIN are not notifying IRS to deactivate their ITIN when they receive a SSN. There may be underreporting of income as the IRS may receive income information for the same taxpayer under both an ITIN and a SSN and would not be able to match multiple income sources under one taxpayer identification number. The IRS is aware of this and addresses this by having sets of information for income reported under both ITINs and SSNs. ITINs and SSNs are both subject to the same validity checks for income levels that require the filing of a tax return. When IRS records show no return was filed for either an ITIN or a SSN that has enough income reported to require a return, we contact the taxpayer. Unless the taxpayer can show that this income was not earned by them, was reported on a return filed under another Taxpayer Identification Number (TIN), or their income is below the filing requirement for their filing status, the IRS solicits a return from the taxpayer. If no response is received, the IRS Assesses the tax due on the income for the TIN under which it was reported.

9. The written instructions to the taxpayer are vague. During our research, we called the ITIN unit and asked how a taxpayer was to notify the IRS that they now had an SSN. We received different answers to this question, including one IRS agent in the ITIN unit who said “that’s an interesting question-no one has ever asked me that before.” Mr. Davidson, I apologize that your calls to IRS received different answers to the same question. The toll-free numbers listed on the notices, publications, and other official IRS sources are staffed by employees located in different call centers throughout the country. These employees are trained and have written instructions with the correct responses for various tax questions. I reviewed these instructions for all areas and revised one section by listing this situation as a specific example. Thank you for giving us this opportunity to improve our procedures.

10. If the SSA notifies the IRS when new SSNs are issued, the IRS could send notices to anyone over the age of one reminding them to notify the IRS if they currently have an ITIN. The current Form SS-5-FS, SOCIAL SECURITY ADMINISTRATION Application for a Social Security Card, does not require or capture any assigned ITINs. Since only the SSA can change their procedures to both capture this information and notify the IRS, I recommend that you suggest these changes to the SSA.

NOTE: the IRS previously identified the need for SSA to provide the IRS with assigned ITINs when taxpayers receive SSNs. The IRS continues to work with the SSA at the highest level regarding this and other issues that would benefit from additional data exchanges.

11. SSA could notify recipients of SSN’s when they receive their cards to inform the IRS ITIN Unit if they currently hold an ITIN. This could probably be accomplished by adding one paragraph to the SSA notification that accompanies the new SSN. I agree and suggest that you recommend these changes to the SSA as only the SSA has authority to change their procedures.

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<b>TAP 309-5498</b>	<b>Phone Prompt Doesn't Have Proper Options</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	11/4/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	1/4/2010
<b>Issue Statement:</b>	Issue #5498 is presented to TAP from a taxpayer who received a "Notice of Federal Tax Lien Filing and your Rights to a Hearing Under IRC 6320" (Letter 3172) . In an effort to respond to the notice, the taxpayer became confused because taxpayer information is identified with an Individual Taxpayer Identification Number (ITIN) rather than a Social Security Number (SSN). The call prompts offered at the toll-free number (800-829-3903) do not include guidance for an ITIN taxpayer.				
<b>Goal Statement:</b>	Letter 3172 should provide sufficient contact information for all taxpayers. If a toll-free number is provided then the taxpayer should be offered clear instructions for obtaining service.				
<b>Proposal:</b>	<p>Change the telephone instructions at 800-829-3903 to allow the taxpayer using an ITIN to be routed to the correct service group. If it is intended to direct these taxpayers to an alternative group then the communications message presented in Letter 3172 should direct taxpayers to the correct toll-free number.</p> <p>During the period while the changes to the automated attendant prompts are underway, the contact information created for each Letter 3172 should include specific information that the ITIN caller should "wait for live customer service support when asked for your Social Security or Employer Identification Number".</p>				
<b>Response from:</b>	Jeffrey J. Basalla, Director, Filing and Payment Compliance				
<b>Response Notes:</b>	<p>Re: TAP 309-5498 Phone Prompt Doesn't Have Proper Options</p> <p>Dear Mr. Davidson:</p> <p>Thank you for your panel's suggestion. We believe that all IRS letters contain sufficient contact information for taxpayer's to reach the appropriate customer service area for assistance to resolve their inquiries. A caller will reach the appropriate area by entering the TIN when prompted.</p> <p>The call routing program contains a process for TIN entry application that analyzes the 9 digit number entered by the caller. Whether the number entered is an SSN or an ITIN the number is looked up on the valid and invalid master files. When the program finds data that meets ACS criteria on either a valid or invalid IMF the call is routed to ACS. As a general rule, a call will default to the dialed number if they DO NOT enter an SSN, or we can not do the data lookup for some reason (like IDRS is down).</p> <p>The agent who handled the call was correct in advising that they would be able to assist a caller with an ITIN. However, the agent provided misinformation by advising "that ITIN taxpayers should just wait on the call rather than entering the SSN or EIN". The correct response would have been to advise the caller that the taxpayer should enter their TIN when prompted and the call would be routed accordingly.</p> <p>Thank you again for suggesting changes to improve IRS operations. If you have any questions, please contact me, or you may contact Senior Policy Analyst Suzanne Wolfe for additional details.</p> <p>Sincerely,</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

	Jeffrey J. Basalla Director, Filing and Payment Compliance
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## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP T09-5444</b>	<b>Improve the Payment Process in TAC Offices</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	11/9/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	The Taxpayer Assistance Center (TAC) Issue Committee of TAP has been tasked with recommending improvements to the payment process in the TACs.				
<b>Goal Statement:</b>	<p>Areas of focus for the TAC Committee included:</p> <ol style="list-style-type: none"> <li>1) Analyze and provide recommendation to improve the payment processing system in TAC offices.</li> <li>2) Reduce taxpayer wait time when dropping off a payment. (Currently taxpayers may not drop off payment, due to 911 threats, and must take a Q-Matic ticket to be serviced. This could take up to an hour or more).</li> <li>3) Automate or provide alternative to issuing official receipts to customers. (Form 809) Employees issue a manual receipt to taxpayers making cash payments.</li> <li>4) Determine alternative methods of utilizing courier service in all TACs. (Small TACs do not accept cash).</li> <li>5) Reduce missed opportunities to accept payments in a TAC.</li> <li>6) Analyze the current Q-Matic ticket system for priority placement of customer making payments.</li> <li>7) Identify alternatives to the 809-receipt process. Employees holding an 809-receipt booklet are restricted from working certain account work. These restrictions do not allow employees to service all taxpayers.</li> </ol>				
<b>Proposal:</b>	<p>The TAC Committee concluded that taking actions as described in the following five recommendations could have a significant impact on achieving the objectives outlined in the Issue Proposal provided by the Program Owners to improve the Payment Process in the TACs.</p> <p>These recommendations are designed to improve the payment process in the TACS:</p> <p><b>HEAVY HIGHWAY VEHICLE USE TAX, FORM 2290</b></p> <p>This recommendation asks Field Assistance to reduce or eliminate the number of taxpayers visiting TAC offices to pay their highway use tax by encouraging the use of alternative payment methods that may be more convenient and faster for taxpayers than traveling to a TAC.</p> <p><b>PAYMENT DROP BOXES</b></p> <p>This recommendation asks Field Assistance to install payment drop boxes nationwide in all TACs to receive payments made by checks or money orders. This is an accepted business practice in many industries.</p> <p><b>PAYMENT USING FORM 8109 FOR ALL TAXPAYERS</b></p> <p>This recommendation asks Field Assistance to address the ability of taxpayers to make tax payments by offering a simplified system. Currently, the IRS allows business customers to</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

	<p>deposit certain taxes using existing Financial Institutions. The IRS should expand the opportunity to collect a variety of taxes using the Form 8109 process.</p> <ul style="list-style-type: none"> <li>- The IRS should adapt the Form 8109 process for all taxpayers.</li> <li>- The IRS should make deposit coupons more readily available or easily accessible by converting deposit coupons (Forms 8109 and 8109-B) to a form accessible online and allowing the taxpayer to print the forms from <a href="http://www.irs.gov">www.irs.gov</a>.</li> </ul> <p><b>FORMS USED IN THE PAYMENT PROCESS AT THE TACS</b></p> <p>This recommendation asks Field Assistance to conduct an analysis of the posting and processing of payments at the TACs with the objective of reducing the number of forms required. Additionally, the IRS should continue to develop and implement an automated process for payment processing in the TACs. This would include the capability of providing a receipt for every cash payment as well as for payments made by check, if requested.</p> <ul style="list-style-type: none"> <li>- For each payment received from a taxpayer, IRS procedures require TAC staff to complete Form 809, Receipt for Payment of Taxes (for cash payments), Form 3244, Payment Posting Voucher, and Form 795, Daily Report of Collection Activity. Much of the information required on each of these forms is similar. The IRS should develop and implement a system whereby these three forms integrate with each other and once information about a payment is entered into an online form by TAC staff, the common information should auto-populate to each of the three forms.</li> <li>- Check 21 technology should be researched and expanded for use in all TACs. This established technology is currently used by many private industries and is an accepted way to provide receipts to customers at the time of payment.</li> </ul> <p><b>Q-MATIC AND WAIT TIME</b></p> <p>This recommendation asks Field Assistance to: (1) refine its use of the Q-Matic system, (2) educate customers in Q-Matic use, and (3) develop performance information utilizing Q-Matic data.</p>
<p><b>Response from:</b></p>	
<p><b>Response Notes:</b></p>	

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<b>TAP 509-5418</b>	<b>Single Filer Standard Deduction</b>		<b>Status:</b>	Referred to F&P-Accepted	
<b>Date Elevated to IRS:</b>	11/10/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	3/26/2010
<b>Issue Statement:</b>	<p>A taxpayer computed their standard deduction using the Standard Deduction Worksheet. They were claimed as a deduction on another tax return, had wages and incurred a loss from self employment. According to the Internal Revenue Service (IRS) instructions, a business loss will reduce their earned income, for standard deductions purposes. However, there are no examples in any of the IRS publications showing the calculation with a self employment loss. The taxpayer interpreted the instructions for figuring the standard deduction as self employment losses not reducing their earned income. A math error notice from the IRS was sent to the taxpayer with the correct calculation indicating that they owed taxes (with interest and penalty applied).</p>				
<b>Goal Statement:</b>	<p>The IRS should provide an example in their publications illustrating the calculation for the standard deduction with earned income and self employment loss. Also, for better clarification provide a '+/-' within the definition of earned income as it relates to the Standard Deduction Worksheet.</p>				
<b>Proposal:</b>	<p>Add an example in the publications for calculating earned income for the Standard Deduction Worksheet, similar to the following:  Example X.  Bob is single. His parents can claim him as a dependent on their tax return. He has interest income of \$504, wages of \$6841 and a business loss of -\$3113. He did not pay real estate taxes or have a net disaster loss. He has no itemized deductions. Bob uses the Standard Deduction Worksheet to find his standard deduction. Because he is single, he enters \$5,450 on line 1. He checks the "Yes" box on line 2, enters \$4,028 on line 3 (\$6,841, - \$3,113 + \$300) and also enters \$4,028 on line 4. He leaves lines 5,6,7,8 and 9 blank and enters \$4,028 on line 10. His standard deduction is \$4,028.  Add a '+/-' to the definition of earned income when referring to the total of the amounts for the Standard Deduction Worksheet similar to the following:</p> <p>*Earned income includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must include in your income. Generally, your earned income is the total of the amount(s) (+/-) you reported on Form 1040, lines 7, 12, and 18, minus the amount, if any, on line 27.</p>				
<b>Response from:</b>	Bob Black, Tax Law Specialist, Individual Publications				
<b>Response Notes:</b>	<p>We are planning to add an example to publication 501, Exemptions, Standard Deduction, and Filing Information, describing an individual figuring their standard deduction when they are claimed as an dependent on their parent's tax return, have earned income, and a business loss, as you suggested. This example will adequately illustrate the concept of adding and subtracting amounts as necessary.</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP E09-5083</b>	<b>EITC - Awareness</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	11/13/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	2/3/2009
<b>Issue Statement:</b>	Committee is charged with ways to enhance communication with the Tax Preparer community.				
<b>Goal Statement:</b>	<ul style="list-style-type: none"> <li>•Develop a survey questionnaire</li> <li>• Administer the survey via interviews</li> <li>• Prepare a report of our findings</li> <li>• Deliver the report and an oral presentation to Verlinda Paul and EITC program staff.</li> </ul>				
<b>Proposal:</b>	<ol style="list-style-type: none"> <li>1. IRS take a broader view of marketing materials—and include items such as letters to employers, year end paycheck stuffers, and packages for students to take home from schools.</li> <li>2. IRS more effectively promote materials exchange between free file sites—as many sites seem to be duplicating efforts of EITC materials creation: especially in regards to preparing materials in foreign languages.</li> <li>3. IRS issue EITC training and marketing materials earlier (4-5 months before the year end) as many Asset Building Coalitions use this period for budgeting with their clients.</li> <li>4. IRS clarify the expectations of quality assurance/due diligence at free file sites.</li> <li>5. The IRS should consider a study to verify the quality and efficiency of the VITA hot line.</li> <li>6. Move EITC Awareness Day to earlier in January and include more training on refund anticipation loans.</li> <li>7. IRS reduce or eliminate any marketing/training materials with Advanced EITC due to the problems with this program.</li> </ol>				
<b>Response from:</b>	Verlinda F. Paul, Director, EITC				
<b>Response Notes:</b>	<ol style="list-style-type: none"> <li>1. IRS has many of the materials listed. We now realize we need to “get the word” out to our partners about the materials that are already available for use during 2010. But, we will also take another look to see what products could be revised or repackaged to make it easier to use for these purpose in the upcoming years.</li> <li>2. We will soon start a page on our partner site listing best practices from IRS’s partners. We will also invite partners to submit their best practices for sharing.</li> <li>3. We cannot do this for information that is specific to the tax year since inflation-adjusted figures are not determined until late fall. We do have some material that is not specific to a tax year that could be used for this purpose. We will consider new materials or just packaging them in different ways to fit various audience groups on the toolkit in the future.</li> <li>4. We will continue to work with our SPEC liaisons and provide tools to assist preparers.</li> <li>5. Under consideration.</li> <li>6. The main objective of Awareness Day is to reach and encourage those who are eligible for EITC but don’t claim it to find out more about the credit.. We prefer to wait until the taxpayers have all their income information statements before they file to ensure accurate returns. But, we will take this recommendation in a broader sense to increasing awareness of EITC eligibility rules, free filing options and alternatives to refund loans.</li> <li>7. We don’t actively promote these materials but need to keep until the law is changed.</li> </ol>				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP C09-5894</b>	<b>Include TAP Information in the 1040 Series</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	11/13/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Increase IRS marketing of the Taxpayer Advocacy Panel (TAP). The panel members have encountered numerous situations where taxpayers have indicated that they were not aware or heard of the TAP, its purpose or function.				
<b>Goal Statement:</b>	IRS should include information about TAP, what we are and what we do, in the Form 1040 instructions.				
<b>Proposal:</b>	Marketing of the TAP program is essential to the success and growth of TAP. The Communications Committee is requesting the TAP begin reaching out to a broader audience. The panel members are requesting space to be provided in the 1040 Series instruction booklets.				
<b>Response from:</b>					
<b>Response Notes:</b>					

<b>TAP Z09-5049</b>	<b>Examinations Video Project</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	11/17/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	To provide the SBSE organization with suggestions and feedback on scripts that will be used to produce a video on the tax examination process.				
<b>Goal Statement:</b>	To share information with the public on the examination process and enable small business taxpayers to better understand 1) the overall examination process, 2) the importance of good recordkeeping, and 3) the taxpayer's rights and responsibilities that can assist in expediting the audit process.				
<b>Proposal:</b>	This subcommittee assisted by providing suggestions on how the sequences of the video should be produced: from the moment the taxpayer receives IRS notification of the examination until the examination is completed. As the drafts for the scripts were being written, the subcommittee had the opportunity to provide feedback.				
<b>Response from:</b>					
<b>Response Notes:</b>					

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 409-5471</b>	<b>IRS Identity Theft Advice Clarification</b>		<b>Status:</b>	Elevated, Awaiting Response	
<b>Date Elevated to IRS:</b>	11/30/2009	<b>Date Counter Response to IRS:</b>	3/22/2010	<b>Date Response(s) Received:</b>	2/11/2010
<b>Issue Statement:</b>	The IRS advises taxpayers who receive mailed notices or letters to respond to the name/address or phone number printed on the notice if the taxpayer becomes suspicious that his or her Social Security number has been used fraudulently. Because scammers have the potential to mimic IRS letters and notices, following this advice may expose taxpayers to fraud and security risks.				
<b>Goal Statement:</b>	To reduce the potential for scammers to gain access to taxpayers' personal information via fraudulent IRS notices and letters.				
<b>Proposal:</b>	<p>The IRS should advise taxpayers who receive suspicious letters or notices purportedly from the IRS to contact the IRS Identity Protection Specialized Unit (IPS Unit) at 1-800-908-4490 to verify the document's authenticity.</p> <p><b>REPLY TO THE RESPONSE OF THE IRS TO TAP RECOMMENDATION 409-5471</b></p> <p>On October 20, 2009, the Taxpayer Advocacy Panel (TAP) referred the following issue to the IRS as IRS IDENTITY THEFT ADVICE CLARIFICATION, Issue #5471:  Issue Statement: The Internal Revenue Service (IRS) instructs taxpayers who receive written IRS correspondence to reply to the name/address or phone number printed on the letter or notice, even when taxpayers believe their identities have been stolen or their Social Security numbers have been compromised. Because scammers have the potential to mimic IRS written correspondence, these instructions could expose taxpayers to identity theft risks.  The IRS responded on 11/25/2009 (the "Response"). We appreciate the consideration given and the timeliness of the IRS Response. However, we request IRS reconsider its Response since its Response does not address the problem and mischaracterizes the proposed solution.</p> <p>The Problem that needs to be addressed: IRS currently provides unqualified instructions to the taxpayer to respond to the address/number in a purported IRS notice if the taxpayer believes their identity has been stolen or suspects this IRS notice is bogus and part of an attempt to steal one's identity. Three examples of these instructions which can be found on www.irs.gov were quoted in our referral (the "IRS Instructions"). Curiously, the IRS's advice is the exact opposite if the taxpayer receives a suspicious IRS e-mail (vs. snail mail): namely, "do not reply". We believe that taxpayers who receive a suspicious IRS letter/facsimile/notice should be warned in the IRS Instructions and told how to proceed in a way that does not expose the taxpayer to identity theft. And when the taxpayer receives an authentic IRS letter/facsimile/notice that indicates theft of the taxpayer's SSN for tax purposes, the victimized taxpayer should be instructed how to get meaningful and timely assistance to deal with the identity theft. Accordingly the problem the IRS should address is whether the IRS Instructions at issue should be changed to provide better guidance to the concerned taxpayer and not greater exposure to identity theft.</p> <p>The Proposed Solution that needs to be addressed: The IRS Response stated: "You suggest that IRS place the IPSU phone number on each notice and letter sent to taxpayers." Your Response proceeded to critique that "solution" and concluded "we do not feel that adding the IPSU contact number on all IRS notices and letters sent to taxpayers is one that we will implement or adopt." TAP did not propose nor does it recommend that "solution".</p> <p>TAP's issue deals with a taxpayer who has reason to fear identity theft due to a written document purportedly from the IRS, and thus would be looking to the IRS for help. Examples cited were: a bogus substitute and recertification Form 1040 seeking to steal taxpayer info, a bogus Form W-8BEN seeking to steal taxpayer info, a CP 2000 income matching notice for bogus wages, and a notice of multiple tax returns being filed under the same SSN. Based on the current IRS</p>				

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	<p>Instructions, taxpayers are simply advised to respond immediately to the name, address or phone number in the notice.</p> <p>Our solution is to change the IRS Instructions. We understood the purpose of the Identity Protection Specialized Unit (“IPSU”) was to reduce delays and uncertainty by providing a central location within the IRS that would be equipped to help taxpayers deal with identity theft problems like the examples given. We did not understand that TIGTA would be the unit that would handle the type of examples given as is inferred in the IRS Response. If TIGTA was consulted and is really taking on this responsibility, then the IRS Instructions at issue should so state. But if the IPSU is the responsible unit, which we think makes more sense, why not so state in the IRS Instructions at issue. We found it troubling for the IRS in its Response to state that the IPSU does not have the expertise to determine if an IRS notice is legitimate. Rather than refer to “expertise”, the question is really does IPSU have the “resources” to verify (a) if the call back number or reply address belongs to the IRS, (b) if the IRS actually generated this suspicious notice/request, or (c) if someone else is using the same SSN. If the IPSU does not currently have these capabilities, we would think that changes should be made so they are available to IPSU when investigating identity theft. The IPSU could then take prompt action to prevent additional harm.</p> <p>We look forward to the IRS response to this Reply.</p>
<p><b>Response from:</b></p>	<p>Joseph D. O'Leska, Deputy Director, Identity Protection Office of Privacy and Information Protection</p>
<p><b>Response Notes:</b></p>	<p>Charles A. Davidson, Chair Taxpayer Advocacy Panel 211 West Wisconsin Avenue Stop 1006 -MIL Milwaukee, WI 53203 -2221</p> <p>Regarding: TAP 409-5471 IRS Identity Theft Advice Clarification</p> <p>Dear Mr. Davidson, Thank you for your recommendation regarding the fact that IRS should advise taxpayers who receive suspicious letters or notices purportedly from the IRS to contact the IRS Identity Protection Specialized Unit (IPSU) at 1-800-908-4490 to verify the document's authenticity. You suggest that IRS place the IPSU phone number on each notice and letter sent to taxpayers.</p> <p>We provide the following comments based on our research and investigation of the proposed recommendation:</p> <ol style="list-style-type: none"> <li>1) The IPSU is an identity theft unit. Receiving suspicious letters or notices from the IRS is not considered identity theft. The IPSU does not have the expertise to determine if the notice/letter is suspicious. The IPSU does not conduct investigations. If a letter is sent from IRS to a taxpayer and it is not related to identity theft, the IPSU would not have the means to determine if is indeed fraudulent or from a source outside of IRS.</li> <li>2) IRS currently has a process in place to report the serious crime of individuals representing IRS. That process is to make a report to the Treasury Inspector General for Tax Administration (TIGTA). Content in our Internal Revenue Manual (IRM) 21.1.3.2.24(8), Scams (Phishing) and Fraudulent Schemes, states, "Taxpayers and IRS employees suspecting other frauds or scams (other than the phishing e-mail scam and claiming to be from IRS) should report fraudulent use of the IRS name, or questionable organizations claiming to be working with or on the behalf of the IRS, to the Treasury Inspector General for Tax Administration (TIGTA) at 1-800-366-4484 or fax information to 202-927-7018."</li> <li>3) IRS sent roughly 22 million letters (582 unique products) and 126 million notices (337 unique products) in calendar year 2008. That does not include duplicates sent to practitioners/powers of attorney and spouses. It also doesn't include preprinted letters or notices and letters sent from systems like RGS and AUR. Even if only 1% of the taxpayers are suspicious of the legitimacy of a letter sent from IRS, the IPSU would be flooded with more work than they could handle.</li> <li>4) As you indicate, TIGTA currently does not see this scheme as a prevalent one that criminals</li> </ol>

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are using to obtain funds illegally. Phishing and e-mail scams are prevalent lately, but the IRS's Online Fraud Detection and Prevention group has a process in place to address those schemes (see #2 above).

5) As it relates to taxpayer burden, there would be significant burden placed on the taxpayer to contact the IPSU to determine if a letter is legitimate before actually contacting the number on the letter sent to the taxpayer. If the IPSU was indeed able to determine the authenticity of the letter, the IPSU would place additional burden on the taxpayer by asking them to now contact the IRS number on the letter to address the tax issue.

Based on the research and recommendations shown above, we do not feel that adding the IPSU contact number on all IRS notices and letters sent to taxpayers is one that we will implement or adopt.

Thank you again for suggesting changes to improve our operations. If you have any questions, please contact Jerry Olivarez, Identity Protection at (972)-308-1729 or [jerry.olivarez@irs.gov](mailto:jerry.olivarez@irs.gov).

Sincerely,  
Joseph D. O'Leska  
Deputy Director, Identity Protection Office of Privacy and Information Protection

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 509-5801</b>	<b>Change of Incorporation State of Exempt Organizations</b>		<b>Status:</b>	Elevated, Awaiting Response	
<b>Date Elevated to IRS:</b>	11/30/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	If an exempt organization wants to change its state of incorporation without otherwise changing its purpose, the Internal Revenue Service (IRS) requires a new application for exemption to be filed.				
<b>Goal Statement:</b>	The IRS should adopt an abbreviated procedure to permit exempt organizations that are corporations to change their state of incorporation without having to file a new application for exemption.				
<b>Proposal:</b>	The IRS should adopt a procedure under which an exempt organization that is a corporation under applicable state law can change its state of incorporation by filing with the IRS a letter or short application setting out such information as is necessary to establish to the satisfaction of the IRS that, as a result of moving its state of incorporation, there are or would be no substantial changes in the organization's character, purposes, or methods of operation. This could be accomplished by including copies of organizational structure and/or organizing documents of both the old and the new corporations showing that there have been no changes, together with any other representations or affidavits the IRS may consider necessary. Such requests could be prospective based upon a favorable response from the IRS that the change occur as represented. There should also be no user fee or only a small fee, as processing such requests should require minimum time by the IRS.				
<b>Response from:</b>					
<b>Response Notes:</b>					

<b>TAP M09-5581</b>	<b>Stakeholder Survey</b>		<b>Status:</b>	Closed, Project/Assignment Completed	
<b>Date Elevated to IRS:</b>	11/30/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	To survey community organizations to learn whether or not the IRS offers adequate products and services to the Limited-English Proficient (LEP) community				
<b>Goal Statement:</b>	To gather information on the services provided by local organizations to the LEP communities. To learn how many of these organizations currently use IRS products and how the IRS can improve products and services to these communities.				
<b>Proposal:</b>	Members were asked to visit local organizations to administer the Survey. Once surveys were collected, each member was responsible to return the completed surveys to the MLI Office.				
<b>Response from:</b>					
<b>Response Notes:</b>	MLI Office is conducting the Stakeholder Survey to collect information on Limited-English Proficient communities and to learn how the IRS can improve products and services addressing these communities. Committee members were asked to visit local organizations to administer the Survey. Once surveys were collected, each member was responsible to return the completed surveys to the MLI Office.				

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<b>TAP 509-5889</b>	<b>Online Employer Identification Number for Grantor Trusts</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	11/30/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	1/8/2010
<b>Issue Statement:</b>	<p>The online application at IRS.gov for employer identification numbers (EINs) does not permit a grantor trust to obtain an EIN for nonfiling purposes. United States Department of Agriculture (USDA) Farm Service Agency (FSA) offices are requiring employer identification numbers (EINs) for trusts owning farmland and participating in FSA programs even though the trusts are grantor trusts and are to use the taxpayer identification number (TIN) of the grantor for income tax purposes. Farmers obtaining trust EINs online to satisfy FSA requirements will generate unnecessary grantor trust tax returns.</p>				
<b>Goal Statement:</b>	<p>The IRS should coordinate with the FSA in an attempt to resolve this issue. The IRS should also permit online filers for trust EINs to apply for and receive EINs for nonfiling purposes. If that is not possible, the IRS should provide warnings that the online application cannot be used to apply for an EIN for nonfiling purposes and that a paper application must be filed using Form SS-4, Application for Employer Identification Number.</p> <p>The IRS should coordinate with the FSA in an attempt to resolve this issue. The IRS should also permit online filers for trust EINs to apply for and receive EINs for nonfiling purposes. If that is not possible, the IRS should provide warnings that the online application cannot be used to apply for an EIN for nonfiling purposes and that a paper application must be filed using Form SS-4, Application for Employer Identification Number.</p>				
<b>Proposal:</b>	<p>The IRS should contact the FSA and attempt to persuade the FSA to use the TIN of the grantor for farmland held in a grantor trust rather than requiring a trust EIN. If that is not possible or the FSA will not do that, the IRS should develop a process similar to that previously implemented for disregarded entities by which it can issue a trust EIN that will be linked to the TIN of the grantor of the trust and which will not require the filing of a grantor trust return for FSA payments reported under the trust EIN. Unless the online application is changed, the IRS should also prohibit its use for grantor trusts which are applying for EINs for nonfiling purposes and direct taxpayers applying for those EINs to fax paper SS-4s to the IRS instead. Those directions should also tell taxpayers how to fill out the SS-4, such as by checking the "Other" box at line 10 and writing "FSA" or "USDA" as the reason.</p>				
<b>Response from:</b>	Debra Awalt, Submission Processing				
<b>Response Notes:</b>	<p>The IRS will work with the Farm Service Agency (FSA) to discuss discontinuing the use of EINs for the Taxpayer Identification Number (TIN) for a non filing trust holding a Farm in the instrument and to use the correct TIN, the Social Security Number (SSN), of the grantor.</p> <p>In the event FSA will not agree to use the SSN of the Grantor, the EIN program area will involve the Increasing Compliance – Enhancing Ownership Transparency (ICEOT) group in the discussions of using an EIN due to the sometimes “abusive” nature of trusts. There are individuals who promote abusive trusts that will use FSA as the reason for applying and incorrectly be assigned an EIN without the proper filing requirement. At this time, IRS is not comfortable allowing any type of trust to be assigned an EIN without the trust filing requirement (Form 1041).</p>				

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<b>TAP 409-5286</b>	<b>CP 210 Clarification</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	11/30/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	1/4/2009
<b>Issue Statement:</b>	Notice CP 210, Even Balance, provides information regarding account adjustments. When no amount is due, the "Total Amount You Owe" shows as "NONE" or "\$0.00." However, the following paragraph then states "To avoid additional penalty and/or interest please allow enough time so that we receive your payment by [date]." Making reference to penalties and interest when no payment is due may confuse taxpayers.				
<b>Goal Statement:</b>	To clarify Notice CP 210 to show no action is necessary when there is no balance due.				
<b>Proposal:</b>	<p>Modify Notice CP 210 as follows:</p> <ol style="list-style-type: none"> <li>1. Add instructions after the "Total Amount You Owe" and before the payment paragraph stating: If the "Total Amount You Owe" shows as "NONE" or "\$0.00," no further action is required.</li> <li>2. Delete the payment paragraph. CP 210 Even Balance notices do not reflect a balance due.</li> <li>3. Delete the statement on page 2 "Cut out and return the voucher at the bottom of this page if you are making a payment, even if you also have an inquiry".</li> <li>4. Delete the payment voucher.</li> </ol>				
<b>Response from:</b>	C. Kieliszek, Taxpayer Communications Taskgroup (TACT), Senior Operations Advisor				
<b>Response Notes:</b>	<p>The goal of the Taxpayer Communications Taskgroup (TACT) is to improve the clarity, accuracy and effectiveness of IRS written communications to taxpayers. Your suggestion regarding CP 210 aligns with that goal. TACT has completed revisions of other "even balance" notices (CP 21C, CP 13, CP 13A, and CP 25), and the changes we've implemented address the issue you've identified in CP 210. When the revised CP 210 is launched in January 2012 it will clearly convey to taxpayers that no action is needed unless they disagree with the change we've made.</p> <p>We encourage you to send us suggestions on notices you see as confusing. As potential recipients of these notices you have a unique vantage point. We need your perspective and that of other external stakeholders. It isn't necessary for you to work draft wording suggestions. As part of the TACT revisions we are working with communications experts to create a library of content that has been tested with taxpayers and conveys our messages in plain language.</p>				

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<b>TAP 309-5831</b>	<b>IRS Name Mismatch with Verified SSA Information</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	11/30/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	1/7/2009
<b>Issue Statement:</b>	The instance of a taxpayer's name being different for IRS records and Social Security Administration (SSA) records is common. No tax guidelines or procedures exist for a taxpayer to follow to get the Internal Revenue Service (IRS) records updated.				
<b>Goal Statement:</b>	To provide guidance to taxpayers when their returns are rejected by the IRS for a last name mismatch when the last name provided on their tax return reflects the last name on their current Social Security Card (SSC) and on file with the SSA.				
<b>Proposal:</b>	<ol style="list-style-type: none"> <li>1. Create a procedure for taxpayers that have had their return rejected and have verified that their Social Security Number (SSN) and name control information is correct with the SSA. This information should, at a minimum, be included in Publication 17 (Your Federal Income Tax).</li> <li>2. Include guidance on Notice 54B (Problem with Name and Identifying Number) informing taxpayers how to proceed when the name used on their SSC matches the name used on their tax return, and the IRS last name does not match those records.</li> <li>3. Notice 54B already includes an address for the taxpayer to send supporting documentation. We suggest the IRS allow the taxpayer to send in a current copy of their SSC for verification. This procedure should be included in Publication 17 and on Notice 54B.</li> </ol>				
<b>Response from:</b>	Debra Awalt, Submission Processing				
<b>Response Notes:</b>	<p>#1 Disagree</p> <p>When an error occurs on an electronic filed return such as, a Name and SSN mismatch (Error Reject code 0500) the return is rejected and goes back to the Electronic Return Originator (ERO). If filing online, the return goes back to the taxpayer via the software with an explanation of what to do in the case of Error Reject Code 0500. E-Submission does not communicate directly to the taxpayer, but provides instructions for correcting returns (such as name/SSN mismatch) directly to the software developers using an Error Reject Code to identify the problem and the correction required. The software developer interprets the Error Reject Code language to the user of the software. Instructions are provided to the EROs via Error Reject Codes - Self Assist Solutions which also advises the taxpayer or ERO to contact IRS and/or SSA before filing a paper return. See link below that tax professionals use in the case of Name/SSN mismatch and other Error Reject Codes resolutions related to the entity.  <a href="http://www.irs.gov/efile/article/0,,id=180182,00.html">http://www.irs.gov/efile/article/0,,id=180182,00.html</a></p> <p>Publication 17(revised 2009), Chapter 1, page 14, provides information on how the taxpayer should verify their Social Security Number prior to placing it on the return to prevent delays in processing and issuing of refunds. The information provides the necessary guidance to the taxpayer on what to do if a name change has taken place. Also, there is information on how someone can obtain an Individual Taxpayer Identification number if they do not qualify for a Social Security Number.</p> <p>In addition, IRS issued Tax Tip 2010-02 on <a href="http://irs.gov">irs.gov</a> that provided guidance to newly married and divorced taxpayers regarding their name and SSN matching.</p> <p>#2 Disagree</p> <p>Notice CP- 54B, Inquiry Regarding Name and SSN, notifies the taxpayer of a problem with the name and identifying number on a return which is causing a delay in their refund. This notice is</p>				

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sent to the taxpayer after the return has been processed and prior to a refund being issued. It advises the taxpayer on how to resolve the discrepancy regarding their name and Taxpayer Identification Number.

The CP-54B advises the taxpayer to compare the name and SSN that appears on their most recent Social Security Card with the information on their tax return. The notice Provides step by step guidance on the actions to take if there is a difference or if the information matches. There is also information on how to contact the Social Security Administration if necessary.

Also, the CP-54B provides the taxpayer with those items to send as documentation so the refund can be released. The notice provides a tear-off stub for the taxpayer to enter their correct information, and provide an explanation. It also requests the best time to reach the taxpayer if IRS should need to contact them to resolve the issue.

For those taxpayers who do not qualify for an SSN the CP-54B provides guidance on how to obtain an Individual Taxpayer Identification Number (ITIN), including what form to complete and where to send it for processing.

IRS receives weekly updates from the Social Security Administration that includes all newly assigned Social Security Numbers, as well as, all taxpayer provided corrections and revisions. The information supplied to IRS by the SSA is maintained and is researched using various Integrated Data Retrieval System Command Codes.

#3 Disagree

See Response 1 and 2 above for explanations of information covered in Publication 17 and the notice CP-54B.

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 509-5487</b>	<b>CPE Credit for TAP Members Who Are Enrolled Agents</b>		<b>Status:</b>	Elevated, Awaiting Response	
<b>Date Elevated to IRS:</b>	12/1/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	IRS Office of Professional Responsibility (OPR) does not grant continuing education credits to Taxpayer Advocacy Panel (TAP) members who are Enrolled Agents (EA).				
<b>Goal Statement:</b>	To have the Office of Professional Responsibility (OPR) establish criteria for EAs that will allow recognition and approval for Continuing Profession Education Credits (CPE).				
<b>Proposal:</b>	Award CPE credits to TAP members who are enrolled agents based on established criteria that compares TAP member input with programs routinely approved for CPE credits. For example, provide CPE credits for holding a committee chair, performing research and analysis, completing write ups and/or other communications assignments.				
<b>Response from:</b>					
<b>Response Notes:</b>					

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<b>TAP 109-5134</b>	<b>Lack of Availability of Deposit Coupons for Payroll Taxes</b>		<b>Status:</b>	Pending Review by TAP	
<b>Date Elevated to IRS:</b>	12/1/2009	<b>Date Counter Response to IRS:</b>	6/11/2010	<b>Date Response(s) Received:</b>	2/24/2010
<b>Issue Statement:</b>	Occasionally, some small business owners have been unable to make their payroll deposits due to a lack of easy access to deposit coupons. This is a cause of great frustration to the business owner trying to meet his obligation. The inability to make the deposit also has the effect of causing the business owner to be assessed trust tax penalties for late deposits. Occasionally, the taxpayer no longer has the funds to deposit, if he has to wait a period of time to turn over the money. This only exacerbates the perceived adversarial relationship between the Internal Revenue Service and the small business owner.				
<b>Goal Statement:</b>	We believe it is in the taxpayers', agencies' and the public's best interest to facilitate trust tax deposits, thereby, increasing IRS collection of these taxes while easing taxpayer burden making such payments.				
<b>Proposal:</b>	<p>Each IRS office, no matter how large or small, or what the location, should have deposit coupons available in order to remove the barrier to the taxpayers' ability to make timely payments and reduce taxpayer burden.</p> <p>Area 1 respectfully asks that you reconsider your rejection of Issue Number 109-5134, Lack of Availability of Deposit Coupons for Payroll Taxes. The response we received seems contradictory to a rejection.</p> <p>The response states that you will "provide deposit coupons and making the forms more easily available in order to reduce taxpayer frustration with the current process". This is exactly what we asked, and were denied.</p> <p>Small business owners are often the ones having the most difficulty and these taxpayers are often teetering on the edge of going out of business. Capturing tax payments when available should be of utmost importance to the Internal Revenue Service. Additionally each difficulty the small business owner encounters with the IRS increases the feeling of frustration and hopelessness in trying to cooperate with any rules.</p> <p>The denial of our issue seems to indicate that coupons and assistance are available at all IRS offices; however we have empirical evidence that this is not the case. The only reason we have been told the coupon must be preprinted (adding to the difficulty of obtaining 8109,) is name mismatch. If that is the reasoning for the lack of availability of payment coupons, it seems like that is a smaller problem than taxpayers not being able to meet their tax obligations.</p> <p>The TAC Committee Report of November 2009 pages 18 thru 20 deals directly with this issue, and underscores the need for our recommendation to be accepted. The report states, "Recommendation 3 .... the IRS should work to adapt a form 8109 for all taxpayers....Part 2 Make deposit coupons more readily available or easily accessible by converting deposit coupons (Forms 8109 and 8109B to a form accessible online and allowing the taxpayer to print and use the forms from irs.gov."</p> <p>Since we are still encountering taxpayers with difficulty making payments, simpler processes encourage compliance, and the TAC report as well as our recommendation all seem to indicate a need for Issue 109-5134 to be reconsidered for the benefit of the taxpayers and the Internal Revenue Service.</p>				
<b>Response from:</b>	Field Assistance (FA)				
<b>Response Notes:</b>	<p>Thank you for your recommendation in regard to having FTD deposit coupons available to remove barrier to the taxpayers to make timely deposits. We will seek to implement your suggestion using the following:</p> <p>Providing deposit coupons and making the forms more easily available in order to reduce</p>				

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	<p>taxpayer frustration with the current process.</p> <p>Field Assistance will pursue an updated process for taxpayers to receive FTD coupons in a more expedient manner. Current procedures require that coupons be completed with the taxpayer's EIN and address, and given only to the taxpayer or taxpayer's authorized representative. The process FA will pursue is to issue a minimum amount of FTD coupon(s) necessary for a taxpayer to make its required deposits. Due to the Service's concern for error on form 8109-b, the taxpayer will be offered assistance with preparation of the form, strongly encouraged to enroll in the Electronic Federal Tax Payment System, and requested to order a coupon booklet for future use. Field Assistance will need to vet the change in policy with SB/SE before final approval.</p> <p>Once again, we would like to thank the panel for the recommendation and assisting the IRS with the opportunity to improve customer service for the taxpayer.</p>
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<b>TAP 509-5799</b>	<b>Permit User Font Size Selection for IRS.gov</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	12/1/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	3/10/2010
<b>Issue Statement:</b>	Although the Internal Revenue Service (IRS) website, IRS.gov, has instructions for how users can increase or decrease the font size of the website as it appears on their monitors, doing so is browser dependent and cannot be done through an online control. In addition, pages printed from the website are the same font size regardless of the screen settings. This can result in pages that are difficult to read or which print in too small a font. The link to instructions for changing font sizes is also difficult to notice.				
<b>Goal Statement:</b>	IRS.gov should make it possible for users to increase or decrease the display font size through a prominent online control feature in addition to adjustments that can be made through browsers. Any changes in font size should also be reflected in pages printed from the website.				
<b>Proposal:</b>	Modify the IRS.gov website to permit users to increase or decrease font sizes as displayed on monitors through a prominent online control on the website itself and not just through the control-plus and control-minus browser controls. This could be accomplished, for example, by incorporating buttons on the web pages themselves that would increase or decrease font sizes or through use of command bar text size commands. Any printed pages should reflect changes in screen font sizes so that users can print pages in larger or smaller fonts to meet their needs better. Finally, the IRS should make the link for changing font sizes more noticeable, as its present location with other links at the top of the page makes it difficult to notice.				
<b>Response from:</b>	ETA, Public Portal Division				
<b>Response Notes:</b>	<p>IRS is not able to make the recommended updates to the IRS.gov Web site at this time. In the past, IRS has received requests to enhance Web users' ability to increase the font size when viewing the site. We considered adding a more robust font size adjustment capability to IRS.gov when we updated the entire Web site at the beginning of 2009.</p> <p>However, we found that during recent years browsers had improved their font adjustment capabilities considerably. Given that development, when we prioritized potential enhancements that we could implement with the limited non-recurring funding that was available, we opted to focus on enhancements that would have the greatest impact and address the largest issues. We also had to consider the relative cost of each potential enhancement, and the font adjustment capability was estimated to be one of the more costly options. All those considerations led the IRS to consider the font size adjustment to be a lower priority than the enhancements we were able to implement in 2009.</p> <p>The cost issue is also still a major reason IRS cannot implement this recommendation. The current IRS.gov budget is not sufficient for IRS to implement any major enhancements in 2010. IRS regularly tracks comments and complaints from IRS.gov users. The ability for users to manipulate the font size (either on the screen or when printing Web pages) does not appear to be an issue. If we begin to receive significant complaints, we will consider implementing enhancements the next time we perform a site redesign. In addition, IRS.gov is not out of line with other Federal government Web sites. For example, the Social Security Administration's Web site, www.ssa.gov, previously included a capability similar to that requested in TAP's recommendation, but they now rely on inherent browser capabilities.</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 509-5873</b>	<b>Form 4029 Exemption for Disregarded Entities</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	12/1/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	1/5/2010
<b>Issue Statement:</b>	The Internal Revenue Service (IRS) began, January 1, 2009, requiring entities that are disregarded from their owners for tax purposes (disregarded entities) to be treated as corporations for employment tax purposes. This will adversely affect taxpayers who have elected to be excluded from Social Security coverage by filing Form 4029, Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefits, and who are employed by certain sole proprietor employers who have also made Form 4029. Such employers will now be required to treat wages paid to those employees as Social Security wages if the employer is a one-member limited liability company (LLC) that is a disregarded entity.				
<b>Goal Statement:</b>	The IRS should permit one-member disregarded entities to continue to be treated as disregarded for purposes of being treated as exempt employers if the sole member of the LLC has made a Form 4029 election.				
<b>Proposal:</b>	The IRS should amend its regulations to permit entities to continue to be treated as disregarded entities solely for purposes of determining whether wages paid to an employee who has a Form 4029 election are exempt wages. If both the employee and the sole member of the LLC employer have made Form 4029 elections, the wages should be exempt. Wages paid to employees who do not have Form 4029 elections would not be affected.				
<b>Response from:</b>	Lynne Camillo Branch Chief, Employment Tax Branch 2 (EO--TE/GE)				
<b>Response Notes:</b>	<p>Mr. Charles Davidson Taxpayer Advocacy Panel 211 West Wisconsin Avenue Stop 1066-MIL Milwaukee, WI 53203</p> <p>Re: TAP 509-5873 Form 4029 Exemption for Disregarded Entities</p> <p>Dear Mr. Davidson:</p> <p>Thank you for your letter dated December 1, 2009 concerning the Taxpayer Advocacy Panel's recommendation to amend the Treasury Regulations to treat certain single-member entities as disregarded entities for purposes of eligibility for the exemption from Federal Insurance Contributions Act taxes under section 3127 of the Internal Revenue Code for members of religious faiths opposed to participation in Social Security Act programs.</p> <p>Published guidance plays an important role in increasing voluntary compliance by helping to clarify or simplify various requirements of the tax law. We encourage members of the tax community to make requests for published guidance with respect to any areas of the tax law that can be clarified or simplified through the published guidance process. We appreciate the time and effort the Taxpayer Advocacy Panel expended in preparing a submission concerning this recommendation.</p> <p>We are aware of the need for guidance on the issue you have raised. Accordingly, we are committed to publishing guidance on this issue in the coming year. This project has been included on the Office of Tax Policy and Internal Revenue Service 2009-2010 Priority Guidance Plan, which was released on November 24, 2009.</p> <p>Thank you again for your recommendation. Please do not hesitate to contact Joseph Perera of my office at (202) 622-6040 if we may be of further assistance in this matter.</p> <p>Sincerely,</p>				

## 2009 Taxpayer Advocacy Panel Recommendations

	Lynne Camillo Branch Chief, Employment Tax Branch 2 (Exempt Organizations/ Employment Tax Government Entities) (Tax Exempt & Government Entities)
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## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 509-5888</b>	<b>Erroneous EITC/Additional Child Tax Credits Form 4029</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	12/1/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	3/18/2010
<b>Issue Statement:</b>	Taxpayers who are exempt from Social Security taxes and benefits by virtue of having filed Form 4029, Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefits, are still able to receive such credits when their only source of earned income is from self-employment and their returns have been identified as Form 4029 returns in accordance with Internal Revenue Service (IRS) instructions.				
<b>Goal Statement:</b>	The IRS should ensure that its programming for processing individual income tax returns will not generate an earned income tax credit (EITC) or additional child tax credit (ACTC) for returns on which the only source of earned income is from self-employment and which are identified as Form 4029 filers.				
<b>Proposal:</b>	The IRS should ensure that its programming for processing individual income tax returns will not generate an earned income tax credit (EITC) or additional child tax credit (ACTC) for returns on which the only source of earned income is from self-employment and which are identified as Form 4029 filers. The IRS should also ensure that taxpayers filing such returns do not receive correspondence from the IRS indicating they may be eligible for the EITC and recommending that the taxpayers contact the IRS.				
<b>Response from:</b>	Linda J. Andrist, Chief, Paper Processing Branch				
<b>Response Notes:</b>	<p>MEMORANDUM FOR Charles A. Davidson Chair, Taxpayer Advocacy Panel</p> <p>FROM: Linda J. Andrist Chief, Paper Processing Branch</p> <p>SUBJECT: TAP 509-5888, Erroneous Earned Income and Additional Child Tax Credits for Form 4029</p> <p>Thank you for your recommendation that IRS should ensure that its programming for processing individual income tax returns will not generate an earned income tax credit (EITC) or additional child tax credit (ACTC) for returns on which the only source of earned income is from self-employment tax and which are identified as Form 4029 filers.</p> <p>After careful analysis, we have concluded that we will not be able to implement your recommendation. The programming for processing individual tax returns already provides a check like the one proposed in the recommendation. The check takes place in Error Resolution, in error codes 088 and 370. The error codes appear in IRM 3.12.3, Individual Income Tax Returns, error code 088 in subsection 3.12.3.58.5 and error code 370 in subsection 3.12.3.77.2.</p> <p>Both error codes instruct the tax examiners in Error Resolution to review the tax return for possible liability for the self-employment tax. The current and proposed programming seek to distinguish income liable for the self-employment tax from income exempt from the self-employment tax to determine earned income. The result is the same in both cases- the identification and separation of earned and unearned income.</p> <p>The instructions in the error codes direct the tax examiners to look for assertions of exemption from the self-employment tax. The assertions may take various forms. The instructions for figuring the earned income for the Earned Income Credit and the Additional Child Tax Credit appear in error code 336, in IRM 3.12.3.74.10, Earned Income Credit with Schedule EIC, in</p>				

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subsection 3.12.3.74.10.9. There the examiners are instructed to exclude exempt self-employment income from the calculation of earned income.

The programming for the Earned Income Credit and the Additional Child Tax Credit includes another safeguard against the improper use of unearned income. Whenever Schedule SE is present, the programming uses it in figuring earned income, ignoring the separate Schedules C and F and any income on line 21 of Form 1040. The programming uses only the self-employment income the taxpayers report on Schedule SE.

If you have any questions, please call me at 202-283-5148 or Mike O'Neill of my staff at 202-283-0533.

## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 509-5832</b>	<b>Farm Crop Share Rental Passive Activities</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	12/1/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	5/10/2010
<b>Issue Statement:</b>	The passive activity regulations do not provide sufficient guidance on the difference between farm crop share lease arrangements that should be treated as non-rental joint ventures and those that should be treated as rental activities.				
<b>Goal Statement:</b>	The Internal Revenue Service (IRS) should publish additional guidance clarifying the difference between a farm crop share lease arrangement that should be treated as a trade or business for passive activity purposes because it constitutes a joint venture and a crop share lease arrangement that should be treated as a rental real estate activity.				
<b>Proposal:</b>	<p>When Treasury Regulation § 1.469-1T(e)(3) defining passive rental activities is issued in final form, it should contain clarification of the difference between a crop share lease arrangement which constitutes a joint venture and one which constitutes a rental activity. Examples similar to the following two should replace present example 8 (described below under Background, Research, and Analysis) at § 1.469-1T(3)(viii):</p> <p>Example 1: The taxpayer makes farmland available to a tenant farmer pursuant to an arrangement designated a crop share lease. Under the arrangement, the tenant is required to use a tenant's best efforts to farm the land and produce marketable crops. The taxpayer is obligated to pay 50% of the costs incurred in the activity (without regard to whether any crops are successfully produced or marketed), and is entitled to 50% of the crops produced (or 50% of the proceeds from marketing the crops). The taxpayer does not participate in decision-making regarding crop rotation, selection, and pricing; the purchase, sale, or leasing of capital items, such as cropland, machinery, and equipment; or work more than 100 hours or more over a five-week period in activities connected with agricultural production. All items of income and expense are properly reported by the taxpayer on Form 4835, Farm Rental Income and Expenses. The taxpayer is engaged in a rental activity.</p> <p>Example 2: Assume the same facts as in the preceding example. In addition, the taxpayer consults with the tenant and inspects the production activities periodically. The taxpayer is treated as providing the farmland for use in a farming activity conducted by a joint venture in the taxpayer's capacity as an owner of an interest in the joint venture and must report the arrangement on Schedule F, Profit or Loss From Farming. The taxpayer is therefore not engaged in a rental real estate activity.</p> <p>Until new regulations are issued, the IRS should consider issuing a revenue ruling or other appropriate interim guidance clarifying the distinction between crop share leases that are rental activities and those that are joint ventures.</p>				
<b>Response from:</b>	Patty Wagner, Tax Forms and Publications				
<b>Response Notes:</b>	<p>The TAP recommendation is technically flawed. The differences listed in the TAP recommendation examples is whether the taxpayer materially participates. The legal analysis is incorrect. Rental and business is not distinguished by material participation. They also want to link material participation to whether the taxpayer is subject to SECA Tax under 1402. Whether an activity is passive or not is independent of SECA.</p> <p>The TAP recommendation states that "For income tax purposes a crop share lease arrangement in which land owner materially participates is subject to self-employment tax (IRC 1402(a)(1))." RC 469 and 1402 operate independently. The taxpayer could have land rental and materially participate therefore non-passive treatment but not subject to self-employment. Or the taxpayer</p>				

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	<p>could be sharecropping, report on Schedule F but not materially participate and be passive; but would be subject to self-employment tax.</p> <p>Additional information was submitted for background purposes:</p> <ul style="list-style-type: none"><li>• Sharecrop arrangements reported on Schedule F – typically are passive because the taxpayer can not meet material participation. The tenant farmer is investing all the time and the land owner seldom can meet material participation. Their time is often “investor hours” or just do not reach the requisite 500 hours to meet Test #1 (other tests generally are not applicable since someone is working full-time on the farm). The land owner may make some grouping argument under 1.469-4 to meet material participation but is rarely seen.</li><li>• Sharecrop arrangement on Form 4835 – the farmer treats the activity as rental. If the rental generates net income then the income is recharacterized as non-passive.</li><li>• Farm rental on Schedule E – this is typically land rental (cash rent) and is recharacterized as non-passive if generating net income (losses stay passive).</li></ul>
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## 2009 Taxpayer Advocacy Panel Recommendations

<b>TAP 209-5551</b>	<b>Tax Reporting of Short Sales</b>		<b>Status:</b>	Referred to F&P-Accepted	
<b>Date Elevated to IRS:</b>	12/16/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	2/19/2010
<b>Issue Statement:</b>	Lack of instruction for reporting open short sale leads to confusion among tax payers and practitioners alike. Improper reporting often triggers automatic issuance of CP2000 which could be time consuming and expensive to resolve.				
<b>Goal Statement:</b>	Eliminate potential confusion around open short sales reporting to save time and money for taxpayers and IRS.				
<b>Proposal:</b>	Add brief instruction language for open short sales to Schedule D Instructions and/or Pub 550.				
<b>Response from:</b>	Patty Wagner, Senior Tax Analyst				
<b>Response Notes:</b>	<p>Thank you for sending the recommendation (TAP 5551) from Area 2 TAP Committee regarding additional text for Publication 550 and Schedule D instructions to clarify how short sales should be reported on schedule D. Your suggestion would decrease issuance of CP2000 letters sent erroneously to taxpayers reporting short sale activity. We have carefully considered your suggestion and have decided to revise both Publication 550 and Schedule D instructions to clarify the reporting of short sales.</p> <p>The Department of the Treasury has issued proposed regulations found in the Federal Register Volume 74, Number 241, which address your concern. In summary, the proposed regulations state that gross proceeds and basis reporting under section 6045 is generally required for the year in which the short sale is closed rather than, as under the present law rule for gross proceeds reporting, the year in which the short sale is entered into. Brokers would have to report all short sales opened on or after January 1, 2010, for the year in which the short sale is closed. This should help avoid mismatch with broker/dealer reports and taxpayer reporting.</p>				

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<b>TAP 709-5601</b>	<b>Social Security Benefits for a Minor—Taxable?</b>		<b>Status:</b>	Referred to F&P-Accepted	
<b>Date Elevated to IRS:</b>	12/16/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	4/1/2010
<b>Issue Statement:</b>	IRS instructions describing the taxability of Social Security benefits for surviving children are not prominent and are not clearly stated.				
<b>Goal Statement:</b>	Highlight and clarify the instructions for surviving children in Publication 915, "Social Security, and Equivalent Railroad Retirement Benefits."				
<b>Proposal:</b>	<p>Provide the following instructions or something similar in Publication 915:</p> <p>"Taxability of retirement benefits for surviving children. To determine if a child's social security benefits are taxable, the child's benefits must be added to the child's other income. Follow the formula in worksheet A as a quick way to determine if the child's benefits may be taxable. If the calculated amount is more than the child's base amount as defined in this publication, complete worksheet 1 to determine how much of a child's benefits are taxable. Even if none of the social security benefits are taxable, the child may have to file a return if he/she must report other income."</p>				
<b>Response from:</b>	E. Fingerman, Supervisory Tax Law Specialist				
<b>Response Notes:</b>	We can adopt it in principle in that we will make a change though not what is requested. Instead of adding a special section that just restates the general rules, we think the issue can be better addressed by a shorter section at the beginning of the Are Any of Your Benefits Taxable? with language that is similar to, "Child benefits. The rules in this publication apply to benefits received by children. See Who is taxed, later." We would also add an index entry for child benefits.				

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<b>TAP 109-5944</b>	<b>Free Fillable irs.gov Form 8582 Data Incorrect</b>		<b>Status:</b>	Referred to SAMS - Accepted	
<b>Date Elevated to IRS:</b>	12/31/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Part 2 of Form 8582 in the free Fillable forms on irs.gov has an error. Numbers which are entered are not correctly shown as positive which causes the form to use a loss greater than the \$25,000 allowance limit.				
<b>Goal Statement:</b>					
<b>Proposal:</b>	The Form 8582, part 2 in the Free Fillable Forms from irs.gov has an error. It does not enter the numbers as positive which causes the form to use a loss greater than the \$25,000 allowance limit.				
<b>Response from:</b>	Systemic Advocacy				
<b>Response Notes:</b>	Issued closed, no project recommended - Even though there was no SA project the problem was referred to the vendor. The vendor duplicated the error and then fixed it.				

<b>TAP 109-5945</b>	<b>Free File Schedule E Computation Error</b>		<b>Status:</b>	Referred to SAMS - Accepted	
<b>Date Elevated to IRS:</b>	12/31/2009	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	There appears to be a problem computing royalty income on Schedule E. Line 25 will calculate correctly only if Line 4 is left blank.				
<b>Goal Statement:</b>					
<b>Proposal:</b>	SAMS recommended no project				
<b>Response from:</b>	Systemic Advocacy				
<b>Response Notes:</b>	Issued closed, no project recommended - Even though there was no SA project the problem was referred to the vendor. The vendor duplicated the error and then fixed it.				