

## 2010 Taxpayer Advocacy Panel Recommendations

**Total Elevated Issues 135**

<b>TAP Issue ID: 16604 Elevated Date: 09/20/2010</b>	<b>Committee Name: Area 1</b>
<b>Status: Monitoring IRS Action</b>	<b>Outcome:</b>
<b>Title: Estimated Tax Information over the Internet</b>	

Issue Statement	The IRS does not provide taxpayers who make quarterly estimated tax payments with an annual statement of the amounts credited to their accounts. Taxpayers and preparers find this information useful and can check to see if amounts have been properly credited to the taxpayers' accounts. While such notification by mail runs a risk of identity theft, providing the information via a secure website minimizes that risk. New York does provide such information online.
Goal Statement	Give taxpayers and their tax preparers the ability to log into www.IRS.gov to find out how much they paid in quarterly estimated tax payments.
Proposed Solution	Provide a service at a national level similar to that provided at some state levels such as New York State. Provide a place on the IRS Website where taxpayers/practitioners may find out how much Estimated Tax has been paid during the tax year.
IRS Initial Response	WI Compliance is the business owner of the two telephone applications that allow certain taxpayers to see credits and debits on their accounts. Changes to these applications, however, are tied to the Service's e-Strategy, formally called MIRSA. While taxpayer communication which includes the migration to online services framework has been identified as an IRS Strategic Priority, any proposed changes remain in the beginning stages. With the current budget challenges the Service is facing, it is unclear which of the foundational technologies will continue with a forward momentum.

<b>TAP Issue ID: 16662 Elevated Date: 08/18/2010</b>	<b>Committee Name: Area 1</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: website - Fraud</b>	

Issue Statement	According to <a href="http://www.irs.gov">www.irs.gov</a> , fraudulent tax activity must be reported using Form 3949-A, or by writing a letter. If someone tries to report fraud by telephone they are also directed to use the Form or letter. In addition, calls made to the Internal Revenue Service (IRS) toll free number for this purpose can result in the phone assistor not even knowing where to direct the caller. Many taxpayers who want to report fraud now expect to be able to do so using the internet.
Goal Statement	To ease the process by which concerned citizens can report fraud and encourage such reports to be made using today s technology, which our citizens now expect.
Proposed Solution	It is recommended or proposed that the IRS should adopt technology which enables citizens to access a secure interactive website located within <a href="http://irs.gov">irs.gov</a> to report instances of tax fraud, and evasion, while retaining their anonymity. Use of an interactive website would be in addition to the currently available, but not widely known, Form 3949-A, at <a href="http://irs.gov">irs.gov</a> .

<p>IRS Initial Response</p>	<p>SB/SE is committed to working in partnership with organizations like the TAP to inform and assist taxpayers and tax professionals in improving voluntary compliance.</p> <p>The TAP expressed the concern that Informants who wish to report suspected tax fraud we encumbered by the process currently in place to submit Form 3949-A, Information Referral. TAP sought to reduce the reporting burden built into the process by implementing technology.</p> <p>We feel this is a valuable suggestion that falls in line with our current efforts to reduce the burden in the process by which referrals concerning preparers and practitioners can be submitted.</p> <p>However, the recommendation represents a complex undertaking which would involve multiple operational divisions and functions. We appreciate your raising this concern, but do not consider it feasible at this time, because the fraud program responsibility does not lay solely with SB/SE. SB/SE will continue to work cross-functionally to modernize and streamline the process for reporting suspected tax fraud. Based on feedback from the Return Preparer s Office (RPO) and the Office of Professional Responsibility, we believe that this recommendation would require a servicewide team including the Criminal Investigation Division (CID).</p> <p>Thank you again for suggesting changes to improve SB/SE programs and operations. If you have any questions, please contact the SB/SE Liaison for TAP, Senior Tax Analyst Tonjua Menefee for additional details.</p>
<p>TAP Counter Response</p>	<p>none</p>

<b>TAP Issue ID: 16690 Elevated Date: 08/18/2010</b>	<b>Committee Name: Area 1</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Requirement to File - 1099B -Sold Property</b>	

Issue Statement	Some taxpayers who receive a Form 1099-B, Proceeds from Broker & Barter Exchange Transactions, following the sale of property interpret the instructions for filing a return to mean that they need only consider the profit on the transaction. They do not understand that the instructions refer to the gross income from the transaction before the subtraction of cost basis. These taxpayers subsequently receive notices such as: CP59 Request for your Tax Return and CP 518M Your Tax Return is Overdue because of their failure to file a tax return.
Goal Statement	To amend the filing requirements instructions in Publication 17, Your Federal Income Tax, and Form 1040, U.S. Individual Income Tax Return, to emphasize more clearly that a return may be required if the gross proceeds from a transaction exceed the limits even if there is little or no gain from that transaction.
Proposed Solution	Add language to Pub 17, under Do I Have to File a Return and to Form 1040 Instructions under Do I have to File? Chart C-Other Situations When you must File that has the affect of the following:  If you have received a Form 1099-B showing gross proceeds from a transaction such as the sale of securities or real estate, the filing requirement is based upon the total amount of the sale. This is true even though the transaction resulted in a loss or small net gain.

<p>IRS Initial Response</p>	<p>Under IRC 6012, Tps are generally required to make a return of income if their gross income exceeds the exemption amount. Gross income is defined in IRC § 61(a)(3) as "all income from whatever source derived, including ... gains derived from dealings in property." Thus, any "gain realized on the sale or exchange of property is included in gross income." Treas. Reg. § 1.61-6(a). Gain is defined in IRC 1001 and Reg. 1.61-6 as the amount realized over the adjusted basis of the property.</p> <p>The instructions for Form 1040 and chapter 1 of Publication 17 reflect these provisions. They say gross income [for purposes of whether or not a return is required] is all income that is not exempt from tax. A Tp s basis in property sold is exempt from tax. Only the gain on the sale is gross income.</p> <p>However, until the new basis reporting requirements become effective, the IRS generally will have no way of knowing the Tp s basis. Therefore some Tps may get failure-to-file notices even though the gains from their sales are below the threshold that triggers the filing of a return. In those cases, the Tps will have to respond to the notice with proof of their gross income as they have been doing.</p> <p>After careful review, we think the premise of the suggestion is mistaken and therefore we decline to adopt it.</p>
<p>TAP Counter Response</p>	<p>We are not disputing what constitutes gross income. The fact of the IRS not knowing what the taxpayer s cost basis is exactly what the problem is. Furthermore, the comment that notices will be sent out is what we are trying to avoid. Why not clarify the instructions with a simple addition as we suggested eliminating the problem from the start.</p> <p>Regarding the New Basis Reporting Requirement, we agree that when implemented, that will solve the problem under the assumption that under the new system the IRS will compare the cost basis versus the sale proceeds to determine gross income. However, being that it will be phased in (starting first for purchases made in 2011) the problem will continue for many years to come.</p> <p>In addition, with the many mergers of banks and brokers and transfers of accounts, the shares may be delivered without cost basis information</p>

IRS Final Response

IRS Response Detail:

We have carefully reconsidered your suggestion, but we are not adopting it. Your suggestion is that we amend the instructions for Form 1040 and chapter 1 of Publication 17 to state that a TP may be required to file a return if gross proceeds from a transaction exceed the filing limits. We cannot revise either product to incorrectly state the law.

As previously stated the instructions for Form 1040 and chapter 1 of Publication 17 correctly reflect the Internal Revenue Code and supporting Regulations. Both products define gross income in accordance with IRC Section 61(a) (3). Under IRC Section 61(a) (3), gross income does not include the gross proceeds from a sale of property, but does include gain realized on the sale or exchange of property.

We understand that there is a processing issue until the new basis reporting requirements become effective. Some taxpayers may get failure-to-file notices even though gains from sales are below filing requirements because of lack of basis reporting. In those cases, taxpayers will have to continue to respond to the notices.

<b>TAP Issue ID: 16865 Elevated Date: 05/04/2010</b>	<b>Committee Name: Area 1</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Form 5227</b>	

Issue Statement	The IRS mails blank Forms 5227, Split Interest Trust Information Return in February or March to the taxpayer s address on record. Forms 5227 area likely created by tax preparers with software. They do not need blank forms.
Goal Statement	Prevent the IRS from mailing blank Forms 5227 when not needed by taxpayer or practitioner.
Proposed Solution	Create a check box on Form 5227 for preparer or taxpayer to check to request that the IRS code the account not to send blank forms to that taxpayer in the following year.
IRS Initial Response	<p>Thank you for sending us the Taxpayer Advocacy Panel (TAP) recommendation titled, Unneeded Mailing of Form 5227. The TAP Committee recommended that we create a check box on Form 5227, Split-Interest Trust Information Return, for the preparer or taxpayer to check thereby allowing the IRS code that account so that blank forms are not sent to the taxpayer the following year. We were asked to add the check box to section E at the top of page 1 to indicate the tax package forms would not be needed in the future.</p> <p>We have a coding mechanism in place that screens all Forms 5227. In response to the code, the IRS only sends the tax package paper forms the following year to those still filing it. If the preparer or taxpayer does not want to receive the tax package, it is advisable that he or she not use the tax package paper forms in the current year. Instead, they should use alternate versions of the form because the code that triggers the automatic mailing only appears on the tax package paper forms. This coding system involves no action or burden to the preparer or taxpayer.</p> <p>Instead of placing a new check box on the form, which is viewed as adding burden, we will consider including a statement in the instructions on this subject such as, If you use a version of Form 5227 other than the one in the tax package, you will not receive the tax package next year. In this way, we will alert the filer about the procedure for discontinuing the automatic receipt of the tax package.</p>

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I am pleased to inform you that we are implementing your recommendation, although not in the form of a new check box. But I believe our solution addresses the important issue raised by Felicia Garant and the Area 1 Committee. I appreciate the exemplary intentions and efforts to reduce the cost and waste of unnecessary paper mailing, particularly when the form is available at IRS.gov and preparers use their own software.

If you have any questions, please call me at 202-622-5718 or Patricia Wagner at 202-283-0188.

Sincerely,

Susan L. Latham

Director, Tax Forms and

Publications

TAP Counter Response

In the letter response we stated that we would "adopt" the recommendation, not by adding a check box as requested, but by adding a sentence to the Instructions for Form 5227 that would explain how filers could avoid receiving tax packages in the future. Now that all tax packages have been discontinued, adding that sentence to the Instructions is unnecessary. A post card (Notice 1400-E) was used to notify filers that they would no longer receive a Form 5227 tax package.

So we will not be implementing the recommendation  
Patty Wagner

Tax Forms & Publications

Language Services

SE:W:CAR:MP:T:LS

202-283-0188

IRS Final Response

In the letter response we stated that we would "adopt" the recommendation, not by adding a check box as requested, but by adding a sentence to the Instructions for Form 5227 that would explain how filers could avoid receiving tax packages in the future. Now that all tax packages have been discontinued, adding that sentence to the Instructions is unnecessary. A post card (Notice 1400-E) was used to notify filers that they would no longer receive a Form 5227 tax package.

So we will not be implementing the recommendation.

Let me know if you have any questions.

Patty Wagner

Tax Forms & Publications

<b>TAP Issue ID: 16906 Elevated Date: 08/18/2010</b>	<b>Committee Name: Area 1</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Partially Accepted</b>
<b>Title: IRS Employee Identification</b>	

Issue Statement	Internal Revenue Service employees state their Homeland Security Presidential Directive s 12 identification numbers (HSPD-12 ID numbers) when answering a phone inquiry. However, if a taxpayer has a subsequent complaint, IRS protocols do not permit the taxpayer to readily identify that employee using that HSPD-12 ID number.
Goal Statement	Provide a way for taxpayers who have a complaint regarding the way they were treated by a specific IRS employee to identify that employee when registering the complaint with the IRS.
Proposed Solution	HSPD-12 ID numbers are not traceable except under a formal investigation by the Treasury Inspector General. But IRS employees also have a Standard Employee Identification Number (SEID) that is traceable without the above restrictions. Requiring IRS employees to provide the SEID during public contacts would give taxpayers a clear avenue for lodging complaints if they were treated in a less than professional manner by an individual IRS employee or given incorrect information.
IRS Initial Response	<p>IRS taxpayer may contact the IRS complains Hotline to report they way they are treated by specific IRS employee and use their 10 digits enrollment ID number of their SmartID and legacy ID card provided by the Revenue Agent.</p> <p>IRS PSEP solution is as follow; all active SmartID and legacy ID Card holder are using the 10-digit personal identification number printed on the front of their SmartID/legacy ID Card in written or verbal communications with taxpayers. This has been in effect since Nov. 1, 2009. The entire 10-digit PID should be used and should not include any spaces or dashes. An example is: 1000XXXXX.</p> <p>Managers may search for their employees by using Direct Discovery, placing the cursor on the SEID filed and typing the 10 digits ID number.</p> <p>In addition, we have communicated to employees and TIGTA if they need to locate an employee based on their PID, to contact the ERC at 866-743-5748, open a ticket and provide the following:</p> <ul style="list-style-type: none"> <li>Employee s name (if known),</li> <li>Employee s SEID (if known) and</li> <li>Employee's PID.</li> </ul>
TAP Counter Response	None. Members are now aware that IRS recognizes the situation and has a system in place

<b>TAP Issue ID: 17105 Elevated Date: 12/02/2010</b>	<b>Committee Name: Area 1</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: No live telephone assistors to speak with</b>	

Issue Statement	When taxpayers call the toll free line for refund information, that information is simply repeated until the Internal Revenue Service (IRS) disconnects the call. Often the taxpayer needs more information, but does not know what step to take as his/her next course of action.
Goal Statement	Provide taxpayers with information which will lead them to a live person in order to handle any refund status issues.
Proposed Solution	Provide a phone number at the end of the automated information instructing the taxpayer that, if they need more information, they may reach an assistor at a certain number.
IRS Initial Response	We disagree with this recommendation. The Refund Inquiry Automated Telephone Application is designed to provide basic refund information. This allows our agents to provide service on more complex calls that require assistance with resolution. While not every caller is provided an option to speak to an agent, the automated application provides the same information available to an agent, such as the expected processing date and actual deposit date of the refund. During fiscal year 2010, over 5.3 million calls (out of the 41.6 million calls received) were routed to an agent. Examples of situations when callers are routed to agents include: return processing problems; no record of return (the caller indicates it has been more than three weeks since filing electronically or six weeks since submitting a paper return); an error on the return; and lost or stolen refunds. In addition, taxpayers that access the automated application after business hours and those using the web-based version (Where's My Refund?) are provided a toll-free number to call if a problem exists. In fact, providing a telephone number for every refund caller to speak to an agent could negatively impact customer satisfaction because we would not have the resources to service callers who have problems with their returns.

<b>TAP Issue ID: 17496 Elevated Date: 06/23/2010</b>	<b>Committee Name: Area 1</b>
<b>Status: Closed</b>	<b>Outcome: Elevated Directly by Committee</b>
<b>Title: Comments for Uncertain Tax Positions Proposal</b>	

Issue Statement	The Service is reviewing the extent to which the proposed Schedule UTP duplicates other reporting requirements, such as Form 8275, Disclosure Statement; Form 8275-R, Regulation Disclosure Statement; Form 8886, Reportable Transaction Disclosure Statement; and the Schedule M-3, Net Income (Loss) Reconciliation for Corporations With Total Assets of \$10 Million or More. The draft instructions provide that a taxpayer will be treated as having filed a Form 8275 or Form 8275-R for tax positions that are properly reported on Schedule UTP. The Service is considering other circumstances under which a tax position reported on Schedule UTP need not be separately reported elsewhere on the tax return or another disclosure statement. Comments on Announcement 2010-9, Announcement 2010-17, the draft schedule, and the draft instructions should be submitted by June 1, 2010.
Goal Statement	Area 1 was asked to comment on the Announcements cited above.
Proposed Solution	Suggestions are attached under File 9200
IRS Initial Response	IRS used recommendations made on survey but no official response is expected.

<b>TAP Issue ID: 17559</b> <b>Elevated Date: 09/24/2010</b>	<b>Committee Name: Area 1</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Bait and Switch</b>	

Issue Statement	The Internal Revenue Service (IRS) provides Free File service through their website www. IRS.gov. The taxpayer may choose from a number of tax software providers at the Free File site. However, upgrades are constantly pushed upon the taxpayer, and he or she is led to believe the tax return cannot be completed without making a purchase.
Goal Statement	We believe it is in the taxpayers, agency's and the public's best interest to make Free File truly free. If that is not possible, a clear message to the user that his or her tax return may be completed without paying additional fees should be prominently displayed.
Proposed Solution	Remove sales pop ups. Place a large message that MUST be read before continuing with Free File regarding sales pitches and the fact that additional purchases are not required.

IRS Initial Response

IRS appreciates your feedback. The IRS conducts detailed reviews of the Free File websites prior to the start of program each year and during the filing season to ensure that all Free File companies comply with the standards set forth in the IRS Free File Alliance Agreement. The IRS was not aware of any occurrences of sales pop-ads or software upgrades for a fee. We would need additional information from TAP, including the names of the Free File providers and whether taxpayers accessed the providers' products and services through IRS.gov or if they went directly to the providers' paid site. If TAP has examples of these pop-ads, please provide us with the company names and screen shots so we may take appropriate action. The agreement between the IRS and the Free File Alliance prohibits participants from selling non-tax products and services on their Free File Web pages. Taxpayers, however, must access IRS.gov to qualify for a free federal return. Companies are prohibited from selling any type of bank products or any other type of financial services through their Free File software. Taxpayers accessing a Free File company's landing page have only one opportunity to choose a Value Added paid site link other than Free File. If taxpayers choose the "start now" Free File link, they should not receive a sales pop-add at any time during the tax preparation and Free File process. Some companies offer state tax preparation for free and some charge a fee. Participating companies are required to prominently display the fee for state tax preparation on their Free File landing pages. These added disclosure enhancements have led to extremely low customer service complaints. Since its inception in 2003, Free File has delivered over 30 million returns. In 2010, Free File Customer Satisfaction received a high score of 95%.

<b>TAP Issue ID: 17807 Elevated Date: 10/14/2010</b>	<b>Committee Name: Area 1</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Correspondence audits - phone</b>	

Issue Statement	Taxpayers contacting the general Internal Revenue Service (IRS) Customer Service telephone number to ask for additional time to respond to a Correspondence Exam in order to provide additional documentation are not being granted an extension, and cases are proceeding into Statutory Notice of Deficiency status.
Goal Statement	Ensure all taxpayer requests for extensions on Correspondence Examination (Corr. Exam) cases are properly documented and cases are updated with current contact information from the taxpayer, regardless of which organization within the IRS the taxpayer contacts.
Proposed Solution	IRS should require CSRs and other non-exam personnel dealing with taxpayer contacts to do one of the following: Access Audit Information Management System (AIMS) to update case histories. Connect the taxpayer with the Exam personnel to update AIMS, or Initiate specific written contact with Corr. Exam (or other Exam case workers) to ensure these contacts are documented on case files, precluding a change in the case status.
IRS Initial Response	SB/SE IRS Response Detail: As the TAP committee points out, there is not seamless connectivity between systems within the IRS. It is important to keep in mind that limiting AIMS access to the Examination function maintains the integrity of the audit information it contains.  Taxpayers are given the appropriate toll free number on all outgoing correspondence related to a correspondence examination. Additionally, if a taxpayer attempts to contact the General Customer Service Toll Free line while an examination is open, they will be referred to the correct Exam toll free number.  This is the most appropriate way to handle this contact since the Exam assistants will not only grant the additional time, they will also ensure the taxpayer understands what needs to be submitted.  While we acknowledge it is possible that taxpayers attempt to contact the general toll free number on open campus examination cases, we have no indication (including any prior concerns) that this includes a meaningful number of taxpayers.

<b>TAP Issue ID: 17836 Elevated Date: 08/18/2010</b>	<b>Committee Name: Area 1</b>
<b>Status: Monitoring IRS Action</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: E-file in rural areas</b>	

Issue Statement	Requiring that registered tax preparers e-file will impose hardships on taxpayers in areas that do not have high-speed internet access.
Goal Statement	Ensure that the introduction of new requirements for registering tax preparers and the mandate that registered preparers electronically file tax returns does not impose unintended hardship on taxpayers.
Proposed Solution	Waive the e-filing requirement for those preparers who are unable to obtain access to high-speed internet service.
IRS Initial Response	There are software options that do not require broadband internet. In addition, our records indicate there are currently healthy e-file programs in all states, including rural states. Having said this, the IRS does recognize there will be tax return preparers with extenuating circumstances and is developing a process for these preparers to request a waiver from the legislative mandate.
TAP Counter Response	Area 1 will like to monitor implementations for 1 filing season

<b>TAP Issue ID: 17840 Elevated Date: 10/14/2010</b>	<b>Committee Name: Area 1</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Partially Accepted</b>
<b>Title: Direct deposit of refund</b>	

Issue Statement	Input of erroneous bank routing and/or bank account numbers for direct deposit of refunds by Taxpayer Assistance Center (TAC) workers or Volunteer Income Tax Assistors (VITA) may lead to erroneous refunds issued to the wrong taxpayers and be unrecoverable to redirect to the correct taxpayer.
Goal Statement	Educate and train Internal Revenue Service (IRS) employees and VITA volunteers assisting in the preparation of income tax returns, as well as Registered Tax Preparers under the new regulations to utilize verifiable taxpayer supplied documentation to properly enter bank routing and/or bank account numbers.
Proposed Solution	Amend and enhance current training manuals to impress upon all assistors to request verifiable documentation from taxpayers concerning the bank routing and/or bank account numbers that the taxpayer desires the refunds to be directed into. This documentation consists of voided or blank checks, bank statements, some preprinted bank deposit slips, etc.
IRS Initial Response	<p>As part of the annual volunteer training, volunteers are instructed to utilize verifiable documentation for proof of a bank account number. This proof must be in the form of a cancelled check with the Routing Transit Number (RTN) and the Depositor Account Number (DAN), which must be verified upon entry. The Quality Review process currently in place helps to detect and eliminate erroneous information and errors in refund direct deposits. Specific instructions are contained in Publication 4012, VITA/TCE Volunteer Resource Guide.</p> <p>SPEC will continue to stress the importance of quality and information verification during volunteer training. Tax Consultants will stress this very important message to our partners who must then stress to the volunteers the need to be extremely careful when entering bank account information.</p> <p>SPEC does not have authority to set training standards or conduct training for Registered Tax Preparers.</p>

<b>TAP Issue ID: 17989 Elevated Date: 10/27/2010</b>	<b>Committee Name: Area 1</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Frivolous Tax Return Penalty</b>	

Issue Statement	The IRS requires that the taxpayer must pay the full penalty amount of \$5,000 for a single taxpayer or \$10,000 for a joint return on an assessed Frivolous Tax Return Penalty before the taxpayer can contest the penalty or file a claim.
Goal Statement	The IRS needs to review the taxpayer return, submitted data and provide the rationale to the taxpayer regarding the basis of the determination for the frivolous penalty prior to assessing this penalty
Proposed Solution	<p>We propose that the IRS allow the taxpayer to submit documentation to contest the Frivolous Tax Return Penalty or submit a claim for penalty abatement without having to first pay the full amount of the penalty. Additionally, we propose that the Frivolous Tax Return Penalty be reduced to the amount the IRS determines is frivolous.</p> <p>We also propose that IRS amend its relevant IRM sections to allow consideration of claims if the penalty is not paid due to hardship circumstances.</p>
IRS Initial Response	<p>The taxpayer has been given consideration for their frivolous position prior to penalty imposition often in monetary terms that they were not entitled to. They are given opportunities to withdraw from their position prior to penalties being imposed. The taxpayer may claim a lack of knowledge based on advice received from a third party. The taxpayer is ultimately responsible for their return signing under perjury language. Relying on a third party or ignorance of the tax law is not a sustainable position for abatement of a penalty.</p> <p>The examiner cannot be asked to consider a taxpayer s financial status when applying tax law. The law has to be applied in a fair and unbiased manner in order to be effective, consistence and ensure compliance. A penalty is imposed often to ensure compliance and deter future frivolous positions.</p> <p>The Office of Servicewide Penalties does not concur that the IRM should be revised to give weight to a taxpayer s financial condition when considering whether a penalty is appropriate. The taxpayer has other avenues to pursue, generally in a collection status and in the Federal Court of Claims, to claim a hardship is imminent due to penalty application.</p>

TAP Counter Response

We are resubmitting Issue # 17989, Frivolous Return Penalty for reconsideration. We recognize that a return filed with little or no basis and substantially consists of the items listed in IRM 4.10.12 would be considered a return filed primarily for the purpose of obtaining an invalid refund, to protest the taxing authority of the IRS or to clog the system with unnecessary returns. However, we have experienced situations where a taxpayer files an otherwise legitimate and valid return, but based upon a misunderstanding or misinterpretation of the IRC, or upon advice of their preparer, includes one or several of these Frivolous Return items within their return. The return would otherwise be processed normally, as income, deductions, etc. are all valid and documented. The Frivolous Return item would result in the entire return being rejected and the taxpayer notified of this potential penalty assessment. The taxpayer would have little time to react (30 days from the date of the Notice) to try to contact the preparer or determine the validity of the questionable item. The Frivolous Penalty of \$5000 per taxpayer would then be assessed, and there would be no further recourse but to pay the penalty and file a petition in Tax Court to have the penalty rescinded. Our concern is that there is no due process considerations afforded these taxpayers. In all other penalty case situations, taxpayers are given sufficient opportunity to gather appropriate documentation or submit a corrected return prior to being required to pay the liability. A misguided or misinformed taxpayer should be given this same consideration for a Frivolous Return Penalty when their return is clearly intended to represent their true and accurate tax status, save the inclusion of one of these Frivolous Return items. Please reconsider our position to provide a due process opportunity to allow honest taxpayers to correct the error without having to incur the expense in advance.

<b>TAP Issue ID: 18074 Elevated Date: 08/18/2010</b>	<b>Committee Name: Area 1</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Truncating SSNs on taxpayer checks</b>	

Issue Statement	<p>Taxpayers are instructed to write their complete Social Security numbers (SSNs) on checks sent to the IRS and the IRS stamps those checks with endorsements that contain the complete SSN. The checks then circulate through the bank check-clearing process thereby opening up a risk of identity theft.</p>
Goal Statement	<p>Help to protect taxpayers from identity theft by eliminating the complete SSN, ITIN and/or ATIN on checks or money orders mailed to the IRS by individual taxpayers.</p>
Proposed Solution	<p>Change the instructions for all forms/vouchers that now say, include your Social Security Number on the check or money order, to read Include only the last 4 digits of your Social Security Number on the check or money order. In addition, the IRS should remove the stamped SSN from the endorsement bloc on the reverse side of the check.</p>
	<p>The Internal Revenue Service (IRS) is committed to reducing the unnecessary use and display of the Social Security Number (SSN) where possible. Before doing so, the IRS must consider the impact of any change to our ability to timely and accurately carry out our tax administration duties. We have reviewed the TAP recommendation to determine the feasibility, impact and scope in making the recommended changes.</p> <p>The IRS provides taxpayers multiple methods to make a payment , including:</p> <ul style="list-style-type: none"> <li>? Payment by check</li> <li>? Credit or Debit Card</li> <li>? Electronic Funds Withdrawal</li> <li>? Electronic Funds Withdrawal and Credit or Debit Card Payment Options for Individuals</li> <li>? Electronic Funds Withdrawal and Credit or Debit Card for Businesses</li> <li>? Federal Tax Application Same-Day Wire Federal Tax Payments</li> </ul> <p>The taxpayer is afforded the recommended level of security when they choose to utilize one of the electronic methods of remitting a payment. The payment is electronically transmitted and the documentation of their SSN on a paper document is eliminated. IRS applies all applicable National Institute of Standards and Technology (NIST) standards to this data. The IRS recognizes that not all taxpayers will have access to electronic systems to submit payments. When the taxpayer chooses to send a payment by check, the taxpayer is directed to mail the payment to either an IRS campus or Lockbox facility. The IRS maintains appropriate security on its facilities to ensure</p>

the security of paper data; however, the inherent nature of paper does expose taxpayer information to a larger group of employees, at both IRS and bank operations.

As mentioned in your statement of issue, paper checks can be circulated through bank check-clearing process thereby opening up an increased risk of identity theft. Checks received and processed at one of the Lockbox sites are all imaged and after validation and transmittal of electronic data, paper checks are destroyed. IRS locations continue to send paper checks to bank clearing houses; however, IRS is currently testing an electronic process. Images of the checks are used by IRS to research payments when needed.

When a taxpayer chooses the option payment by check, they are instructed to write information on their check that includes their SSN. These instructions are provided to ensure when a taxpayer chooses to submit a payment by check, the IRS can process that check timely and accurately without a negative impact to the taxpayer. The IRS uses multiple media types to communicate these instructions to taxpayers on how to make a payment by check. These include but are not limited to forms, forms instructions, letters, notices, publications and IRS.gov website.

IRS payment processing systems are dependent on the full SSN in order to process a payment. When additional research is needed on checks, the research is performed by a special unit using the IRS Masterfile database. Researchers must transfer their research results onto paper, either by the creation of a supporting document or edits on the check. The researched check is then passed to the IRS check processing unit. This process adds additional time to check processing.

The SSN in the endorsement block is used by the IRS to locate misapplied payments when contacted by the taxpayer. When tracing a missing payment, the IRS will request from the taxpayer the SSN or the Document Locator Number (DLN) identified in the endorsement block. These data sources will assist the IRS in locating the misapplied payment.

#### IRS Issues and Constraints

The SSN assists the IRS in identifying taxpayers' accounts. The IRS processed more than 88 million payments by check in fiscal year 2010. Based on a sampling at one of the Lockbox sites for the month of January 2011, 2.9% of the total monthly receipts were check only. Check only payments are those payments that do not include any supporting documentation for processing other than the paper check. For check only receipts IRS depends solely on the information provided by the taxpayer on the check to properly apply the payment to the correct account. Without the full SSN, the check is considered unprocessable and must be forwarded for research,

IRS Initial Response

causing delays in crediting taxpayer accounts.

If current instructions were changed to request only the last four digits of the SSN, the IRS anticipates an increase in the number of payments requiring additional research to process. With the increase use of on-line banking, the IRS is already seeing an increase in check only receipts.

The IRS does have the ability to identify taxpayers using only the last four digits of their SSN by researching our Masterfile database; however in order for this research to be effective, supplemental information is required. This research requires a minimum input of the last four digits of the taxpayer s SSN and last name. Additional input of the taxpayer date of birth and the presence of the taxpayer s address allows for a more accurate identification of the taxpayer. Based on a sampling performed by IRS, research with only the last four digits of an SSN and the taxpayer s last name produces an average of 113 taxpayer results to choose from, with 2.5% that can t be located due to common last names. In contrast, when the additional information is present, specifically the date of birth, the average number of taxpayer results is reduced to 9. With third party checks, on-line banking generated paper checks, money orders, etc. the necessary information to identify the taxpayer may not be present. The taxpayer's address, based on an IRS address of record, is a key factor when research is performed; the address is needed to validate that the correct taxpayer is being identified within the displayed research results.

In recommendation 18074, TAP stated Notice 2009-93 created a pilot program allowing information-return filers to truncate payees nine-digit identifying numbers on paper statements sent to payees. This program applied to Forms 1098, 1099 and 5498. Many payroll companies took advantage of this option with no known ill effects on return and payment processing as far as we know. TAP is correct; there were no ill effects on the IRS on return and payment processing. This is because Notice 2009-93 states in Section 3, Scope the following:

This notice only applies to paper payee statements in the Form 1098 series, Form 1099 series, and Form 5498 series. Substitute and composite substitute statements (within the meaning of Treas. Reg. § 301.6722-1(a)(1)) that meet the requirements of this notice are also included. See Rev. Proc. 2008-36, 2008-33 I.R.B. 340 (reprinted as Publication 1179, General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, W-2G, and 1042-S). This notice does not apply to any information return filed with the IRS, any payee statement furnished electronically, or any payee statement not in the Form 1098 series, Form 1099 series, or Form 5498 series.

IRS Response

Recommendation Part 1: Change the instructions for all forms/vouchers that now say, include your Social Security Number on the check or money order, to

Security Number on the check or money order, to read. Include only the last 4 digits of your Social Security Number on the check or money order.

While the IRS is committed to protecting taxpayers personally identifiable information and appreciates the Taxpayer Advocate Panel's recommendation, we have determined that the potential impact of misapplied payments precludes any change to the current instructions at this time. Below is a recap of our findings which form the basis for our decision:

Without the full SSN available, an increase in misapplied payments would result because of the IRS inability to identify the taxpayer making the payment. There are approximately 2.6 million check only remittances received by the IRS annually that could potentially be impacted.

No effective research tool is available to identify the taxpayer when only the last four digits of the SSN are present. With a full SSN, a one-to-one match to the taxpayer is achieved. However, with only the last four digits present, research delivers an average of 113 taxpayer matches. In addition, with common last names (Smith, Brown, Jones, etc), approximately 2.5% of the taxpayers cannot be located at all. This greatly increases the potential for misapplied payments and would result in undue taxpayer burden.

If taxpayers make their payment through a third party check or money order, only having the last four digits of the SSN would not be sufficient to identify the taxpayer since the name may not be present. This would result in an increase of misapplied payments and undue taxpayer burden.

With only the last four digits of the SSN available, approximately 528,000 additional checks currently processed at the Lockbox sites would need to be sent to campus sites for additional research. Lockbox does not have research tools available to identify the taxpayer. This would delay the processing of taxpayer checks and cause undue taxpayer burden.

Delays in processing a check to the proper account could subject the taxpayer to unnecessary risk and burden. If the check is not properly applied in a timely manner, correspondence/notices may be sent or a levy or lien could be issued.

IRS offers taxpayers several options to make a payment. Taxpayers who do not want to provide the information on a check may choose from other payment options offered by the IRS. Additionally, IRS will process checks if the taxpayer does not include the requested information; however, there is an increased risk that the IRS would not be able to process the payment timely and as intended by the taxpayer.

Recommendation Part 2: In addition, the IRS should remove the stamped SSN from the endorsement block on the reverse side of the check.

The IRS agrees that in the future the SSN on the endorsement block should be reduced to only display the last four digits of the SSN. While the IRS can use other information that is present on the endorsement block when researching misapplied payments, the costs of doing so are prohibitive at this time. Since the SSN will remain the primary means of identifying taxpayer accounts for the near future, having the SSN available to research misapplied payments is the best method to quickly and correctly apply the monies to the taxpayers' accounts. As new resources and processes are developed the IRS will consider programming changes to only display the last four digits of the SSN.

Both of the recommendations made in this request will be added as action items to the IRS SSN Elimination and Reduction Strategic Plan.

More information on payment options can be found at <http://www.irs.gov/> keyword Payment Options .

2 Information is based on a random sampling of 400 cases. Number includes some multiple results for the same taxpayer. Each result represents entity information processed (new and old) for a taxpayer on IRS Masterfile.

<b>TAP Issue ID: 18427 Elevated Date: 10/27/2010</b>	<b>Committee Name: Area 1</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: Update Publication 583, Starting a Business and Re</b>	

Issue Statement	Publication 583, Starting a Business and Keeping Records, was last revised in January, 2007 and it does not contain current computerized recordkeeping and supporting document retention methods commonly used in today s technology-dependent environment.
Goal Statement	Publication 583 should provide guidance on computerized recordkeeping and document retention information consistent with the current technological environment that small business owners encounter when setting up and maintaining business records for taxation purposes.
Proposed Solution	Revise Publication 583 to incorporate modern technological advances in recordkeeping and bookkeeping methodologies. Options for recordkeeping should include manual and computerized methods, and guidelines for selecting and using software to assure security, thoroughness and accuracy, and compliance with IRS requirements. In particular, include a separate section about storing thermal paper receipts that can fade over time and become illegible. Include suggestions such as photocopying these receipts onto plain paper or scanning them into a digital file in a section created for advice on this topic. Omit antiquated recordkeeping methods such as the use of microfilm.
IRS Initial Response	We agree that Publication 583 is outdated. We will address the TAP recommendations in the December 2011 review.

<b>TAP Issue ID: 18429 Elevated Date: 10/20/2010</b>	<b>Committee Name: Area 1</b>
<b>Status: Closed</b>	<b>Outcome: SAMS - Legislative</b>
<b>Title: Transcripts from College/University to file</b>	

Issue Statement	In regards to the 1098(T): there is an inadequacy of or status of tuition statement with what has been billed versus paid. The taxpayer must ask for and receive a transcript from the University/college in order to compare and file properly.
Goal Statement	Clarify Form 1098T so that recipients know the proper amount of tuition they can take as a tax credit
Proposed Solution	Clarify Form 1098T so that recipients know the proper amount of tuition they can take as a tax credit

<b>TAP Issue ID: 18661 Elevated Date: 12/01/2010</b>	<b>Committee Name: Area 1</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Extending Rev. Proc. 84-35 to S Corps</b>	

Issue Statement	Revenue Procedure 84-35 provides a reasonable cause safe harbor for small partnerships with ten or fewer partners. S corporations with ten or fewer shareholders should benefit from the same safe harbor protection.
Goal Statement	Modify Revenue Procedure 84-35 or create a new procedure to extend the same reasonable cause relief provisions to S corporations with ten or fewer shareholders that currently apply to small partnerships.
Proposed Solution	<p>The purpose of Revenue Procedure 84-35 is to provide a reasonable cause for domestic partnerships with ten or fewer partners that fail to file a timely and complete return. Currently, this Revenue Procedure is limited to partnerships. Although S corporations share similar characteristics, these entities are unable to use the same reasonable case relief provisions under any applicable Revenue Procedure, tax law or regulation.</p> <p>The Area 1 Committee proposes to the IRS to either create a procedure addressing relief for S corporations or extend Rev. Proc. 84-35 to these entities.</p>
IRS Initial Response	<p>Thank you for your suggestion to create a procedure addressing relief for S corporations or extend Rev. Proc. 84-35 to these entities.</p> <p>This is similar to a request TAP made under Issue 409-5434 titled Check Box Form 1065 to Indicate Partners Timely Filed. The suggestion was to 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. The purpose of the checkbox would be to indicate that they are not subject to a penalty for failure to file a partnership return and prevent a penalty notice from going out. Tax Forms &amp; Publications sent out a request to add these questions to the form, but found that procedures had changed and that a notice will always be sent out. Rev. Proc. 84-35 relief will only be considered upon response to the notice, not if included with the return. So the questions will not be added to the Form1065 since they would not prevent the notice from being sent .</p> <p>The same procedures will apply for 1120S. The IRS cannot consider Rev. Proc. 84-35 relief during the filing of a return, but only upon response to a notice, and therefore cannot implement this recommendation.</p>

<b>TAP Issue ID: 18945 Elevated Date: 12/01/2010</b>	<b>Committee Name: Area 1</b>
<b>Status: Closed</b>	<b>Outcome: Resolved Prior to Elevation</b>
<b>Title: Outreach to Taxpayers re New Preparer Registration</b>	

Issue Statement	The new regulations for registering tax preparers will not achieve the desired result of improved compliance unless taxpayers are motivated to make sure the preparers they use are registered.
Goal Statement	To educate and motivate taxpayers to determine if those who prepare their returns for a fee are registered.
Proposed Solution	IRS needs to launch an extensive public relations campaign to inform taxpayers who use paid preparers to insist on seeing proof that the preparers are registered with valid PTINs.
IRS Initial Response	We were already in the process of implementing the recommendation outlined in this issue. Please see page 5 in the executive summary of the Return Preparer Review report: <a href="http://www.irs.gov/pub/irs-pdf/p4832.pdf">http://www.irs.gov/pub/irs-pdf/p4832.pdf</a> which addresses this recommendation.

<b>TAP Issue ID: 18972 Elevated Date: 10/04/2010</b>	<b>Committee Name: Area 1</b>
<b>Status: Closed</b>	<b>Outcome: SAMS - Rejected</b>
<b>Title: Broken links in IRS.gov</b>	

Issue Statement	In the next to last paragraph of IR-2010-102, Sept. 30, 2010, located at IRS.gov - <a href="http://www.irs.gov/newsroom/article/0,,id=228402,00.html">http://www.irs.gov/newsroom/article/0,,id=228402,00.html</a> - there are two links that do not work: For purposes of this revenue procedure, the term corrosive drywall means drywall that is identified as problem drywall under the two step identification method published by the CPSC and the Department of Housing and Urban Development in their interim guidance dated January 28, 2010. Both links are for external sites.
Goal Statement	Correct the links to external websites.
Proposed Solution	The problem was referred to Systemic Advocacy.
IRS Initial Response	At the time Systemic Advocacy tested the links they were working.

<b>TAP Issue ID: 16627 Elevated Date: 11/09/2010</b>	<b>Committee Name: Area 2</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: Website eServices Passwords</b>	

Issue Statement	Tax practitioners have expressed a complaint that if they allow their password on e-Services to expire, they are required to undergo the whole registration process a second time. They asked if there were easier ways to re-set their expired password.
Goal Statement	To improve the ease of system access for practitioners who use e-Services by making it easier to reset expired passwords.
Proposed Solution	<p>A solution is already at hand through Internal Revenue Manual (IRM) 3.42.8.5.5 (See Proposed Solution Appendix at the end of this Referral Form). Re-design the Login Web page to include a simpler reset option for expired passwords in the following manner:</p> <p>On the first line add Expired Password? IRM 3.42.8.5.5. Clicking this will take one to the instructions for IRM 3.42.8.5.5.</p> <p>Delete expired from the last paragraph on the registration page.</p>
IRS Initial Response	The procedures listed in IRM 3.42.8.5.5 are already in place for users with expired e-services passwords. Several updates, in a work request, were submitted to the registration pages to reflect the expired password procedures. We are waiting for funding approval of the work request.

<b>TAP Issue ID: 16721 Elevated Date: 06/04/2010</b>	<b>Committee Name: Area 2</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: Request to Speak to Specific IRS Employee</b>	

Issue Statement	Taxpayers and tax practitioners are frustrated when, after speaking with an Internal Revenue Service ( IRS ) employee through the IRS website, they are unable to reconnect with that individual to clarify or expand on the answer originally provided.
Goal Statement	To promote customer satisfaction with the IRS by making taxpayers and practitioners aware at the outset that IRS technology will not permit them to reconnect with the same responder.
Proposed Solution	<p>The solution proposed is twofold:</p> <ol style="list-style-type: none"> <li>1. For taxpayers and /or practitioners who do not frequent the IRS Website but rather contact the IRS by telephone, the assistors could conclude the conversation with the statement reading essentially as follows: Please be aware that due to the complexity of our telephone assistance operations, you will not be able to contact me directly for further discussion of this matter. Are you sure I have adequately dealt with your concerns today?</li> <li>2. Include on the IRS website a statement, in a prominent position on Contact IRS on both the individual and practitioners pages, reading essentially as follows: Please be aware that when you conclude your discussion with the IRS telephone helpline responder, our system will not permit you to return to your original responder . Please be certain before this call is concluded and terminated, all your questions have been satisfactorily answered.</li> </ol>
IRS Initial Response	<p>This TAP recommendation has been implemented. The recommended text has been added to the following Telephone Assistance pages:</p> <p><a href="http://www.irs.gov/help/article/0,,id=96730,00.html">http://www.irs.gov/help/article/0,,id=96730,00.html</a> (at the top)</p> <p><a href="http://www.irs.gov/taxpros/article/0,,id=118004,00.html">http://www.irs.gov/taxpros/article/0,,id=118004,00.html</a> (with the list of numbers at the bottom of the page).</p>

<b>TAP Issue ID: 16726 Elevated Date: 11/09/2010</b>	<b>Committee Name: Area 2</b>
<b>Status: Monitoring IRS Action</b>	<b>Outcome:</b>
<b>Title: Telephone Numbers on Information Forms</b>	

Issue Statement	Information returns require the inclusion of telephone numbers of the person or entity issuing the documents (e.g., Form 1099 series and Form W-2, Wage and Tax Statement).
Goal Statement	All taxpayer directed information returns should require contact telephone numbers for inquires and possible corrections.
Proposed Solution	Require contact telephone numbers on all taxpayer directed information returns.
IRS Final Response	<p>IRS Response Detail: Tax Forms and Publications has reviewed the Rebuttal Letter to TAP 16726 Telephone Numbers on Information Returns. The initial TAP submission recommended that telephone numbers be required on all information returns, such as Forms 1099 and W-2. We carefully evaluated this suggestion, as well as the Joint Committee Issue Referral Form that accompanied TAP 16726, and provided an initial response on December 23, 2010. The suggestion was rejected because a legislative or regulatory change would be necessary to require a contact telephone number on Form W-2.</p> <p>The Rebuttal Letter to TAP 16726 constitutes a formal request that the IRS's Office of Chief Counsel be notified of this issue and that Chief Counsel's assistance be solicited in the matter. The Rebuttal Letter also requests confirmation that the issue be docketed in their workload for a final legal opinion, with an expected response date. Follow-up will be conducted at that time. On April 8, 2011, the Rebuttal Letter for TAP 16726 was provided to Chief Counsel. On April 11, 2011, Chief Counsel confirmed receipt of the Rebuttal Letter for TAP 16726 and opened an assignment, case number FILEN-115395-11. The expected due date is June 8, 2011. Tax Forms and Publications will notify TAP of the findings of the case when it is provided by Chief Counsel. Tax Forms and Publications will then provide TAP with a final decision on the issue of telephone numbers on all information returns.</p>

<b>TAP Issue ID: 16745 Elevated Date: 05/06/2010</b>	<b>Committee Name: Area 2</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Taxpayer Copy of Lien Release</b>	

Issue Statement	Copies of Certificates of Release of Federal Tax Lien are not sent to taxpayer s when the tax liability is satisfied.
Goal Statement	To mail taxpayers a copy of the Certificate of Release of Federal Tax Lien concurrently with the mailing of the release to the recording office.
Proposed Solution	Program the Automated Lien System (ALS) to generate a release of lien for mailing to the taxpayer when generating the release for mailing or electronic transmission to the appropriate recording office. IRS may want to consider inclusion of Notice 48, Release of Federal Tax Lien, with the release document.
IRS Initial Response	<p>The Automated Lien System (ALS) already performs the operation requested. Seven days after the certificate of release for the recording office is generated at the Centralized Lien Unit, the taxpayer s copy of the release is generated and printed at Consolidated Production Services (CPS). The seven day delay allows IRS the opportunity to pull back any releases that may have been erroneously issued. If the taxpayer s address has changed on Master File since the notice of lien was filed, a cover sheet will also print with the taxpayer s copy. CPS mails the taxpayer s copy of the release within three days of printing.</p> <p>Notice 48 is not included in the systemic mailing as the IRS files the original with the recording office. Notice 48 is generally sent to the taxpayer only when the certificate of release is manually prepared and the taxpayer may be recording the document.</p>

<b>TAP Issue ID: 16750 Elevated Date: 09/17/2010</b>	<b>Committee Name: Area 2</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Correction of IRS records</b>	

Issue Statement	When a taxpayer receives a failure-to-file notice and is subsequently able to establish that the return was timely filed, Internal Revenue Service ( IRS ) personnel do not always correct the record to show that the return was, in fact, filed. Instead, there have been reported instances where the record was modified only to show that the reasonable-basis exception was applied and the subject penalties were waived. In such cases the record continues to show that the return was not timely filed.
Goal Statement	To insure that whenever a taxpayer is able to prove that a return was timely filed, the record will be corrected to show that the return was timely filed.
Proposed Solution	The IRS Manual ( IRS Manual ) should be amended to mandate that when a taxpayer establishes that a return was timely filed, the record must be corrected to show that the return was timely filed. IRS personnel also should also be informed that this treatment is required.
IRS Initial Response	<p>Procedures exist to show the taxpayer timely filed when the taxpayer is able to prove a return was timely filed. The Customer Account Services IRM 21.6.7.4.7, Interest and Penalty Considerations, it instructs the IRS employee to follow procedures in IRM 20.1, Penalty Handbook and IRM 20.2, Interest.</p> <p>IRM 20.1.1.3.5.2, Taxpayer Entitled to Relief, instructs IRS personnel to attach supporting documentation of their decision to abate or sustain the assessed penalties. It also instructs IRS personnel to notate the reason for abatement by using a reason code 065 and the applicable penalty reason code 027. The penalty reason code identifies the reason the penalty was abated or sustained. Although the IRS received date will not change because that is the date IRS actually received the return (even though credit for timely filing is acknowledged), the penalty reason code shows others it is a timely filed return. Therefore no further action on this recommendation is required.</p>

<b>TAP Issue ID: 16751 Elevated Date: 05/04/2010</b>	<b>Committee Name: Area 2</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: IRS Telephone Calls to Taxpayers for Field Exam</b>	

Issue Statement	Internal Revenue Service (IRS) policy directs revenue agents to call taxpayers directly, without prior notice, to schedule an initial appointment for a field examination. In addition to causing taxpayers unnecessary anxiety and apprehension, opportunity exists for identity theft or other malfeasance by those falsely representing themselves as an IRS Agent.
Goal Statement	The taxpayer undergoing a field audit should receive a written notification prior to receiving a telephone call from the IRS Agent.
Proposed Solution	Change the Internal Revenue Manual (IRM) for field examinations to state Field examination cases should be scheduled using written communications to schedule an initial appointment date, identify the needed documents for the exam, and warning the taxpayer to ask any individual presenting themselves as IRS employees for proper identification.
IRS Initial Response	<p>Generally, initial appointments for field examinations are scheduled using telephone contact and a confirmation letter; office examination appointments are generally scheduled using written communication.</p> <p>Examiners use appropriate calling techniques when making initial contact by telephone, we consider our practice to be safe. Examiners immediately identify themselves and state the purpose of the call. Examiners are also required to provide their employee identification number and telephone number. When the initial appointment is made by telephone, a follow-up letter is mailed to the taxpayer confirming the time/ place of the examination and the records which are to be available. These techniques should reassure a taxpayer that they are dealing with the IRS and an audit is forthcoming.</p> <p>If during the initial contact the taxpayer questions whether or not the examiner works for IRS, the examiner should discontinue the call. The examiner will advise the taxpayer that they will send an appointment letter confirming the examination.</p> <p>There are advantages of using telephone contact to schedule examinations for both the taxpayer and the IRS, including:</p> <ul style="list-style-type: none"> <li>? It allows examiners to schedule the initial appointment at an appropriate time, which is agreeable to the taxpayer and reduces the number of rescheduled appointments.</li> <li>? The examiner will inform the taxpayer which returns are being examined and the tax periods involved.</li> <li>? The examiner will briefly explain the audit process to</li> </ul>

the taxpayer, and ask the taxpayer if a power of attorney will be involved. If yes, the examiner will explain the procedures necessary to submit a power of attorney.

? It allows the examiner to determine the type of records maintained, so they can explain to the taxpayer what records should be available for the examination and prepare an Information Document Request tailored to the taxpayer's specific records. Under no circumstances will the telephone conversation be used to verify items appearing on an income tax return; inspection of records or other data can not be made by telephone.

Taxpayers and representatives who receive questionable telephone calls from individuals who claim to work at the IRS may report the fraudulent misrepresentation by calling the TIGTA toll-free hotline at 1-800-366-4484 or visiting the TIGTA Web site or sending an e-mail to: [phishing@irs.gov](mailto:phishing@irs.gov).

The IRS has issued Publication 4523, Beware of Phishing Schemes, and Publication 4535, Identity Theft Protection Victim Assistance, to assist the public in protecting their personal tax information and provide guidance if a taxpayer does become a victim of phishing or identity theft.

More information on phishing, identity theft and scams can be found on [IRS.gov](http://IRS.gov) in various Web articles and news releases. Start with Suspicious e-Mails and Identity Theft and How to Protect Yourself from Suspicious E-Mails or Phishing Schemes.

<b>TAP Issue ID: 16752 Elevated Date: 03/25/2010</b>	<b>Committee Name: Area 2</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: Authority of Unenrolled Return Preparer</b>	

Issue Statement	Internal Revenue Service (IRS) personnel are often unsure of the extent of the authority of an unenrolled return preparer named on a Form 2848 (Power of Attorney).
Goal Statement	To ensure that IRS personnel have an accurate understanding of the authority of an unenrolled return preparer who is authorized by a Form 2848, Power of Attorney to represent the taxpayer.
Proposed Solution	Improve IRS employee training on reference and instructional materials to ensure that all IRS personnel who interact with taxpayers and taxpayer representatives have an accurate understanding of the extent of the authority of an unenrolled return preparer authorized to represent the taxpayer by a Form 2848.
IRS Initial Response	<p>IRS agrees to improve our training materials related to Third Party Authorization by providing additional examples of the authority of unenrolled return preparers.</p> <p>Below is our implementation plan:</p> <p>Due Activity Comments  9/30/11 Create detailed and focused training Continuing Professional Education (CPE) mandatory topic  1/31/12 Deliver with CPE as mandatory topic  Addresses current employees, CPE delivery Oct-Jan.  10/1/11 Add new training as errata to respective courses Addresses new students  10/1/12 Update related courses Future delivery</p>

<b>TAP Issue ID: 16842</b> <b>Elevated Date: 11/09/2010</b>	<b>Committee Name: Area 2</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Third Party Designee Extension</b>	

Issue Statement	Taxpayers may designate a third party to discuss their tax return with the Internal Revenue Service (IRS) via a checkbox authority at time of filing. Under current IRS policy, the third party's authority automatically terminates after one year from the due date of filing the individual tax return granting third party authority, regardless of any extensions. However, there are return questions that frequently arise after this date, causing taxpayers the burden of having to take additional steps to grant the third party a new authorization.
Goal Statement	To eliminate the burden placed on taxpayers to reauthorize third-party designees.
Proposed Solution	Modify current IRS policy to allow this checkbox authority to remain in effective as long as there are probative questions concerning the preparation of the return or until the taxpayer revokes it or the designee withdraws. This would involve deletion of the words "This authorization will expire one year from the due date (without regard to extensions) for filing your return in the instructions for Form 1040, page 12 of Pub 947 and from the Third Party Authorization Product Line .

IRS Initial Response

Current policy is that the 1040 checkbox authorization expires one year from the due date of the return, while the proposal is to make this an open-ended authorization, similar to Form 8821. The contention is that any issues surfacing more than one year after the return due date can still be addressed.

A similar proposal to expand the duration of the checkbox authorization to three years from the due date of the return was submitted more than five years ago. The proposal was denied at that time.

While circumstances have changed somewhat since the last proposal, we continue to support a one year active period for the checkbox authorization. Our rationale is based in part on the following points:

Most processing issues should be resolved within one year of the original due date of the return.

Allowing an indefinite period for the checkbox to remain in effect would create its own set of logistical problems, particularly if issues later arise after the initial processing of the return.

The intent of the checkbox initiative was to resolve relatively minor processing issues (math errors, incomplete forms, etc.). It was meant to be a convenience, not a replacement for existing processes. This is particularly true when the complexity of an issue dictates a more in-depth examination and discussion with the designee.

Issues that extend beyond the checkbox's one year validity period can still be discussed via the use of a TIA, or if appropriate, a POA. While this creates an additional requirement in certain situations, it's not unduly burdensome, and can allow the designee access to information beyond that covered by the checkbox designation.

An argument was made that the taxpayer might not be aware of the expiration date for a checkbox authorization (though the return instructions clearly indicate this), but the same might be said of an open-ended authorization, especially if the taxpayer changes preparers.

The above points all favor the retention of the status quo. If the advisory should elect to review this issue again, perhaps a compromise solution is achievable. The effective period for the checkbox designation could be changed to read, ". . . [O]ne year from the due date of the return or date of filing, whichever is later." This would extend the validity of the designation for returns on extension or late filed returns, while still providing a definite expiration date for the authorization. To encourage timely filing, the language could say something like, ". . . original due date of the return or the revised due date after filing a valid extension."

<b>TAP Issue ID: 17154 Elevated Date: 12/01/2010</b>	<b>Committee Name: Area 2</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Systemic Reminder for Collection Hold</b>	

Issue Statement	Internal Revenue Service (IRS) should maintain a mechanism to place a hold on computer-generated notices while a taxpayer issue is being resolved. Following the taxpayer response, IRS then issues taxpayer correspondence suggesting the need for continued research. Computer generated taxpayer correspondence continues during this resolution period, including possibility of lien and levy action notices (Notice of Federal Tax Lien).
Goal Statement	For the duration of the case review, collection notices should be held and relevant actions noted in the taxpayers account.
Proposed Solution	<p>The Committee has identified both long- and short-term solutions to the issue of notice holds.</p> <p>Long-term, the Committee suggests that the IRS research system enhancements that allow for automatic hold of levy or lien notices while communications and research of an open taxpayer issue is in a resolution process.</p> <p>Short-term, the Committee recommends modifying existing Internal Revenue Manual (IRM) training on suppressing balance due notices . One way to accomplish this strategy is to include pop-up reminders input by IRS employees on taxpayer accounts. Additionally, the Committee requests that the Office of Taxpayer Correspondence consider involvement of the TAP Notice Improvement Committee for review of IRS 2626C to include more plain English explanation in the correspondence.</p>
IRS Initial Response	<p>Current procedures, per IRM 21.3.3, and IRM 1.10.1, require interim contact with the taxpayer when their correspondence cannot be replied to within 30 days. Interim letters serve as a Customer Service tool.</p> <p>For balance due cases, IRM 5.19.1 contains adequate instruction regarding taxpayer correspondence and STAUP of the account to prevent further collection while a taxpayer s inquiry is being considered.</p>

<b>TAP Issue ID: 17690 Elevated Date: 10/29/2010</b>	<b>Committee Name: Area 2</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: Revocation of Subchapter S-Corporation Election</b>	

Issue Statement	Taxpayers and tax practitioners are confused by the wording of Internal Revenue Code ( IRC ) Regulation Section ( Reg.Sec. ) 1.1362-6, Revocation of S Election. They construe it to mean that the statement of revocation ( Revocation Statement ) should be sent to the Internal Revenue Service (IRS) Center ( IRSC ) where they initially filed their S-Corporation (S-Corp) Election ( Election ) even if the Election was made before the IRS Modernization efforts of 1998.
Goal Statement	To clarify the meaning of Reg. Sec. 1.1362-6 with respect to which IRSC a Revocation Statement should be filed.
Proposed Solution	Since currently the IRSC which administers S-Corps are located at two Campuses, Cincinnati, OH and Ogden, UT, based on the geographic area of the taxpayer, revise the Reg. Sec. to read: The statement of revocation must be filed at the service center shown in the table of filing addresses under the section WHERE TO FILE in the instructions for Form 2553, Election by a Small Business Corporation (Under Section 1362 of the Internal Revenue Code). In addition, the instructions for TERMINATION OF ELECTION in the instructions for Form 1120S, U.S. Income Tax Return for an S-Corp ( Form 1120S ), should be changed to read: To revoke the election the corporation must file a statement with the service center indicated in Reg. Sec. 1.1362-6 which currently covers the geographic area of your business when the election was made.
IRS Initial Response	We will revise the 2010 revision of the instructions for Form 1120S, based on your comments. We will clarify the applicable instructions as appropriate.

<b>TAP Issue ID: 16595 Elevated Date: 10/08/2010</b>	<b>Committee Name: Area 3</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Form for Change of Business Name</b>	

Issue Statement	Internal Revenue Service (IRS ) publications provide no instructions for a business entity to inform the IRS of a change in its business name prior to filing its first income tax return.
Goal Statement	The IRS should establish a written procedure to help business entities that change or correct the business name when this change occurs after filing an Application for Employer Identification Number (EIN) Form SS-4 and prior to filing its first income tax return.
Proposed Solution	The IRS should provide written instructions on the <a href="http://www.irs.gov">www.irs.gov</a> website to give guidance to a business entity that needs to change its name prior to filing a tax return. A taxpayer should be able to search for business name change on the IRS website, and find a webpage with instructions on how to change a business name. This web page should also include instructions for a business entity that needs to change its name prior to filing a tax return.
IRS Initial Response	<p>We have reviewed the Pub. 1635 and the document is correct. We also provide the same information within the CP 575 notice (official notification letter providing the EIN). Both of these documents are "pre-filing".</p> <p>It appears the web site is geared for "pre" and "Post" filing.</p>
IRS Final Response	<p>We have reviewed the Pub. 1635 and the document is correct. We also provide the same information within the CP 575 notice (official notification letter providing the EIN). Both of these documents are "pre-filing".</p> <p>It appears the web site is geared for "pre" and "Post" filing.</p>

<b>TAP Issue ID: 16596 Elevated Date: 10/29/2010</b>	<b>Committee Name: Area 3</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Erroneous Information from IRS Employee</b>	

Issue Statement	There is no process for reporting an Internal Revenue Service (IRS) employee who provides erroneous information.
Goal Statement	Establish a method to report erroneous information received from an IRS employee so the employee can be re-trained to provide correct information.
Proposed Solution	<p>1 - Create an error resolution office where a caller can provide the employee name, number, date of contact and erroneous information provided. This office would then pass this information to the employee s supervisor to ensure the employee is properly trained.</p> <p>2 Develop a Customer Service in a Box approach to answering calls. This on screen database serves as a training and quality check review to ensure the appropriate leading questions are asked so that the correct response/solution is discussed with taxpayer.</p> <p>3 Develop an Interactive Voice Response (IVR) system to hear step-by-step, section-by-section information about each form or based on a review of the most commonly asked questions.</p>
IRS Initial Response	<p>IRS Response Detail: The IRS 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.</p> <p>Regardless, all taxpayer complaints receive a response to their inquiry, when possible. 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. 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.</p>

IRS Final Response

IRS Response Detail:

The IRS 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. 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. 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.

<b>TAP Issue ID: 16597 Elevated Date: 10/08/2010</b>	<b>Committee Name: Area 3</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Deceased Taxpayer Information</b>	

Issue Statement	The Internal Revenue Service (IRS) does not provide a method to reply to Letter 2797 when the taxpayer is deceased.
Goal Statement	Correspondence with taxpayers and their agents should include meaningful responses. When the IRS begins a Taxpayer Delinquency Investigation (TDI), the process must allow the deceased taxpayer s agent/ executor to designate the appropriate address for IRS correspondence
Proposed Solution	The subcommittee recommends adding the term agent /executor to the first line of the section used when the address is incorrect. The new line would be C.O., Guardianship, or Agent/Executor .
IRS Initial Response	<p>Thank you for your suggestion. We are interested in ways that we can more clearly convey information to taxpayers. Currently the Office of Taxpayer Correspondence is implementing a program to improve the clarity, accuracy, and effectiveness of the more than 1000 letters and notices used by the IRS.</p> <p>Letter 2797(CG) is used when the IRS is attempting to find a good address after receiving undeliverable mail. If the letter were modified to address each potential circumstance separately, it would be pages and pages instead of a single sheet. The area provided for the new address includes a line labeled, C/O or Guardianship that can be used by the executor to provide the name and appropriate address for the taxpayer s representative. This same space can be used by the relative or personal representative of a person who is incarcerated, hospitalized, incapacitated, traveling overseas, deployed in the military, or otherwise unable to receive mail to provide a mailing address for the person handling the taxpayer s business.</p>

IRS Final Response

REJECTED. Thank you for your suggestion. We are interested in ways that we can more clearly convey information to taxpayers. Currently the Office of Taxpayer Correspondence is implementing a program to improve the clarity, accuracy, and effectiveness of the more than 1000 letters and notices used by the IRS.

Letter 2797(CG) is used when the IRS is attempting to find a good address after receiving undeliverable mail. If the letter were modified to address each potential circumstance separately, it would be pages and pages instead of a single sheet. The area provided for the new address includes a line labeled, C/O or Guardianship that can be used by the executor to provide the name and appropriate address for the taxpayer's representative. This same space can be used by the relative or personal representative of a person who is incarcerated, hospitalized, incapacitated, traveling overseas, deployed in the military, or otherwise unable to receive mail to provide a mailing address for the person handling the taxpayer's business.

<b>TAP Issue ID: 16598 Elevated Date: 10/06/2010</b>	<b>Committee Name: Area 3</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Virtual World Goods</b>	

Issue Statement	There is no written guidance to explain when or how to report financial transactions in virtual worlds, such as Second Life. Second Life currency can be used to purchase real goods and converted to U.S. dollars.
Goal Statement	As technology continues to advance, it is imperative that the IRS offer Gross Income guidance relevant to current technologies. The IRS needs to draft clear guidance so that taxpayers can easily comply with the law.
Proposed Solution	<ol style="list-style-type: none"> <li>1. Issue guidance to taxpayers on how the IRS treats financial transactions, including gross income, related to Virtual Worlds.</li> <li>2. Determine whether these items of income are subject to self-employment tax, treated as miscellaneous income, etc.</li> <li>3. Determine how these transactions are taxed based on the timing of the transaction, i.e. when earned or when withdrawn, and whether this determination should hinge upon the type of virtual world, i.e. structured (e.g. World of War Crafts) versus unstructured (e.g. Second Life).</li> <li>4. Determine appropriate information reporting requirements for income generated in these worlds.</li> </ol>
IRS Initial Response	<p>The IRS has issued guidance on activities with similar issues to those of virtual world activities. If a taxpayer spends more money engaging in virtual world activities than they receive, the taxpayer cannot claim a loss on their tax return. Similarly, if a taxpayer receives more money from a virtual world activity than they spend on the activity, the taxpayer may be required to report the income on their tax return. A Tax Center specific to virtual world activities ( Tax Consequences of Virtual World Transactions ) can be found on IRS.gov.</p> <p>In addition, guidance has been issued on the tax consequences of Internet-based activities and online businesses such as Online Auction Sellers, Bartering Income, and Electronic Business. Tax Centers for these areas can be found at IRS.gov.</p> <p>Notice 2011-39 was just issued in April - this notice invites public comment on recommendations for items that should be included on the 2011-2012 Guidance Priority List. TAP may want to provide their suggestion to Counsel referencing Notice 2011-39.</p>

IRS Final Response

IRS Response Detail:

The IRS has issued guidance on activities with similar issues to those of virtual world activities. If a taxpayer spends more money engaging in virtual world activities than they receive, the taxpayer cannot claim a loss on their tax return. Similarly, If a taxpayer receives more money from a virtual world activity than they spend on the activity, the taxpayer may be required to report the income on their tax return. A Tax Center specific to virtual world activities ( Tax Consequences of Virtual World Transactions ) can be found on IRS.gov.

In addition, guidance has been issued on the tax consequences of Internet-based activities and online businesses such as Online Auction Sellers, Bartering Income, and Electronic Business. Tax Centers for these areas can be found at IRS.gov.

Notice 2011-39 was just issued in April - this notice invites public comment on recommendations for items that should be included on the 2011-2012 Guidance Priority List. TAP may want to provide their suggestion to Counsel referencing Notice 2011-39.

<b>TAP Issue ID: 17722</b> <b>Elevated Date: 10/29/2010</b>	<b>Committee Name: Area 3</b>
<b>Status: Monitoring IRS Action</b>	<b>Outcome: Proposal Partially Accepted</b>
<b>Title: Release of Federal Tax Levy</b>	

Issue Statement	Internal Revenue Service (IRS) Collection representatives do not consistently provide levy release documentation by fax when requested by taxpayers and representatives.
Goal Statement	To reduce the burden on taxpayers, practitioners, and employers and increase Collections efficiency by faxing the needed documents that will allow authorities to release tax levies.
Proposed Solution	The IRS will train Collections employees to consistently provide levy release documentation by fax, upon taxpayer request, as provided for in the Internal Revenue Manual (IRM). <sup>1</sup>

IRS Initial Response

Thank you for your panel s suggestion regarding providing levy release by fax to taxpayers and practitioners when requested. The Internal Revenues Service (IRS) has provided employees with guidance to fax levy releases if the levy is creating economic hardship, to prevent over collection or if sending through the mail the levy source (i.e. employer, bank) will not receive the release in time to prevent mailing in the levy proceeds. The Internal Revenue Manual (IRM) directs for expedited processing to fax the levy release to the levy source. Current workload and technology issues do not allow the IRS to fax a levy release immediately during the call with the taxpayer or Power of Attorney (POA). In January, ACS is scheduled to begin piloting E-FAX services, which will enable employees to fax levy releases from their desktops - eliminating the need to print and manually fax the releases. If the pilot is successful, it could be possible to expand faxing release of levy as suggested by the Taxpayer Advocacy Panel.

Releasing levies that have been issued through an Automated Levy Program (ALP) such as the Federal Levy Payment Program (FPLP) requires special handling. In this automated process when an expedited levy release is required, the designated FPLP coordinator rescinds the FPLP levy electronically. No paper Form 668-D, Release of Levy/ Release of Property from Levy for FPLP levies is issued to the Department of the Treasury, Financial Management Service (FMS) or any other federal payment agency.

The IRS is addressing the concerns raised in the TAP research concerning errors in processing levy releases. The IRS will continue to work to improve delivery of all levy releases and the consistency of our responses to taxpayer s inquiries.

Thank you again for suggesting changes to improve IRS operations. If you have any questions, please contact me, or you may contact Senior Program Analyst Jim Maslanka.

<b>TAP Issue ID: 17957 Elevated Date: 11/30/2010</b>	<b>Committee Name: Area 3</b>
<b>Status: Closed</b>	<b>Outcome: Resolved Prior to Elevation</b>
<b>Title: IRS Checks - No Notice of Explanation</b>	

Issue Statement	The Internal Revenue Service (IRS) mails refund checks to taxpayers with no explanation as to why they are receiving them. While there is reference to the tax year and form filed on the check, the Notice of Explanation is mailed separately, usually, a week or so after the check.
Goal Statement	Taxpayers should receive an explanation regarding why they are receiving a refund check from the IRS before or when they receive the check. This will prevent taxpayers from having to deal with potentially difficult issues relating to an erroneously issued refund check
Proposed Solution	<ol style="list-style-type: none"> <li>1. When the IRS determines a refund is due that was not requested by the taxpayer, the IRS should first generate a Notice of Explanation explaining that a refund check is being generated and then should generate the refund check.</li> <li>2. The Notice of Explanation should accompany the refund check.</li> <li>3. A brief general notice should accompany the refund check explaining it should not be deposited until the taxpayer verifies the refund is correct, i.e. once they receive the Notice of Explanation. In this case, a phone number should be included so taxpayers can call with questions. However, if the phone number is included on the general notice sent with the check, then that will negate some of the value of the Notice of Explanation and could generate additional phone calls. If the customer service phone number is included in the Notice of Explanation, it would only be used by taxpayers with additional questions.</li> </ol>

<p>IRS Initial Response</p>	<p>Thank you for your suggestion. The letters and notices sent to the taxpayer are generated by the IRS and printed at one of our two centralized printing sites. The checks or direct deposits are managed and distributed by Financial Management Services (FMS), a separate bureau of the Department of Treasury. This concern has been raised previously, and we have explored options with FMS to change the process. Unfortunately, the processing systems involved at each of the two separate and distinct bureaus do not allow us to put the explanation in the envelope with the check.</p> <p>The Office of Taxpayer Correspondence is in the processing of redesigning all IRS letters and notices, and including language to guide the taxpayer to all the resources they need if they don't understand the notice or don't agree with the amount shown is part of the redesign. The IRS is also making improvements in the notice process that should allow the notice to arrive on or very close to the date the payment arrives.</p>
<p>IRS Final Response</p>	<p>The Office of Taxpayer Correspondence is in the processing of redesigning all IRS letters and notices, and including language to guide the taxpayer to all the resources they need if they don't understand the notice or don't agree with the amount shown is part of the redesign. The IRS is also making improvements in the notice process that should allow the notice to arrive on or very close to the date the payment arrives.</p>

<b>TAP Issue ID: 18151 Elevated Date: 11/01/2010</b>	<b>Committee Name: Area 3</b>
<b>Status: Closed</b>	<b>Outcome: Resolved Prior to Elevation</b>
<b>Title: Notice of Deficiency</b>	

Issue Statement	Page One of the Internal Revenue Service (IRS) Notice of Deficiency (Letter 3219 SC/CG) does not clearly and concisely list the reason(s) for IRS penalties; instead, penalties are listed by IRC code sections which are then discussed in lengthy attachments. Please see Attachment B.
Goal Statement	Increase taxpayer understanding of tax penalties applied by providing a description of each IRC Section on Notice of Deficiency Page One.
Proposed Solution	On the first page of the Notice of Deficiency letter, the IRS should provide a simple description of each IRC Section that applies to the taxpayer s deficiency. Please see Attachment A.
IRS Initial Response	<p>Thank you for your suggestion. We are interested in ways that we can more clearly convey information to taxpayers. Currently the Office of Taxpayer Correspondence (OTC) is implementing a program to improve the clarity, accuracy, and effectiveness of the more than 1000 letters and notices used by the IRS.</p> <p>We have redesigned the Statutory Notice of Deficiency, L-3219, to improve the taxpayer s understanding of the notice and the actions required to petition tax court. As part of this process the letter was tested with over 450 taxpayers. This comprehension testing showed 83.6% of the taxpayers found the new version to be an improvement over the current version. Page 1 of the redesigned L-3219 contains a summary section with a detailed list of all amounts for which the taxpayer can petition tax court. The explanations section contains clear, detailed language explaining the basis for the applicable penalties. This language has scored well on taxpayer comprehension testing and meets the Revenue Reform Act of 1998 (RRA 98) requirement to fully disclose all penalties and interest.</p> <p>The debut of the redesigned L-3219 will begin in the Automated Under Reporter (AUR) Program, currently scheduled for the fall of 2011, and will then be implemented in the Non-filer and Examination programs.</p>

IRS Final Response

Thank you for your suggestion. We are interested in ways that we can more clearly convey information to taxpayers. Currently the Office of Taxpayer Correspondence (OTC) is implementing a program to improve the clarity, accuracy, and effectiveness of the more than 1000 letters and notices used by the IRS.

We have redesigned the Statutory Notice of Deficiency, L-3219, to improve the taxpayer's understanding of the notice and the actions required to petition tax court. As part of this process the letter was tested with over 450 taxpayers. This comprehension testing showed 83.6% of the taxpayers found the new version to be an improvement over the current version. Page 1 of the redesigned L-3219 contains a summary section with a detailed list of all amounts for which the taxpayer can petition tax court. The explanations section contains clear, detailed language explaining the basis for the applicable penalties. This language has scored well on taxpayer comprehension testing and meets the Revenue Reform Act of 1998 (RRA 98) requirement to fully disclose all penalties and interest.

The debut of the redesigned L-3219 will begin in the Automated Under Reporter (AUR) Program, currently scheduled for the fall of 2011, and will then be implemented in the Non-filer and Examination programs.

<b>TAP Issue ID: 18152 Elevated Date: 11/01/2010</b>	<b>Committee Name: Area 3</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Notice of Deficiency - Filing Petition</b>	

Issue Statement	The (Internal Revenue Service) IRS is not timely mailing dated Statutory Notices of Deficiencies (aka 90 day letters and a prerequisite for a taxpayer to file a tax court petition). Because a taxpayer has only 90 days from the date of the Statutory Notice of Deficiency (SND) in which to submit a tax court petition, any delay in mailing a SND harms the taxpayer.
Goal Statement	Upon generation of a dated SND, the IRS should mail it within 24 hours so that a taxpayer has the full time allotted by law to submit a tax court petition.
Proposed Solution	The subcommittee proposes that the IRS creates a process so that a dated SND is mailed within 24 hours. The subcommittee considered several methods, such as backdating or creating a rule in the Internal Revenue Manual (IRM); however, the subcommittee concluded that the IRS should determine an effective solution to ensure that taxpayer rights are protected with timely mailing.
	<p>IRS Response Detail: We have carefully reviewed the above referenced TAP recommendation and the existing procedures pertaining to the 90 day letter process. Current procedures outlined in IRM 4.8.9 provide for the SND to be mailed the same day as the date on the letter as well as maintaining certified mail receipts from the Post Office verifying the letter was issued on this date.</p> <p>The TAP request is rejected since it is current policy that the Statutory Notice of Deficiency be mailed on the same date of the letter.</p> <p>IRM references:</p> <p>IRM 4.8.9.8.2 Dating Notices (1) Two dates must be included on the notice letter: a. The date the letter was issued. This should be the same date the letter was mailed to the taxpayer. See IRM 4.8.9.9.3, Records of Mailing, below. b. The last day the taxpayer can file a petition with the Tax Court. This date will be 90 days after the notice was issued (150 days if the notice is addressed to a person outside the United States). See Exhibit 4.8.9 1 for computation.</p> <p>IRM 4.8.9.9.3, Records of Mailing, (1) Each Technical Services Territory Manager must maintain a record of the dates the notices were mailed because the: Validity of the date of notice could be challenged by the taxpayer.</p>

IRS Initial Response

The Tax Court does not have jurisdiction over a case when the taxpayer files a petition after the 90th/150th day or, if later, the date shown on the notice as the last day to file the petition. Commissioner has the burden of proof in establishing the date of mailing.

(2) The record of certified and registered mailing is kept on PS Form 3877 together with the certified/registered mail numbers, which are supplied by the United States Postal Service.

1. Across the first line of each form, type the following or use a stamp to imprint: Notices of Deficiency, for the years indicated, have been sent to the following taxpayers.
2. The certified/registered mail number is entered along with the name and address of the addressee. Multiple addresses are separately entered.
3. In the Remarks column, enter the years to which the notice is applicable or the date of death in estate tax cases.
4. The designated employee will stamp the notice envelope with:  
Certified Mail No. Or Registered Mail No.
5. The certified/registered number will be entered on the envelope.
6. The notices and the PS Form 3877 will be brought to the Post Office. The Post Office employee will compare the count and numbers used with the envelope notices.
7. The Service employee will indicate delivery to the Post Office by signing and dating PS Form 3877 as part of the permanent record of mailing. The Post Office employee will insert the postmark on the PS Form 3877.
8. The receipted forms will be numbered consecutively and retained in separate folders. These receipted forms should never be commingled with any other mailing records.

IRS Response Detail:  
We have carefully reviewed the above referenced TAP recommendation and the existing procedures pertaining to the 90 day letter process. Current procedures outlined in IRM 4.8.9 provide for the SND to be mailed the same day as the date on the letter as well as maintaining certified mail receipts from the Post Office verifying the letter was issued on this date.

The TAP request is rejected since it is current policy that the Statutory Notice of Deficiency be mailed on the same date of the letter.

IRM references:  
IRM 4.8.9.8.2 Dating Notices (1) Two dates must be included on the notice letter: a. The date the letter was

IRS Final Response

issued. This should be the same date the letter was mailed to the taxpayer. See IRM 4.8.9.9.3, Records of Mailing, below.

b. The last day the taxpayer can file a petition with the Tax Court. This date will be 90 days after the notice was issued (150 days if the notice is addressed to a person outside the United States). See Exhibit 4.8.9 1 for computation.

IRM 4.8.9.9.3, Records of Mailing,

(1) Each Technical Services Territory Manager must maintain a record of the dates the notices were mailed because the:

Validity of the date of notice could be challenged by the taxpayer.

The Tax Court does not have jurisdiction over a case when the taxpayer

files a petition after the 90th/150th day or, if later, the date shown on the

notice as the last day to file the petition.

Commissioner has the burden of proof in establishing the date of mailing.

(2) The record of certified and registered mailing is kept on PS Form 3877

together with the certified/registered mail numbers, which are supplied by the United States Postal Service.

1. Across the first line of each form, type the following or use a stamp to

imprint: Notices of Deficiency, for the years indicated, have been sent to the following taxpayers.

2. The certified/registered mail number is entered along with the name and address of the addressee. Multiple addresses are separately entered.

3. In the Remarks column, enter the years to which the notice is applicable

or the date of death in estate tax cases.

4. The designated employee will stamp the notice envelope with:

Certified Mail No. Or Registered Mail No.

5. The certified/registered number will be entered on the envelope.

6. The notices and the PS Form 3877 will be brought to the Post Office. The

Post Office employee will compare the count and numbers used with the envelope notices.

7. The Service employee will indicate delivery to the Post Office by signing

and dating PS Form 3877 as part of the permanent record of mailing. The

Post Office employee will insert the postmark on the PS Form 3877.

8. The receipted forms will be numbered consecutively and retained in

separate folders. These receipted forms should never be commingled with any other mailing records.



<b>TAP Issue ID: 18153 Elevated Date: 11/03/2010</b>	<b>Committee Name: Area 3</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: CAF Number Errors</b>	

Issue Statement	Notice Number CP-547, We Assigned You A Centralized Authorization File (CAF) Number, provides that if the Internal Revenue Service (IRS) erroneously assigned more than one CAF number, the representative should fax or call the number at the top of the notice. The help desk number is inconsistently answered, and when a representative attempts to leave a message the voicemail box is generally full.
Goal Statement	Provide an efficient procedure for the representative to inform the CAF unit of an error that does not require the representative to make several attempts to reach a CAF Unit employee.
Proposed Solution	The subcommittee proposes three possible solutions: 1. Increase personnel and resource to the CAF Unit so that practitioners can call and speak to someone about the notice they received, 2. Increase the message capacity for the voicemail box, 3. Remove the number completely and require communication by another medium, such as fax only.
IRS Initial Response	Thank you for your suggestion. The letters and notices sent to the taxpayer are generated by the IRS and printed at one of our two centralized printing sites. The checks or direct deposits are managed and distributed by Financial Management Services (FMS), a separate bureau of the Department of Treasury. This concern has been raised previously, and we have explored options with FMS to change the process. Unfortunately, the processing systems involved at each of the two separate and distinct bureaus do not allow us to put the explanation in the envelope with the check.  The Office of Taxpayer Correspondence is in the processing of redesigning all IRS letters and notices, and including language to guide the taxpayer to all the resources they need if they don t understand the notice or don t agree with the amount shown is part of the redesign. The IRS is also making improvements in the notice process that should allow the notice to arrive on or very close to the date the payment arrives.

IRS Final Response

RESPONSE:ACCEPTED - Thank you for bringing these issues to our attention, we apologize for any inconvenience you have experienced.

Correcting erroneously assigned CAF numbers is not generally an issue that can be corrected via a phone call, for that reason we agree with recommendation 3 above and will be initiating a request to have the CP 547 updated to clarify the instructions to the practitioner. A Unified Work Request (UWR) will be input to request the change below:

If we erroneously assigned you more than one CAF number, please fax a copy of each CP 547 notice you received to the fax number shown at the top of this letter. The fax cover sheet should include a description of the situation and indicate which of the multiple CAF numbers you wish to retain. If you do not indicate a preference, we will keep the earliest number assigned. The implementation date for the change is scheduled for 1/28/2012.

<b>TAP Issue ID: 16695 Elevated Date: 01/26/2010</b>	<b>Committee Name: Area 4</b>
<b>Status: Closed</b>	<b>Outcome: SAMS - Accepted</b>
<b>Title: Tie-breaker Rules for a Qualifying Child</b>	

Issue Statement	In researching the new Tie-Breaker Rules for a Qualifying child on the IRS website, there are two sources indicating conflicting information. One site indicates that the eligible taxpayers still have flexibility regarding who claims the child if they are in agreement. The other site implies the rules are mandatory. Following are the two sites in questions: <a href="http://www.etc.irs.gov/central/aboutetc/basicqualifications/tiebreaker/">http://www.etc.irs.gov/central/aboutetc/basicqualifications/tiebreaker/</a> <a href="http://www.irs.gov/app/vita/globalmedia/qualifying_child_more_than_one_person_4012.pdf">http://www.irs.gov/app/vita/globalmedia/qualifying_child_more_than_one_person_4012.pdf</a>
Goal Statement	Clarify the Tie-Breaker Rules for a Qualifying Child are not mandatory and ensure all IRS websites reflect the same information.
Proposed Solution	All IRS websites should reflect the same information clarifying the Tie-Breaker Rules for a Qualifying Child are not mandatory. If more than one taxpayer could claim an individual as a qualifying child, the individuals can determine by agreement which one of them will claim the child. The Tie-Breaker Rules apply if more than one taxpayer claims a qualifying child.

IRS Initial Response

Thank you for your recent advocacy issue submission: Tie-breaker Rules for Qualifying Child Confusing, which was assigned control number 16698 on the Systemic Advocacy Management System (SAMS). Your submission has been closed.

Your submission was not selected as a project at this time. In our preliminary research of the issue, we found the site you gave to be linked to a publication, not an actual item posted to the IRS website at [www.irs.gov](http://www.irs.gov). While we agree Publication 4012 used by VITA volunteers does not make it clear when the tie-breaker rules should be used, the publication also gives alternate sources for finding out more information on the topic. We verified that using these tie-breaking rules for determining who can claim a child when more than one person qualifies to claim the child is not mandatory and is only guidance. This is put in the publications to assist taxpayers, but it is not a requirement to use the tie-breaking rules. However, the IRS does use these rules when more than one person claims the same child as a qualifying child.

Because this information is contained in publications, it is unlikely they will be clarified or corrected for this filing season; however, we did alert VITA of your concern as well as the Forms and Publication division and the TAS IMD/SPOC who handles most requests for changes to forms/publications originating from TAS. Since it is unlikely the publications will be changed for this year, we are closing your submission in our office; however, Systemic Advocacy will continue to monitor this issue and may reopen and expand our investigation if other problems are reported.

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 [systemic.advocacy@irs.gov](mailto:systemic.advocacy@irs.gov). If you do, please refer to the issue number above. Thank you for participating in the System Advocacy program.

<b>TAP Issue ID: 16706 Elevated Date: 06/04/2010</b>	<b>Committee Name: Area 4</b>
<b>Status: Closed</b>	<b>Outcome: Issue Partially Implemented</b>
<b>Title: Taxpayer Notification of Third Party Disclosure</b>	

Issue Statement	The Internal Revenue Service (IRS) recently issued several revenue rulings and regulations regarding the circumstances under which tax preparers may disclose taxpayer information to third parties without taxpayer consent. However, taxpayers generally do not read revenue rulings or regulations, so they may be unaware that tax preparers may disclose their personal information without their knowledge or consent.
Goal Statement	To make taxpayers aware that preparers may disclose their tax return data to certain third parties without the taxpayer's consent.
Proposed Solution	Publicize these new provisions to taxpayers using the following means:  1) Insert a paragraph or short statement in the 2010 Form 1040, U S Individual Income Tax Return, series instructions as the first item in the What s New section, and include the information in the form instructions for all subsequent years.  2) Make the information available on the IRS.gov website under the Things you need to know! section.  3) Issue a press release to stimulate news stories announcing the disclosure provisions.  4) Provide VITA sites with posters describing the disclosure rules.  5) Consider provisions requiring paid tax preparers to notify their clients of the disclosure rules.

IRS Initial Response

IRS Response Detail:

Item #1:

Tax Forms & Publications agrees to adopt Item Number 1

Item #2:

This has been completed.

Item #3:

We have taken into consideration the recommendation to issue a press release to stimulate news stories announcing the disclosure provisions. However, upon the advice of Counsel, we are not able to accept the recommendation.

Item #4.

We agree with the recommendation regarding VITA sites in part. IRS SPEC already requires Volunteer Income Tax Assistance (VITA) return preparers to provide a disclosure statement to taxpayers if they are using their data for anything other than return preparation purposes. This was implemented in the VITA/TCE programs in FY2009. Partners compliance to this requirement is monitored through our Criteria Site Reviews, Quality Site Reviews, and Field Site Visits. At this time, we do not believe requiring a poster to be displayed in the site locations borrowed by many of our partners, is warranted.

# 5:

Under Section 7216 Frequently Asked Questions, <http://www.irs.gov/efile/article/0,,id=188398,00.html> Question 6 you'll find "The regulations provide exceptions allowing tax return preparers to disclose tax return information without a taxpayer's prior written consent under certain circumstances: e.g., disclosures to the IRS, other taxing jurisdictions or the courts; disclosures to other U.S.-based tax return preparers that assist in preparing the return; and disclosures for the purpose of obtaining legal advice. These and other exceptions can be found in Treas. Reg. §301.7216-2. All other disclosures not specifically authorized require tax return preparers to secure from taxpayers advance signed consents (see 7 below) authorizing the disclosures."

<b>TAP Issue ID: 16727 Elevated Date: 10/07/2010</b>	<b>Committee Name: Area 4</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Correspondence Audits</b>	

Issue Statement	A significant percentage of the campus correspondence audits result in no change to the original return and no additional tax due. These nonproductive, or no change, campus correspondence audits place a burden on both taxpayers and Internal Revenue Service (IRS) resources.
Goal Statement	The IRS should refine the individual tax forms, instructions, and audit guides to reduce the number of nonproductive campus correspondence audits resulting from information reported on the Form 1040 Schedule A, Itemized Deductions.

Proposed Solution

The following recommendations are based on actual audit scenarios in which a correctly filed Schedule A became the subject of a nonproductive campus correspondence audit.

1. Mortgage Interest Expense, Schedule A, Line 10. We recommend adding a box to Schedule A line 10, where the taxpayer could indicate that total interest reported on Form 1098 has been allocated between/ among the following schedules/forms: Schedule A, Schedule C, Schedule E, Schedule F, Form 4835 or Form 8829. In addition, we recommend inserting examples of scenarios in the IRM (Internal Revenue Manual) where allocation is required to provide less experienced examiners with additional guidance that could be used to evaluate the accuracy of the return filed with allocated mortgage interest expense..
2. Mortgage Interest Expense, Schedule A, Line 11. To reduce the incidence of this reporting error, we suggest adding a Tax Tip to the Schedule A instructions to highlight and explain that interest paid by an LLC owned by the taxpayer, as well as nominee interest or other interest not reported on a Form 1098, should be reported on Schedule A, Line 11 and not on Line 10. .
3. Unreimbursed employee business expenses, Schedule A, Line 21. The guidance for examiners to use both the taxpayer s adjusted gross income and the taxpayer s occupation to evaluate the reasonableness of the unreimbursed employee business expense deduction was included in IRS Continuing Professional Education (CPE) training materials dated December 2007. We recommend the IRS permanently insert this instruction into the IRM.
4. State and Local Income Taxes, Schedule A, Line 5. We recommend the SSA transmit all of the information from Form W-2 to the IRS, including state income tax information
5. Charitable Contributions, Schedule A, Line 16. We recommend adding a box to Schedule A, Line 16, directing the taxpayer to check the box if he/she has written documentation from the charity for each donation of \$250 or more. Also, we recommend changing the IRM to indicate that, if a taxpayer has been audited in a prior year for what appeared to be excessive charitable contributions and that audit resulted in no additional tax due or refund because the taxpayer met his/her burden of proof for the contribution deduction, then that evidence should be considered before selecting the same taxpayer for an audit of charitable contributions in a subsequent year.

IRS Initial Response

SB/SE IRS Response Detail:

We continually monitor and refine our selection criteria for our issues based on historical no-change information.

1. Adding a box to Schedule A line 10 would not have an impact on our selection criteria.

2. The recommendation to add the tax tips would need to be submitted to Forms and Publications for evaluation. We have no compliance data supporting a benefit to this suggestion.

3. The substance of the suggestion to evaluate the taxpayer's income and occupation is considered in our selection criteria and reinforced in our training and our IRM. IRM 4.19.15.26 (.1 & .2) also contains information about Employee Business expense involving issues when the expenses do not appear consistent with the taxpayer's occupation or income. Additionally IRM 4.19.15.26.1 states All responses need to be evaluated using judgment considering what is known about the occupation. We feel our current guidance is in line with the recommendation.

4. The State and Local Income Tax information in this suggestion is currently available to the IRS.

5. We do not agree there would be any value to adding a checkbox for charitable contributions to the schedule A. We do not think it would alter our selection criteria and failure to check the box would likely be perceived as an indication that the TP does not have the documentation to support their deduction.

Our selection criterion checks the resolution of prior year examinations prior to creating a new case.

<b>TAP Issue ID: 16728</b> <b>Elevated Date: 10/28/2010</b>	<b>Committee Name: Area 4</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: Understanding Taxes</b>	

Issue Statement	A lack of basic tax knowledge may increase taxpayers' reliance on third-party preparers. The Internal Revenue Service (IRS) has an online teaching program titled "Understanding Taxes" that may help taxpayers learn to prepare their own simple tax returns, but this program is underutilized.
Goal Statement	To encourage students to learn more about the tax system and reduce reliance on third-party preparers for the completion of simple income tax returns.
Proposed Solution	<p>We propose a two-pronged solution to reach this goal:</p> <ol style="list-style-type: none"> <li>1. Encourage IRS partners to recruit volunteers to teach the Understanding Taxes program in high school and college classrooms. Suggested partnerships include Volunteer Income Tax Assistance (VITA), Tax Counseling for the Elderly (TCE), AARP Tax-Aide, financial institutions, community action agencies, and nonprofit organizations, such as the Chamber of Commerce or Junior Achievement.</li> <li>2. Encourage the IRS' Stakeholder, Partnerships, Education and Communication (SPEC) division to promote the teaching of Understanding Taxes in high schools. This proposal takes advantage of SPEC's existing relationships with educational professionals on local, regional, and national levels and dovetails with SPEC's current initiative to focus on Financial Education and Asset Building (FEAB).</li> </ol>
IRS Initial Response	<p>Response Accepted</p> <p>SPEC accepts the proposal that the use of UT should be expanded.</p> <ol style="list-style-type: none"> <li>1. SPEC has historically encouraged its partners to recruit volunteers for the Understanding Taxes (UT) Program. An obstacle partners face in using their resources to promote and teach UT is that the non-profit community operates on funding that is restricted to the stated purpose of the funding. In this regard, involvement with high schools is often outside of the scope of the partners' current funding. SPEC will encourage partners to add UT to financial literacy grant proposals they submit.</li> <li>2. SPEC has addressed this concern with the National Council of Economic Education (NCEE) who advised SPEC to promote this program directly to educators (bottom up approach) as educators are the driving force in school curriculum development. SPEC will seek opportunities to attend educators' conferences/conventions at both the state and national levels.</li> </ol>

<b>TAP Issue ID: 16730 Elevated Date: 06/07/2010</b>	<b>Committee Name: Area 4</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Refer for Preparer Advice</b>	

Issue Statement	A taxpayer whose return was prepared by a third party preparer and receives an IRS notice may be unfamiliar with the issues and respond incorrectly, fail to respond, or call the toll free IRS number for information.
Goal Statement	Minimize misunderstandings and wasted time for both the taxpayer and the IRS.
Proposed Solution	We recommend the following wording be added to all notices: "If your tax return was prepared by a third party tax preparer, you may want to contact the preparer before responding to this notice."

<p>IRS Initial Response</p>	<p>Taxpayers always have the option to secure representation, but to suggest they contact someone before responding could create an undue level of anxiety for taxpayers. The IRS recognizes that correspondence from the IRS can be confusing and has taken steps to improve the taxpayer experience.</p> <p>In July 2008, Commissioner Shulman appointed the Taxpayer Communications Taskgroup (TACT) to review IRS correspondence. TACT worked with key stakeholders, including practitioners, taxpayers, and IRS staff, to redesign and implement new notices and letters. The goal was to increase the clarity, accuracy, and effectiveness of the approximately 1,000 different IRS letters and notices for the 200 million pieces of correspondence sent each year.</p> <p>In January 2010, TACT evolved into the Office of Taxpayer Correspondence (OTC). OTC has Service-wide responsibility for letters and notices, and has implemented redesigned correspondence based on best practices and modern expectations. In addition to improving the visual appeal of the notices, the content is rewritten in plain language to help taxpayers understand and respond to the IRS notice quickly.</p> <p>The redesigned notices explain:</p> <ul style="list-style-type: none"> <li>Why the notice was sent</li> <li>How the taxpayer should respond</li> <li>What the consequence is if the taxpayer does not respond</li> <li>Where to find additional resources, publications, and services</li> </ul> <p>Other improved features:</p> <ul style="list-style-type: none"> <li>New section and subsection headings clearly signal important information</li> <li>Important reference information appears in masthead</li> <li>Convenient payment coupon appears on first page</li> <li>Financial information, such as columns of numeric information, are well organized and totals are prominent</li> <li>The new format guides you to appropriate pages on IRS.gov where you can find accurate and relevant information quickly and easily.</li> </ul>
<p>TAP Counter Response</p>	<p>TAP appreciates the consideration given and the timeliness of the IRS Response, however the issue is not suggesting taxpayers contact someone before responding to IRS notices. The issue suggests that if a return was prepared by a third party preparer, the taxpayer should consider consulting the preparer before responding to IRS correspondence.</p> <p>Taxpayers using a third party preparer would usually be less familiar with the tax issues, and should have less anxiety if the 3rd party preparer was consulted, rather than initiating a response without guidance.</p>

IRS Final Response

We agree that taxpayers find our current notices confusing. The solution is where we disagree. The appropriate corrective action is to improve the notices so that taxpayers better understand them, and that is the basis of the Office of Taxpayer Correspondence work. Pushing the taxpayer to a "translator" in the form of a third party preparer who would likely charge the taxpayer for their time is not a concept we would support.

<b>TAP Issue ID: 16731 Elevated Date: 07/22/2010</b>	<b>Committee Name: Area 4</b>
<b>Status: Monitoring IRS Action</b>	<b>Outcome: Proposal Partially Accepted</b>
<b>Title: First Time Event Penalty Abatement</b>	

Issue Statement	The Internal Revenue Service (IRS) may allow a first time abatement of a taxpayer's penalty for the following infractions: Failure to File Timely, Failure to Pay Timely, and/or Failure to Deposit Timely. However, several filing/payment periods may elapse before a taxpayer is aware of the requirement to file/pay, causing penalties to accrue without abatement for all subsequent periods.
Goal Statement	Relieve the taxpayer from additional penalties arising from the same first-time infraction.
Proposed Solution	The IRS should change the definition of first time abatement in Internal Revenue Manual (IRM) Section 20.1.1.3.6.1 (see attached) to include a length of time from the date of the first occurrence through the date that the taxpayer becomes aware of the failure(s) and timely resolves the infraction(s), provided the taxpayer meets the criteria for abatement. This may include multiple periods.
IRS Initial Response	<p>IRS Response Detail:</p> <p>The First-time Abate Administrative Waiver (FTA) was implemented and exists to provide taxpayers a one-time penalty abatement in the first tax period a penalty is assessed following a prior history of compliance. Expanding the scope of penalty relief under the FTA provision from a single tax period to multiple tax periods would result in unfair and inconsistent treatment of taxpayers by providing more penalty relief to those taxpayers with multiple periods of non-compliance than to those with a single period of non-compliance.</p>

TAP Counter Response

Thank you for your December 8, 2010 response to Area 4 Issue 16731 First Time Event Penalty Abatement.

The Internal Revenue Service's (IRS) response raises two reasons in support of its position that expanding First-Time Abate Administration Waiver (FTA) relief to multiple-period taxpayers is unwarranted. Namely:

1. It is unfair to single-period taxpayers; and
2. It is treating similarly-situated taxpayers inconsistently.

We respectfully suggest that the reasons given do not, in fact, support the IRS' position in this case. It is these exact reasons that support the application of FTA to multiple periods when the taxpayer has otherwise been tax compliant.

First, the relief proposed is fair to both types of taxpayers (single period and multiple period) because both had only one occurrence which each remedied as soon as they learned of them. The only material difference between the single and multiple period taxpayers is reflected in I.R.M. 20.1.1.3.61. The single period taxpayer's discovery or notification of the occurrence was sooner than the multiple period taxpayer. Luck discovering a federal tax noncompliance issue or earlier notification should not be the basis for treating similarly-situated taxpayers differently.

Second, the result TAP advocates in this case is not inconsistent with other comparable relief that the IRS provides. An example of this is: reasonable cause abatement which is permitted to span multiple periods during the occurrence.

Third, there is no inconsistent treatment of taxpayers because the focus of the change is on the underlying occurrence and not on the number of periods. If a taxpayer, once the noncompliance is discovered, continues in the same manner, penalties should apply in those subsequent periods. Again, luck should not be the legal basis for disparate treatment under the FTA.

We respectfully request that the IRS reconsider its refusal to adopt TAPs recommendation.

IRS Final Response

Attached is the previous official SB/SE response to the following recommendation from the Taxpayer Advocacy Panel (TAP):

First Time Event Penalty Abatement, TAP issue # 16731

The recommendation seeks to improve customer satisfaction by making the penalty relief process less burdensome and more equitable. The TAP recommendation was vetted through the SB/SE functional area and the Director concurred with the response.

We thank TAP for the additional information (rebuttal) that was provided for this issue. At this point in time, we concur with our original response and decline the recommendation. However, as we continue to make enhancements to our penalty program, we may revisit this suggestion and others like it again. Currently, the Office of Servicewide Penalty (OSP) is planning to conduct an in-depth review in June 2011 of its programs to leverage feedback for improvements.

<b>TAP Issue ID: 16805 Elevated Date: 02/03/2010</b>	<b>Committee Name: Area 4</b>
<b>Status: Closed</b>	<b>Outcome: SAMS - Accepted</b>
<b>Title: Direction to Wait for Revised F.5405 to Claim FT HB</b>	

Issue Statement	The IRS is rejecting Forms 5405, First-Time Homebuyer Credit, (Rev. February 2009) filed by taxpayers who purchased homes after November 6, 2009, based on new legislation enacted on that date which changed the homebuyer credit. These taxpayers are being instructed to refile their credit claims after the new Form 5405 is released (the release date is currently estimated to be January 8, 2010). However, the Form 5405 (Rev. February 2009) instructions state the credit can be claimed by first-time homebuyers who purchased their main homes after April 8, 2008 and before December 1, 2009.
Goal Statement	1) To clarify whether qualified first-time homebuyers who completed their home purchases before December 1, 2009 should be grandfathered under the "old" first-time homebuyer law, or subject to the new law enacted November 6, 2009. 2) To expedite processing of the credits claimed for purchases completed prior to December 1, 2009 by requiring the IRS to accept returns filed on Forms 5405 revised in February 2009, the only homebuyer form currently available to taxpayers, and placing the burden on the IRS to obtain any other required information rather than making taxpayers wait until the form is available to them.
Proposed Solution	Refer issue to SAMS for immediate intervention.

IRS Initial Response

Official email response:

Thank you for your recent advocacy issue submission: Direction to Wait for Revised F5405 to Claim FTHBC, which was assigned control number 16514 on the Systemic Advocacy Management System (SAMS). Your submission has been closed.

Your submission was not selected as a project at this time. In our preliminary research of the example you provided, it is possible that the problem was caused by an isolated campus error. Since the revised Form 5405 for use with the First Time Home Buyer Credit (FTHBC) program has been issued, we have not identified any further trends of this nature. However, we will share this with FTHBC Subject Matter Experts (SMEs). Systemic Advocacy will continue to monitor this issue and may reopen and expand our investigation if other problems are reported. 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 [systemic.advocacy@irs.gov](mailto:systemic.advocacy@irs.gov). If you do, please refer to the issue number above. Thank you for participating in the Systemic Advocacy Program.

<b>TAP Issue ID: 16811 Elevated Date: 02/03/2010</b>	<b>Committee Name: Area 4</b>
<b>Status: Closed</b>	<b>Outcome: SAMS - Accepted</b>
<b>Title: Change of Address on Amended Returns</b>	

Issue Statement	The IRS did not input the change of address listed on Form 1040X, Amended U.S. Individual Income Tax Return. As a result, the refund for the First Time Home Buyer Credit (FTHBC) was sent to a prior apartment address.
Goal Statement	Change taxpayer s address of record when a new address is indicated on an amended return.
Proposed Solution	Ensure all IRS employees are aware of the requirement to input a change of address when a new address is listed on an amended return and the box is checked yes indicating the address should be changed.
IRS Initial Response	<p>Thank you for your recent advocacy issue submission: Change of Address on Amended Returns, which was assigned control number 16584 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. In our preliminary research of the issue, we could not find any other instances of the problem you described. It is possible that the error occurred due to human error and not a systemic problem; however, Systemic Advocacy will continue to monitor this issue and may reopen and expand our investigation if other problems are reported. We shared your concern with the FTHBC Steering Committee. The FTHBC Steering Committee is a cross-functional IRS and TAS committee that is monitoring, updating, and actively working concerns relating to the implementation, processing, and examination of FTHBC filings. If you have more detailed information or more examples validating the systemic nature of this issue, please feel free to forward the information to us.</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</p>

IRS Final Response

While the issue was not accepted as a project, the TAS Wednesday Weekly under Hot Topics included a topic contributed by David Swan on Wednesday, February 24, 2010:

Submit First-Time Home Buyers Credit Issues on Systemic Advocacy Management System - More Filing Season & Beyond Hot Topics: Please continue to submit potential systemic problems or processing concerns regarding First-Time Home Buyers Credit (FTHBC) cases on the Systemic Advocacy Management System (SAMS). TAS participates on a number of FTHBC teams and steering committees, and through your SAMS submissions we can identify systemic issues, elevate the concerns immediately to the operating divisions, and work to correct the problems before these issues begin to generate TAS cases.

For example, Becky Chiaramida, Executive Director Systemic Advocacy, is a member of the FTHBC Executive Steering Committee. While the IRS had assured us that addresses were being updated based on amended return filings, a number of elevated issues on SAMS reported the contrary. Becky was able to use these examples to get the problem resolved.

Don't worry if we ultimately determine that your particular situation is a simple employee error. We still want to know what you are seeing in your casework. Remember, even 100 employees making the same mistake is a systemic problem where guidance may be needed.

<b>TAP Issue ID: 16885 Elevated Date: 11/29/2010</b>	<b>Committee Name: Area 4</b>
<b>Status: Monitoring IRS Action</b>	<b>Outcome: Proposal Partially Accepted</b>
<b>Title: Publications 15 / 15-A</b>	

Issue Statement	Publication 15, (Circular E) Employer's Tax Guide, and Publication 15-A, Employer's Supplemental Tax Guide, contain some duplicate content. Both publications are widely distributed and expensive to produce and mail.
Goal Statement	To reduce the cost of producing employer's tax guides and provide more information to all employers.
Proposed Solution	<ol style="list-style-type: none"> <li>1. Merge Publications 15 and 15-A and move the withholding and earned income credit (EIC) tables to the IRS website.</li> <li>2. Reduce overall page count by combining sections that overlap and replacing sections on obscure topics with internet references.</li> <li>3. Discontinue mass mailings as part of a new business tax form kit and mail on request only.</li> </ol>

IRS Initial Response

Thank you for your suggestion to merge Publications 15 (Circular E), Employer's Tax Guide, and 15-A, Employer's Supplemental Tax Guide, and move the withholding tables from the publications to the IRS website. We have considered your suggestion and respond with the following comments.

On an ongoing basis, we consider reducing or increasing the number of tax products necessary to provide proper guidance to employers to ensure compliance. Most employers only need the guidance in Publication 15 (Circular E) to comply with income tax withholding and depositing. The information in Publication 15-A provides details and exceptions for classifying employees and is used to supplement the general information provided in Publication 15 (Circular E). Although there is some overlapping information between the publications, we believe that most employers fully meet their federal tax obligations with the information provided in Publication 15 (Circular E). We do not want to overburden the majority of employers by including the supplemental information from Publication 15-A in Publication 15 (Circular E).

We are considering revising or creating a publication or notice that would include the withholding tables from Publications 15 (Circular E) and 15-A, eliminating the need to publish the tables in these publications. We are also considering if this publication or notice will be mailed upon request. It would be available on IRS.gov, whether or not it could be mailed upon request.

Our printing section has advised that we will be mailing Publication 15 (Circular E) (For use in 2011), only to new employers and employers that filed paper tax returns in 2010, a greater than 80% reduction in mail volume from the prior year. We also will keep a current stock of Publication 15 (Circular E) available for mailing upon request.

Please contact us if you have any further inquiries.

<b>TAP Issue ID: 17016 Elevated Date: 09/21/2010</b>	<b>Committee Name: Area 4</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: Publication 505 - correction</b>	

Issue Statement	The language regarding the underpayment penalty in Publication 505, Tax Withholding and Estimated Tax, is misleading.
Goal Statement	Delete confusing language concerning underpayment penalties from page 23 in Publication 505.
Proposed Solution	Replace the current language in the paragraph titled Underpayment penalty. with the sentence See Chapter 4 for information on underpayment penalties .
IRS Initial Response	IRS Response Detail:  We will revise the first sentence under Underpayment penalty for clarity; however, we will not delete the sentence because it is important for the discussion on how to calculate estimated tax payments.

<b>TAP Issue ID: 17354 Elevated Date: 10/28/2010</b>	<b>Committee Name: Area 4</b>
<b>Status: Monitoring IRS Action</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: Amount Due Collection Notices</b>	

Issue Statement	As part of the efforts of the Internal Revenue Service (IRS) to collect past due taxes from taxpayers, the IRS issues a series of collection notices known as CP Notice 501, 503 and 504 (the CP Notices collectively or CP 501 , CP 503 and CP 504 individually). Besides demanding payment in full, all three of these CP Notices mention the possibility of an installment agreement, with CP 503 also mentioning the possibility of a payroll deduction agreement, yet none of the three CP Notices says anything to make the taxpayer aware of the option of an Offer In Compromise (OIC) if the taxpayer is unable to make payment in full.
Goal Statement	The IRS in its collection efforts should clearly and without undue delay advise the delinquent taxpayer of not only the installment option but also the OIC option if the taxpayer is unable to make payment in full.
Proposed Solution	Modify CP Collection Notices 501, 503 and 504 so that the delinquent taxpayer is made aware in a timely manner of the Offer In Compromise payment option. In CP 501, amend the last sentence to read: If you already paid your balance in full, arranged for an installment agreement, or have an Offer In Compromise pending, please disregard this notice. If you cannot pay the full amount now, see the enclosed Publication 594 titled The IRS Collection Process for payment options such as an Installment arrangement or an Offer In Compromise. A similar change should also be made to CP 503 and CP 504 without needing to again enclose the Publication 594 with those later CP Notices.

IRS Initial Response

Follow-up IRS Response Detail:

Thank you for your additional comments regarding our initial response. The revised CP 501, 503 and 504 notices went into production this month. These new notices clearly explain to the taxpayer that if they cannot immediately full pay, they have other payment options and guide them to IRS.gov. The option of an Offer in Compromise is not specifically included on the face of the notice, because to introduce a concept without full explanation would be contrary to the concept of the plain language used in the new notices. OICs require a lengthy and detailed explanation that could further confuse taxpayers about a program for which only a very small portion of recipients of the notice would qualify. Because we also encourage the taxpayer to call, assistors can explain the OIC option to taxpayers who may qualify. As IRS continues to look at ways to improve the OIC program, Office of Taxpayer Correspondence (OTC) will stay attuned to find opportunities to assist in introducing taxpayers to the OIC option at the appropriate time.

Initial IRS Response Detail:

Thank you for your suggestion. You will be pleased to know that the Office of Taxpayer Correspondence has been working on making the Collection notices better. The revised notices will be placed in production in early 2011.

The layout and language of these notices has been tested with taxpayers, and the results show that the taxpayer clearly understand the message of the notice, the actions they need to take, and the consequences of inaction.

One of the innovations included in all balance due notices is clear language about payment options. Under the heading, What you need to do immediately is the following:

Pay immediately

Send us the amount due of \$888.88, by Month day, 20XX, to avoid additional penalty and interest charges.

If you can't pay the amount due, pay as much as you can now and make payment arrangements that allow you to pay off the rest over time. Visit [www.irs.gov](http://www.irs.gov) and search for keyword: tax payment options for more information about:

-- Installment and payment agreements download required forms or save time and money by applying online if you qualify

-- Automatic deductions from your bank account

-- Payroll deductions

-- Credit card payments

Or, call us at 1-800-829-0922 to discuss your options. If you've already paid your balance in full within the past 14 days or made payment arrangements, please disregard this notice.

Third IRS Response:

IRS Final Response

Thank you for providing another opportunity to review this suggestion. The Office of Taxpayer Correspondence agrees with the TAP on providing OIC options on balance due notices. We will work with the Office of Collection Policy to include the appropriate OIC language. The next opportunity for changes to the 500 series notices would be July 2013.

Follow-up IRS Response Detail:

Thank you for your additional comments regarding our initial response. The revised CP 501, 503 and 504 notices went into production this month. These new notices clearly explain to the taxpayer that if they cannot immediately full pay, they have other payment options and guide them to IRS.gov. The option of an Offer in Compromise is not specifically included on the face of the notice, because to introduce a concept without full explanation would be contrary to the concept of the plain language used in the new notices. OICs require a lengthy and detailed explanation that could further confuse taxpayers about a program for which only a very small portion of recipients of the notice would qualify. Because we also encourage the taxpayer to call, assistors can explain the OIC option to taxpayers who may qualify. As IRS continues to look at ways to improve the OIC program, OTC will stay attuned to find opportunities to assist in introducing taxpayers to the OIC option at the appropriate time.

Initial IRS Response Detail:

Thank you for your suggestion. You will be pleased to know that the Office of Taxpayer Correspondence has been working on making the Collection notices better. The revised notices will be placed in production in early 2011.

The layout and language of these notices has been tested with taxpayers, and the results show that the taxpayer clearly understand the message of the notice, the actions they need to take, and the consequences of inaction.

One of the innovations included in all balance due notices is clear language about payment options. Under the heading, What you need to do immediately is the following:

Pay immediately

Send us the amount due of \$888.88, by Month day, 20XX, to avoid additional penalty and interest charges.

If you can't pay the amount due, pay as much as you can now and make payment arrangements that allow you to pay off the rest over time. Visit [www.irs.gov](http://www.irs.gov) and search for keyword: tax payment options for more information about:

--- Installment and payment agreements download required forms or save time and money by applying online if you qualify

--- Automatic deductions from your bank account

- Automatic deductions from your bank account
- Payroll deductions
- Credit card payments

Or, call us at 1-800-829-0922 to discuss your options.  
If you've already paid your balance in full within the  
past 14 days or made payment arrangements, please  
disregard this notice.

Accepted

<b>TAP Issue ID: 17621 Elevated Date: 08/11/2010</b>	<b>Committee Name: Area 4</b>
<b>Status: Closed</b>	<b>Outcome: SAMS - Legislative</b>
<b>Title: Extend Date for Filing Form 990</b>	

Issue Statement	Hospitals are now required to file a more extensive Form 990, Return of Organization Exempt from Income Tax, by May 15th of each year. Additional information required on Form 990 Schedule H is obtained from a Medicare Cost Report required to be filed with the federal Department of Health and Human Services, which is due by May 31st. There is no extension available for the Medicare Cost Report. Changing the due date for filing Form 990 to June 15th would help the hospitals by eliminating the need to file a request for extension of time to file, and ensure correct information is provided to both federal agencies timely.
Goal Statement	Alleviate the need for hospitals to file a Form 8868, Application for Extension of Time to File an Exempt Organization Return by changing the due date for filing the Form 990
Proposed Solution	Change the due date for filing Form 990 from May 15th to June 15th.

IRS Initial Response

Thank you for your recent advocacy issue submission: Extend Date for Filing Form 990, which was assigned control number 18700 on the Systemic Advocacy Management System (SAMS). Your submission has been closed.

The issue you raise regarding a change to the required filing dates for Form 990 would require a legislative change. 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 Supervisory Attorney-Advisor for consideration as a future Legislative Recommendation (LR) in the National Taxpayer Advocate's Annual Report to Congress.

In our preliminary research, we did recognize some potential barriers to this law change and wanted to convey our thoughts to you. Consideration must be given to the burden that would be shifted to all other Form 990 filers with different requirements and deadlines. A law change could require changes to both organizations and the IRS including internal operations, forms and publications, computer programming. Thought should be given for those affected to change their tax year to end on a different date so the due dates of the return and the Medicare cost report are not due at the same time. Nevertheless, we have forwarded the suggestion as stated above.

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 [systemic.advocacy@irs.gov](mailto:systemic.advocacy@irs.gov). If you do, please refer to the issue number above. We appreciate you bringing this to our attention and taking the time to submit the issue on SAMS.

<b>TAP Issue ID: 17625 Elevated Date: 10/07/2010</b>	<b>Committee Name: Area 4</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: Empowered Taxpayers: VITA/TCE Tax Return Prep</b>	

Issue Statement	Large numbers of taxpayers are uninformed regarding even the basics of our federal income tax system. This lack of knowledge prevents many taxpayers from preparing their own tax returns.
Goal Statement	To increase the tax knowledge of taxpayers who traditionally rely on volunteer tax preparation services so they may learn to prepare their own returns.
Proposed Solution	<p>Set up a pilot program at Volunteer Income Tax Assistance/Tax Counseling for the Elderly (VITA/TCE) tax preparation sites to teach taxpayers how to do their own returns with the assistance of trained volunteers.</p> <p>Emphasize the fact that taxpayers are responsible for their returns by having them enter their own data using existing free software, e.g., TurboTaxFreedom, under the supervision of volunteers at the pilot VITA and TCE sites.</p> <p>Collect data from the pilot sites and comparable unchanged sites to determine the benefits and issues of this new approach. If the pilot proves successful, change the primary philosophy of these programs toward teaching taxpayers how to do their taxes as opposed to the "full service" approach.</p>
IRS Initial Response	SPEC has developed a self assistance model at selected VITA sites where taxpayers can prepare their own return with limited assistance from a certified volunteer.

<b>TAP Issue ID: 17626 Elevated Date: 08/11/2010</b>	<b>Committee Name: Area 4</b>
<b>Status: Closed</b>	<b>Outcome: SAMS - Legislative</b>
<b>Title: Correspondence Audits &amp; Charitable Contributions</b>	

Issue Statement	Taxpayers are receiving correspondence audit notices regarding documentation of cash contributions of \$5,000 or more. IRS data indicates a significant number of these audits result in no tax change. This is a burden on the taxpayers and the IRS.
Goal Statement	Reduce the number of unproductive correspondence audits involving larger cash contributions.
Proposed Solution	Create a new Information Reporting Form 1098-CH, Charitable Cash Contributions of \$5,000 or More, requiring charitable organizations to report cash contributions of \$5,000 or more. Add legislation requiring charitable organizations to report Charitable Cash Contributions of \$5,000 or more.
IRS Initial Response	<p>Thank you for your recent advocacy issue submission: Change Audit Charitable Contribution Requirements, which was assigned control number 18536 on the Systemic Advocacy Management System (SAMS). Your submission has been closed.</p> <p>The issue you raise regarding the creation of a new information reporting form for charitable contributions would require a legislative change. 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 Supervisory Attorney-Advisor for consideration as a future Legislative Recommendation (LR) in the National Taxpayer Advocate's Annual Report to Congress.</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. We appreciate you bringing this to our attention and taking the time to submit the issue on SAMS.</p>

<b>TAP Issue ID: 17804 Elevated Date: 06/11/2010</b>	<b>Committee Name: Area 4</b>
<b>Status: Closed</b>	<b>Outcome: SAMS - Accepted</b>
<b>Title: Schedule M Instructions Error</b>	

Issue Statement	The Schedule M worksheet used to compute earned income for the Making Work Pay and Government Retirees Credits appears to contain errors.
Goal Statement	Correct IRS processing of Schedule M, which will result in correct refunds to taxpayers.
Proposed Solution	Correct the Schedule M worksheet instructions regarding the earned income computation for the farm optional method of computing self-employment tax. In addition, consideration of the nonfarm optional method for increasing earned income for purposes of computing the Schedule M credits needs to be addressed.
IRS Initial Response	<p>Thank you for your recent advocacy issue submission: Schedule M MWP Instruction Error, which was assigned control number 18011 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 as it is related to an open Immediate Intervention project. However, it has been forwarded to the Making Work Pay (MWP) Working Group who is addressing these issues with the IRS. The details of your issue and the return examples you provided are being researched by the Systemic Advocacy MWP analyst who will also elevate the concern regarding the MWP instructions. Systemic Advocacy will continue to monitor this issue and work with the Operating Divisions to improve the process.</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>

<b>TAP Issue ID: 18949 Elevated Date: 09/28/2010</b>	<b>Committee Name: Area 4</b>
<b>Status: Closed</b>	<b>Outcome: SAMS - Accepted</b>
<b>Title: New Online PTIN Registration Software Glitch</b>	

Issue Statement	The CAF number section of the online PTIN application doesn't work - it doesn't allow for all of the digits or the letter "R".
Goal Statement	Immediate Intervention: Make the process of applying online for the required PTIN less frustrating and time-consuming for practitioners.
Proposed Solution	<p>1) Fix the software to allow for the full listing of the CAF number.</p> <p>2) Put a message on <a href="http://www.irs.gov">www.irs.gov</a> about the problem and that the application can be completed without the CAF Number.</p> <p>This would eliminate time on hold with IRS if practitioners knew they could complete the application without the CAF Number.</p>

IRS Initial Response

Thank you for your recent advocacy issue submission: RPI - Online PTIN Registration Software Glitch, which was assigned control number 18950 on the Systemic Advocacy Management System (SAMS). Your submission has been closed.

New regulations require all paid tax return preparers (including attorneys, CPAs, and enrolled agents) to apply for a Preparer Tax Identification Number (PTIN) even if they were currently in possession of one before preparing any federal tax returns in 2011. Through the collective efforts of the tax professional community and early-adopters, the IRS has been able to resolve many of the initial challenges with the IRS Tax Professional PTIN system experienced by some users. Initially the system was not programmed to accept ten-digit CAF numbers; however, thanks to submissions such as yours the IRS was able to isolate and correct the problem on October 4, 2010.

The IRS has set up a special toll-free telephone number, 1-877-613-PTIN (7846), that tax professionals can call for technical support related to the new online registration system. Although the website and call center continue to experience high volumes, we continue to see improvements in functionality and responsiveness. The IRS recently trained more customer service representatives to assist practitioners with this issue and continue to monitor and improve this process.

Although some setbacks have occurred, the IRS has issued over 50,000 PTINs to date. The Taxpayer Advocate Service's Office of Systemic Advocacy participates on a return preparer initiative cross-functional team and will continue to address any further challenges as they arise. We appreciate the helpful input and feedback we have received.

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 [systemic.advocacy@irs.gov](mailto:systemic.advocacy@irs.gov). If you do, please refer to the issue number above. We appreciate you bringing this to our attention and taking the time to submit the issue on SAMS.

<b>TAP Issue ID: 16736 Elevated Date: 08/18/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Deductions of Accrued Interest from Bonds</b>	

Issue Statement	The instructions for Form 1040 U.S. Individual Income Tax Return, Schedule B Interest and Ordinary Dividends regarding the subtraction of accrued interest are incomplete.
Goal Statement	To give taxpayers specific instructions regarding the subtraction of accrued interest in the instructions for 1040 Schedule B.
Proposed Solution	<p>Add the following paragraph, from Publication 550, Investment Income and Expenses, to 1040 Schedule B instructions:</p> <p>Accrued interest. If you received a Form 1099 INT, Interest Income, that reflects accrued interest paid on a bond you bought between interest payment dates, include the full amount shown as interest on Form 1099 INT on Schedule B (Form 1040 or 1040A), Part 1 line 1. Then, below a subtotal of all interest income listed, enter Accrued Interest and the amount of interest paid to the seller. That amount is taxable to the seller, not you. Subtract that amount from the interest income subtotal. Enter the result on Line 2.</p>
IRS Initial Response	<p>Thank you for your suggestion on the Schedule B (Form 1040A or 1040) instructions. You would like us to add a new paragraph that will include instructions regarding the subtraction of accrued interest.</p> <p>We have considered your suggestion, but are not adopting it for the following reasons. We already include a paragraph in Part I, which provides this information; it is titled Nominees. The last sentence of this paragraph specifically tells a taxpayer to subtract interest received as nominee from the total interest they received. (Although there is also a Nominees paragraph in Part II for ordinary dividends, the one in Part I only relates to interest.) Also, such a change would require us to make similar changes to the Original issue discount (OID) and Amortizable bond premium paragraphs, which reflect similar language, and at this time, we do not have the space in the instructions for the additional text.</p>

<b>TAP Issue ID: 16737 Elevated Date: 03/25/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Do not list SSN's on Levy due to ID thefts</b>	

Issue Statement	Notices of Levy on Wages, Salary and Other Income, specifically those generated for other income, increase the risk of identity theft due to the inclusion and exposure of the taxpayer's social security number (SSN).
Goal Statement	To have the Internal Revenue Service (IRS) recognize the risk of identity (ID) theft with Notices of Levy automatically generated by the Automated Collection System (ACS) and those requested by revenue officers through the Integrated Collection System (ICS), and for IRS to implement immediately a system to partially obscure or truncate these SSNs.
Proposed Solution	Request permanent system changes to both ACS and ICS that would obscure or truncate SSNs on their Notices of Levy. Part V of the Internal Revenue Manual (IRM) does not address this issue; therefore, in advance of a systems change, direct revenue officers to manually truncate SSNs on Notices of Levy generated from ICS.

IRS Initial Response	<p>IRS Response Detail:</p> <p>Thank you for your panel's suggestion regarding truncation of a Taxpayer Identification Number (TIN) on levies. We believe adopting this suggestion would negatively affect the ability of the levy source to accurately identify the taxpayer when conducting a reasonable search to locate the taxpayer's assets. Currently a levy payment received without a TIN creates a challenge to timely post the levy payment to the taxpayer's account. Truncating the TIN would increase the frequency of these challenges and potentially negatively affect a significant number of taxpayers. Additionally the truncation of the TIN may delay the ability of a levy source to timely release a levy.</p> <p>We recognize the sensitivity and seriousness of Identity theft. Our current procedures address truncating the Social Security Numbers (SSN's) on Notice of Levy generated from the Integrated Collection System (ICS) when appropriate. Specifically IRM 5.11.2.1.2(7) Preparing the Notice of Levy, states If the taxpayer's identification number is not needed by the levied party to identify the taxpayer's assets, redact it from the appropriate parts of the levy form. Examples of assets for which the taxpayer's identification number may not be necessary for the levied party for identification are: Account or Note Receivable Rental income Chose in action, e.g., a right to recover money or right to pursue a lawsuit</p> <p>Thank you again for suggesting changes to improve IRS operations.</p>
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<b>TAP Issue ID: 16742 Elevated Date: 08/18/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: IRS Publication for Truck Drivers</b>	

Issue Statement	Truck drivers and owners, both local and over-the-road, are subject to many unique income tax laws that apply to their industry, but there is no industry-specific Internal Revenue Service (IRS) publication that attempts to address all of these specialized income tax laws in one publication.
Goal Statement	Provide detailed and easily accessible industry-specific tax compliance information to taxpayers in the trucking industry.
Proposed Solution	The IRS should publish a trucking industry publication that contains guidance to taxpayers in the trucking industry to aid in voluntary compliance.
IRS Initial Response	Thank you for your request for a new IRS publication for truck drivers. You attached to the request a letter from the American Trucking Association. The ATA reviewed a TAP draft that outlined the subjects such a publication might contain, and said it thought such a publication would be very helpful both to trucking companies and to truck drivers, especially since there does not appear to be any such publication now. Although we agree that such a publication is desirable, our budget situation is such that for the last several years, we have been in a cost-reduction mode. We have already eliminated a number of publications because of a lack of resources and more may be on the chopping block. We regret that we cannot be of as much service to the trucking industry and others as we would like, but for now and the foreseeable future, we are not in a position to expand our workload. Thank you again for the suggestion

TAP Counter Response

Date: November 19, 2010  
To: Internal Revenue Service  
From: Taxpayer Advocacy Panel (TAP) Area 5  
RE: IRS Response to TAP Issue 16742, IRS  
Publication for Truck Drivers

On July 8, 2010, the Taxpayer Advocacy Panel (TAP) referred Issue 16742, IRS Publication for Truck Drivers, to the Internal Revenue Service (IRS) for consideration.

IRS responded on September 22, 2010, stating, "We regret that we cannot be of as much service to the trucking industry and others as we would like, but for now and the foreseeable future, we are not in a position to expand our workload.

While the TAP and the American Trucking Associations are disappointed in the outcome, we certainly understand budget restrictions.

We would like to suggest, however, some approximate schedule for expending the necessary resources to complete publications such as this one. This publication would save the IRS money by allowing taxpayers to find the answers to their questions in one easy to find place, thus avoiding unnecessary phone calls and correspondence.

In addition, taxpayers that understand the law find it easier to comply, thus decreasing the tax gap.

TAP appreciates the consideration given and the promptness of the IRS response.

We look forward to the IRS response to this memo.

Area 5 Committee

IRS Final Response

Thank you for your memo dated November 19, 2010, re an IRS publication for truck drivers, asking that we give you an approximate schedule for expending the necessary resources to complete such a publication.

We have carefully considered your request and have determined we are not in a position to offer a timetable as to when our government's (and by extension, the IRS's) budget situation might improve to the point we can begin to offer such new tax products.

These ongoing budget issues mean greater reliance on web-based alternatives like our Trucking Tax Center on IRS.gov, which now offers e-filing for the Form 2290, Heavy Highway Vehicle Use Tax Return. We've noticed that the American Trucking Associations website also has resources which would aid truckers in compliance with their tax obligations, including a link to our Trucking Tax Center.

It is efforts like these which are likely to get the greater share of dwindling resources going forward. With that in mind, we welcome suggestions for improvement of our services on IRS.gov.

Although we are not adopting your suggestion, I appreciate the time and effort you took to submit them.  
Sincerely Yours,

/s/ Cynthia Ozkaya

Cynthia Ozkaya  
Chief, Business, Exempt Organizations and  
International Forms and Publications Branch

<b>TAP Issue ID: 16746 Elevated Date: 03/25/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Office Audit Working Hours</b>	

Issue Statement	Internal Revenue Service (IRS) office audits are usually conducted during the week from 8AM to 5PM. Taxpayers often suffer hardship when arranging time off to attend these audits.
Goal Statement	Offer extended office hour appointments for taxpayers under audit.
Proposed Solution	Offer alternate , outside of the normal workday, hour appointments for meeting with Office Auditors. Advise taxpayers that alternate hours are available in Appointment Letter 3572.
IRS Initial Response	<p>We have previously considered extended hours in Office Examination groups and even conducted a six month test to measure its effectiveness. As a result of our test, we found that while extended hours did benefit some taxpayers, in actual practice it did not generate enough taxpayer interest to justify additional security, staffing, and facility costs.</p> <p>Our current process offers flexibility and examiners are encouraged to work with taxpayers to schedule mutually convenient appointments to reduce taxpayer burden when ever possible.</p>

TAP Counter Response	<p>Date: November 2, 2010  To: Program Manager  SB/SE Examination General Processes  From: Taxpayer Advocacy Panel (TAP) Area 5  RE: IRS Response to TAP Issue 16746, Office Audit Working Hours</p> <p>On July 15, 2010, the Taxpayer Advocacy Panel (TAP) referred Issue 16746, Office Audit Working Hours, to the Internal Revenue Service (IRS) for consideration.</p> <p>IRS responded on August 27, 2010, stating, "We have previously considered extended hours in Office Examination groups and even conducted a six month test to measure its effectiveness. The response went on to say, while extended hours did benefit some taxpayers, it did not generate enough taxpayer interest to justify additional security, staffing, and facility costs.</p> <p>You indicated your current process offers flexibility and examiners are encouraged to work with taxpayers to schedule mutually convenient appointments to reduce taxpayer burden when ever possible. With that in mind, TAP would also like you to give consideration to our recommendation that the IRS advise taxpayers that alternate hours are available in Appointment Letter 3572.</p> <p>TAP appreciates the consideration given and the promptness of the IRS response.</p> <p>We look forward to the IRS response to this reply.</p> <p>Area 5 Committee</p>
IRS Final Response	<p>We thank TAP for the additional information (rebuttal) that was provided for this issue. At this time, we are maintaining the position reflected in our original response and decline the recommendation.</p>

<b>TAP Issue ID: 16747 Elevated Date: 05/04/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Option for Audit Reconsideration</b>	

Issue Statement	The Notice of Deficiency (90-day letter) fails to adequately inform taxpayers of the option for Audit Reconsideration.
Goal Statement	The Internal Revenue Service (IRS) should revise the 90-day letter to provide clear instructions on the option to request audit reconsideration.
Proposed Solution	The IRS should insert the following as the second paragraph of the 90-day letter: If you believe you qualify for Audit Reconsideration, please see the procedures outlined in Internal Revenue Service Publication 3598, What You Should Know About the Audit Reconsideration Process. Requesting an Audit Reconsideration will not extend the period to file a petition with the tax court. The 90 days is set by law. If you do not contest this deficiency within 90 days from the date of this letter, you will forfeit the option to file a petition with the tax court.

IRS Initial Response

We have carefully reviewed the above referenced TAP recommendation and the existing procedures pertaining to the 90 day letter process. We disagree with the TAP recommendations because the current audit procedures provide ample safeguards to advise the taxpayer of their right to agree or disagree.

Listed below is an outline of the audit process which reflects how the taxpayer s rights are continually protected and the many opportunities afforded to the taxpayer to present their documentation/position:

? The taxpayer is contacted by telephone (when possible) and the audit process is explained.

? Initial appointment letter is issued to the taxpayer with Publication 1 and Notice 609 outlining the audit process and taxpayer s rights. (Letter 2202, 2205, 3253, 3572, or 3572A.)

? If the taxpayer fails to respond to the initial appointment, follow-up correspondence is sent to the taxpayer. (Letter 1020)

? Examination conducted with the taxpayer and/or representative.

? Written examination report is provided to the taxpayer with an explanation for each proposed adjustment.

? If taxpayer does not agree to proposed adjustments, taxpayer is offered a managerial conference where they can provide additional documentation and/or discuss the examiner s position which they do not agree with.

? If taxpayer continues to disagree with the proposed adjustments, they are issued a 30 day letter and Publication 1 with the opportunity to protest their case to Appeals.

? If the taxpayer fails to respond to the examiner, the group manager makes an effort to contact them prior to closing the case from the group.

? If the taxpayer does not protest the proposed adjustments to Appeals nor agree with the proposed adjustments, the letter 531 Notice of Deficiency (90 day letter) is issued. This letter is utilized as the Service s final notice to taxpayers that we are concluding the audit process. This only occurs when the taxpayer has already failed to respond to several previously issued Examination communications or does not agree with the proposed deficiency which has not been protested.

Therefore, the TAP request is rejected at this time. However, the Examination process is continuously updated and we welcome any data from TAS analysis of taxpayer cases that can be shared with Examination to enhance the audit process. Thanks for the opportunity to review this recommendation.

<b>TAP Issue ID: 16776 Elevated Date: 03/05/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Monitoring IRS Action</b>	<b>Outcome: Proposal Partially Accepted</b>
<b>Title: Universal IRS Database</b>	

Issue Statement	The Internal Revenue Service (IRS) telephone customer service representatives do not utilize the agency's existing universal taxpayer database in dealing with taxpayer inquiries. Failure to do so requires taxpayers to repeat each time, to each IRS employee to whom they speak, the basic information about the taxpayer's issue and/or problem.
Goal Statement	The IRS employees should utilize the existing taxpayer data to more efficiently and effectively assist taxpayers who make multiple calls to the IRS telephone assistance line.
Proposed Solution	The proposed solution is two-fold:  1) IRS personnel (contact employees) need to be made aware of the Agency's existing taxpayer database and taught how to access and utilize its information. The IRS should provide periodic refresher courses. 2) Managers of contact employees should incorporate a proactive positive and negative employee feedback program to enhance the utilization of this customer satisfaction issue.
IRS Initial Response	Response from Accounts Management  We agree there is a disconnect between the history items/notes entered on Integrated Data Retrieval System (IDRS) and Accounts Management System (AMS). When a CSR enters a history item/note on either system it does not automatically appear on the other system. W&I and MITS Executives will be discussing an enhancement to AMS in the next several months that will allow AMS history and case resolutions posted from IDRS to AMS, rather than having the AM staff manually updating duplicative IDRS information to AMS case history. This enhancement will assist in reducing taxpayer burden.  Additionally, the Contact Service Representatives will be provided with guidance and training on using the enhancement. We will continue to review our employees on the guidance provided in IRM 21.2.2.3.2.1 and 21.2.2.4.5 along with additional guidance provided through out the IRM 21.

<b>TAP Issue ID: 16866 Elevated Date: 09/17/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Partially Accepted</b>
<b>Title: List Bankruptcy Toll Free Number</b>	

Issue Statement	The Internal Revenue Service (IRS) established a toll free telephone number for taxpayers facing a potential bankruptcy; however, the number is not readily available to the taxpayer public.
Goal Statement	To ensure the IRS toll free telephone number for bankruptcy related issues is included in IRS Publication 908, Bankruptcy Tax Guide, and on the IRS website at <a href="http://www.irs.gov">http://www.irs.gov</a> .
Proposed Solution	Insert the following paragraph in Publication 908 in the Phone subsection of the How to Get Tax Help section : Centralized Insolvency Operations Call the IRS unit tasked with helping taxpayers in bankruptcy at 1-800-913-9358. Insert the above paragraph on the IRS website on the page dedicated to Telephone Assistance.
IRS Initial Response	<p>TAP Response: Issue 16866 Bankruptcy, Toll Free Number</p> <p>Thank you for your suggestions relating to making the IRS Bankruptcy toll free number (Bankruptcy number) readily available to the taxpayer public. We have reviewed the effects of both publishing the number in IRS Publication 908, Bankruptcy Tax Guide (Pub. 908), and listing the number on the IRS website. We agree with TAP that including the Bankruptcy, i.e., Centralized Insolvency Operations Unit (CIO) phone number in Pub. 908 under the Phone subsection of How to Get Tax Help , will:</p> <p>Enable more taxpayers to use the services provided by the CIO unit;</p> <p>Result in taxpayers spending less time finding the CIO unit, increasing overall taxpayer satisfaction; and</p> <p>Increase IRS efficiencies as agents will spend less time re-directing taxpayer calls.</p> <p>However, SB/SE, the program operator of the CIO unit is concerned with the volume of calls (traffic), directed to the unit if the number is readily available to taxpayers not in bankruptcy. Accordingly, SB/SE has agreed to allow publication of the number only if it is specifically directed towards people already in bankruptcy. Therefore, we will include language similar to that set forth below, in Pub. 908:</p> <p>The toll free number (1-800-913-9358) is for debtors, attorneys and trustees to use for questions when a debtor is in an open bankruptcy case; limited to open Chapter 7 (no asset) cases and Chapter 13 cases. For questions regarding other open bankruptcies, please contact the local field insolvency office. Questions you have prior to submission of a petition to the Bankruptcv</p>

Court should be directed to an attorney or financial advisor. If you are inquiring as to the status of a refund, please use the refund hotline (1-800-829-1954). Furthermore, listing the Bankruptcy number on the IRS webpage under Telephone Assistance, which is heavily trafficked, will create an unnecessary volume of calls to the CIO Unit from taxpayers not in bankruptcy. The CIO unit cannot accommodate these calls. Accordingly, we will not be publishing the number on this webpage.

Nonetheless, IRS Publication 908, Bankruptcy Tax Guide is posted on the IRS webpage; therefore, the number will be published on the IRS website in this manner.

A potential barrier to publishing the Bankruptcy number in Pub. 908, is that this publication is a continuous use product which is not updated every year.

Therefore, if the IRS changes the Bankruptcy number, Pub. 908 will contain an erroneous number until it is later republished. This would also create unnecessary printing costs as the publication would need to be reprinted with the correct number.

The IRS will, however, be able to regularly update the number on the website version of Pub. 908, if it were to change.

Finally, SB/SE has assured Tax Forms and Publications (TFP) that a) the Bankruptcy number will remain the same for 18-24 months, and b) they will provide us notice if the number is going to change before our print date. Additionally, the Tax Law Specialist (TLS) assigned to the publication will make yearly inquiries to SB/SE regarding the status of the number.

<b>TAP Issue ID: 16886 Elevated Date: 02/11/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: SAMS - Accepted</b>
<b>Title: Requirements for 1st Time Homebuyer Credit</b>	

Issue Statement	The required First Time Homebuyers Credit (FTHBC) substantiation makes it impossible to file electronically. Some substantiation is more difficult to provide when the home is rural or a mobile home.
Goal Statement	To be able to electronically file when claiming the FTHBC.
Proposed Solution	Fix the software to allow electronic filing the FTHBC with all the required documents.
IRS Initial Response	<p>02/13/2010 - No separate project recommended Details: Issue was shared with a cross-functional FTHBC working group. Assure submitter that FTHBC is high on NTA radar and issue is being actively worked. No separate project.</p> <p>Details: Submitter's concern. (Need for occupancy permits in certain situations) is a new FTHBC issue for me. Sharing this info with FTHBC working group is best option. This is somewhat similar to the original requirements for a settlement statement signed by the seller and buyer. The IRS later determined that not all states require both signatures so they revised their requirements and notified employees in a recent SERP Alert 100066--</p> <p>The definition of Valid Documentation for Form 5405 - First Time Homebuyer Credit has been modified. Valid documentation includes a settlement statement (i.e. HUD-1 Statement) that contains the property address, the seller(s) and buyer(s) name(s), purchase price and purchase date. The Settlement Statement can be submitted with or without the buyer(s) and the seller(s) signature(s). This information will be updated in IRM 21.6.3.4.2.11. First Time Homebuyer Credit. The definition of Valid Documentation for Form 5405 - First Time Homebuyer Credit has been modified. Valid documentation includes a settlement statement (i.e. HUD-1 Statement) that contains the property address, the seller(s) and buyer(s) name(s), purchase price and purchase date. The Settlement Statement can be submitted with or without the buyer(s) and the seller(s) signature(s). This information will be updated in IRM 21.6.3.4.2.11. First Time Homebuyer Credit.</p>

<b>TAP Issue ID: 16896 Elevated Date: 02/12/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: SAMS - Accepted</b>
<b>Title: Government Retiree Credits and Early Retirement</b>	

Issue Statement	Schedule M, Making Work Pay and Government Retiree Credits, does not allow Federal Employees Retirement Service (FERS) government retirees to get the \$250 credit unless they lie and say they are under the Civil Service Retirement Service (CERS) retirement.
Goal Statement	To enable FERS government employees to claim the Making Work Pay and Government Retiree Credit.
Proposed Solution	Correct the Schedule M to allow FERS government employees to claim the Making Work Pay and Government Retiree Credits and alert the Internal Revenue Service of needed changes to the Schedule M for proper processing.
IRS Initial Response	02/24/2010 - No project recommended Details: Close as related to open II 16756. This is a bit of a twist on the open project but since IIAP Analyst has on-going dialogue with OD contacts this is the best avenue for issue to be addressed. Do not believe issue relates to ETA or any other PA. No other action needed.

<b>TAP Issue ID: 16934 Elevated Date: 02/18/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: SAMS - Accepted</b>
<b>Title: FreeFile Fillable Forms Error - 1040EZ</b>	

Issue Statement	Internal Revenue Service (IRS) programming error does not allow certain taxpayers to use the Free File Fillable Forms program. Taxpayers cannot claim the standard deduction when they are claimed as a dependent when using Free File Fillable Forms online.
Goal Statement	To allow a taxpayer using Free File Fillable Forms to calculate and claim the standard deduction when claimed as a dependent on another return.
Proposed Solution	Correct the Free File Fillable Forms Program to calculate the standard deduction when a taxpayer is claimed as a dependent on another return.
IRS Initial Response	<p>03/1/2010 - No project recommended Details: I think the submitter raised a reasonable issue, and even found some stats to support number of potential impacted taxpayers. I do not see evidence that we ever heard back from ETA, so whether a problem exists still open in my mind. However, upon reviewing all the collected research, it confirms my understanding that fillable forms are for people who know exactly what they want to enter -- basically a glorified typewriter that does a little math. Filling a return but getting claimed as dependent on another return seems at least as complicated as some of the issues listed in the Limitations, so I am not surprise the fillable form doesn't handle it. Monitor for trends, but no project for now.</p> <p>03/4/2010 - No project recommended Details: Great research at both levels, particularly by DFSA. Agree that this program is only established for basic tax computations and although it could be enhanced, SA could not really bring much to the table at this point. Recommend sharing with ETA as well as ETA PA and NC.</p>

<b>TAP Issue ID: 16958 Elevated Date: 08/18/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: Publication 901 - US/Norway Income Tax Treaty</b>	

Issue Statement	Publication 901, U.S. Tax Treaties, and Internal Revenue Manual (IRM) Exhibit 3.21.3-8 do not contain an exclusion from income added to the United States Norway Income and Property Tax Convention by amendment entered into force December 15, 1981. That omission results in incorrectly processed tax returns.
Goal Statement	To ensure Form 1040NR, U.S. Non-Resident Alien Income Tax Returns, are accurately processed and decrease unnecessary correspondence between the Internal Revenue Service (IRS) and taxpayers.
Proposed Solution	Add a reference to IRM Exhibit 3.21.3-8 and Publication 901 to include the income exclusion added by Article 4A of the United States Norway Income and Property Tax Convention.
IRS Initial Response	<p>We do not intend to include this provision in Publication 901.</p> <p>Table 2 is limited to general tax treaty benefits for specific categories of personal services income only. These categories are:</p> <ul style="list-style-type: none"> <li>-Independent personal services</li> <li>-Dependent personal services income</li> <li>-Public entertainment</li> <li>-Teaching</li> <li>-Studying and training.</li> </ul> <p>The table does not currently include provisions for offshore activities under any treaty. Nor does it include certain other earned income such as shipping and transportation income; business profits; income earned by diplomats and foreign government officials or employees of international organizations.</p> <p>The myriad provisions make it impractical to condense every article of every treaty into a table.</p>

TAP Counter Response

Date: January 23, 2011  
To: Internal Revenue Service  
From: Taxpayer Advocacy Panel (TAP) Area 5

RE: IRS Response to TAP issue 16958 Publications 901, US/Norway Tax Treaty

On August 26, 2010, The Taxpayer Advocacy Panel (TAP) referred issue 16958, Publication 901, US/Norway Tax Treaty, to the Internal Revenue Service (IRS) for consideration.

IRS responded on September 30, 2010, stating, We do not intend to include this provision in Publication 901. Table 2 is limited to general tax treaty benefits for specific categories of personal services income only

The response went on to say, The table does not currently include provisions for offshore activities under any treaty. Nor does it include certain other earned income such as shipping and transportation income; business profits; income earned by diplomats and foreign government officials or employees of international organizations. The myriad provisions make it impractical to condense every article of every treaty into a table.

However, Brenda Sarini, IRS Marine Shipping Technical Advisor, contacted IRS Counsel and both are in agreement with the taxpayer's interpretation of the Norway Tax Treaty if the remuneration is for wages.

With that in mind, TAP would like you to give additional consideration to our recommendation to add a reference to Internal Revenue Manual (IRM) Exhibit 3.21.3-8 to include the income exclusion added by Article 4A of the United States Norway Income and Property Tax Convention. By updating IRM Exhibit 3.21.3-8, Form 1040 NR, U.S. Non-Resident Alien Income Tax Returns, will be processed correctly as originally filed. This will save taxpayer resources responding to unnecessary IRS notices disallowing the exclusion as well as IRS resources in working unnecessary audits.

TAP appreciates the consideration given and the promptness of the IRS response.

We look forward to the IRS response to this memo.

Area 5 Committee

IRS Final Response

On reconsideration, we will adopt the suggestion to include the provisions of Article 4A of the US-Norway treaty in Table 2 of Publication 901. Including this provision in Table 2 will serve two purposes. It should alleviate the ongoing problem of tax treaty exemption for nonresidents engaged in personal services in connection with the exploration and exploitation of the seabed and subsoil and their natural resources. It should also serve to notify IRS personnel that the 1981 protocol to the Income Tax Convention between Norway and the United States is valid. This change will appear in the next revision of the publication which is tentatively scheduled for April 2012.

We are also going to attempt to contact the IRM group responsible for updating IRM Exhibit 3.21.3-8 to include the income exclusion added by Article 4A, thereby allowing Forms 1040-NR, U.S. Nonresident Alien Income Tax Return, to be processed correctly. This should help eliminate the problem of unnecessary IRS notices pointed out by TAP.

<b>TAP Issue ID: 17029 Elevated Date: 08/18/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Color of EITC Tables in 1040 Publication</b>	

Issue Statement	The Earned Income Credit (EIC) Table and the Income Tax Table look similar in the printed tax packages (Instructions for Form 1040, U.S. Individual Income Tax Return; Forms 1040, 1040A and 1040EZ) which causes confusion and taxpayer errors.
Goal Statement	To reduce confusion and the risk of taxpayers using the wrong tables, use different coloring for each table.
Proposed Solution	Change the shading of the EIC Table and the corresponding instructions to distinguish them from the Income Tax Table and instructions.

IRS Initial Response

Thank you for the suggestion that we use different colors to shade the EIC table and the tax table. TAP believes using different colors for the two tables would further distinguish them, reduce confusion between them, and cause fewer errors. We have carefully considered the suggestion but are not adopting it for the following reasons.

The two tables are already distinct and not easily mixed up. The tables are clearly labeled with their own headings, and the top of the EIC table also says, This is not a tax table. The subheadings are also different. The EIC table starts with the amount you are looking up from the worksheet, while the tax table starts with the amount on line 43. The EIC table lists filing statuses, number of children, and says, Your credit is. The tax table only lists filing statuses and says, Your tax is. The tables are also presently shaded differently. The EIC tables are shaded horizontally while the tax tables are shaded vertically. We do not know how many taxpayers are mistaking the two tables, but if they are using the wrong table, it is because they are not reading any of the headings, and it strikes us as highly unlikely that they would realize that they are in the wrong table just because of the color of the shading.

In March 2000, the Deputy Inspector General for Audit issued report #2000-40-029. In it, TIGTA recommended using additional colors on the tax forms and instructions to highlight important changes. In particular, TIGTA recommended using red text for warnings and critical items. It noted that we currently use two colors of ink for each of the individual instruction packages (blue/black for 1040, red/black for 1040A, and green/black for 1040EZ). We also print the earned income publication (Pub. 596) in a color, but its color changes each year. Last year it was purple. TIGTA also stated that tax packages are generally produced on presses that have the capability to print four colors, and that the cost of using a third or fourth color is negligible. The Assistant Commissioner (Forms and Submission Processing) disagreed with the recommendation to test the limited use of colored text and highlighting. He cited the negative publicity the IRS received when it used multiple colors on the cover of the 1995 tax packages. The IRS has not used more than two colors in tax packages since the 1995 packages. As the saying goes, once burned, twice shy. Our desire not to generate negative publicity has not changed.

Although we are not adopting the suggestion, we appreciate the time and effort TAP took to submit it.

<b>TAP Issue ID: 17344 Elevated Date: 08/18/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Form 4868 Auto Extension to File</b>	

Issue Statement	The Internal Revenue Service (IRS) mails tax packages to taxpayers who do not use a paid preparer or tax preparation software and to those requesting that a generic package be mailed to them. These packages may be customized based upon prior year forms filed, but they also include certain generic forms commonly used by many taxpayers. Currently, the packages do not include Form 4868, Application for Extension to File, which is needed by taxpayers wishing to extend the due date of their tax return.
Goal Statement	To allow taxpayers easier access to Form 4868, thereby allowing them to extend the due date for filing their return.
Proposed Solution	The IRS should include Form 4868 in all tax packages mailed to taxpayers. This would include customized packages mailed to taxpayers who do not use a paid preparer or preparation software and generic packages ordered directly from the IRS.
IRS Initial Response	<p>IRS Response Detail: Thank you for your suggestion that Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return, be added to the income tax packages. On September 24, 2010, the IRS announced that with the continued growth in electronic filing and to help reduce costs, the IRS will no longer mail paper tax packages that typically arrive in January of each year. Instead, in early October, the IRS will send a postcard to individuals who filed paper returns last year and who did not use a tax preparer or tax software. The post card will explain how to get the tax forms and instructions they need for filing their tax year 2010 return. If taxpayers still wish to use a paper form, they still have several ways to obtain paper copies of individual forms and instructions. Taxpayers will still be able to get forms online, and at local IRS offices, and participating libraries and post offices. Some taxpayers can use the Volunteer Income Tax Assistance program and others can use the Tax Counseling for the Elderly program. The forms and instructions will be available in early January 2011. If anyone experiences a hardship in obtaining paper tax forms, they can call 1-800-TAX-FORM (1-800-829-3676) after January 10, 2011. The obsolescence of these packages will save money because only 8 percent of individuals who filed tax returns last year received tax packages in the mail. The rest either used a paid tax professional or software or e-filed their tax returns. So far this year, more than 96 million individual tax returns were e-filed, and an estimated 20 million paper returns were filed through paid preparers.</p>

<b>TAP Issue ID: 17442 Elevated Date: 08/18/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: Filing an Extension 1120 for Home Owner's Assoc</b>	

Issue Statement	The Internal Revenue Service (IRS) has not provided instructions for a Homeowners Association (HOA) to request an extension of time to file its income tax return if the HOA is filing a form different from the form which was assigned when the entity was established. This results in otherwise valid automatic extension requests being rejected due to a mismatch in entity types.
Goal Statement	The IRS should provide guidance for an HOA filing Form 7004, Application for Automatic Extension of Time to file Certain Business Income Tax, Information, and Other Returns, if the entity type selected on the Form 7004 differs from the entity type received when the HOA was initially established.
Proposed Solution	The instructions to Form 1120-H, U.S. Income Tax Return for Homeowners Associations, should be updated to include the following paragraph to the Extension paragraph in the When to File section on page 2:  If the Association is electing to File Form 1120-H, it should file Form 7004 reflecting the original form type assigned when the entity was established. This will not affect the entity's ultimate ability to file either Form 1120-H or Form 1120 for the year in question.
IRS Initial Response	We will consider your comments for the 2010 revision of the Instructions for Form 1120-H and attempt to clarify the applicable instructions as appropriate.

<b>TAP Issue ID: 17443 Elevated Date: 09/17/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Guidance on Filing 1120 for HOA</b>	

Issue Statement	There are no guidance, procedures, examples, or authoritative pronouncements included in the Form 1120 Instructions: Instructions for Form 1120, U.S. Corporation Income Tax Return, explaining that a Homeowners Association (HOA) can file a Form 1120, US Corporation Income Tax Return, rather than elect to file a Form 1120-H, U.S. Income Tax Return for Homeowners Associations.
Goal Statement	For the Form 1120 instruction booklet includes instructions explaining that electing to file a Form 1120-H return is an option for a HOA that is not always the best option.
Proposed Solution	We recommend the Internal Revenue Service (IRS) include in the Form 1120 instructions, guidance for HOAs explaining how and when to file the Form 1120 rather than electing to file the Form 1120-H. We recommend those instructions include examples, procedures, and the authoritative basis for the HOA to follow.
IRS Initial Response	The recommended addition to the Instruction for Form 1120 is not within the scope of the instructions for Form 1120 or Form 1120-H. The purpose of IRS products, including the products in question, is to inform the taxpayer of the applicable laws and give instructions on how to compute tax correctly. IRS tax products do not advise taxpayers as to the advantages of filing one form versus another. The current Instructions for Form 1120-H on page 1 state that a homeowner association should compare its total tax computed on Form 1120-H with its total tax computed on Form 1120 and file the form that results in the lowest tax. This instruction was included in prior revisions but was moved in the 2010 revision for more visibility. We feel that this instruction adequately addresses the issue in question.

TAP Counter Response

Date: April 5, 2011

From: Taxpayer Advocacy Panel (TAP) Area 5

RE: IRS Response to TAP Issue 17443

Enhancement of Form 1120 Instructions to Include Homeowners Associations

On June 08, 2010, the Taxpayer Advocacy Panel (TAP) referred Issue 17443, Enhancement of Form 1120 Instructions to include Homeowners Associations, to the Internal Revenue Service (IRS) for consideration.

IRS responded on February 28, 2011, stating, "We feel that this instruction adequately addresses the issue in question.

TAP appreciates the consideration given by the IRS response and we respectfully request that IRS reconsider enhancement of Form 1120 Instructions to include Homeowners Associations by referring the taxpayer to Publication 542, Corporations. In retrospect, the Publication is the more appropriate forum to give taxpayers examples and illustrations in layman terms rather than in the Form 1120 Instructions. In reviewing the Publication, there are currently no examples regarding how to present associations revenues and expenses when choosing to use a corporate tax Form 1120. The Form 1120 is not designed to handle excess exempt function expenses over revenues, without offsetting nonmember income. An example as to how to present the excess would provide taxpayers the correct presentation to avoid required corrections or notification by the IRS. For example, at the end of a list of allowable expenses the last line item might read as follows:

Excess membership/association deductions carryover per IRC Sec.277 or Rev. Rule 2003-28

The 2010 instructions to Form 1120-H does have a reference to Publication 542 on page 3 under the heading, Other Forms and Statements That May Be Required. A similar heading in Form 1120 instructions with regard to homeowner associations could be added with the ultimate guidance and examples being found within Publication 542.

Scores of tax discussion forums, blogs regarding taxes, and tax return preparation articles found throughout the internet all concluded that there was minimal guidance by the IRS regarding homeowners associations and the filing of Form 1120. This enhancement would decrease taxpayer errors and increase understanding of the tax law.

We look forward to the IRS response to this reply.

Taxpayer Advocacy Panel, Area 5 Committee

IRS Final Response

July 22, 2011 IRS Response:  
The requested expansion of Publication 542 to enlighten Homeowner Associations as to potential advantages/pitfalls of electing to file Form 1120-H versus Form 1120 is beyond the scope and intent of this product. Providing such information would be considered as providing advice in areas of potential tax planning, which is not the intent of IRS publications. The purpose of the Instructions for Form 1120 and Publication 542 is to discuss general tax law as it relates to corporations. These products do not provide detail discussions regarding situations particular for specific types of corporations. Information regarding how to compute tax for specific types of corporations is included in the instructions for that specific type of corporation. The current Instructions for Form 1120-H clearly state that filing Form 1120-H is an election, not a requirement. If the election is not made, the association is taxed as a corporation, and is not subject to the provisions of Internal Revenue Code section 528. The current instructions for Form 1120-H also state that the association should use the format that is most advantageous to it. We feel that this is adequate. The association should seek professional help for any additional advice.

<b>TAP Issue ID: 17641 Elevated Date: 10/12/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: IRS Assister refuses help when TP on speaker phone</b>	

Issue Statement	Internal Revenue Service (IRS) telephone assisters have demanded that callers turn off their speakerphones as a condition of receiving service. In some cases, the IRS will hang up on the taxpayer if the taxpayer does not agree to turn off the speakerphone.
Goal Statement	Taxpayers should be allowed to use speakerphones for IRS telephone contact in order to be able to access the necessary paperwork to resolve the matter at hand. If an assister feels it is prudent to advise a caller of the disclosure risks of a speakerphone, the caller should be permitted to acknowledge the warning, waive the risks, and continue to use the speakerphone.
Proposed Solution	Internal Revenue Manual (IRM) 21.1.1.7, Accounts Management & Compliance Services Overview, and IRM 21.1.3.2 (8), Operational Guidelines Overview, should be modified specifically to permit taxpayer use of speakerphones, provided appropriate disclosure risks are discussed with and waived by the taxpayer.
IRS Initial Response	<p>IRS Response Detail: We disagree with this recommendation. IRM 11.3 Disclosure of Official Information does not restrict taxpayers from the use of a speaker phone. Policies and guidelines are developed based on confidentiality rules/standards and reflect MITS policy.</p> <p>The IRS is fully committed to protecting sensitive information and employees must use good judgment and common sense when balancing the risks of unauthorized disclosure against business needs.</p> <p>For taxpayer initiated contacts, the IRS is under no obligation to determine if the caller is using an unsecure platform such as a cordless device or speaker phone. Any necessary dialog, including the disclosure of sensitive data, is authorized based on the fact the caller has accepted any security vulnerability by using the unsecured platform.</p>

TAP Counter Response

2/17/11 - Conference call set up with SME for 2/22/11. Members feel TAP and IRS are coming from similar point. PR

Notes from Tom Walker:

Both Area 5 and Area 7 prepared an issue late in 2010 requesting the IRS to specifically authorize the use of speakerphones on taxpayer specific telephone calls. The Area 5 issue was the one sent up and IRS responded with a full rejection. Their analysis was the IRM did not specifically disallow speakerphones and they did not want to modify the IRM to specifically allow them. The theory was if they aren't disallowed, then taxpayers can use a speakerphone

I just participated in a follow-up call with employees that own that section of the IRM and a customer service representative. We discussed the situation and are all in agreement that speakerphone use should be allowed if the taxpayer chooses to do so. We also all agree that the IRS is under no obligation to remind the taxpayer about confidentiality loss due to speakerphones or cell phones. After digging further the concern from the IRS with the actual proposal sent up was that the Summary mentioned that the IRS could document that they advised the taxpayer of the confidentiality issue. They didn't want to add a step to the process (takes more time if you do that). From that perspective, I don't disagree with them.

IRM 21.1.3.2 (8) specifically refers to the use of cell phones, and I pushed them to add or speakerphones to that section of the IRM. The response was that section of the IRM is driven by IRM 11.3.2.6.2 (point 7 in particular). That section of the IRM deals with communication using cordless devices (such as speakerphones or cell phones). Looking through 11.3.2.6.2, the consensus among us was speakerphones should be authorized by that section of the IRM. While it doesn't reference speakerphone, it does specifically reference cordless devices. With that background, the IRS was very reluctant to add the phrase or speakerphone to a section they felt already authorized the use of multiple types of cordless devices. It was pretty clear that I wasn't going to get them to change their mind on that piece.

However, they did acknowledge that they could send out an alert (which TAP will get a copy of) reminding their folks that IRM 11.3.2.6.2 allows taxpayers to use any type of cordless device if the taxpayer chooses to do so (either on a taxpayer initiated call or if the taxpayer acknowledges the confidentiality issue).

The short answer is that we didn't get the specific reference we wanted, but the longer answer is that we now have a more detailed reference to use if an IRS representative tries to disallow speakerphone use and we will get a reminder to all IRS personnel that cordless devices are acceptable.

IRS Final Response

IRS agreed to issue a SERP Alert:

SERP ALERT

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DATE: 2/23/2011 NUMBER: 110172  
SUBJECT: Taxpayer Use of Speaker Phone  
AUDIENCE: ALL  
IRM/LEM: 11.3.2 MASTERFILE(S): ALL

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Practitioners have reported that IRS employees have refused to service callers using a speaker phone.

As a reminder to IRS telephone assistors the IRM 11.3.2.6.2 does not prohibit the taxpayer from use of any unsecured platform. That would include cell phones, speaker phones or any unsecured platform. The caller accepts any security vulnerability by using the cordless device or unsecured platform.

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<b>TAP Issue ID: 17803</b> <b>Elevated Date: 10/08/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: Issue Fully Implemented</b>
<b>Title: Clarify the Difference Between E-File and FreeFile</b>	

Issue Statement	The taxpayer wants the Internal Revenue Service (IRS) to clarify the difference between e-file and Free File on page 5 of the 2009 1040 Instructions, Instructions for Form 1040, U.S. Individual Income Tax Return, as the difference is not clear.
Goal Statement	Revise the descriptions in the tax instructions and any other IRS publications in which e-file and Free File are addressed so the distinction between the two is clear to the taxpayer.
Proposed Solution	<p>Revise the three options on page 5 of the 2009 1040 instructions to clarify that all taxpayers are eligible for e-file and for Free File Fillable Forms, but not all taxpayers are eligible for Free File. Rearranging the three options would help clarify the difference. Show Free File first, horizontally across the page, with the statement, <b>If your adjusted gross income was less than \$57,000</b> in bold type. This section should also mention that there is an income criterion for Free File, and that the income limitation can vary from vendor to vendor. For example:</p> <p>Most third party vendors available have Free File links on <a href="http://www.irs.gov">www.irs.gov</a> use \$57,000 or less as qualifying income, but certain other restrictions may also apply and these restrictions may vary from vendor to vendor. Please consult each website to find the vendor that best serves your situation. Also, some vendors are state specific so be sure to select a vendor who can also provide Free File for your state income tax return if your state has an income tax requirement.</p> <p>The e-file section should follow the Free File statement, but should include an overt statement that while anyone can use e-file, all vendors have income restrictions for Free File.</p> <p>The Free File Fillable Forms description should lead with a statement to this effect:</p> <p>Even if you do not qualify for Free File, you may find the Free File Fillable Forms useful if you usually prepare your return without the help of a preparer.</p>

IRS Initial Response

IRS Response Detail:

The Internal Revenue Service recognized that there was some confusion relating to the e-file and Free File language on page 5 of the 2009 1040 Instructions, Instructions for Form 1040, U.S. Individual Income Tax Return. The language for the 2010 1040 Instructions has been revised to eliminate that confusion by placing all Free File information in one column and expanding on the differences between the software and online fillable forms. E-file and VITA were placed in column one and Free File is in column two. However, e-file remains the lead item in the 1040 Instructions because it is the premier electronic product for the agency. IRS also added one line about the e-file mandate in the revision.

<b>TAP Issue ID: 17982 Elevated Date: 09/17/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: E-Services Electronic Account Resolution Notice</b>	

Issue Statement	In order to access E-Services Notice Inquiry option in Electronic Account Resolution (EAR), the user is asked to select a form number from a drop down menu. However, if the inquiry is for a Civil Penalty (i.e., Trust Fund Recovery Penalty) which has no form number, access to the Notice Inquiry option is not possible and the issue cannot be resolved electronically.
Goal Statement	To broaden the inquiry base in EAR Notice Inquiry by adding a Civil Penalty (CIV PEN) inquiries option.
Proposed Solution	Add CIV PEN or a form number to EAR - Notice Inquiry s drop down menu to enable Civil Penalty notice inquiries.
IRS Initial Response	<p>Accounts Management disagrees with your recommendation to add "Civil Penalty" to the dropdown menu for e-services/electronic accounts resolution (EAR) application. The term "Civil Penalty" refers to several adjustments- it can be the 6672 for Trust Fund Recovery Penalty, or the CAWR assessments on businesses when the 941s and W2s do not match. Just adding Civil Penalty would not be sufficient and the programming would then need to go further to break it down to a specific Civil Penalty. The programming for these changes would not be cost effective.</p> <p>We have procedures in place for our assistors to follow when receiving cases related to civil penalties. The cases are forwarded to the appropriate campus to be worked and the turn around time is 15 days.</p> <p>Thank you for your recommendation</p>
	<p>Date: April 7, 2011  To: Internal Revenue Service Accounts Management  From: Taxpayer Advocacy Panel - Area 5 Committee  RE: IRS Response to TAP Issue 17982, E-Services Account Resolution Notice Inquiry</p> <p>On September 17, 2010, the Taxpayer Advocacy Panel (TAP) referred Issue 17982, E-Services Electronic Account Resolution Notice Inquiry, to the Internal Revenue Service (IRS) for consideration.</p> <p>The IRS responded on November 4, 2010, rejecting the request to add civil penalties to Notice Inquiry, one of five categories that comprise Electronic Account Resolution (EAR), stating that the term Civil Penalty refers to more than the example of Trust Fund Recovery Penalty cited in our recommendation; that adding Civil Penalty would have to be broken down further to a specific penalty; and that programming for the changes would not be cost effective. Further, the response went on to state that cases related to civil</p>

TAP Counter Response

response went on to state that cases related to civil penalties are forwarded to campuses to be worked and have a turn around time of 15 days.

We apologize for the time lag in our response, but we noted a subsequent approval along with under consideration from IRS, dated February 11, 2011, to another TAP E-Services recommendation Issue 19183, Availability of Forms 1098 and 1099 for Businesses via E-Services, which inspired us to respond at this time. To wit, the IRS approval/under consideration states that the recommendation to add Forms 1098 and 1099 to the category list under tax matters will be considered as a remedy for business entities not being able to retrieve these forms through E-Service products, along with the recommendation to request an enhancement to the Transcript Delivery Service (TDS) to allow their retrieval. In addition, a request to improve the Disclosure Authorization System to include the capability of a Business Entity Power of Attorney to retrieve Forms 1098 and 1099 transcripts through Disclosure Authorization and TDS E-Services products was already being initiated. The key is that all of this requires programming and, therefore, the impetus for us to resubmit Issue 17982 and respectfully ask for your reconsideration.

First and foremost, a common goal between IRS and the TAP is to ensure quality customer service with the availability of products that help to resolve a tax issue. E-Services offers just that to practitioners who are afforded the opportunity to use its online tools which we feel were implemented in part based on their feedback regarding prevalent client issues. Certainly a 15 day turn around may be a reasonable time frame for some; but there are no guarantees that a practitioner may be able to resolve, or even initiate a resolution, in that time frame with other variables to consider, including telephone delays in reaching the appropriate party with the request, the time on the phone discussing the issue with an assistor and the amount of time it takes for a written request that is mailed in to be received and worked. On the other hand, E-Services offers the opportunity for an immediate response, which in most cases is what the requestor is seeking. Time is money, and having the information immediately available is a cost saving factor for the practitioners, their clients and the IRS as well.

With the recent economic down turn causing more corporations to go out of business and more work for IRS in determining responsibility for nonpayment of the payroll taxes, we used the Trust Fund Recovery Penalty as just one - but major - example in citing accessibility of Civil Penalty notices for online resolution. Other civil penalties could be phased in based on the demand seen by the campuses and therefore the programming issue cited in your response could be kept at a minimum, based on budget and time constraints. In addition, as was recently done with Form 941 transcript requests through E-Services, instead of making the request for each separate quarter on which the penalty is based, oftentimes unknown by

	<p>the requestor, have the option include all four quarters within a calendar year. This may also alleviate some potential programming issues.</p> <p>Another example we gave for including civil penalties in Notice Inquiry is the fact that the TDS offers Civil Penalty Account Transcripts on its drop down menu and the user s expectation has been to also find it included in Notice Inquiry. Adding Civil Penalty/Trust Fund Recovery Penalty would mark the start of a more complete product that includes an option already included elsewhere on E-Services.</p> <p>Finally, we know of no other IRS online tool that elicits as much praise from tax practitioners as IRS E-Services. (Well, perhaps the IRS web site as a whole, but it s pretty close!) In order to keep the customers coming back and trying new products that they may not have yet used, E-Services must constantly evolve to the ability possible. Adding the Civil Penalty option under Notice Inquiry albeit only for the Trust Fund Recovery Penalty as a beginning, will keep customer satisfaction high and open the door for new, even if a few, innovations.</p> <p>Thank you for reading and considering this request. And especially, thank you for the outstanding job you have done in enhancing customer service by developing such a versatile tool as E-Services. We look forward to your response.</p> <p>Area 5 Committee</p>
<p>IRS Final Response</p>	<p>Rebuttal Response: Upon further review, we agree with your revised recommendation for an enhancement to E-Services Electronic Accounts Resolution (EAR) application to broaden the inquiry base in EAR Notice Inquiry by adding a Civil Penalty option. Currently we are in the process of developing a Unified Work Request (UWR) to enhance other e-service functionality. We are pleased to include your recommendation to the request. At this time, we do not have a date of when the enhancements will be completed.</p>

<b>TAP Issue ID: 18001 Elevated Date: 09/24/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Practitioner Priority Hotline</b>	

Issue Statement	The Practitioner Priority Hotline is no longer working on Automated Collection System (ACS) accounts.
Goal Statement	Practitioners will be able to accelerate resolution by having a one-step process as was previously available.
Proposed Solution	The Internal Revenue Service (IRS) should restore priority service for practitioners with taxpayer issues on cases assigned to ACS. If the Practitioner Hotline is not able assist in these cases, perhaps an area inside ACS could be established to work with Practitioners on an expedited basis.

IRS Initial Response

IRS Response Detail:  
The Priority Practitioner Service (PPS) hotline number was originally staffed by assistors in the Accounts Management (AM) Operation within the IRS. They answered the calls from practitioners and conducted research to determine the current status of their client s account. Once the AM assistor determined the case was assigned to the Automated Collection Service (ACS) they transferred the call to ACS where an ACS employee would provide assistance.

After receiving feedback from the practitioner community about the PPS hotline, on January 5, 2005, the Internal Revenue Service expanded the menu for the PPS hotline toll free number, 1-866-860-4259. Practitioners already aware their client s account is assigned to ACS can select option three (3) to be routed directly to ACS. Option one (1) for individual accounts and option two (2) for business accounts are routed to AM. If the account is assigned to ACS, the AM assistor will transfer the call to ACS.

In July 2008, after receiving additional feedback from the practitioner community, the menu was again expanded to include a prompt for the Automated UnderReporter (AUR) Operation. If the practitioner is aware their client s account is assigned to AUR they could select option five (5) to be directly routed to AUR.

The PPS menu was established to allow the practitioners to have direct access to the IRS operation that has responsibility for the client s account. It ensures that the employees who have been trained to or have the authority to work specific types of accounts work with the practitioner to resolve the client s account. The same holds true when the client s account is assigned to a Revenue Officer. The practitioner must talk with the Revenue Officer to resolve the client s account.

Over the years the IRS has made several enhancements to it to make it a better option for practitioners. The system is working as expected.

<b>TAP Issue ID: 18215 Elevated Date: 09/17/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Printing Fonts on IRS.gov Website</b>	

Issue Statement	The font size is too small to be easily read on a hard copy printed from the Internal Revenue Service (IRS) website (www.irs.gov).
Goal Statement	Increase the font size on pages printed from the IRS website.
Proposed Solution	<p>Solution 1:</p> <p>Provide users with brief instructions on how to increase the font size for printing. For example, if they are using Windows Explorer 8:</p> <ol style="list-style-type: none"> <li>1. Click the little arrow next to the printer icon and select Printer Preview</li> <li>2. Next, click the Setup Icon (the little gear picture )</li> <li>3. Next, uncheck the Shrink to Fit box</li> <li>4. Best printed in landscape</li> </ol> <p>Also, a box or bubble could include verbiage such as HINT: If your browser is Windows Explorer 8, text font can be enlarged in your print program by unchecking Shrink to Fit.</p> <p>See attachment for details.</p> <p>Solution 2:</p> <p>Have the site developers create a print option on the site to produce a printed page stripped of graphics with a larger more easily read font, similar to the option for printing a transcript from Transcript Delivery on IRS E-Services.</p>

IRS Initial Response

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. 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.

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](http://www.ssa.gov), previously included a capability similar to that requested in TAP's recommendation, but they now rely on inherent browser capabilities.

<b>TAP Issue ID: 18221 Elevated Date: 10/27/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Monitoring IRS Action</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: Show the Tax Year on 1040 Worksheets</b>	

Issue Statement	The tax years are not printed on the 1040 worksheets.
Goal Statement	To make the 1040 worksheets easy to identify by printing the tax year at the top of the page.
Proposed Solution	Print the tax year at the top of the worksheet to enhance identification.
IRS Initial Response	<p>IRS Response Detail:</p> <p>We plan to adopt this suggestion by adding a year indicator to the header of the pages of the instruction booklet. We do not yet know if it can be done in time for the 2010 edition, but if not, we plan to add it in 2011.</p>

<b>TAP Issue ID: 18358 Elevated Date: 12/01/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Elevated to IRS Awaiting Response</b>	<b>Outcome:</b>
<b>Title: Comments About IRS Service</b>	

Issue Statement	The Internal Revenue Service (IRS) does not have an online form for a taxpayer to submit a complaint or compliment on the service received by a specific IRS employee.
Goal Statement	Provide an easy and simple way for a taxpayer to leave a short online message (good or bad) on the quality of service they received from an IRS employee.
Proposed Solution	Provide a link on the IRS.gov site to an online form. The taxpayer can use the form to provide a short description of a complaint or compliment about the service they received from an IRS employee.

<b>TAP Issue ID: 18620</b> <b>Elevated Date: 10/28/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Revise the RCA for Penalty Abatements</b>	

Issue Statement	Internal Revenue Code (IRC) 6664(c), et al, provide penalty abatements to taxpayers who have reasonable cause for their violations, but leaves the interpretation of reasonable cause and the implementation of abatements to the Internal Revenue Service (IRS); however, since 2000 when the mandatory use of the Reasonable Cause Assistant (RCA) was adopted, the number of abatements permitted when RCA is used is negligible except for first time abatement provision. This makes it more difficult for already struggling taxpayers to pay their delinquencies and hinders revenue officers in their efforts to help their customers achieve and maintain compliance.
Goal Statement	The percentage of cases resulting in reasonable cause abatements when the RCA is used will be more consistent with the percentage of abatements resulting in cases when the RCA is not used.
Proposed Solution	<p>The RCA needs to be replaced or substantially revised with a tool which will achieve some fairness and consistency, and will return more substantial latitude to front line employees, including revenue officers and managers who evaluate penalty abatement requests.</p> <p>The revision or replacement would best be created by a task group of senior front line revenue officers and managers whose charge would be to create an evaluation tool which would provide results that are not only consistent, but fair to the taxpayer and not overly burdensome to use. The revision would focus on allowing abatement of penalties as provided for in IRC 6651.</p>

IRS Initial Response

IRS Response Detail:

We reject the recommendation to replace the RCA system. The IRS created RCA to ensure fair and consistent treatment based on relevant facts and circumstances. RCA allows 'latitude' within the policy guidance. IRS is undergoing a continuous effort to enhance RCA programming. This assists employees using RCA to make fair, accurate and consistent determinations.

The basis for our disagreement follows:

o We have noted the statistics used as basis for making the Taxpayer Advocacy Panel (TAP) recommendation are taken from a study of requests for relief for the Failure to Deposit (FTD) penalty (IRC 6656). This study was not based on a statistical valid sample necessary to reach conclusions with confidence.

o Attempts to equate the FTD penalty results to the Failure to File (FTF) and Failure to Pay (FTP) (penalties imposed under IRC 6651) is not a valid comparison.

Reasonable cause is based on an evaluation of the taxpayer's facts and circumstances to determine if the taxpayer has shown their failure to comply was due to reasonable cause and not due to willful neglect. Relief based on collectability is not a form of reasonable cause.

TAP Counter Response

Date: March 2, 2011  
To: Internal Revenue Service  
From: Taxpayer Advocacy Panel Area 5  
RE: IRS Response to TAP Issue 18620, Revise RCA for Penalty Abatement

On September 14, 2010, the Taxpayer Advocacy Panel (TAP) referred Issue 18620, Revise Reasonable Cause Assistant (RCA) for Penalty Abatement, to the Internal Revenue Service (IRS) for consideration.

The IRS disagreed with our recommendation to revise or replace the RCA system on November 30, 2010. In that disagreement, the IRS impugned the statistics TAP cited and stated that the IRS is undergoing a continuous effort to enhance RCA programming. This assists employees using RCA to make fair, accurate and consistent determinations.

We acknowledged in the background statement in our proposal that the consistency is there but we continue to contend strongly that the fairness is not, primarily because of the excessive detail required and the narrow scope of interpretations applied.

National Taxpayer Advocate Nina Olson agrees, and this matter is clearly on her radar screen. In her National Taxpayer Advocate 2010 Annual Report to Congress, Most Serious Problem (MSP) 14, page 198, is:

The IRS's Over-Reliance on Its Reasonable Cause Assistant Leads to Inaccurate Penalty Determination

The text cites the IRS's own study which revealed a 45 percent accuracy rate and states, "In other words, a coin flip would have produced nearly the same level of accuracy as the RCA." The text of MSP 14 is attached for your convenience.

The RCA clearly does not work well. It is labor intensive, inaccurate, and unfair to taxpayers who have legitimate reasons for abatement. There needs to be a balance between fairness and consistency, and we reiterate our suggestion to overhaul or replace the RCA. We also reiterate our suggestion that front-line collection employees and their first-line managers on campuses and in the field should be deeply involved in the creation of any revision or replacement.

Please reconsider this proposal.

We look forward to the IRS response to this memo.

Area 5 Committee

<b>TAP Issue ID: 19066 Elevated Date: 11/30/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: Resolved Prior to Elevation</b>
<b>Title: PTIN Database Should Provide Designation</b>	

Issue Statement	The Preparer Tax Identification Number (PTIN) Public database does not provide for the Registered Tax Return Preparer s designation (i.e., Attorney, CPA, Enrolled Agent, Enrolled Actuary, Enrolled Retirement Plan Agent, etc.)
Goal Statement	Adding the preparer s professional designation in the PTIN Public database will help the taxpayer select a level of qualifications they want in a preparer.
Proposed Solution	Provide a field in the PTIN Public database next to the Registered Tax Return Preparer name to list their professional designation.

<b>TAP Issue ID: 19076 Elevated Date: 10/22/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: SAMS - Accepted</b>
<b>Title: OARS with Unpostable Code 299-6 Returned</b>	

Issue Statement	Fresno, California, Submission Processing has no instructions for working unpostable Code 299-RC6.
Goal Statement	To correctly process returns claiming the First Time Homebuyer Credit (FTHBC) when they go unpostable 299-RC6.
Proposed Solution	Provide instructions to Submission Processing to work unpostable 299-RC6.
IRS Initial Response	<p>07/19/10 - The situation creating the unpostable code was caused by individual error. This is not a systemic and there is no problem with the unpostable reference code. No project recommended. I do recommend we forward to TAG for their awareness on the FTHBC issues in the event guidance is needed.</p> <p>Individual error so no further actions for SA to take. Issue already shared with FTHBC working group and will be included on weekly list that is shared with W&amp;I.</p>

<b>TAP Issue ID: 19183 Elevated Date: 12/01/2010</b>	<b>Committee Name: Area 5</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: Forms Available for Businesses -E-services</b>	

Issue Statement	Internal Revenue Service (IRS) E-Services transcript delivery service makes Form 1099 Series and Form 1098 Series available for individual taxpayers; however, these tax forms remain unavailable for business entities.
Goal Statement	E-Services need to include access to Forms 1099 and 1098 when submitting the Form 2848, Power of Attorney and Declaration of Representative, (POA) through E-Services for a business entity.
Proposed Solution	Upon submitting a POA for business entities, either include the Forms (1099 and 1098) as a choice under the category Tax Matters or once the POA is accepted include as a choice Wage and Income as a Product Type within the transcript delivery option.
IRS Initial Response	<p>IRS Response Detail:</p> <p>Thank you for bringing this problem to our attention, we apologize for any inconvenience you have experienced because of this issue.</p> <p>We understand your concerns with a business entity not being able to retrieve Form 1098 and 1099 transcripts through e-services products. The recommendation to add Form 1098 and 1099 to the category list under tax matters will be considered as a possible remedy to the situation. We will also consider the second part of the recommendation to request an enhancement to TDS e-services to allow a business entity to retrieve Form 1098 and 1099 transcripts through e-services. We will be initiating a request to improve the Disclosure Authorization system to include this capability.</p> <p>A Unified Work Request (UWR) will be input to request the improvement to allow a Business Entity Power of Attorney to retrieve Form 1098 and 1099 transcripts through Disclosure Authorization and TDS e-services products.</p>

<b>TAP Issue ID: 17280 Elevated Date: 10/29/2010</b>	<b>Committee Name: Area 6</b>
<b>Status: Monitoring IRS Action</b>	<b>Outcome: Proposal Partially Accepted</b>
<b>Title: Practitioners want a list of POA's</b>	

Issue Statement	How can an accountant get a list of Power of Attorneys (POAs) without writing a letter to request this? They are signed up for e-services - seems like you should be able to print out a list. Practitioners want to obtain a list of their Power of Attorneys by printing it out themselves.
Goal Statement	Allow Practitioners to print an up-to-date list of POAs under their CAF number.
Proposed Solution	The Committee requests the development of a report available in e-services for Practitioners to use by which they can sort and track their POAs.
IRS Initial Response	<p>IRS Response Detail:</p> <p>We clearly understand and agree with the recommendation and we are taking action to request the change. This enhancement to E-services Disclosure Authority will require a Unified Work Request (UWR) and will be dependent on available funding. A timeframe cannot be determined until the UWR is completed and funding is approved.</p>

<b>TAP Issue ID: 17299 Elevated Date: 12/03/2010</b>	<b>Committee Name: Area 6</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Paper report sent in mail without tracking</b>	

Issue Statement	The Internal Revenue Service (IRS) is sending voluminous mailings of CP-2100, Please Check Your Backup Withholding List, in an unsecured format to inform a taxpayer that he or she may be responsible for backup withholding.
Goal Statement	Eliminate the security issues involved in using paper CP2100 notices.
Proposed Solution	We recommend that the IRS send all CP2100 lists to recipients on compact disks or digital video disks (CD/DVDs) with encryption keys.
IRS Initial Response	Security is important to the IRS as well. Moving to a CD/DVD process would require a manual process that we don't have resources for. However, the IRS is working on an eNotice initiative that will securely deliver taxpayer correspondence electronically through a service-wide, integrated, web based system that meets customer preferences. The timeline is dependent on funding and resources.

<b>TAP Issue ID: 17325 Elevated Date: 11/02/2010</b>	<b>Committee Name: Area 6</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Changes Fixed-Not Really Fixed</b>	

Issue Statement	In telephone related contacts with Internal Revenue Service (IRS) personnel, it is not unusual to be told that an issue is fixed, then to later find out it was "not fixed". A confirmation number of some type given to the taxpayer by the IRS employee for future reference and follow-through is needed.
Goal Statement	<ol style="list-style-type: none"> <li>1. Enhance taxpayer confidence that the IRS employee has captured their just concluded phone conversation's information in the IRS database for future reference.</li> <li>2. Increase the accountability of the IRS employees to comply with the current requirements to enter the information from that customer contact into the IRS database.</li> <li>3. Increase the percentage of issue resolutions on the first taxpayer call, thus avoiding necessitated and expensive call-backs.</li> </ol>
Proposed Solution	<ol style="list-style-type: none"> <li>1. The Internal Revenue Manual (IRM) should be revised to require the IRS employee to carefully give to the calling Taxpayer, at the conclusion of the phone call, as well as at the beginning (as now required), their name and IRS employee number, and to instruct the taxpayer to write this information down for future confirmation reference.</li> <li>2. The IRS should consider rewarding with some type of recognition those employees who attain the higher percentages of first call-in issue resolution for the taxpayers, thus avoiding the expense and time of follow-up calls.</li> </ol>
IRS Initial Response	<p>IRS Response Detail: We disagree with both recommendations.</p> <p>Recommendation 1: The caller/taxpayer has the option to ask the assistor to repeat their name and identification number at the end of the call for their records.</p> <p>Recommendation 2: Our assistors are trained to resolve the taxpayer's issues(s) on every call when possible. We agree, there is a disconnection between the history items/notes entered on Integrated Data Retrieval System (IDRS) and Accounts Management System (AMS). When an assistor enters a history item/note on either system it does not automatically appear on the other system. W&amp;I and MITS Executives continue to discuss an enhancement to AMS that will allow AMS history and case resolutions posted from IDRS to AMS, rather than having the AM staff manually updating duplicative IDRS information to AMS case history. This enhancement will assist in reducing taxpayer burden. Our assistors' evaluations reflect their work and following the National Treasury Employee Union (NTEU) agreement they may receive awards.</p>
	Taxpayer Advocacy Panel

Taxpayer Advocacy Panel

Area 6, IRS-Services Sub-Committee Rebuttal to the IRS Response (on pages 3 and 4).

In November 2010, the Taxpayer Advocacy Panel (TAP) forwarded issue # 17325, titled Confirmation number or reference information required for each contact to the IRS.

This issue dealt with the use of the toll-free calling system operated by the Internal Revenue Service (IRS).

The referral made two recommendations:

1. The Internal Revenue Manual (IRM) should be revised to require the IRS employee to carefully give to the calling Taxpayer, at the conclusion of the phone call, as well as at the beginning (as now required), their name, IRS employee number, and to instruct the taxpayer to write this information down for future confirmation reference.
2. The IRS should consider rewarding with some type of recognition, those employees who attain the higher percentages of first call-in issue resolution for the taxpayers, thus avoiding the expense and time of follow-up calls.

The IRS rejected both recommendations:

Regarding the providing of identifying information at the end the call, the IRS response was that the caller had the option of asking for this information. The TAP Committee feels that is throwing the responsibility back onto the Taxpayer who at this point is very frightened to even talk with the IRS. Most taxpayers have great difficulty communicating with the IRS and the toll free number may be the only interaction they ever have with the IRS. The IRS only gets this one chance to impact this taxpayer positively. If the employee servicing the call does not resolve the issue successfully for whatever reason, the taxpayer will come away from the interaction with an added negative attitude toward the IRS. With that in mind, the IRS needs to do everything they can to create an atmosphere for the employee that encourages a successful resolution to the issue during this first call.

In studying these issues, the TAP committee has had discussions with a number of IRS staff. We have been briefed on how the system is organized, staffed, and operated, and have also been briefed on the various performance metrics used to monitor the system. It has been pointed out to us the high number of return calls the Taxpayer must make to the IRS to get their issues resolved. This pointedly underscores the need to resolve the Taxpayer issues with the first call thus saving numerous additional calls and time for the IRS employee and the taxpayer.

The recommendation to conclude a call with the identifying information is believed to be a fairly simple and straight-forward method of enhancing the accountability of the IRS employee and making sure the taxpayer had the necessary information. It would not be an expensive addition to make to the current

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instructions. It was also based on the experience of the panel members in using other toll-free phone services. The practice of concluding a call with the final confirmation number or identifying information is widely used in commercial applications, and it was thought that the IRS could benefit from its adoption.

The TAP committee notes that a significant number of issues brought to the panel are directed to the IRS Toll-Free telephone service. These issues have been identified dealing with long wait times, discourteous employees, erroneous information, and lost information. As the TAP members attempt to analyze these issues, many must be dropped because there is not sufficient information given by the complaining taxpayer to take any action.

The National Taxpayer Advocate, Ms. Nina E. Olson in her 2009 Report to Congress, identified the Toll-Free Telephone service as the Number 1 Most Serious Problem Encountered by Taxpayers , and continues to list Toll-Free Phone lines as one of the issues of concern.

On the second recommendation, the IRS acknowledged there are some disconnects in the data management systems used by assistors. As an example, that all history information might not be available to a future assistor. The IRS response noted that discussions on system enhancements are continuing. The IRS response indicates that data systems enhancements are being discussed to improve the interface between Integrated Data Retrieval System (IDRS) and Accounts Management System (AMS). That being said, the IRS provided no substantive information that these discussions are any more than that. This seems to be a valid concern that should be formally identified and managed, rather than being relegated to informal discussions.

The response noted also that employee awards are governed by their bargaining unit agreements and the TAP committee accepts that employee incentive programs must be developed in accordance with labor agreements.

Finally, the IRS response received by the TAP committee for this issue has not been signed by the project owner. The TAP requests that the IRS comply with the process for managing TAP issues by ensuring that the program owner signs this recommendation as noted in the Taxpayer Advocacy Panel Response Template Instructions (Page 4 below) last notation, Program Owner and Response Author . This TAP Response Template page accompanied the response from the IRS.

The recommendations made by the TAP committee in this issue referral were made based on lengthy research and with a full awareness of the constraints and limitations within which the IRS must operate. In

	<p>conclusion, the TAP does not accept this response. The TAP requests that the IRS reconsider the two recommendations which were made to reduce the number of Taxpayer secondary call-backs and to give emphasis and recognition to first call resolution. Additionally, the TAP requests that the discussions relative to enhancements to the interface between IDRS and AMS be formally identified and tracked. The TAP respectfully requests that the IRS formally approve this recommendation.</p> <p>The Taxpayer Advocacy Panel Area 6 Committee  IRS Services Sub-Committee Members:  Beverly Phillips, Chair  Herb Bohrer, Colleen Hitchcock, Edith Kendall, Harlan Barnett, Members</p>
<p>IRS Final Response</p>	<p>IRS Response to the Taxpayer Advocacy Panel Area 6, IRS-Services Sub-Committee, regarding Issue # 17325</p> <p>The IRS supports customers receiving the name and badge number of the IRS telephone employee on every call. The IRS works to efficiently answer each telephone call so that as many customers as possible receive assistance.</p> <p>The duplicate identification process would take approximately 15 seconds for each telephone call. While 15 seconds appears to be a minimal amount of time and have limited impact, the added call duration has to be considered in the context of the customers currently receiving service. Accounts Management answers tens of millions of customer telephone calls each year. If this recommendation had been implemented for FY 2010, the cost of the duplicate employee identification would be approximately 180 full-time equivalents (FTE)* or 12.4 million dollars. Similar costs would occur in subsequent years. While this recommendation is well intended, it has the effect of helping 537,000 fewer customers. The IRS does not agree with this recommendation.</p> <p>The IRS response to the TAP s second issue spoke to history items/notes entered on the Integrated Data Retrieval System (IDRS) and the Accounts Management System (AMS). The IRS has conducted formal discussions with regard to eliminating duplicate history items on IDRS and AMS. While the elimination of duplicate history items is a pending future enhancement, the IRS cannot agree that this item will be addressed in the next few years. It is one of several competing priorities and its relevance to the wider taxpayer service mission must be considered.</p>

<b>TAP Issue ID: 16840 Elevated Date: 07/22/2010</b>	<b>Committee Name: Area 7</b>
<b>Status: Monitoring IRS Action</b>	<b>Outcome: Proposal Partially Accepted</b>
<b>Title: TAC - Increase Hours/Days Of Operation</b>	

Issue Statement	Taxpayer Assistance Centers (TACs) located across the country are generally open Monday Friday from 8:30 am to 4:30 pm. These hours are the standard hours that many taxpayers also work, making it inconvenient for many to visit TACs for tax issues, tax payments, etc.
Goal Statement	The Internal Revenue Service (IRS) should adjust operating hours at the TAC offices so that taxpayers can visit the TAC office during hours that are more convenient
Proposed Solution	Open TACs on Saturdays at least twice each month during the filing season and once a month during the rest of the year.
IRS Initial Response	<p>For the FY 2010 Filing Season, Internal Revenue Service expanded service hours on weekdays and Saturdays in 16 Taxpayer Assistance Centers (TACs) across the country. During this time, IRS opened seven TACs every Saturday with the exception of April 3rd. As a part of this initiative IRS analyzed data and solicited feedback from both taxpayers and employees. The analysis shows that taxpayers liked the extended hours. Research also shows that many were new customers defined as taxpayers who had not been to the TAC in the prior 18 months. Based on the information contained in the Wage &amp; Investment Research Report issued in August significant challenges exist. The challenges include minimizing employee physical and mental strain, identifying employees that are willing to change hours of duty, receiving additional funding for staffing and overtime demands, as well as publicizing the hours without overwhelming the TAC. IRS is committed to expanding service hours in select TACs for the upcoming filing season, where taxpayer demand is present and where resources are available to accomplish it.</p> <p>Additionally a proposal is currently being considered to continue Saturday Open House events in 2011. There will likely be two events during the Filing Season and two events during the post Filing Season - each event to include 50 to 100 of the larger heavier traffic TACs being open.</p>

<b>TAP Issue ID: 17244 Elevated Date: 05/04/2010</b>	<b>Committee Name: Area 7</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: IRS Envelopes need improvement</b>	

Issue Statement	Information can be seen through the envelopes the IRS provides taxpayers.
Goal Statement	Provide a secure means for taxpayers to contact the IRS.
Proposed Solution	Work with current vendor(s) to obtain security envelopes that are furnished to taxpayers.
IRS Initial Response	<p>IRS envelopes are purchased by offices mainly from two Government Printing Office (GPO) contracts:</p> <ul style="list-style-type: none"> <li>- One contract is for small local offices you find scattered in small towns around the country. Quantities ordered are less than 25,000 per order per envelope. In Fiscal Year 2011, there are 14 different envelopes available for offices to order.</li> <li>- The second contract allows large offices such as Campuses, Computing Centers, and the Correspondence Production Services sites to order bulk supplies of 24 different envelopes. Order quantities on this contract have gone as high as 27 million for one envelope per order.</li> </ul> <p>All of the envelopes available on these 2 contracts require the contractor to print a security tint on the inside of the envelope. This is a standard industry practice for preventing the contents of the envelope to be read from the outside.</p> <p>To ensure the IRS is utilizing industry standard, as well as government standard specifications for envelopes, we contacted the manager of the GPO regional office to gather comparative information. The manager stated that IRS is in line with expected standards.</p> <p>In summary, the IRS Envelope Program is doing all we can to protect taxpayer information as much as possible, especially given the incredible volumes of mail we deal with. However, the printing of envelopes is a manufacturing process, and while we write contract terms to include security tints on our envelopes, it is possible that a misprint could occur and slip through quality control procedures and wind up in the hands of a taxpayer. IRS believes this to be an extraordinary circumstance that we would be hard pressed to take action against it. To determine the exact cause of this instance, every effort should be made to determine the envelope in question and its source. This information could be used to fully understand the circumstances of the situation, and prevent reoccurrence in the future if it is indeed an issue with the printing/manufacturing of IRS envelopes.</p>



<b>TAP Issue ID: 17245 Elevated Date: 10/13/2010</b>	<b>Committee Name: Area 7</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: A change in correspondence audits is needed</b>	

Issue Statement	Procedures for allowing the Internal Revenue Service (IRS) to convert from a correspondence audit to an office audit at the taxpayer s request are not clear.
Goal Statement	Enable the IRS to convert a correspondence audit to an office audit upon the taxpayer s request, or explain to the taxpayer why the request cannot be granted.
Proposed Solution	Amend the initial correspondence letter and the IRS Manual (IRM) to include procedures for converting a correspondence audit to an office audit and explaining any reasons for denial to the taxpayer.
IRS Initial Response	<p>SB/SE IRS Response Detail:</p> <p>We believe in most instances the issues handled in the campus examination program can efficiently and effectively be resolved through correspondence. Additionally, many requests for transfers to a face to face venue are based on practitioner preference rather than a case related need.</p> <p>Procedures are in place that address transfers to an Area Office (IRM 4.19.13.14.1) and includes referral to the manager to obtain approval. While leaving the decision in the hands of the examiner and the manager, one of the criteria applied is that a transfer would be in the best interest of both the taxpayer and the Service.</p> <p>We agree that taxpayers should be given a reason if their request is denied, and our casework reviews have not found this to be an issue.</p> <p>Granting these requests without defined criteria would pose a potentially significant resource impact when considering that a case transferred to field examination generally takes longer, costs more, and impacts other compliance work.</p>

<b>TAP Issue ID: 17246 Elevated Date: 05/04/2010</b>	<b>Committee Name: Area 7</b>
<b>Status: Monitoring IRS Action</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: Examiners are not allowed to provide email address</b>	

Issue Statement	The Internal Revenue Service (IRS) use of email to communicate with taxpayer(s) or their representative(s) is not consistent between offices, revenue officers, or geographical areas. Some IRS employees will provide their email address and others refuse stating that IRS policy does not allow the use of external email between taxpayer(s)/ representative(s) and IRS employees, which results in additional time and expense to mail the information or contact relevant personnel.
Goal Statement	Allow IRS employees to use limited email correspondence with taxpayers or their representatives to set appointments, clarify information, and exchange documents.
Proposed Solution	(1) Clarify Internal Revenue Manual (IRM) 1.10.3.2.1 so that an IRS employee will know whether their computers are programmed to allow communication with the taxpayer or taxpayer representative. (2) Amend the IRM and IRS policy to state that once communication is established between a particular IRS employee and the taxpayer(s) or their representative(s) and identities are established, IRS employees are allowed to communicate with taxpayer(s)/ representatives by email to set appointments, clarify information, and exchange documents. The IRS can use email to acknowledge receipt of documentation.
IRS Initial Response	The Servicewide policy prohibiting email to taxpayers is set by the Modernization & Information Technology Service (MITS) Cybersecurity Office, as indicated in the IRM section cited in the recommendation, IRM 1.10.3.2.1. Cybersecurity has been working on a Secure Registration Based Email (SRBE) process for the past year, which, if and when implemented, would allow email communication with taxpayers. SB/SE will participate in the Phase I rollout of the Secure Registration Based Email pilot; which will include the capability to send secure email messages to Federal and State partners.

<b>TAP Issue ID: 17247 Elevated Date: 05/04/2010</b>	<b>Committee Name: Area 7</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Short timeframes on examination letters</b>	

Issue Statement	Taxpayers may miss short deadlines when responding to exam letters due to delayed post office delivery.
Goal Statement	Provide a better taxpayer experience and decrease correspondence between the taxpayer and the Internal Revenue Service (IRS) by allowing for potential postal delivery delays.
Proposed Solution	<ol style="list-style-type: none"> <li>1. The IRS should allow an appropriate grace period before following up with an assessment letter.</li> <li>2. After the initial grace period IRS should send a second letter to the taxpayer. If, after sending a second letter the taxpayer does not respond then IRS should assess the tax liability.</li> </ol>

IRS Initial Response

TAP issue number 17247 relates only to office examination procedures.

IRM 4.10.2.7.3.2(1), Office Examination Initial Contact, states: Office cases generally will be scheduled using written correspondence. The examiner may elect to use Letter 2202, Initial Contact Letter Firm Set Appointment Letter, or Letter 3572, SBSE Office Exam Call-Back Appointment Letter. Letter 3572 asks the taxpayer to call the individual listed in the contact information within ten days of the date of the letter to schedule an appointment.

A case is designated as a no response when the taxpayer fails to respond to the initial contact letter. If the initial contact letter is returned as undeliverable, examiners must follow the steps in IRM 4.10.2.7.2, Locating the Taxpayer, to secure a current address or telephone number. If the taxpayer does not respond within the ten-day call back period, and there is no indication that the letter was undeliverable, the examiner may, with the concurrence of the group manager, issue an audit report with Letter 915, Letter to Transmit Examination Report.

IRS procedures contain built-in grace periods. For example, IRM 4.10.2.7.3(7) states If the taxpayer wants representation prior to scheduling the initial appointment, the examiner should allow the taxpayer a minimum of 10 business days to secure representation before taking any follow up action. Therefore, if the taxpayer contacts the examiner prior to the expiration of the 10-day period, and advises the examiner of their intent to contact a representative, at least ten additional business days will be allowed prior to scheduling the initial appointment. No further action will be taken during the designated period.

In addition, prior to closing a no response case for assessment a taxpayer will receive at least two additional contacts. The first is the Letter 915, which accompanies the audit report and allows the taxpayer 30 days to respond. If a taxpayer does not respond to Letter 915 within 15 days, the examiner must issue Letter 2304, Follow-Up Letter Transmitting Examination Reports. The follow-up procedures are found in IRM 4.10.8.11.10. During the 30 day period, the taxpayer may contact the examiner to schedule an appointment. If the taxpayer contacts the examiner and schedules an appointment, action on the case is suspended until the scheduled appointment date.

The office examination procedures outlined above, allow sufficient time for the taxpayer to respond prior to any assessment of additional tax. The process ensures that the taxpayer receives at least three notifications by mail.

<b>TAP Issue ID: 17266 Elevated Date: 05/07/2010</b>	<b>Committee Name: Area 7</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Treasury Reg 1.1033(a)-2(c)(3) is erroneous</b>	

Issue Statement	Treasury Regulation 1033(a)-2(c) (3) erroneously states that a person should request approval from the District Director to file a 1033 extension, which can cause unacceptable late filing.
Goal Statement	Encourage Internal Revenue Service (IRS) to correct Treasury Regulation 1033(a)-2(c) (3) to eliminate reference to the District Director and identify the correct office for filing 1033 extension requests.
Proposed Solution	Correct the Treasury Regulations to identify the correct office for filing a 1033 extension.
IRS Initial Response	The Taxpayer Advocate Panel has asked that Treas. Reg. § 1.1033(a)-2(c) (3) be amended to remove the reference to District Director. That regulation permits taxpayers to request an extension for the replacement period of involuntarily converted property. The IRS yearly releases a publication, Publication 544, Sales and Other Dispositions of Assets, that informs taxpayers about how to report the gain or loss resulting from the disposition of property. Page 10 of Publication 544 explains how taxpayers can obtain this extension and provides a current address to which taxpayers can submit the application referenced in the regulation. The IRS has determined that the best manner in which to provide this kind of information so that it is current and correct is to include it in publications that are revised on a regular basis. The Office of Chief Counsel does not have current plans to revise this regulation to correct the reference to District Director.

<b>TAP Issue ID: 17276 Elevated Date: 10/06/2010</b>	<b>Committee Name: Area 7</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Correspondence Audits Training</b>	

Issue Statement	Campus Correspondence Exam letters are often received requesting support for items that were never claimed on the tax return.
Goal Statement	Enable the Internal Revenue Service (IRS) to identify the appropriate audit issues in the correspondence letter and eliminate the need for taxpayers to respond to erroneous letters.
Proposed Solution	<ol style="list-style-type: none"> <li>1. On a statistical basis, perform a quality review to determine if the issues in the letter appear on the return</li> <li>2. When issues in the letter do not match items on the return, determine how the erroneous information was entered into the system.</li> <li>3. Determine what procedures are needed to correct erroneous computer/system errors.</li> </ol>
IRS Initial Response	<p>SB/SE IRS Response Detail: Most of the aspects of the recommended solution are in place within our operations.</p> <p>In general, our letters are programmed for the specific issues under examination and generally remain consistent from year to year. Occasionally there are computer issues that cause misleading or erroneous letters to be issued. We become aware of these through feedback from practitioners, taxpayers, and/or our assistants on the toll free line. Once the letters are identified, corrective action is initiated.</p> <p>Although we do not see the benefit of establishing an additional review process, we would appreciate specific examples of letters falling within this recommendation from the TAP committee.</p>

<b>TAP Issue ID: 17277 Elevated Date: 10/06/2010</b>	<b>Committee Name: Area 7</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Partially Accepted</b>
<b>Title: Taxpayer not provided sufficient time to respond</b>	

Issue Statement	In Correspondence Exams taxpayer correspondence is not properly controlled when received, nor is it associated with the taxpayer s case in a timely manner. As a result the Internal Revenue Service (IRS) examiner does not see the taxpayer s correspondence and sends an assessment letter to the taxpayer. In turn the taxpayer petitions the tax court, which ultimately remands the case back to the Appeals Division to process and close resulting in unneeded time and cost to for both the taxpayer and the IRS.
Goal Statement	To provide a process that matches taxpayer information with the case in a timely manner allowing the examiner time to review the information so that the taxpayer receives a fair resolution.
Proposed Solution	<ol style="list-style-type: none"> <li>1. Associate the taxpayer correspondence to the file as soon as it is received by the IRS.</li> <li>2. Use bar codes on the envelope/letter that are scanned in upon receipt.</li> <li>3. Upload/scan in the documents as soon as received so the examiner can timely review the associated taxpayer correspondence.</li> </ol>
IRS Initial Response	<p>SB/SE IRS Response Detail: We would like additional time to consider the scope of this suggestion.</p> <p>We agree with the benefit of updating our systems and associating the document with the case file as quickly as possible. We have several initiatives underway that work toward this goal.</p> <p>Mail Process Changes Correspondence Imaging for Compliance Electronic Fax (e-Fax)</p> <p>Additional time will allow us to evaluate the current status of these and determine their future impact on these suggestions.</p>

<b>TAP Issue ID: 17315</b> <b>Elevated Date: 05/06/2010</b>	<b>Committee Name: Area 7</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: Mismatching of Forms K-1 for retirement plans</b>	

Issue Statement	Amounts included on Schedule K-1, Partner's Share of Income, Credits, Deductions, and Other Items, for IRA/Keogh/SEP plans are incorrectly added to taxpayer income resulting in a Notice CP-2000, Unreported Income.
Goal Statement	IRS to provide clarifying instructions on the Schedule K-1 and Schedule K-1 instructions that will allow proper reporting of the custodian identification number and the retirement income; and will update the income matching software.
Proposed Solution	<p>Include a box in Part II of the Schedule K-1 asking for the identifying number of the IRA/Keogh/SEP custodian number and describing how/where to report the retirement income. (Addition of one line to the form.)</p> <p>Include wording in the Schedule K-1 instructions explaining why the identifying number of the custodian is used instead of the taxpayer's social security number.</p> <p>Modify the software used for the matching program to accept the income as non-taxable when Box I, Part II of the K-1 indicated an IRA/SEP/Keogh.</p>
	<p>Re: TAP 17315- Incorrect Reporting of Retirement Plan Income on Schedule K-1</p> <p>The recommendation to modify the software used for the matching program to accept the income as non-taxable when Box I, Part II of the K-1 indicates an IRA/SEP/Keogh, will be considered after the applicable Schedule(s) K-1 have been modified to include/transcribe this additional information in Part II, as a data element for the Information Return Masterfile (IRMF). Modifications to the Schedule(s) K-1, Part II to allow for the presence of an "IRA/SEP/Keogh" indicator box is required before any updates to the AUR matching program can be made.</p> <p>We agree that having additional information on the Schedule(s) K-1 to more readily identify that the income source is related to "IRA/SEP/Keogh" would reduce the instances of erroneously generated CP2000 Notices. Currently this issue is addressed in the Automated Underreporter (AUR) Internal Revenue Manual (IRM) 4.19.3, case analysis (ie: Screening) procedures. The IRM directs tax examiners to not consider Schedule(s) K-1 information returns indicating in either the payer or payee area that the source of the income is from a retirement plan (including IRA/SEP/Keogh accounts) when determining if income is fully included on the tax return.</p> <p>New response received on 5-3-2011 - Thank you very much for your suggestions regarding the reporting of</p>

IRS Initial Response

retirement income on the Schedule K-1 (Form 1065). In this letter we will limit our discussion to the recommendation you made that we add a checkbox to the Schedule K-1 (Form 1065), Part II, Box I, so that partnerships may indicate on the Schedule K-1 whether the partner is a retirement plan. (Recommendation #1).

You indicate that often, when Schedules K-1 are issued for partners that are retirement plans, the income/loss amount is not properly processed even though it is correctly identified in Box I, Part II of the K-1 as retirement income/loss. The problem occurs primarily when the retirement plan's beneficiary's Social Security Number (SSN) is used as the identification number on the K-1. When the beneficiary fails to report this income on his/her Form 1040 as gross income, the result is the generation of a Notice CP-2000 Unreported Income. You suggest that if we add a checkbox and instruct partnerships to check that box if the partner is a retirement plan that that would allow the Service to avoid charging the income/loss to the retirement plan's beneficiary.

However, in the Instructions for Form 1065, Specific Instructions (Schedule K-1 Only), Part II. Information About the Partner, Items E and F, we instruct partnerships as follows:

However, if a partner is an individual retirement arrangement (IRA), enter the identifying number of the custodian of the IRA. Do not enter the SSN of the person for whom the IRA is maintained.

It is not clear why some partnerships are ignoring these instructions and are entering the beneficiary's SSN on the Schedule K-1. However, the instructions are clear that the SSN shouldn't be used, precisely to avoid the problems you describe. Since filers who make this mistake are not following the instructions, there is no evidence that any change to the Schedule K-1 form itself would correct the reporting problems.

Therefore, we are not adopting this suggestion. This issue can be resolved by the partnership and the problems avoided.

TAP Counter Response

We agree with the recommendation. The SB/SE compliance function agrees that this checkbox could be used to eliminate unnecessary taxpayer contacts. However, we are concerned that replacing Line I with just a checkbox will not provide the IRS with type of entity information used by other functions. We plan to try to keep the existing Line I text and add the checkbox immediately under that text.

<b>TAP Issue ID: 17320 Elevated Date: 09/24/2010</b>	<b>Committee Name: Area 7</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: E-services are needed for the CAWR process</b>	

Issue Statement	E-services transcripts for 940, Employer s Annual Federal Unemployment Tax Return, and 941, Employer s Quarterly Federal Tax Return, do not include critical information needed for accurate payroll reporting.
Goal Statement	Make it easier for tax professionals to garner appropriate payroll information to improve accuracy for payroll reporting and help improve accuracy for Combined Annual Wage Reporting (CAWR).
Proposed Solution	Add the following fields in the E-Service Transcript for 941 and 940 Information 941 (Line 2) : Wages, tips and other compensation (Line 3) : Income tax withheld from wages, tips and other compensation (Line 5): Taxable social Security and Medicare Wages and Tips Form 940 Information (Line 3) Total Payments to All Employees
IRS Initial Response	SSA performs their own reconciliation of the Forms 94X data to the Forms W-2 data. When inconsistencies in the data are found, SSA will send letters noting the discrepancies to the data owner. When there has been no response to SSA's letters attempting to secure the Forms W-2, the cases are then forwarded to IRS. The purpose of the IRS CAWR program is to ensure that employers paid and reported the proper amount of taxes, withholding, and advanced earned income credit. This is done by comparing the Forms W-3/W-2/W-3C/ W-2C totals and the Form 1099-R and W-2G withholding amounts to the amounts reported on the Forms 94X (Forms 941, 943, 944, 945, Schedule H (Forms 1040/1041)) employment tax returns. CAWR reflects what the company put on the returns, it results from the forms submitted by the company, so it is a mirror of what they submitted. Currently, we believe this would be a costly and unnecessary administrative burden that would not benefit the company in verifying accuracy of reporting.  Thank you again for suggesting changes to improve SB/SE programs and operations. If you have any questions, please contact the SB/SE Liaison for TAP, Senior Tax Analyst Tonjua Menefee for additional details.

<b>TAP Issue ID: 17333</b> <b>Elevated Date: 10/13/2010</b>	<b>Committee Name: Area 7</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Return label does not line up with envelope provid</b>	

Issue Statement	The return envelope provided by the IRS in notices such as CP2000 is not correctly folded when sent to recipients and must be refolded to align with the IRS provided return envelope.
Goal Statement	Provide a return letter that is pre-folded to fit properly in the standard return envelope window provided to the taxpayer with notice CP2000, or provide an easier to use envelope
Proposed Solution	Proposed Solution: Proposed solution may include: Provide return letters that are properly pre-folded to fit in the reply windowed envelope. Provide windowless return envelopes with a preprinted IRS address. Provide peel off preaddressed IRS labels instead of return envelopes.
IRS Initial Response	<p>The Office of Taxpayer Correspondence redesigned the CP2000 and related notices. The new versions, set for release in the fall of 2011, include an improved response form. Indications from our taxpayer testing are that the form is clear and will reduce the need for multiple contacts to resolve an issue.</p> <p>The printing process used to create the response form will not allow it to be pre-folded. Each response form is customized for that particular taxpayer and prints with the CP2000 or CP2501, and is folded with the letter as it is inserted in the envelope. Producing a pre-folded response form would require us to remove the customization, which would increase taxpayer burden. The taxpayer would be required to fill in their name, address, SSN, etc., rather than having that information pre-populated.</p> <p>We considered your suggestion, and the burden of accurately completing the required information exceeds the burden created by asking the taxpayer to fold the response form and place in the envelope.</p>

<b>TAP Issue ID: 17380 Elevated Date: 10/06/2010</b>	<b>Committee Name: Area 7</b>
<b>Status: Closed</b>	<b>Outcome: Elevated Directly by Committee</b>
<b>Title: Correspondence Audits creating inconveniences</b>	

Issue Statement	<p>The Internal Revenue Regulations (IRR) and Manual (IRM) do not provide sufficient guidance for changing a Campus Correspondence Exam to a face-to-face audit (office or field exam). Without written procedures and guidance, even IRS (Internal Revenue Service) internal offices disagree on proper procedures for transferring Campus Correspondence Exams when, for example, records are too voluminous to send through the mail. Taxpayers and Correspondence Examination Technicians (CETs) are frustrated with the contradictory directions and the onerous burdens associated with correspondence exams that are better executed by a Tax Compliance Officer or a Revenue Agent.</p>
Goal Statement	<p>Provide both the IRS (Internal Revenue Service) and the public with guidance for converting a correspondence exam to an office or field audit.</p>
Proposed Solution	<ol style="list-style-type: none"> <li>1. Update Treasury Regulations 301.7605-1 to include correspondence audits.</li> <li>2. Include in the regulations instances where an office or field audit is more cost effective than a correspondence audit, such as when the taxpayer must copy and transmit voluminous records and documents through the mail, and</li> <li>3. Include in the regulations provisions for sampling techniques to eliminate the need for mailing voluminous records.</li> </ol>
IRS Initial Response	<p>We believe in most instances the issues handled in the campus examination program can efficiently and effectively be resolved through correspondence. Additionally, many requests for transfers to a face to face venue are based on practitioner preference rather than a case related need.</p> <p>Procedures are in place that address transfers to an Area Office (IRM 4.19.13.14.1) and includes referral to the manager to obtain approval. While leaving the decision in the hands of the examiner and the manager, one of the criteria applied is that a transfer would be in the best interest of both the taxpayer and the Service.</p> <p>We agree that taxpayers should be given a reason if their request is denied, and our casework reviews have not found this to be an issue.</p> <p>Granting these requests without defined criteria would pose a potentially significant resource impact when considering that a case transferred to field examination generally takes longer, costs more, and impacts other compliance work.</p>

<b>TAP Issue ID: 17383 Elevated Date: 07/22/2010</b>	<b>Committee Name: Area 7</b>
<b>Status: Monitoring IRS Action</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: Taxpayers may be overreporting State/Local refunds</b>	

Issue Statement	When the amount on a 1099-G Certain Government Payments correctly differs from the amount the taxpayers report as a State refund on their 1040, U.S. Individual Income Tax Return, a deficiency report is generated by the Internal Revenue Service (IRS). The taxpayer must then respond and the IRS must consider the response; all of which takes time. Unnecessary resources are spent by both the taxpayer and the IRS.
Goal Statement	Show both the taxable and the nontaxable amounts on the Form 1040 so that time is saved by both the taxpayer and the IRS.
Proposed Solution	Create two boxes for Line 10 on the first page of the 1040. Box 1: request amount of the total state refund which would agree with the 1099-G. Box 2: request the taxable portion.
IRS Initial Response	We plan to adopt this suggestion eventually, but right now we do not have the space on line 10 or on Form 1040 to implement it. We expect this to change if/when the IRS gets greater storage capacity (a larger database). For the time being, taxpayers who receive notices because the amount reported on their Form 1040, line 10 differs from the amount shown on their Form 1099-G will have to continue to be patient and respond to the notices.

<b>TAP Issue ID: 17398 Elevated Date: 10/08/2010</b>	<b>Committee Name: Area 7</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Correspondence Audits</b>	

Issue Statement	Taxpayers believe that Campus Correspondence Exams are inefficient and they are frustrated because there is a lack of communication and response from the Internal Revenue Service (IRS) Correspondence Examination Technicians.
Goal Statement	To help improve the efficiency of correspondence exams and to improve the experience of taxpayers selected for correspondence exams.
Proposed Solution	<ol style="list-style-type: none"> <li>1. IRS examiners and managers should respond to all correspondence from the taxpayer within seven (7) business days.</li> <li>2. IRS examiners and managers should return telephone calls from the taxpayer within three (3) business days.</li> <li>3. When an informal conference with the manager is requested by the taxpayer, pursuant to IRS Publication 3498-A, which is enclosed with correspondence audit mailings, the manager should comply with the request within seven (7) business days.</li> </ol>
IRS Initial Response	<p>SB/SE IRS Response Detail:</p> <p>It is the goal of the correspondence exam program to respond to taxpayers within 30 days of receiving their response to our notice. Due to surges and lulls in response patterns we do not believe a seven day timeframe would be an efficient use of examiner resources.</p> <p>Our policy is already consistent with this suggestion. IRM section 4.19.19.5.1 covers requests for discussions with a manager. This section and IRM 4.19.19.3 both direct that call backs are to be made within three days.</p> <p>We believe that telephone communication is an important part of effective case resolution. We reinforce this position through IRM sections like these and through additional contact guidance. For example, our guidance directs that attempts be made to reach the taxpayer by phone whenever additional information is needed prior to sending a letter (4.19.19.3).</p>

<b>TAP Issue ID: 17411 Elevated Date: 11/04/2010</b>	<b>Committee Name: Area 7</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Accepted</b>
<b>Title: Form 1040A-grey shaded portions with black ink</b>	

Issue Statement	Instructions for Form 1040, 1040A and 1040-EZ, Individual Income Tax Returns, have gray shading in various places. This shading is difficult for the elderly to read.
Goal Statement	Make the publications easier to read for those with sight impairment.
Proposed Solution	Eliminate the use of all shading in tax publications, substituting lines and italics to highlight information.
IRS Initial Response	Shading and unshaded entry spaces on worksheets in tax instruction booklets are used to highlight discrete information and direct attention to specific areas of a page. However, dark shading is not necessary to achieve this effect. Therefore, we plan to get the agreement of Publishing to adopt the recommendation to reduce the degree of shading on the worksheets in our instructions.

<b>TAP Issue ID: 17471 Elevated Date: 07/22/2010</b>	<b>Committee Name: Area 7</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: There is no easy way to report incorrect Form 1099</b>	

Issue Statement	Taxpayers do not have a procedure to inform the Internal Revenue Service (IRS) of an incorrect Form 1099-MISC, Miscellaneous Income on e-filed returns.
Goal Statement	Provide a procedure for taxpayers to report errors or discrepancies on Form 1099-MISC for e-filing individual tax returns.
Proposed Solution	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., to allow taxpayers the ability to e-file and report a difference between amounts reported on Form 1099-MISC and a tax return.
IRS Initial Response	<p>Form 4852 is not the proper form for reporting a difference between what is reported in box 7 of Form 1099-MISC and what is reported on the taxpayers Schedule C or Schedule C-EZ (Form 1040) or Form 1040. An adaptation to this form to allow reporting a different figure than is reported on Form 1099-MISC could lead to problems with accurate Social Security and Medicare tax collection and crediting the taxpayer s accounts for those amounts.</p> <p>Most commercially available software programs allow taxpayers to attach explanations to their e-filed returns in a note pad type format. Legacy e-file allows for a text field in which an explanation can be typed and submitted with an e-filed return as an attachment. The IRS is working toward resolution of this type of e-file problem through the use of Modernized e-file.</p>

<b>TAP Issue ID: 17661 Elevated Date: 07/22/2010</b>	<b>Committee Name: Area 7</b>
<b>Status: Monitoring IRS Action</b>	<b>Outcome: Proposal Partially Accepted</b>
<b>Title: Correspondence Exams</b>	

Issue Statement	Procedures explained in the correspondence audit Letter 525 do not clearly advise taxpayers of their appeal rights, which can be accomplished at far less cost than having to file a petition with tax court. Further, it appears the supervisor is not actively involved in unagreed cases.
Goal Statement	Insure that taxpayer appeal rights are fully explained; decrease processing costs involved with filing a petition in tax court for both the Internal Revenue Service (IRS) and the taxpayer.
Proposed Solution	<ol style="list-style-type: none"> <li>1. Amend the IRS Letter 525 to clearly state the taxpayer s right to speak with a supervisor.</li> <li>2. Amend the IRS Letter 525 to clearly state the taxpayer s right to request administrative appeal before resorting to the tax court.</li> <li>3. Amend the IRS Manual to require supervisory involvement.</li> <li>4. Amend the IRS Manual to require a correspondence review staff to review all unagreed cases.</li> </ol>
IRS Initial Response	<p>Re: TAP 17661 Incorporating the appeal rights into the IRS Letter 525 would significantly complicate the letter. Publication 3498-A The Examination Process (Examinations by Mail) is enclosed in the letter and the taxpayer is referred to this enclosure for additional information on the appeals process. It could confuse the taxpayer and add undue burden by suggesting they enact their appeal rights prior to providing information to the service that supports the reason for their disagreement to the proposed changes. It would also be premature to have managerial involvement in all unagreed cases prior to the examiners review of the additional information provided from the taxpayer and making a case determination.</p> <p>If need assistance with additional information you may contact Tonjua Menefee at 202-283-5338</p>
IRS Final Response	Re: TAP 17661 The IRS Letter 525 is currently being reviewed for improvements. The suggestions provided in this rebuttal will be taken into consideration as improvements are made to the letter. The follow up date is one year out to allow time for coordination with all appropriate areas and for systems to be updated with the revised letter.

<b>TAP Issue ID: 17691 Elevated Date: 10/08/2010</b>	<b>Committee Name: Area 7</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: IRS Case Tracking</b>	

Issue Statement	Some correspondence exam letters do not have the name of the assigned examiner. Each time the taxpayer calls responding to the letter, he/she speaks to a different examiner none of whom is familiar with the case or the taxpayer leaves a voice message that is not returned. This lack of accountability is frustrating and contributes to the length of the audit.
Goal Statement	All contact letters include the name of the assigned examiner to contact for a specific exam, and examiners respond to the taxpayer s telephone inquiries.
Proposed Solution	<ol style="list-style-type: none"> <li>1. Adopt the office and field exam manual procedures to assign a case to a responsible examiner,</li> <li>2. Print the name and telephone number of the assigned auditor on all outgoing correspondence letters, and</li> <li>3. Modify the IRS Procedure manual to state that assigned examiners should return taxpayer telephone inquiries within three business days.</li> </ol>
IRS Initial Response	<p>SB/SE IRS Response Detail: Our Examination letters do not generally include an assigned examiner s name.</p> <p>Initially, cases are not assigned to a specific examiner when the first contact letter is issued. It is not until we receive a written response that a case is assigned. The technician answering the phone call is trained on the issue and can explain what information to include in the response.</p> <p>Last year SB/SE implemented a telephone system change that connects the caller with the next available assistor. This change was made to reduce wait time and alleviate concerns about call backs. This assistor answering the phone should be able to determine what is needed based on the case documentation and help the taxpayer.</p> <p>With this change to our system, the ability to leave voice messages is no longer an option. However, there is a process in place to leave a message for the assigned examiner if a return call is required.</p>

<b>TAP Issue ID: 18157 Elevated Date: 10/07/2010</b>	<b>Committee Name: Area 7</b>
<b>Status: Closed</b>	<b>Outcome: Proposal Rejected</b>
<b>Title: Quality Control of Private Letter Rulings</b>	

Issue Statement	The Internal Revenue Service s (IRS s) Communications needs improvement during the processing time for Private Letter Rulings.
Goal Statement	To provide the taxpayer better and more timely feedback during the processing of private letter ruling requests.
Proposed Solution	<ol style="list-style-type: none"> <li>1. Amend Rev. Proc. 20xx-1 and Rev. Proc. 20xx-4 to include a 30 to 60-day calendar time requirement for providing a status update to the taxpayer.</li> <li>2. Comply with the procedures that require the assigned IRS examiner to contact the requesting taxpayer 21-days after assignment.</li> </ol>
IRS Initial Response	<p>It appears from the description of the problem in the incoming request that the ruling was one assigned to TEGE, not to Counsel. Counsel does not have a quality review function. Our letter rulings are handled within the assigned branch, with coordination with other groups as necessary. Occasionally, a letter ruling containing a significant issue might require elevation to executives. Rev Proc 2011-1 (and its predecessors) requires that the assigned attorney contact the requestor within 21 days of receipt. The assigned attorney will be actively involved in the entire process, including any elevation to the executive level, and should be able to provide information about the status at all times, if contacted by the requestor.</p> <p>The consensus of the Counsel offices that issue letter rulings was that periodic status reports to the requestor would represent a significant drain on scarce resources. If such a requirement were added to Rev Proc 2011-1, the likely effect would be to delay the issuance of rulings unless additional staff hours could be devoted to rulings.</p>

<b>TAP Issue ID: 17020 Elevated Date: 08/24/2010</b>	<b>Committee Name: EITC</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: EITC Training Module</b>	

Issue or Project Statement	Develop requirements for a supplemental training module for volunteer tax return preparers
Issue Statement	The EITC Program Owners would like for the TAP EITC Project Committee to create a training module that would be used by IRS Employees.
Project Goal Statement	<p>The committee outlined their understanding of the differences in the responsibility for volunteer preparers and paid preparers in completing and accurate tax return. The committee used this understanding to develop course objectives for a supplemental training module for volunteer return preparers. The major elements include:</p> <ol style="list-style-type: none"> <li>1. Most common issues that may affect the quality of a prepared return</li> <li>2. Differences in responsibility of paid and volunteered preparers</li> <li>3. Interviewing Tips</li> <li>4. Consequences to Taxpayers for non-compliance with EITC requirements</li> <li>5. Impact of errors on filing center</li> <li>6. A simple approach to determine eligibility and gather information</li> </ol> <p>The subcommittee focused on both the preparers (unpaid) and the taxpayer s understanding of what is the appropriate and correct information that should be presented in detailing their filing status, reporting of income and qualification of child or children. The committee further stated that the EITC questions on the VITA test need improvement. The subcommittee feels the current questions are too simple and do not provide the preparer with a clear understanding of their responsibilities. The committee provided sample questions to include on the test. Also, the subcommittee felt that nowhere in the module does it address the preparer verify the legitimacy of the taxpayer s qualification of EITC.</p>

Goal Statement	<p>The following are the subcommittee goals as developed in discussion with the management of the Earned Income Tax Credit (EITC) Unit at the face to face meeting</p> <ol style="list-style-type: none"> <li>1. Recommend potential changes to the training modules for unpaid or volunteer tax return preparers to improve their level of responsibility for verification of eligibility and correctness of information needed to calculate EITC.</li> <li>2. Recommend type and level of future EITC educational presentations that explain the difference in responsibilities for paid and volunteer preparers in evaluating the taxpayer s eligibility for the credits.</li> </ol>
Proposed Solution or Task	Please refer to the attached "Report on Training Project Recommendations".
Proposed Solution	The EITC questions on the VITA test need improvement. The subcommittee feels that the current questions are too simple and do not provide the preparer with a clear understanding of their responsibilities. It is felt by the sub committee that nowhere in the module does it address the preparer verify the legitimacy of the taxpayer s qualification of EITC.
IRS Initial Response	<p>EITC will use the course objectives and outline as the basis for building a training module for volunteer return preparers that is supplementary to the mandated Link and Learn module. Our goal is to develop the course for the 2012 filing season and we will progress as our resources permit.</p> <p>EITC is not planning to have a formal pass/fail examination as part of the supplemental training module but is considering a voluntary test your knowledge portion. We will adapt the recommended sample questions for this purpose.</p>

<b>TAP Issue ID: 17021 Elevated Date: 08/24/2010</b>	<b>Committee Name: EITC</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: EITC Presentations</b>	

Issue or Project Statement	Develop recommendations on content for future EITC presentations for educational purposes. The purpose of the presentation(s) is for use by IRS employees and IRS s partners with live presentations. Ultimately, we will use the presentation as a basis for a version available on line for download or viewing as a stand-alone resource on EITC Central.
Project Goal Statement	The project team developed three presentations geared to basic, intermediate and return preparers. The team also provided slides for use as supplements for the other presentations. The slides have examples of various eligibility requirements. The presentations are for audiences with little to no knowledge of EITC, those with some knowledge and one for return preparers.
Proposed Solution or Task	<p>Please see the attached presentations.</p> <p>1.) Basic Presentation</p> <p>Assumptions: Per the Louisiana Study the audience for Basic Presentation is:</p> <ul style="list-style-type: none"> <li>-The people who have never heard of the EITC</li> <li>-Do not have a high school degree</li> <li>-May have never filed a tax return</li> <li>-Do not have a bank account</li> </ul> <p>This group needs just the basics. We stress going to a VITA site to have taxes prepared and include other areas to get tax help. We include info on the pit-falls of anticipated refund loans.</p> <p>2.) Intermediate Presentation</p> <p>Assumptions: Per the Louisiana Study the audience for Intermediate Presentation is:</p> <ul style="list-style-type: none"> <li>-The people who have some knowledge of EITC</li> <li>-People who have filed tax returns</li> <li>-May have a bank account</li> <li>-They most likely would NOT deal with anticipated refund loan businesses</li> <li>-Also, this audience may include groups who are members of the general public and/or are working with low-income people like non-profits</li> </ul> <p>This group needs a more in-depth look at EITC. Stress using VITA sites for tax preparation, but also include other places to get tax help: irs.gov, AARP, On-line free-file at IRS.gov, local library, Taxpayer Assistance Centers.</p> <p>3.) Advanced Presentation</p>

	<p>Assumptions:</p> <ul style="list-style-type: none"> <li>-This will be for an audience of Paid tax preparers and VITA volunteers. These people know how to access irs.gov and research IRS pubs.</li> <li>-Nothing fancy, just hit the Rules</li> <li>-Also, this audience may include groups of the general public.</li> </ul> <p>Examples: All of the Examples given are from IRS Pubs 17 and 596. The Sub-Committee felt that since the IRS would be the presenters, the Examples should be IRS proven. HOWEVER, one of our Sub-Committee members (Eileen) has given numerous EITC presentations. Per Eileen, be prepared for many, many questions that are not covered by the slides or examples.</p> <p>IRS NEEDS TO CLARIFY ONE RULE: Please see Slide # 29 on the Intermediate Presentation, # 25 on the Advanced Presentation, and #23 of the Examples. See our interpretation of this Rule in the Notes on Slide #23 of Examples. Do we have the interpretation correct? IRS Pubs. 17 and 596 do not clarify full implications of Rule - "You cannot be a qualifying child of another person".</p>
IRS Initial Response	<p>Our 2011 project will build a library of slides. The project also includes defining the audiences and determining which slides are meaningful to each of the audiences. It was very interesting to see the difference in perspective from the presentations the committee developed to our present products. When reviewing the presentations, we realized that if a change to one slide is made; the same changes need to be made to each of the presentations. Making the changes to each separate presentation proved cumbersome. We also found adapting a presentation for other audiences was not easy.</p>
TAP Counter Response	n/a

<b>TAP Issue ID: 17395 Elevated Date: 10/27/2010</b>	<b>Committee Name: Notice Improvement</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Notice Review</b>	

Issue or Project Statement	Review the twenty (20) most frequently used Correspondex Letters to determine if the paragraphs are written in a manner that the everyday taxpayer can understand
Project Goal Statement	The goal of this project is to make the paragraphs that are used to make-up Correspondex Letters clearer and easier to understand.
Proposed Solution or Task	The proposed solution is Correspondex Letters that flows clearly and are easy to understand.

<b>TAP Issue ID: 17397 Elevated Date: 08/25/2010</b>	<b>Committee Name: Notice Improvement</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: DAT for Correspondex Letters</b>	

Issue Statement	Currently, there is no method available to score Correspondex Letters.
Goal Statement	To develop a method that would allow scoring of Correspondex Lettes to provide productive feedback to the Internal Revenue Service (IRS).
Proposed Solution	Adapt the existing Document Assessment Tool (DAT) to accommodate the difficulties of scoring Correspondex Letters.

<b>TAP Issue ID: 17838 Elevated Date: 08/25/2010</b>	<b>Committee Name: Notice Improvement</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Evaluate the British Assessment Scorecard</b>	

Issue or Project Statement	The subcommittee was given the task by Program Owner (Jim Cesarano, Notice Improvement Office) to evaluate the use of the British Assessment Scorecard and recommend any courses of action for the Notice Improvement Project Committee.
Project Goal Statement	At the request of Program Owner, the committee was asked to: 1) evaluate the British Assessment Scorecard to determine which aspects might be useful to the Notice Improvement process; 2) to consider if the British Assessment Scorecard works for the new notices coming from the IRS Office of Taxpayer Correspondence; 3) to consider if the British Assessment Scorecard grades things the DAT does not evaluate and should be included in the DAT; and 4) to consider if the British Assessment Scorecard has features or questions worth adapting for use in the DAT.
Proposed Solution or Task	Subcommittee members concluded that the DAT was a superior to that of the British Assessment Scorecard in that the DAT letter grade rating provides greater flexibility; the British Assessment Scorecard is difficult to average ratings; and the DAT s three areas of evaluation provide better structure for rating. The subcommittee does recommend certain questions of the British Assessment Scorecard be included in DAT areas of evaluation. The list is included under Summary and Conclusions.

<b>TAP Issue ID: 18551 Elevated Date: 08/25/2010</b>	<b>Committee Name: Notice Improvement</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Evaluate the DAT Assessment tool</b>	

Issue or Project Statement	Subcommittee was given the task by program owner (Jim Cesarano, Notice Improvement Office) to provide guidance as to the continued usefulness of the DAT assessment tool for evaluation of the reformatted notices coming from the new IRS Office of Taxpayer Correspondence.
Project Goal Statement	Evaluate the continued use of the DAT assessment tool for notices from IRS Office of Taxpayer Correspondence.
Proposed Solution or Task	Subcommittee members came to consensus that the DAT is still applicable with the new notices coming from the IRS Office of Taxpayer Correspondence. Subcommittee noted that many of the questions involved in the evaluation process appear to have been adapted into the design of the new notices.

<b>TAP Issue ID: 16890 Elevated Date: 12/01/2010</b>	<b>Committee Name: SBSE</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: SBSE Audit Technique Guides</b>	

Issue or Project Statement	To reduce the Tax Gap: The Audit Technique Guides (ATG s) were designed to assist in training Internal Revenue Service (IRS) Agents to better understand specific tax issues and industries. By sharing the ATG s, we can help our industry partners address some of their most complex tax issues, while at the same time help to address that part of the Tax Gap which is due to misunderstanding of the tax regulations. The Small Business/Self Employed (SB/SE) division has asked the Taxpayer Advocacy Panel (TAP) to give input for additional delivery methods and suggestions for the ATG s content clarity and accuracy. This report addresses only The Wine Industry .
Project Goal Statement	The areas of focus given to the Taxpayer Advocacy Panel (TAP) by the SB/SE division for the Wine Industry ATG review were: Review all new or revised ATG s for clarity of content. Check to see if the language is too technical. Are there industries that are under represented? Are there other groups that could benefit from the guides?
Proposed Solution or Task	Please see: Appendix 1, SB,SE Project #16890, The Wine Industry ATG Project Report , answers each of the above areas of focus and addresses the suggested changes and updates to The Wine Industry Training Guide written in April 1995 as a part of the Market Segment Specialization Program (MSSP). Appendix 2, Comparison by Chapter of the New & OLD Wine ATG's gives a chapter and heading title comparison between the two ATG s pointing out the features the committee determined were needed in a final updated and NEW ATG product.

<b>TAP Issue ID: 16891 Elevated Date: 04/28/2010</b>	<b>Committee Name: SBSE</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: SBSE 2010 IRS Tax Calendar</b>	

Issue or Project Statement	<p>The 2010 IRS Tax Calendar for Small Business and Self-Employed, Publication 1518 (calendar) is packed with useful information on general business taxes, Internal Revenue Service and Social Security Administration customer assistance, electronic filing and paying options, retirement plans, business publications and forms, common tax filing dates, federal legal holidays, etc.</p> <p>The calendar is used for several outreach activities (Nationwide Tax Forum, National Phone Forums, webinars, live broadcast shows, etc.) and as a method of promoting voluntary compliance by reminding practitioners and small business owners of the most common filing dates and other tax administration obligations.</p> <p>Go to <a href="http://www.irs.gov/pub/irs-pdf/p1518.pdf">www.irs.gov/pub/irs-pdf/p1518.pdf</a> for the online version of Publication 1518.</p>
Project Goal Statement	<p>SB/SE is interested in gathering feedback and suggestions to improve this product (2011 and beyond). Taxpayer Advocacy Panel (TAP) SB/SE subcommittee members were asked to provide feedback on the following:</p> <ol style="list-style-type: none"> <li>1. Recommend whether this product should be only available electronically or if a print copy should be continued along with the electronic version.</li> <li>2. Review the monthly tax topics, the reminders, and the tax tips for success (for small businesses).</li> <li>3. Suggest other tax items that should be included.</li> <li>4. Suggestions for themes/artwork.</li> </ol> <p>TAP SB/SE subcommittee members focused on suggestions that would increase the usefulness of the product by reducing confusing language and duplication of tax topics.</p>
	<p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>1. The subcommittee recommends keeping the print format of the calendar and increasing the number of copies printed by 50,000 for 2011. This decision is based on data from the IRS Rate Our Products surveys (2005-2009) and informal surveys of business owners, tax practitioners, IRS Employees and Stakeholder Liaisons (SL). The cost data for producing the calendar in relation to printing the calendar are included in Addendum C.</li> </ol> <p>Addendum A contains additional information related to this recommendation.</p>

Proposed Solution or Task

2. The subcommittee noted specific ways to improve the calendar usability:

- A. Use consistent web search format throughout the calendar.
- B. Check web site links to ensure that they are working and direct the user to the identified information.
- C. Keep clutter to a minimum and balance graphics/print with white space on the calendar for users to write notes.
- D. Remove the motivational sayings at the bottom of the monthly calendar date pages.
- E. Use appropriate color contrast (avoid yellow or orange print) to facilitate viewing of the information. The following web links justify the recommendation:  
<http://www.lighthouse.org/accessibility/design/accessible-print-design/effective-color-contrast/> and  
<http://www.nia.nih.gov/HealthInformation/Publications/website.htm>

A detailed page by page review and recommendations of the monthly tax topics, reminders and tax tips in Publication 1518 is provided in Addendum A.

3. The subcommittee felt Publication 1518 included excellent information and references for small business and self-employed taxpayers. Addendum A includes specific recommendations for additional information or links that should be added to the calendar.

- A. The subcommittee strongly believes that the publication should include a reference in the At a Glance page about the Taxpayer Advocacy Panel (TAP). Standard recommended wording should be:  
  
Have a suggestion for improving the IRS and don't know who to contact? The Taxpayer Advocacy Panel (TAP) is a diverse group of citizen volunteers who listen to taxpayers, identify taxpayers issues, and make suggestions for improving IRS service and customer satisfaction. The panel is demographically and geographically diverse, with at least one member from each state, the District of Columbia, and Puerto Rico.  
  
Contact TAP at: [www.improveirs.org](http://www.improveirs.org) or 1-888-912-1227 (toll-free number)
- B. On the back side of the At a Glance page, under the Other IRS Tax Help box, include:  
Taxpayer Advocacy Panel [www.improveirs.org](http://www.improveirs.org)
- C. Put a tickler reminder on the calendar to remind taxpayers when the next year calendar is available for ordering.
- D. Calendars are given out in a three tier hierarchy. Consider allocating more calendars to the second tier which consists of tax practitioners and small business people who request the calendars.

Suggestions for additional tax items to include are detailed in Addendum A.

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4. The SB/SE program owners had a very tight deadline on themes/artwork suggestions for the 2011 calendar. They specifically requested our recommendations for the 2011 calendar be submitted prior to the issuance of this report.

The subcommittee suggestions for themes/artwork are detailed in Addendum B.

<b>TAP Issue ID: 16892 Elevated Date: 07/29/2010</b>	<b>Committee Name: SBSE</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: SBSE Solution Saturday Outreach for Businesses</b>	

Issue or Project Statement	The Small Business/Self Employed (SB/SE) Division of the Internal Revenue Service (IRS) has asked the Taxpayer Advocacy Panel (TAP) to study the feasibility of an education/solution event(s) geared exclusively for small business/self employed taxpayers.
Project Goal Statement	<p>The IRS has requested the TAP focus on these five areas:</p> <ol style="list-style-type: none"> <li>1. Where and when should these events take place?</li> <li>2. Should the IRS limit which types of businesses seeking services (no non-profits, (no Offer in Compromise (OIC) candidates etc.)?)</li> <li>3. How should the event be advertised?</li> <li>4. What other resources should be made available [partner with the Small Business Administration (SBA), etc.]?</li> <li>5. Other considerations to reach and assist small business and self-employed taxpayers?</li> </ol>
Proposed Solution or Task	<p>Our recommendations are:</p> <ol style="list-style-type: none"> <li>1. Based on the quantity of Form 1040 Schedule C filers, the following cities should be considered:  New York City, Los Angeles, Washington DC, Atlanta, Chicago, Dallas, Miami, Philadelphia, Houston, Phoenix, Detroit</li> </ol> <p>Additional cities determined through unemployment statistics include:  Portland (OR), Ontario (CA), Tampa, Las Vegas, Cincinnati, Providence (RI), Sacramento, and Flint (MI).</p> <p>The events should remain on a Saturday (with opportunity for scheduled appointments at other times if needed).</p> <ol style="list-style-type: none"> <li>2. The event should be targeted at small business/self employed taxpayers, but there should be no limitation of the scope of services.</li> <li>3. SB/SE should prepare a marketing brochure to use for promoting the events. The brochure should be distributed to the contacts of the SB/SE Stakeholder/ Industry Liaison and the groups listed below.</li> <li>4. The event should be advertised, promoted and partnered with:</li> </ol> <p>The Small Business Administration (SBA) Small Business Development Centers (SBDC) Senior Core of Retired Executives (SCORE)</p>

SBA approved lenders  
Local/Municipal Economic Development Departments  
Chamber of Commerce and similar local groups  
Industry Associations specific to the local area  
Minority and Women Business Enterprise Centers  
Entrepreneurial Organizations (e.g., Kauffman  
Foundation, Rotary)  
IRS.gov (SB/SE site)  
Libraries

5. The event name should reference the IRS, SB/SE and the Saturday event. The initial suggestion is IRS Small Business/Self Employed Solution Saturday .

The event should be held separate from the Wage and Investment (W&I) Solution Saturday events. The panel further recommends that the SB/SE events be held at the location of the aforementioned organizations rather than IRS facilities.

The event should include a focus on educating SB/SE taxpayers (including conducting short training seminars), providing resources for understanding taxpayer responsibilities and assisting taxpayers with problem resolution.

The panel recommends that taxpayers have the ability to schedule appointments if the issue cannot be resolved at the Saturday event.

Multilingual Services need to be available based on the demographics of each individual location.

<b>TAP Issue ID: 16893 Elevated Date: 07/28/2010</b>	<b>Committee Name: SBSE</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: SBSE Voluntary Agreements (TIPS)</b>	

Issue or Project Statement	Voluntary compliance agreements are designed to enhance tax compliance among tipped employees through taxpayer education instead of through traditional enforcement actions, such as tip examinations. SB/SE seeks input on potentially revising the agreements to improve the employer/employee understanding of the agreement and their tax obligation.
Project Goal Statement	<p>Increase voluntary compliance and reduce the tax gap. The taskforce has been asked:</p> <ol style="list-style-type: none"> <li>1.Do the agreements promote compliance?</li> <li>2.Do taxpayers understand the impact of non-compliance?</li> <li>3.Do the agreements secure employers buy in?</li> <li>4.Alternatives?</li> </ol>
Proposed Solution or Task	<p>After reviewing each of the existing agreements, the task force recommends the following actions:</p> <ol style="list-style-type: none"> <li>1.Discontinue the use of Tip Rate Determination Agreements (TRDA). Do not approve new TRDA agreements.</li> <li>2.Discontinue the use of Attributed Tip Income Program (ATIP). Do not approve new ATIP agreements. ATIP should be allowed to expire as planned.</li> <li>3.Promote and continue the use of Tip Rate Alternative Agreement (TRAC).</li> <li>4.Create a new tip agreement called EZ-TRAC which comprises elements of ATIP and TRAC geared towards smaller food and beverage establishments.</li> <li>5.Emphasize and encourage individual taxpayer education on tip reporting.</li> </ol>

<b>TAP Issue ID: 17956 Elevated Date: 11/23/2010</b>	<b>Committee Name: SBSE</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: SBSE Chore Payments</b>	

Issue Statement	Chore Payments (also known as Home Care Service Payments) are often complex and difficult for tax professionals, let alone the elderly or disabled, to understand. The goal of the Internal Revenue Service (IRS) is to develop outreach and educational products to promote compliance with chore payment requirements and to disseminate that information to the appropriate recipients. The Small Business/Self Employed (SB/SE) Specialty Tax-Employment Tax Program Owners have asked the Taxpayer Advocacy Panel (TAP) Committee (the Committee) to review the current products developed to promote compliance with Chore payments for clarity and message consistency.
Goal Statement	Assist the IRS in the identification of the issues regarding the reporting and taxation of Chore/Caregiver payments and make recommendations for educational resources to provide clarity and consistency of content to promote compliance for taxpayers.

Proposed Solution

The Committee recommends the IRS should ensure that current and future IRS resource materials are consistent in the terminology used to provide guidance to taxpayers about chore/caregiver services. Available IRS resource materials are listed in Attachment 2 and definitions found in current IRS materials are listed in Attachment 4.

The Committee recommends that the IRS clarify the taxation issues of chore/caregiver services related to payments made to family members and individuals not in the business of providing caregiver services. Attachment 3 addresses tax scenarios found in current IRS resource materials. There is currently no clear guidance about what the controlling factor is for issuing a W2 or a 1099 to the caregiver; i.e. family relationship or business of providing caregiver services.

The Committee recommendation is the IRS should make it a priority to prepare a Frequently Asked Questions (FAQ) page to the website for Chore/caregiver payments. This is an extremely complicated subject and currently a taxpayer must look at multiple resource materials to try to determine what is required for both reporting the payments made to caregivers and for reporting the income received as a caregiver.

The Committee feels the IRS needs to clarify how 1099-Misc payments to caregivers not subject to self-employment tax are reported. The IRS currently requires the caregiver payments to be reported on line 7, non-employee compensation, of the 1099-Misc form. Caregiver payments not subject to self-employment taxes that are reported this way could potentially create tax filing compliance problems with the automatic under reporter unit (AUR).

Lastly, the Committee feels the IRS should partner with organizations to help educate taxpayers about Chore/caregiver payments. Attachment 5 provides a list of suggested partners.

<b>TAP Issue ID: 18204 Elevated Date: 07/08/2010</b>	<b>Committee Name: SBSE</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Feedback requested on survey before roll out</b>	

Issue or Project Statement	The test group is asked to take the survey and to provide feedback on the survey instrument itself (layout, number of questions, etc.) clarity of the questions, burden with respect to time, and potential improvements for the questions.
Project Goal Statement	The Internal Revenue Service (IRS) is trying to gain a better understanding of small business outreach and education needs and how best to fulfill those needs. Specifically, the IRS wants to understand how business owners receive their business and tax related information in order to understand and comply with their tax obligations. Communications, Liaison and Disclosure (CLD) will be using some of their field offices to coordinate one test group; however, the Small Business Self Employed (SBSE) project owner felt it would be beneficial to include the Taxpayer Advocacy Panel (TAP) members as another test group for the on-line survey.
	<p>The members of the SBSE Project Committee were asked to review the survey and provide feedback. Following are questions and recommendations from the committee members for your consideration.</p> <p>Questions raised by the panel: The second sentence under the background paragraph sounds confusing. Is this question necessary?</p> <p>Will there be other methods of communication to conduct the survey? (i.e. US Postal Service, phone, fax etc.)</p> <p>How will the survey information be used?</p> <p>Will the survey be available in other languages? Since the target audience is minorities this should be a priority</p> <p>For Question 10a answers: Business Organizations: SBA and SBDC are listed... What is SBDC? Also is SBA Federally sponsored or part of the Federal Government? Therefore they are not Business Organizations in the true sense. Examples would be Chamber of Commerce and other non-government organizations</p> <p>The overview of the project indicated MITRE would be selecting participants from one of four markets (women, minority, and young, retired). How will you target just those groups?</p> <p>Recommendations:</p>

Proposed Solution or Task

Question #1 It is recommended the question be posed in the following manner...

Are you a:

\*Small Business

\*Independent Contractor

\*Small Business & Independent contractor

If asked in the manner currently shown you will not know if they are a small business owner or an independent contractor

Question #2 - A broad question is raised as to what ethnicity people are, however, you are seeking only Hispanics/Latinos. In every other type of survey where demographic information is asked including the Latino/Hispanic question, the question is simply; are you Hispanic or Latina? The Choices are Yes, No or Prefer Not to Answer. This is a much more neutral way to pose the question and follows the format of Question 3 and 4 we suggest the framework of the question be changed

It is also recommended that the categories be the same as those used in the 2010 Census

Question #5 It is recommended the first option be shown as Less than one year opposed to New Business

Question #6 A home based business could actually be most of those businesses listed especially these days when more and more people are operating their businesses from their homes. It is recommended a separate question be added that asks if you are a home based business

Question #7 Because a business could operate in several states, it is recommended this be changed to read, From which state does your business operate?"...or ask where was the business incorporated or where they have a business license

Question #8 The term conduct business could be confusing...Perhaps it should differentiate between researching on the internet, buying on the internet for business purposes or whether it means they are selling or servicing via the internet... It is also recommended this question begin with please

Question #9 It is recommended that there be two columns: one for New business questions and one for Established business questions. It would be easier to read and understand if there were only two columns....and perhaps a scale for each column...for instance, a 1 5 scale not very aware, somewhat aware or fully aware

Question #10a - It is recommended that highly be replaced with most; Give people a none of the above option

Question #10c It is recommended the words that you use be added to the end of this question

Question 15# - "Time frame" is written as one word; should it be two words...it is also recommended that these options be ranked on a scale 1 = most difficult, etc.

Question #17 It is recommended that the time it takes to complete forms be added to the list

The last two questions on the survey (18 & 19) are too in depth and most likely will not get answered by many. It is recommended a yes/no or check a box type question be asked...in regards to question 19, asking to describe the functionality is not realistic

It is recommended all acronyms ("MITRE", SBA, FFRDC etc.) be spelled out...additionally, it is recommended that webinar be explained; many may not be familiar with this

<b>TAP Issue ID: 16895 Elevated Date: 11/23/2010</b>	<b>Committee Name: TAC</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Signs in the Taxpayer Assistance Centers (TACs)</b>	

Issue or Project Statement	The Taxpayer Assistance Center (TAC) Project Committee of TAP has been tasked with reviewing the current signage in the TACs and improving the current communication methods in the TACs.
Project Goal Statement	<p>Areas of Focus for the TAC Committee included:</p> <p>(1) Review the current signage in the TACs and improve communication methods in the TACs.</p> <p>(2) Analyze the nineteen signs in the Internal Revenue Manual (IRM) that are approved for posting by the Director of Field Assistance.</p> <p>(3) Determine if there are improvements that can be made to the signage from the customer s perspective (including answering the following questions):  Do the customers read the signs?  Do the customers understand the signs?  Are there too many signs or not enough signs?  In what languages should the signs be displayed?</p>
	<p>Nine recommendations are the direct outgrowth from an attempt to address the following five broad conclusions reached by the TAC Committee:</p> <ol style="list-style-type: none"> <li>1. Field Assistance (FA) management needs to develop a more unified message for each type of TAC. Message points for each type of TAC should consider both the size of the TAC and the location of the TAC. The form of communication (signage) presently in use does not seem to work well in all TACs, ending with signs not being read and, in general, being ignored by the taxpayer.</li> <li>2. FA management should eliminate unnecessary signs, review and make improvements to existing signs and identify additional necessary signs. Our observations noted a number of posted signs that are not perceived as critical to the taxpayer s visit to the TAC; signs that contain too many words; and, signs that do not draw the taxpayer s attention.</li> <li>3. FA management should consider the use of alternative communication methods. FA management should begin a long range implementation of electronic media, enhanced web sites, talking posters, informational booklets, and kiosks.</li> <li>4. FA management should strongly encourage full utilization of the Q-Matic or Q-Lite system. The lack of use and/or misuse of the Q System hinders FA management from properly allocating funding and</li> </ol>

Proposed Solution or Task

directing resources toward appropriate staffing for the types of customer issues dealt with in the individual TAC.

5. FA management should improve management monitoring and control of message and require on-site visits of all TACs. Currently there is no assessment method to monitor IRS to taxpayer communication effectiveness within the TAC; nor, are there regular visits by FA senior management to the TACs to determine communication effectiveness.

The TAC Committee concluded that taking the actions described in the following nine recommendations could have a significant impact on improving communications with taxpayers and the appearance of the TACs:

1. FA management should determine message point sets for each type of TAC.

2. FA management should eliminate unnecessary signs. More specifically, the following signs should be removed from the list of approved signs contained in IRM section 21.3.4.3.13: 10169 In this Office, We Can, 10169SP En Esta Oficina Podemos, 12426 Insert Card Dollar Amounts for Documents 10169 and 10169SP, Publication 4053 Your Civil Rights are Protected Poster, and Publication 4053SP Sus Derechos Civiles Estan Protegidos. (Note: It is the TAC Committee's conclusion that the remaining 14 signs listed in IRM section 21.3.4.3.13 should be retained subject to recommendations made concerning content, format, and color.)

3. TAC managers should follow the established IRM Process for all signs displayed in the TACs and FA management should modify the IRM Process to provide a sign template(s) for use in creating interim short-term signs.

4. FA management should maximize the communication effect of each remaining Approved Sign through modification and standardization of the content, format, and color. As part of this, the TAC Committee recommends that FA management review the colors used in designing signs and consider the Psychology of Color in standardizing sign development and redesigning existing Approved Signs.

5. TAC signs should be displayed external to the building in which TACs are located where possible and access to information about TAC locations should be improved.

6. FA management should consider the use of alternative communication methods such as electronic media, enhanced web sites, talking posters, information booklets, and/or kiosks.

7. Each TAC Manager should utilize the Q-Matic or Q-Lite system to its full capacity at all times. Components of this are: mandatory education by all employees of the TAC placement of the Q-Matic so that it can be

the TAC, placement of the Q-matic so that it can be seen immediately on entering the TAC, and regular monitoring by FA to establish compliance.

8. FA management should develop a taxpayer communication assessment process. Questions pertaining to signage and communication should be included with the FA Comment Card and questions regarding taxpayer communication effectiveness and overall signage should be included in future TAC customer satisfaction surveys.

9. FA management should be required to do on-site visits of all TACs on a recurring basis, and the completed checklist should be forwarded to the FA Area Director and FA headquarters staff.

<b>TAP Issue ID: 16829 Elevated Date: 09/14/2010</b>	<b>Committee Name: VITA</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: VITA - Quality Improvement Process</b>	

Issue or Project Statement	Five years ago, SPEC implemented the Volunteer Return Preparation Program-Quality Improvement Process (VRPP-QIP). SPEC requested this Subcommittee review the quality improvement steps taken and make recommendations to improve quality and strengthen compliance at the VITA/TCE sites.
Project Goal Statement	<p>Evaluate the quality processes SPEC currently has in place and provide recommendations for changes to improve them and to accelerate progress in increasing quality.</p> <p>Review the tools provided for ensuring accuracy and provide specific recommendations or enhancements to them.</p>
	<p>1. Combine the Basic and Intermediate Certification Levels</p> <p>We reviewed the training modules and considered what can be done to improve the proficiency of the preparer. Currently, volunteer training is divided into 5 modules: Basic, Intermediate, Advanced, International, and Military. As the International and Military modules are specialty areas that do not typically affect VITA/TCE sites, we focused our attention on the Basic, Intermediate, and Advanced training modules. The AARP TCE Tax-Aide program requires all preparers to be certified in all 3 of these levels. VITA sites only require volunteers to certify at the Basic level with the Intermediate and Advanced modules being optional. We believe there is a direct correlation between the amount of training and the ability of the preparer, and that all volunteers should be encouraged to pursue certification beyond the Basic level, or even be required as in the AARP Tax-Aide program. However, the current structure of the training modules can discourage volunteers from pursuing a higher certification. For example, the Basic certification exam includes more questions than the Intermediate and Advanced exams, and the Basic exam could well be considered more challenging than the Intermediate and Advanced Exams by many. A volunteer who wrongly assumes from the label that the Basic exam is the simplest and shortest of the three exams may decide not to pursue the Intermediate or Advanced certifications if not mandatory. To increase the amount of training for all volunteers, we recommend removing the Intermediate level and allocating the topics in this module between the Basic and Advanced levels as appropriate. This would collapse the 3 levels of training into just two levels, with the second or higher level being for topics not common to VITA/TCE sites like business income, business expenses, rental properties, Schedule K-1s, foreign tax credits and amended returns. We would further change the labels to Level</p>

1 and Level 2 to remove the incorrect inference regarding the length and challenge of the certification exams. The testing and certification requirements would likewise change to show just two levels, with the basic or first level certification reflective of a more knowledgeable preparer than the current Basic designation. Volunteers should nevertheless be encouraged/required to take the second level certification exam unless the content is clearly not relevant for their site.

#### 2. Encourage and Expand the Use of Link & Learn Tax Training

Training through the use of the online Link & Learn program, self-paced on personal computers, has many advantages for the trainee and also reduces the demands and resources needed for face-to-face training. This past year, while we have seen a significant increase in the use of and improvement in the Link & Learn tax training module, we still need to continue improvement in the quality and ease of use (including the access, manipulation, and certification) of the tax training modules. Also, more tailoring of the program would be helpful to provide a choice for the volunteer, with more enhanced training for the beginner and more targeted training for the returning veteran, even though the tests and certification requirements would be the same.

#### 3. Improve the Practice Lab in Link & Learn

The Practice Lab in Link & Learn Taxes should be configured to be consistent to the extent feasible with the training materials and mirror the experience that the volunteer will have in the VITA/TCE site. The TaxWise Online Practice Lab is a very useful resource for volunteers to practice and to complete their certification exams outside of a classroom. However, the Practice Lab does not include the same functionality as the TaxWise On-Line and Desktop versions that are used in most VITA/TCE sites and does not allow a volunteer to completely simulate the quality procedures taught in the training modules and required at the sites. For example, when using the interview process in the Practice Lab one is reminded to run Diagnostics before completing the return. However, there is no provision for doing so in the Practice Lab..

#### 4. Encourage All Volunteers to Complete Form 13614C Training.

A significant effort is needed to increase the awareness, comprehension and utilization of the Form 13614C Training Module. Completion of the training module will help to insure preparers are fully familiar with the form and its use. Proper usage of the form will enhance the quality of return preparation. As a part of the training program, all volunteer preparers should be encouraged to complete the Form 13614C Training Module and provide a certification of completion as part of their requirements for Counselor certification.

#### 5. Provide Training for Client Facilitators

Client facilitators also known as greeters at a site help improve the screening and preparation for a quality

Proposed Solution or Task

improve the screening and preparation for a quality return, even though they are not qualified to prepare or review a return since they are not required or expected to pass the exam. Develop a self-study module/job description for client facilitators as a separate part of Link & Learn, emphasizing the importance of prescreening to assure proper identification, explanation of the process, completion of the intake form, need for all supporting documentation, preference for having last year's return, need for confidentiality and security, etc. And in recognition of the intended role for this person, abandon the use of the term greeter to use the more descriptive term of client facilitator where such change has not yet occurred.

6. Identify Advanced Needs in the Intake Form  
Consistent with the earlier recommendations, modify Form 13614C to highlight if the taxpayer requires more advanced, but obviously still in scope, tax preparation services. Examples of such would be returns involving Schedule K-1, C-EZ or D. The client facilitator would then be in a better position to refer the taxpayer to a more experienced preparer if warranted.

7. Require Experience for Site Coordinator  
Although the role of the individual preparer is vital, the site coordinator sets the tone and is in the best position to monitor and assure compliance with the quality requirements at each site. The IRS cannot and should not have the responsibility to audit all sites. Currently, not enough training, tools and emphasis exist to meaningfully realize the value of the site coordinator in the quality process. For the site coordinator to play the necessary role, better training and better tools are essential, which are covered below. Since a real understanding of the administration and challenges at a VITA/TCE site is critical to do this job, some on-site experience is deemed essential. A requirement for any site coordinator should be at least one year as a volunteer preparer.

8. Encourage/Require Site Coordinator Training  
The IRS does have on Link & Learn a module for training site coordinators titled "Resource Guides for Site Coordinators". It covers role and responsibilities, ordering material and the quality site requirements. But the awareness and use of this module appears quite limited. Continue to consider improvements to this module, but more important is the need to communicate its existence and availability and encourage its use. Just as preparers need certification, the importance of the role of the site coordinator would justify establishing a certification requirement for that designation. Before taking such a step, the VITA and TCE partners should be surveyed to assure that by adding such a requirement would not create a problem in finding willing and able site coordinators.

9. Create Site Self Review Tool  
One of the key roles of the site coordinator is monitoring the site to assure quality compliance. The IRS uses as its tool the Form 6729. The IRS' experience to date indicates this tool functions very well

in examining how well the site is following the quality process. By separate write-up, we are proposing creating a Form 6729-SR based on the Form 6729. The site coordinators would be trained on the form and asked to periodically do a self inspection of the site to provide a systematic way of assuring compliance and reinforcing the quality requirements. To the extent problems are identified, corrective action can be identified and taken. If the problem is an individual volunteer's inability to do a quality return, then that volunteer should be relieved of return responsibility, with the site coordinator clearly having that authority and responsibility.

#### 10. Create ERO Training

The role of ERO is essential for doing e-filing, which the IRS certainly wishes to encourage. Other than Pub 3189, little training seems to be available to the ERO, although AARP does have a Power Point presentation for EROs on the Tax-Aide web site for its volunteers. For reasons beyond the scope of this review, the challenges to the ERO do not seem to be dwindling. A training module for EROs on Link & Learn is recommended, plus one specific easily accessible web site for updates and tips as the tax season progresses, like that proposed in Recommendation 11 below.

#### 11. Have a Common Tool for Staying Current

During tax season, additional efforts need to be made to assure the volunteer preparers stay abreast of tax developments. Currently the IRS issues Tax Alerts and the AARP Tax-Aide program issues Cyber Tax e-mails. It is difficult to justify 2 separate alerts, whereas convenience and consistency would argue for using just one. Our preference is Tax Alerts although the ability of being able to request and get e-mail delivery of the Alerts when issued is the way to go.

#### 12. Benefit from Lessons Learned

At the end of tax season, provide a forum for site coordinators at a minimum to provide "lessons learned", "best practices" and "improvements needed" to enhance the quality process. SPEC would then be required to provide a report as feed-back to the site coordinators, indicating what input was received and what action if any is planned as a result. This has the added benefit of having the site coordinators "buy-in" to the process and play a broader role in its improvement.

The IRS has sent TAP an initial response, which has been broken into twelve separate issues.

16829-1 Recommendation Detail:  
16829-1

Combine the Basic and Intermediate Certification Levels.

RESPONSE: UNDER CONSIDERATION

SPEC focused its efforts this year on expanding the scope for VITA/TCE. With the expansion of scope, SPEC is now considering these certification levels for the future filing seasons.

This decision will be made when the training teams meet in the Spring 2011. If the training teams make the decision to implement this change, it will likely be filing season 2013 before it can be completed.

Follow up date 08/01/2011

16829-2 Encourage and Expand the Use of Link & Learn Tax Training

RESPONSE: ACCEPTED

SPEC agrees to encourage partners to utilize Link & Learn Taxes.

Proposed Implementation Date 01/03/2011

16829-3 Improve the Practice Lab in Link & Learn  
RESPONSE: UNDER CONSIDERATION

The purpose of the Practice Lab in Link & Learn is to ensure all learning is done through comprehension of the course material and not through reliance on an electronic tool such as the diagnostics. The example of running diagnostics during the interview process in the Practice Lab would require modification of the current contract with CCH. SPEC will take a closer look at the course material to determine other improvement opportunities.

Follow up date 08/01/2011

16829-4 Encourage All Volunteers to Complete Form 13614-C Training

RESPONSE: UNDER CONSIDERATION

Currently not all partners are required to use Form 13614-C; therefore, mandating training for volunteers who do not use this form is not appropriate. If IRS decides to mandate the use of Form 13614-C for all returns during the FY2012 filing season, SPEC will consider mandating this training course and certification process. We currently encourage all volunteers working at sites using Form 13614-C to take this training and SPEC incorporates its use in our Publication 4491 and Link and Learn Taxes module.

Follow up date 08/01/2011

16829-5 Provide Training for Client Facilitators

16829-1

Combine the Basic and Intermediate Certification Levels. UNDER CONSIDERATION

SPEC focused its efforts this year on expanding the scope for VITA/TCE. With the expansion of scope, SPEC is now considering these certification levels for the future filing seasons.

IRS Initial Response

This decision will be made when the training teams meet in the Spring 2011. If the training teams make the decision to implement this change, it will likely be filing season 2013 before it can be completed.

Follow up date 08/01/2011

16829-2

Encourage and Expand the Use of Link & Learn Tax Training  
ACCEPTED

SPEC agrees to encourage partners to utilize Link & Learn Taxes.

Proposed Implementation Date 01/03/2011

16829-3

Improve the Practice Lab in Link & Learn UNDER  
CONSIDERATION

The purpose of the Practice Lab in Link & Learn is to ensure all learning is done through comprehension of the course material and not through reliance on an electronic tool such as the diagnostics. The example of running diagnostics during the interview process in the Practice Lab would require modification of the current contract with CCH. SPEC will take a closer look at the course material to determine other improvement opportunities.

Follow up date 08/01/2011

16829-4 Encourage All Volunteers to Complete Form  
13614-C Training  
RESPONSE: UNDER CONSIDERATION

Currently not all partners are required to use Form 13614-C; therefore, mandating training for volunteers who do not use this form is not appropriate. If IRS decides to mandate the use of Form 13614-C for all returns during the FY2012 filing season, SPEC will consider mandating this training course and certification process. We currently encourage all volunteers working at sites using Form 13614-C to take this training and SPEC incorporates its use in our Publication 4491 and Link and Learn Taxes module.

Follow up date 08/01/2011

16829-5 Provide Training for Client Facilitators  
RESPONSE: REJECTED

SPEC does not mandate greeters or client facilitators at VITA sites and therefore does not deem it appropriate to develop or provide training for these positions. The responsibilities of this function at the sites which use them vary significantly, making standardized training virtually impossible to produce.

16829-6 Identify Advanced Needs in the Intake Form  
RESPONSE: REJECTED

Adoption of this suggestion would require the greeter or client facilitator to know tax law in order to make correct determinations. It would further require the taxpayer to know when they are required to file more complex forms such as Schedule K-1, Schedule C, Schedule D, etc.

16829-7 Require Experience for Site Coordinators

RESPONSE: REJECTED

SPEC does not believe it is an appropriate role to restrict or manage a partner's selection of site coordinator. SPEC will add information to the Site Coordinators Guide and the Partner Resource Tool encouraging partners to select experienced site coordinators for the reasons stated in this recommendation.

16829-8 Encourage/Require Site Coordinator Training  
RESPONSE:REJECTED

SPEC currently requires site coordinator training and certification of completion from all of our partners. SPEC allows multiple delivery methods for the site coordinator training, such as Link and Learn Taxes, PowerPoint, or partner developed courses. All site coordinators are required to be trained and all partners are required to certify to the training as one of the Quality Site Requirements

16829-9 Create Site Self Review Tool

RESPONSE: REJECTED

SPEC currently recommends use of the existing Forms 6729, Site Review Sheet, F6729-C, Criteria Return Review Sheet, and/or F6729-R, QSS Return Review Sheet, to conduct reviews. These are designed for partner use. Form 6729, 6729-C, and 6729-R measurement questions determining the results of the review (pass or fail) are in bold on the form for easier determination.

SPEC does not agree that Site Coordinators should perform quality reviews at their site; this is the responsibility of the Partner. We do not agree that the number of reviews nor timeframes should be specified. Partners should conduct site reviews based on their needs.

SPEC does encourage site reviews and will develop talking points for partners, encouraging them to conduct reviews and providing guidelines on how to conduct these reviews at their sites.

16829-10 Create ERO Training

RESPONSE: UNDER CONSIDERATION

RESPONSE UNDER CONSIDERATION

SPEC applauds this recommendation but needs additional time to evaluate all the sources of ERO information to determine the best method for combining this large amount of information together into an effective training module. In the interim, partners are encouraged to use Publications 1345 and 3189 to train their EROs and also to use the TaxWise Administrators Webinars available on The Practice Lab. SPEC will study the feasibility of developing this training for the 2012 filing season.

Follow up date 08/01/2011

16829-11 Have a Common Tool for Staying Current  
RESPONSE: PARTIALLY ACCEPTED

SPEC provides Tax Alerts through TaxWise Mail and the TaxWise Online Message Board. AARP made the decision not to use the Tax Alerts and to create their own Cyber Tax email. New for the 2011 filing season, SPEC will email a copy of all Tax Alerts to Site Coordinators.

Proposed Implementation Date: 01/03/2011

16829-12 Benefit from Lessons Learned  
RESPONSE: ACCEPTED

SPEC fully accepts this excellent suggestion. We attempted to create a process to more widely communicate best practices and lessons learned for the 2011 filing season but could not implement it in time. SPEC will work to create and implement this process for the 2012 filing season.

Proposed Implementation Date: 08/01/2011

<b>TAP Issue ID: 16832 Elevated Date: 09/14/2010</b>	<b>Committee Name: VITA</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Partner-provided FEAB Services at VITA/TCE Sites</b>	

Issue or Project Statement	With limited resources and guidance, not all VITA partners are willing or able to offer expanded FEAB services at the VITA/TCE sites.
Project Goal Statement	Provide recommendations to the Internal Revenue Service on how to best engage partners in the offering and delivery of FEAB products and services as they relate to the VITA/TCE programs.

<p>Proposed Solution or Task</p>	<p>The Stakeholder, Partnerships, Education, and Communication (SPEC) is an outreach and education function of Internal Revenue Service's Wage and Investment Division which combine resources and goals with other organizations for better access to lower income populations in local communities.</p> <p>In order to meet these goals we recommend that SPEC implement the following:</p> <ul style="list-style-type: none"> <li>Meet with all partners at least on a quarterly basis, create a plan for their success</li> <li>Educate the partners on all FEAB offerings</li> <li>Host conferences/workshops with selected partners</li> <li>Build strong relationship with partners already offering FEAB in the communities</li> <li>Continue to use and improve the FEAB Assessment tools as an education and outreach solution with the partners</li> <li>Build a common framework where programs can be measured; determine effectiveness of programs; improve on those that demonstrate success and drop those that are failing</li> <li>Expand and simplify publication Financial Education and Asset Building (FEAB) Opportunities for Taxpayers to include seniors, low income taxpayers and individuals with limited knowledge of the tax system.</li> <li>Consider publishing FEAB materials in different languages i.e. Spanish, Chinese, Italian, etc.</li> </ul> <p>Understanding the partners underlying issues and interest is extremely important. For example, a SPEC liaison will approach a partner concerning FEAB activities. The partner may say no and feel that it is an additional burden to them. The liaison should be persistent and determine the underlying reason for the negative response. There have been examples whereby SPEC liaison worked with a partner and changed their perception of SPEC. They listened to their feelings, understood them, and provided a supportive environment to assist them.</p>
	<p>The IRS has responded to this issue, breaking the initial recommendation down into 8 parts.  16832-1 Response Partially Accepted  SPEC currently conducts monthly conference calls with partners during the filing season to provide important information and updates on filing season issues and other areas. In 2010, SPEC also conducted a series of webcasts (webinars) to better educate partners on FEAB. SPEC will continue with the monthly conference calls and plans to conduct two follow-up national webcasts in 2011 on additional FEAB topics. We believe this will provide the opportunity for partners to create a plan for their success.</p>

IRS Initial Response

Proposed Implementation Date: 7/31//2011

16832-2 Response - Accepted

In July 2010, SPEC released Publication 4867, Financial Education and Asset Building Opportunities, Ideas, and Customer Satisfaction designed to educate partners on FEAB. The publication provides a brief description on available FEAB activities including Savings/Checking Accounts, Direct Deposit, US Savings Bonds, Split Refunds, debit Cards, Individual development Accounts and Financial Literacy Training. Our Local Tax Consultants and Relationship Managers are using this publication in the field to educate our partners on FEAB opportunities

Proposed Implementation Date: 1/03/2011

168232-3Response Accepted

Due to budgetary constraints, we continue to look for ways to spread our message to more than 4,500 partners. In 2010, SPEC hosted a series of webcasts titled Turning Partnerships into Opportunities for partners to hear subject matter experts discuss how they provide financial assistance to their communities. Conference calls and web technology are being used in lieu of high cost face to face conferences. We will also continue to attend partner conferences when possible to promote how FEAB activities can be tied to partner EITC outreach and programs.

Proposed Implementation Date: 01/03/2011

168232-4Response - Accepted

We accept this recommendation and are using the webcast series and new assessment tools to identify opportunities where we can match asset development programs from existing partners to partners that might be interested in adding these services to their existing program. We recognize that many VITA programs do not have the resources to develop their own FEAB initiatives and SPEC is in a unique position to identify partners that may offer these services at existing VITA sites.

Proposed Implementation Date: 01/03/2011

168232-5 & 6 Response Accepted

In FY2011, SPEC revised Form 14099, SPEC Partner/ Site Financial Education & Asset Building Assessment Tool to provide more granular data on services currently being provided by partners and sites. This form will capture data regarding sites/partners that offer: debit (prepaid) cards, savings bonds, IDAs, new checking and savings accounts, benefits screening, credit counseling, home ownership programs, budgeting education programs, consumer protection programs, and tax compliance education programs. Additionally, SPEC will use this granular data to assess

Additionally, SPEC will use this granular data to assess each partners overall level of FEAB engagement within a six level range: no engagement, awareness activities, knowledge activities, transactional activities short-term, transactional activities mid-term and application activities. A copy of the revised Form 14099 is attached for additional detail and reference.

Proposed Implementation Date: 01/03/2011

168232-7 Response - Rejected

SPEC believes that the current Publication 4867, Financial Education and Asset Building Opportunities, Ideas, and Customer Satisfaction, address all populations. SPEC intends to focus efforts to ensure that underserved populations are included in coalitions which offer FEAB services.

168232-8 Response - Rejected

SPEC faces a severely limited publishing budget this year and will likely be unable to print exiting products in other languages. SPEC will work with partners who serve these populations for alternative solutions.

<b>TAP Issue ID: 18664 Elevated Date: 09/14/2010</b>	<b>Committee Name: VITA</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: VITA-QUALITY IMPROVEMENT PROCESS-SITE SELF-REVIEW</b>	

Issue or Project Statement	It has been 5 years since SPEC implemented the Volunteer Return Preparation Program-Quality Improvement Process (VRPP-QIP). FY2009 was the first year for the Quality Statistical Sample (QSS) reviews. SPEC wants a review process that will provide a foundation strong enough to ensure compliance.
Project Goal Statement	Evaluate the quality processes currently in place and provide recommendations for changes to improve them and to accelerate progress in increasing quality.  Review the tools provided for ensuring accuracy and provide specific recommendations or enhancements to them.
Proposed Solution or Task	Develop a tool that Site Coordinators (also known as Local Coordinators) can use to help them ensure compliance with all of the IRS s 10 Quality Site Requirements (QSRs). The suggested tool is modeled after IRS Form 6729 Site Review Sheet and, for this proposal, will be referred to as Form 6729-SR Site Self-Review (draft copy attached). Recommendations for the use of the form are: All Site Coordinators/Local Coordinators will be required to conduct a self-inspection of their site s compliance with the IRS QSRs using Form 6729-SR. Each Coordinator will conduct the inspection twice during the tax preparation season (in the first half of February and then again in mid-March). Coordinators will use the Comments block to explain any discrepancies and to document corrective actions or resolutions of the issues. Coordinators will use the Remarks section for any additional comments and will sign and date the form in that section as well.

IRS Initial Response	<p>Response Partially Accepted</p> <p>SPEC believes that tools already exist for this purpose. SPEC recommends use of existing Forms 6729, Site Review Sheet, F6729-C, Criteria Return Review Sheet, and/or F6729-R, QSS Return Review Sheet, to conduct reviews. These forms are designed for partner use; Form 6729, 6729-C, and 6729-R measurement questions determining the results of the review (pass or fail) are shown in bold on the form for easier determination. Creating an additional form is not needed for this purpose.</p> <p>SPEC does not agree that Site Coordinators should perform quality reviews at their sites; this should be a responsibility for the partners. SPEC does not agree that a minimum number of reviews nor timeframes should be required. To reduce the burden on volunteers, site reviews should not be mandated but rather conducted by partners based on their needs and judgment.</p> <p>SPEC will develop communication documents for partners encouraging them to conduct reviews and providing guidelines on how to conduct these reviews at their sites. Site review aids can be developed to explain use of the Comments and Remarks sections of existing forms.</p> <p>Proposed Implementation Date: 1/03/2011</p>
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<b>TAP Issue ID: 18667 Elevated Date: 09/14/2010</b>	<b>Committee Name: VITA</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: VITA FEAB -TRAINING</b>	

Issue or Project Statement	With limited resources and guidance, not all partners are willing or able to expand the services scope available at their Volunteer Income Tax Assistance/Tax Counselors for the Elderly (VITA/TCE) sites. Therefore, it is important to develop educational material which will assist the Taxpayer in making sound financial decisions pertaining to their potential tax refund. The Committee recommends providing educational material, which is easily distributed, and should not require an unreasonable amount of time or burden to the VITA/TCE volunteer.
Project Goal Statement	The committee recommends ways to provide effective and value-added educational material to Taxpayers using the services at VITA/TCE site.
Proposed Solution or Task	Understanding that many of the VITA/TCE clients may benefit from basic financial education, the Committee believes making educational material available to those who have a desire to learn more to make this part of the tax preparation process. For example, while Taxpayers are waiting to meet with a volunteer Tax Preparer, they will be provided with a simple checklist for them to complete about their financial concerns. At the time of their actual appointment, the volunteer will ask if they completed the financial check list and inquire if they would like to have more information about their financial concerns. As a result, this will be an opportunity to provide the Taxpayer with the Life-Cycle Series FEAB information brochure; get more direction on financial offerings or talk to one of the partners on site for more information.
IRS Initial Response	Response - Rejected  Although SPEC supports partners who use a checklist, which may be beneficial for some partners/sites, many with established financial awareness programs develop and implement their own screening process to determine taxpayer needs during the return preparation.  SPEC does not wish to impose the burden of a mandate for all partners to use a standard checklist but does encourage those who wish to use a checklist to facilitate their financial planning initiatives at VITA/TCE sites. SPEC will leave the decision of a financial checklist to local partners/sites.

<b>TAP Issue ID: 16631 Elevated Date: 01/22/2010</b>	<b>Committee Name: Tax Forms and Pubs/MLI</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Form 5405, First-Time Homebuyer Credit</b>	
Issue Statement	Review Form 5405, First-Time Homebuyer Credit and Repayment of Credit.
Goal Statement	To ensure clarity of content of Form 5405 and its instructions.
Proposed Solution	Review and Analyze the Form 5405 and and instructions to ensure is readable and that it provides clear and concise guidance to its users.
IRS Initial Response	<p>Thank you for your comments on Form 5405. We have made the first pass through the 71+ suggestions and have already made some changes to the form and instructions as a result. We are under a very tight deadline to get the form and instructions posted on Friday at the latest, which means we have to release them 1-3 days prior to Friday.</p> <p>Some initial comments on the suggestions.</p> <p>1. We of course also considered changing the title, but didn't do so for several reasons (it is too late now to reconsider): One, the instructions for Form 1040 had already been released and printed with the old title; we thought many were familiar with "first-time homebuyer credit", and that changing the title could have a negative impact as well; the code treats long-time owners as first-tome homebuyers (essentially "first-time in a long-time). For these and other reasons, we decided not to change the title.</p> <p>2. Upon issuance of an ITIN, recipients are instructed to enter their ITIN wherever an SSN is requested. When ITINs were first created, we thought it best to tell ITIN recipients to use their ITIN as an SSN (unless explicitly instructed otherwise in certain limited situations), rather than to change all references to SSNs to refer to SSNs and ITINS, thus confusing the vast majority who are familiar very with SSNs but have never heard of ITINS.</p> <p>Curtis Freeman Senior Technical Advisor Tax Forms &amp; Publications Desk: 202-622-3095 Cell: 202-360-2110</p>

<b>TAP Issue ID: 16790 Elevated Date: 02/02/2010</b>	<b>Committee Name: Tax Forms and Pubs/MLI</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Review of Form 1099-K</b>	
Issue or Project Statement	Review of 2011 version of Form 1099-K, Merchant Card and Third-Party Payments.
Project Goal Statement	Review form 1099-K to ensure clarity of content.
Proposed Solution or Task	<p>The comments made on this review were:</p> <p>1 The use of "federal identification no." and "employer identification no." seems inconsistent. Could the acronym FEIN be used consistently throughout the form, and explained in the instructions?</p> <p>2 Why is "number" spelled out when used as "account number" but abbreviated with "telephone no." when there is ample room to spell it out?</p>
IRS Final Response	<p>Response from Program Owner to comments on review:</p> <p>1 The use of "employer identification number" is specifically intended so that recipients of these forms will recognize their EIN in the box labeled "PAYEE'S employer identification number." This labeling, along with an additional box for PAYEE'S Social Security number, is provided for issuers of the form to report the identification number(s) the payee has provided for identification when doing business with the issuer. Other forms in the 1099 family have only one box for a "federal identification number" for the payer/issuer/creditor, etc. As this form has boxes for both the payee's EIN and SSN, both of which are federal identification numbers, the boxes were specifically labeled to prevent confusion.</p> <p>2 Number is abbreviated "no." in the upper left corner on all Forms 1099. This is a consistency matter. The abbreviation arose due to spacing on the top line of the form. It is spelled out in "account number" again due to spacing issues.</p>

<b>TAP Issue ID: 16791</b> <b>Elevated Date: 02/05/2010</b>	<b>Committee Name: Tax Forms and Pubs/MLI</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Review of 1099-B</b>	
Issue or Project Statement	Review of 2011 version of Form 1099-B, Proceeds From Broker and Barter Exchange Transactions
Project Goal Statement	Review Form 1099-B to ensure clarity of content.
	<p>The Committee review the Instructions for Recipients, Instructions for Payers and each copy of the Form.</p> <p>Recommendations made were (see attached File for complete Proposal):</p> <p>1) Instructions for Recipient</p> <p>Box 2: Change first sentence to read "Shows the aggregate proceeds from transactions involving stocks, bonds, other debt obligations, commodities, or forward contracts for your account."</p> <p>Box 3 should be renumbered to be "Box 6."</p> <p>Box 4: Change first sentence to read (changes in underline): "Shows the amount of backup withholding tax paid by your broker to the IRS."</p> <p>Box 7 should be renumbered "Box 3."</p> <p>Box 11 contains a spelling error in the first sentence: "(loss)" and not "(losso)"</p> <p>2)Instructions for Payers</p> <p>1st paragraph, 1st and 2nd sentences: change the word "products" to "publications"</p> <p>3) I think this new area of reporting will not be workable. I probably have thousands of transactions per year in my own accounts that would require this form. The paper this would generate, and the cost of reporting, will be beyond significant.</p> <p>2)In Box 2, the IRS should decide whether the reporting requires net of commissions or not.</p> <p>3)Will the recipients name really be required? To my first point, this will prove to be an onerous requirement.</p> <p>4) Form – Copy A:</p> <ul style="list-style-type: none"> <li>• Title: Change the “F” in “From” to lowercase</li> <li>• Box 2: “Stocks, bonds, etc.” doesn’t seem to be a good descriptor for this box. I suggest something like “Amount of transaction” or “Reportable proceeds” or something that indicates this is a key box and the general purpose for the form.</li> <li>• What does “not.” refer to in the box labeled “2nd TIN not.”? Why is this box omitted on Copy B?</li> </ul> <p>5) Form – Copy B and Copy C:</p>

Copy B and Copy C:

- Box 5: Should this read “Wash sale loss disallowed” to match the reporting on Copy A?
- Box 2: See suggestion for Copy A, Box 2.
- Box 6: Insert check box.
- Box 7: The heading on this box (“Cost or other basis”) repeats the heading in Copy B and Copy C Box 3 and does not match up with the heading for Box 7 of Copy A (“Reported gain or loss”).
- Box 9: The heading for Copy A Box 9 refers to the profit or loss on closed contracts. There is no reference to closed contracts in Box 9 of Copy B or Copy C.
- Box 15: The heading “Check if not a covered security” differs from the heading for Copy A Box 15 (“Check if loss not allowed based on amount in box 2”). Also, the present Copy B and Copy C Box 2 wording repeats the heading in Copy B and Copy C Box 6.
- Copy B does not have the box labeled “2nd TIN not.” Is this intentional or an oversight?

6) Instructions for Recipient:

- General comment: I did not find the instructions to be particularly useful. I would like to see more specific instructions regarding where to report the information provided by the 1099-B on the recipient’s Schedule D.
- Box 1a: How should recipients fill out their Schedule Ds if transactions are reported in aggregate? Will brokers issue separate 1099s for short and long term transactions (presumed since Box 8 indicates whether the amount reported is short or long term, but not specifically noted under the instructions for payers).
- Box 2: I am unclear about the meaning of the final sentence “If a loss is reported, see box 12.” The concept of negative proceeds seems unclear. Under what circumstances would a recipient have a loss in Box 2? How do the instructions for Box 12 clear up this mystery?
- Box 3: The instructions state “If checked, you cannot take a loss...”; however, there is no check box shown in Box 3. The instructions do not make sense given the Box 3 heading “Cost or other basis.” Restate instructions to indicate what the recipient should do with the cost or other basis reported in Box 3.
- Box 4, Sentence 2: The phrase “must backup withhold” seems awkward. I suggest rephrasing this sentence to read: “Generally, a payer must withhold 28% of your gross proceeds for federal taxes if you did not furnish your taxpayer identification number to the payer. Nonresident aliens are also subject to backup withholding.”
- Box 5: I would like to see more specifics regarding the recipients’ instructions for wash sales. Is the amount in this box intended to reflect the disallowed loss? Do the instructions in Pub. 550 include an example of how to report the amount shown in Box 5?
- Box 5: Include the name of Publication 550.
- Box 6: There are no instructions given. What is a non-covered security? What does it mean to the recipient if this box is checked? (See the comment regarding the instructions for Box 15 below.)
- Box 7: Explain how the recipient reports the

Proposed Solution or Task

amount provided in Box 7 on his or her tax return. (As a matter of curiosity, will brokers be required to compute the basis for all transactions, or only the transactions for which the broker is involved as a selling agent? For example, will brokers be required to compute the basis for inherited stocks, or for stocks purchased through employee stock purchase plans, or for stocks which have been re-titled due to transfers of ownership?)

- Box 7: Include instructions about what to do if the recipient disputes the basis reported in Box 7.
- Box 8: There are no instructions given. Explain the significance of the long term/short term indicators. Specifically explain how the recipient reports short term transactions on Schedule D, Part I and long term transactions on Schedule D, Part II.
- Box 10: The instructions refer to an amount of profit or loss reported in Box 8. However, Box 8 reports only whether the transaction is short term or long term – there is no amount reported in Box 8.
- Box 10: Is the December 31, 2011 date right? Or should it read “2010”?
- Box 11: Correct “losso” to “loss.”
- Box 12: List the title of Form 6781.
- Box 12: Explain the relationship (if any) between the statement in the instructions for Box 2 which states: “If a loss is reported, see box 12.”
- Box 13: The phrase “for information on how to report this income” is repeated twice in the second sentence.
- Box 13: List the title of Schedule C.
- Box 14: Does the description box relate solely to bartering or regulated futures contracts? If so, how are recipients supposed to know what they are reporting on Schedule D? I suggest expanding this definition to include a description of the transaction, including the number of shares transacted and the name of the security.
- Box 14: Correct the word “by” in the sentence that reads: “For regulated futures contracts and forward contracts, “RFC” or other appropriate description by be shown.”
- Box 15: Make sure the instructions match the box heading. See the comment regarding the duplication of the check box for non-covered securities listed under “Form -- Copy B” and the comment regarding the instructions for Box 6, as noted above.
- Missing box? If Copy B is intended to have the box which reads “2nd TIN not.” there should be something that explains what “not.” means and what the significance of this box is, if checked.

8)

Instructions for Payers:

- General comment: I found these instructions to be relatively useless. I hope the instructions provided in “separate products” specifically inform payers how to compute and report basis, what securities are “covered,” how to issue aggregate long term/short term reporting, how to specifically identify which shares are sold (LIFO? FIFO?), etc.
- Caution: Reword the caution to read: “You must use specially prepared forms provided by the IRS to file

	<p>use specially-prepared forms provided by the IRS to file Form 1099-B. Because the forms must be scanned, you cannot file Forms 1099-B that you print from the IRS website.”</p> <ul style="list-style-type: none"> <li>• Due dates: Revise to state “You must furnish Copy B of this form to the recipient by February 15, 2013.” Include language regarding the penalty for failure to furnish forms by February 15th.</li> <li>• Due dates: Should the last sentence read “The IRS” as opposed to “IRS?”</li> </ul> <p>8</p> <p>Instructions for Payers:</p> <ul style="list-style-type: none"> <li>• General comment: I found these instructions to be relatively useless. I hope the instructions provided in “separate products” specifically inform payers how to compute and report basis, what securities are “covered,” how to issue aggregate long term/short term reporting, how to specifically identify which shares are sold (LIFO? FIFO?), etc.</li> <li>• Caution: Reword the caution to read: “You must use specially-prepared forms provided by the IRS to file Form 1099-B. Because the forms must be scanned, you cannot file Forms 1099-B that you print from the IRS website.”</li> <li>• Due dates: Revise to state “You must furnish Copy B of this form to the recipient by February 15, 2013.” Include language regarding the penalty for failure to furnish forms by February 15th.</li> <li>• Due dates: Should the last sentence read “The IRS” as opposed to “IRS?”</li> </ul> <p>Kelly</p>
<p>IRS Final Response</p>	<p>The Tax Forms and Publications has provided a response to each comment/suggestion. Some responses were negative. Suggestions cannot be made because of space issues or because of law mandates. Some responses to the suggestions were positive. TFP will consider the members' suggestions.</p>

<b>TAP Issue ID: 16867</b> <b>Elevated Date: 02/08/2010</b>	<b>Committee Name: Tax Forms and Pubs/MLI</b>
<b>Status: Closed</b>	<b>Outcome: Combined/Associated</b>
<b>Title: Review of Form 5405</b>	
Issue or Project Statement	Review 2009 Form 5405: First-Time Homebuyer Credit and Repayment of the Credit, and instructions for Form 5405
Project Goal Statement	Review 2009 Form 5404 and instructions to ensure that their content is clear to users of the Form and the instructions are easy to follow.
Proposed Solution or Task	Seventy-one recommendation were made to the draft of the Forms and instructions. See File attached for detailed recommendations.
IRS Initial Response	<p>Thank you for your comments on Form 5405. We have made the first pass through the 71+ suggestions and have already made some changes to the form and instructions as a result. We are under a very tight deadline to get the form and instructions posted on Friday at the latest, which means we have to release them 1-3 days prior to Friday.</p> <p>Some initial comments on the suggestions.</p> <ol style="list-style-type: none"> <li>1. We of course also considered changing the title, but didn't do so for several reasons (it is too late now to reconsider): One, the instructions for Form 1040 had already been released and printed with the old title; we thought many were familiar with "first-time homebuyer credit", and that changing the title could have a negative impact as well; the code treats long-time owners as first-tome homebuyers (essentially "first-time in a long-time). For these and other reasons, we decided not to change the title.</li> <li>2. Upon issuance of an ITIN, recipients are instructed to enter their ITIN wherever an SSN is requested. When ITINS were first created, we thought it best to tell ITIN recipients to use their ITIN as an SSN (unless explicitly instructed otherwise in certain limited situations), rather than to change all references to SSNs to refer to SSNs and ITINS, thus confusing the vast majority who are familiar very with SSNs but have never heard of ITINS.</li> </ol> <p>Curtis Freeman Senior Technical Advisor Tax Forms &amp; Publications</p>

<b>TAP Issue ID: 17210 Elevated Date: 03/23/2010</b>	<b>Committee Name: Tax Forms and Pubs/MLI</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Review of Publication 519, US Tax Guide for Aliens</b>	
Issue or Project Statement	Review Publication 519, U.S. Tax Guide to Aliens to ensure clarity.
Project Goal Statement	To ensure that the contents and wording of Publication 519 is clear and concise for aliens.
Proposed Solution or Task	The Tax Forms and Publications Project Committee reviewed Publication 519 and made recommendations to change some of the wording therein. They also recommended the addition of tax information to address the refugee and asylee class of aliens.
IRS Final Response	<p>Response to Taxpayer Advocacy Panel Recommendation on adding a section on Refugees and Asylees: (see File 6967)</p> <p>Publication 519 does not specifically mention refugees and asylum seekers because there are no tax rules that are unique to those two groups. They are subject to the same tax rules that apply to all other aliens. We will consider adding information for those two groups once information is posted to IRS.gov.</p> <p>Also:(see File 6966) Most of the main recommendations made by the Committee to the Publication 519 itself (main body of the proposal) will be adopted or considered by the IRS.</p>

<b>TAP Issue ID: 17389</b> <b>Elevated Date: 04/09/2010</b>	<b>Committee Name: Tax Forms and Pubs/MLI</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Review of Form 2848SP, Power of Attorney</b>	
Issue or Project Statement	Review of Form 2848 SP, Poder Legal y Declaracion del Representante, for clarity in content and translation.
Project Goal Statement	To make the F 2848SP easy to understand and complete.
Proposed Solution or Task	Review revision 2009 of the Form using standard Spanish (from La Real Academia Espanola) instead of colloquialisms  Please see the complete proposal and Exhibit - File #6969

<b>TAP Issue ID: 17390</b> <b>Elevated Date: 04/28/2010</b>	<b>Committee Name: Tax Forms and Pubs/MLI</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Review of W-7SP, ITIN Application (in Spanish)</b>	
Issue or Project Statement	Review of IRS's revision of 2010 of Form W-7SP, Solicitud de Número de Identificación Personal del Contribuyente del Servicio de Impuestos Internos, and its Instructions for clarity of translation and content.
Project Goal Statement	To review the latest revision of Form W-7SP and this form's instructions for clarity of content.
Proposed Solution or Task	Some changes were suggested to help Spanish readers understand the Form and the instructions and make it easier for them to complete this Form.
IRS Initial Response	All recommendations of the review were accepted

<b>TAP Issue ID: 17391</b> <b>Elevated Date: 07/09/2010</b>	<b>Committee Name: Tax Forms and Pubs/MLI</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Review of Form 8822, Change of Address (rev. 2010)</b>	
Issue or Project Statement	Review Form 8822, Change of Address, revised for tax year 2010 to ensure clarity of its contents.
Project Goal Statement	Review Form 8822, Change of Address, revised for tax year 2010 to ensure clarity of its contents.
Proposed Solution or Task	Review Form 8822 to ensure clarity of content and format. See attached file.

<b>TAP Issue ID: 17416</b> <b>Elevated Date: 04/09/2010</b>	<b>Committee Name: Tax Forms and Pubs/MLI</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Format of PDF Documents on IRS Website</b>	
Issue or Project Statement	Forms, publications, and instructions available in Adobe PDF format on the Internal Revenue Service (IRS) website are often formatted in a way that makes these materials difficult to use. In many cases, text is structured in a way that does not follow the columnar format of the form, making it difficult to search or copy text into letters, e-mail communications, or other materials employed to advise clients or communicate with the IRS or others.
Project Goal Statement	To increase the usefulness of IRS electronic publications by having the text reformatted using Adobe PDF text frames that align text with the columns on the page as viewed. The text can then be easily searched or copied electronically.
Proposed Solution or Task	Format Adobe PDF materials on the IRS website in a manner that allows users to search and copy text from those materials into other documents while retaining the structure and meaning of the original document.

<b>TAP Issue ID: 18046</b> <b>Elevated Date: 07/09/2010</b>	<b>Committee Name: Tax Forms and Pubs/MLI</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Review of Schedule K-1 for Form 1065</b>	
Issue or Project Statement	Review of Schedule K-1, Partner's Share of Income Credit Deductions, Credits that is used in conjunction with Form 1065
Project Goal Statement	Review Schedule K-1 and instructions for clarity.
Proposed Solution or Task	To improve the Schedule K-1 and its instructions.

<b>TAP Issue ID: 18170</b> <b>Elevated Date: 07/09/2010</b>	<b>Committee Name: Tax Forms and Pubs/MLI</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Review of Form 1099-B</b>	
Issue or Project Statement	Review Form 1099-B for 2011.
Project Goal Statement	To review Form 1099-B (rev. 2011) to ensure clarity of content.
Proposed Solution or Task	<p>As participants in a focus group, the members of the Committee reviewed the Form 1099-B for 2011. These were some of their comments:</p> <ul style="list-style-type: none"> <li>? Add to form: check box if cost basis unknown or a non-covered security</li> <li>? Add box for date acquired (Box 16)</li> <li>? Box 15 is not clear.</li> <li>? Do the 1099 Inst. Provide instruction on reporting mutual funds? (i.e. short term and long term components.)</li> </ul>

<b>TAP Issue ID: 18172</b> <b>Elevated Date: 07/09/2010</b>	<b>Committee Name: Tax Forms and Pubs/MLI</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Review of Schedule D (rev. 2011)</b>	
Issue or Project Statement	Review of schedule D.
Project Goal Statement	The memmbers participated in a focus group to review Schedule D
Proposed Solution or Task	<p>Eleven recommendations were made on the Schedule:</p> <p>Part I, Col (d) Sales price is aggregate of all shares identified on (a). Change col (d) to Total Sales price...</p> <p>? Delete Total short –term (long-term) sales price amounts on lines 3 and 10. Start with Add lines.... Put in bold</p> <p>? Add TIP to instructions that stock can be classified by type of investment. (e.g. All Fidelity stock as aggregate, all Schwab as aggregate, etc) rather than having total aggregate of different investments</p> <p>? Remove if required under heading (attach to Form 1040 or form 1040</p> <p>? Suggestion to communicate the changes to Form 1099-B and Schedule D to preparer community to let them know changes are coming</p> <p>? Restructure the sentence of line 21, Part II: "If line 16 is a gain, stop here. If line 16 is a loss, choose the smaller of line 16 or \$3,000"</p>

<b>TAP Issue ID: 18175</b> <b>Elevated Date: 07/09/2010</b>	<b>Committee Name: Tax Forms and Pubs/MLI</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Review three versions of 2011 Form 1040</b>	
Issue or Project Statement	Review three different versions (D,E and B) of new Form 1040 for 2011.
Project Goal Statement	Review three different versions (D,E and B) of new Form 1040 for 2011 and provide suggestions on the different versions and members' preference.
Proposed Solution or Task	Several comments and suggestions were made at a focus group that reviewed three versions of a new Form 1040. The versions were different in format, background color, titles, etc. Version E seemed to be preferred.

<b>TAP Issue ID: 18176</b> <b>Elevated Date: 07/09/2010</b>	<b>Committee Name: Tax Forms and Pubs/MLI</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Review of Form 2848, Power of Attorney(rev. 2009)</b>	
Issue or Project Statement	Review of 2009 version of Form 2848, Power of Attorey
Project Goal Statement	Review Form 2848 to ensure clarity of content and instructions.
Proposed Solution or Task	<p>The members of the Committee participated in a focus group and made fourteen recommendations to this Form's version. ? Signature should be on page 1 to reduce fraud. Taxpayer does not always know what they are signing.</p> <p>? Line 2 should be expanded, need more space for representatives</p> <p>? Add 'or' between SSN and EIN</p> <p>? Change title of form to Authorization to either Appoint a Representative or Limited POA and Declaration of Representative</p> <p>? Place an explanation under current title (if you choose to keep it).</p> <p>? Line 5 change see line 6 below to except if authorization is in 6 below.</p> <p>? Line 7b bold 'not'</p> <p>? Should we add a caution stating if you leave too much information off of form, it will not be processed</p> <p>? Part II Bottom Box. Should Jurisdiction and identification be separate boxes?</p> <p>? Part II Can K&amp;L be combined? Replace with a caution. The word intern needs research</p> <p>? Part II Number 8 Should we add By filling out this POA you revoke a prior POA?</p> <p>? Do we need to add that you have to pass a test for competency?</p> <p>? How do we revoke a POA? Is there an easier way? Should it be added to the instructions?</p> <p>? Rewrite line 8 – It is written in first and third person. Choose either one.</p>

<b>TAP Issue ID: 18309</b> <b>Elevated Date: 09/28/2010</b>	<b>Committee Name: Tax Forms and Pubs/MLI</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Review of Publication 15 (Circular E)</b>	
Issue or Project Statement	Review Publication 15 and provide IRS program owners with feedback.
Project Goal Statement	Publication 15, Circular E, was reviewed for clarity of content.
	<p>Item Suggestion Source Page Ref</p> <p>1 "Exempt Forms W-4 expire. Any Form W-4 previously given to you claiming exemption from withholding has expired. Begin withholding for any employee who previously claimed exemption from withholding, but has not given you a new Form W-4 for the current year. If the employee does not give you a new Form W-4, withhold tax as if he or she is single, with zero withholding allowances. See section 9 for more information. However, if you have an earlier Form W-4 for this employee that is valid, withhold based on the earlier Form W-4."</p> <p>Comment: See underlined sentences above. If all exempt W-4s have expired as stated in first sentence, under what circumstances is a W-4 for an employee previously claiming exemption from withholding valid (as stated in last sentence)? Felicia G. Page 2, Col. 2 'By February 16'</p> <p>2 Household employee information is scattered amongst several sections of this publication. Suggestion: provide information specific about household employees in a separate section. Would be easier for taxpayers to comply. Felicia G. Various</p> <p>3 Move the "Additional employment tax information." Sub header and sentence with web link to the end of the "Telephone Help" section. Charnia P. Page 6, Col. 1</p> <p>4 Insert the word "the" in the second paragraph, second sentence after "Visit". It should read "Visit the SSA's Employer W-2..." Charnia P. Page 6, Col. 2</p> <p>5 In the introduction section on page 7 it seems confusing to me to put the (except FUTA) in its current location. I suggest deleting it and instead in the list of employment taxes put "(FUTA)-exceptions may apply" Charnia P. Page 7, Col. 1, 3rd paragraph</p> <p>6 Move the Comments and suggestions paragraph/section to just before the Introduction on page 7, right after the lost children photo information. The current location seems to bury the comments and suggestions should be part of the pre introductory notes. Charnia P. Page 8, Col. 1</p> <p>7 4. Employee's social security number (SSN). Add the following before IRS Individual taxpayer identification numbers (ITINS): Do not accept a social security card that says "Not valid for employment." A social security number issued with this legend does not</p>

Proposed Solution or Task

permit employment. Jackie R. Page 10  
8 Per diem or other fixed allowance. Update the standard mileage rates for: "The 2010 standard mileage rate for auto expenses was 50 cents per mile. The rate for 2011 is xx cents per mile." Jackie R. Page 11  
9 Health Insurance Plans. Assumption: Information to be added by Program Owner (Forms and Publications) regarding the new Federal Healthcare Program. Jackie R. Page 12  
10 Nontaxable fringe benefits: 4 references to Pub 15B and one to 15A Consider publishing tables on web only and combining Pubs 15, 15A, and 15B Rita T. Pub15, p12  
11 Use of 2nd person ("you may choose....") 3rd person preferable. "you" may be individual taxpayer or business entity Rita T. P. 13  
12 Supplemental wages. Section has as many cross references as explanations, including RRs, IRBs, and TDs. These are sophisticated references for true small business owners if that is intended audience. Rita T. P. 14  
13 Tips treated as supplemental wages. Modifiers in first sentence are misaligned ("tips from wages") Is this sentence even necessary? Consider beginning with 2nd sentence. Rita T. P. 15  
14 "10.0 Advance Earned Income Credit (EIC) Payment" Remove whole section. Repealed by the Education, Jobs, and Medical Assistance Act" H.R. 1586 Rafael P. 19  
15  
Depositing taxes-fully explained- redundant yet not contradictory Luis F. P. 20  
16 Many internal referrals made at an attempt @ clarity. To me confusing but probably not so to a prepared tax person. Luis F. P. 21-22  
17 Work back explanations and examples seem clear to me. It is a real effort at seeking clarity. Luis F. P. 23  
18 In general I found the language flow accurate and understanding fully sought. Luis F. P. 20-23  
19 No Comment. Wayne M. P.23-27  
20 Donald, the only suggestion I have for my assigned pages is that the term "social security" is not capitalized, yet the term "Medicare" is. I think this is inconsistent. Examples on on p.27, c2 points 1, 2, 4, 6, 9B, and 9C. This inconsistency is repeated on subsequent pages and no doubt occurs throughout the Pub, so perhaps it is just a generic comment. I could not find anything else-- all references were verified. Bob M. P. 27-30  
21 "Who must pay? \* \* \* If a test describes your situation, you are subject to FUTA tax on the wages you pay to YOUR employees in that category during the current calendar year."  
  
Reason: Clarify that the obligation to pay FUTA relates to the employer's employees and not those of another employer. Lev M. P. 30, 2nd Col, 3rd Paragraph  
22 "General Test . \* \* \* You had one or more employees for at least some part of a day in any 20 or more [different] weeks in 2009 or 20 or more [different] weeks in 2010."

	<p>weeks in 2010.</p> <p>Reason: The use of the word “different” is confusing. Lev M. P. 31, 1st Col., 1st Paragraph 23 “Farm workers Test. * * *” Same deletion of the word “different” as in Item 2.</p> <p>Reason: The use of the word “different” is confusing. Lev M. P.31, 1st Col, 3rd Paragraph 24 “PAYING FUTA tax.”</p> <p>Reason: Pages 32 -34 refer to FUTA tax as “payments” and not “deposits.” Lev M. P. 31, 1st Col, 6 25 Change the word “deposit” to “payment” in each of the paragraphs in the 2nd column.</p> <p>Reason: Pages 32 -34 refer to FUTA tax as “payments” and not “deposits.” Lev M P. 31,2nd, throughout 26 In first section under, ‘Special Classes of Employees’ I suggest to add a comment below Line 1 as in Line 2 (Which reads, See Section 2 for details) to explain to taxpayers what common law employees are. Donald T. P.34, Col. 1</p>
IRS Initial Response	Most of the recommendations provided will be adopted.

<b>TAP Issue ID: 18310</b> <b>Elevated Date: 10/26/2010</b>	<b>Committee Name: Tax Forms and Pubs/MLI</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Review of Publication 15A ( Supplement)</b>	
Issue Statement	Review of Publication 15A, Supplement to Publication15 or Circular E.
Goal Statement	Review of Publication 15A, Supplement to Publication15 or Circular E to ensure clarity of content.
Proposed Solution	Review of Publication 15A, Supplement to Publication15 or Circular E.
IRS Initial Response	Almost all recommendations will be adopted. See attached Response File for detailed information

<b>TAP Issue ID: 19174</b> <b>Elevated Date: 11/23/2010</b>	<b>Committee Name: Tax Forms and Pubs/MLI</b>
<b>Status: Closed</b>	<b>Outcome: Project/Assignment Completed</b>
<b>Title: Review (in-depth) of Schedule D</b>	
Issue or Project Statement	Review 1040 Schedule D & Instructions and provide IRS program owners with feedback.
Project Goal Statement	Review Schedule D and its instructions
Proposed Solution or Task	Schedule D and its instructions were reviewed line by line.  Please refer to attached File (Nov. 15, 2010) to see recommendations made.
	<p>1. Instructions on page D-1 of the 2009 instructions, third column – The suggestion was to insert the phrase “(if applicable)” under the basis and recordkeeping section after the phrase “show the basis and adjusted basis.” The sentence would then read “You must keep accurate records that show the basis and adjusted basis of your property, if applicable.”</p> <ul style="list-style-type: none"> <li>• We will adopt this suggestion and will include this change in the 2011 Schedule D instructions.</li> </ul> <p>2. Instructions on page D-2 of the 2009 instructions, first column, second paragraph – The suggestion was to insert a phrase briefly explaining that new rules apply to the holding period of property acquired from a decedent dying in 2010.</p> <ul style="list-style-type: none"> <li>• This is covered by the references to Pub. 4895 in the 2010 instructions for Schedule D. We may provide more details in the 2011 instructions.</li> </ul> <p>3. Instructions in general – The comment was that several forms and publications are referenced in the instructions by just their number, and do not have the name of the form or publication. The suggestion was to include a glossary that lists the form or publication number.</p> <ul style="list-style-type: none"> <li>• Reference to only the form or publication number in the Schedule D instructions conforms with the style of most of our tax forms and instructions.</li> </ul> <p>4. No suggestions for the Schedule D itself.</p> <p>5. Instructions on page D-1, second column – The suggestion was to include an example of a “non-capital asset” under the section that describes “Capital Assets.”</p> <ul style="list-style-type: none"> <li>• The section that describes “Capital Assets” gives an overview of what is a capital asset and then specifically lists those types of assets that are not capital assets.</li> </ul>

IRS Initial Response

we believe that it is not necessary to add an example of what is a "non-capital asset" after listing the types of assets that are not capital assets.

6 and 10. Instructions on page D-1, second column – The suggestion was to add a U.S. or foreign owned patent in the bullet under "Capital Assets" that covers copyrights, literary work, music, etc.

- Copyrights and literary or musical compositions generally are noncapital assets. The sale of a patent, on the other hand, is generally treated as the sale of a capital asset under Internal Revenue Code section 1235, so it would be incorrect to group patents with copyrights and literary or musical compositions. Taxpayers can elect to treat as capital assets certain musical compositions or copyrights, as noted in the TIP on page D-1 of the instructions but, as Kelly Wingard noted, this is permitted by 2005 legislation and does not apply to patents (which generally are treated as capital assets anyway, as just explained).

7. Instructions on page D-4, first column – The suggestion asks to provide an example of a "short sale."

- We will add some additional language and/or an example that helps to explain a short sale.

8. Instructions on page D-6 and Part I of Form – The suggestion was to allow similar assets to be grouped together on one line as a single item.

- The purpose of Schedule D is to provide a clear computation of capital gain and loss generated by specific transactions. We believe that grouping transactions would defeat the purpose of Schedule D to report capital gain and loss for each specific transaction.

9. Form in general – The suggestion was to reformat Schedule D for optical character recognition.

- Due to the growth of electronic filing, it is unlikely we will adopt this suggestion.