

November 27, 2013

Practitioner Liaison Meeting

Boise, ID

8:00am – 10:50am

Attendees:

- LeAnn Sannes, Chair of PLM, Idaho Society of CPAs (ISCPA)
 - Sara Kim, IRS, Taxpayer Assistance Center
 - Laura Hartwig, ISCPA
 - Barbara Lock, University of Idaho Low Income Tax Clinic
 - Tina Stuck, Taxpayer Advocate Service, IRS
 - Tyler Hatcher, IRS, Criminal Investigation Division
 - Miri Gillihan, Idaho Association of Tax Consultants (IATC)
 - Patty Davis, Idaho Association of Public Accountants (IAPA)
 - David Noland, Field Collection Bureau Chief, Idaho State Tax Commission (ISTC)
 - Doreen Warren, Division Administrator, Revenue Operations, ISTC
 - George Brown, Deputy Attorney General, ISTC
 - Lafonda Merrick, IAPA
 - Emily Call, IAPA
 - John McGown, Idaho State Bar Association (ISBA)
 - Bob Aldridge, ISBA and Trust & Estate Professionals of Idaho, Inc. (TEPI)
 - Robert (Bob) Wunderle, Director, Low Income Taxpayer Clinic, La Posada
 - Brett Heiner, IRS, Collection
 - Kim Boyack, Senior Stakeholder Liaison, IRS
 - Kristen Hoiby, Area Manager, Stakeholder Liaison Field, IRS (via phone)
 - Debra Mardanolou, Governmental Liaison, IRS (via phone)
 - CP Jackson, Large Business & International, IRS (via phone)
 - Mike Ransom, JR Simplot Co & Tax Executives Institute (via phone)
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Meeting Summary

Collection Update

Brett Heiner, Group Manager

IRM 5.15 is the IRS Financial Analysis Handbook

http://www.irs.gov/irm/part5/irm_05-015-001.html

Brett shared a story about a seizure that the Idaho IRS office conducted on behalf of a California IRS office. It was a Sun Valley vacation home and its contents. The taxpayer had a \$4–5 million tax liability. In addition to the home, they sold a Porsche, a Suburban, 20-30 paintings/prints, dishes, a wine collection, among other things - all for around \$3 million.

Another sale resulted from a tip from a third party that a taxpayer was moving a Porsche. It was a 1963 or 64 restoration project (no engine). They had 15 – 20 bidders and it sold for \$63,000. Taxpayer had a liability of around \$200,000.

Q: How is it applied? A: Applied to oldest period (by statute date), tax, then penalty, then interest.

Taxpayer Assistance Center (Walk-in) Update

Sara Kim, Group Manager

Changes are being made this coming filing season to Taxpayer Assistance Center (TAC) services. Previously the TAC prepared tax returns for low income and elderly taxpayers – this is being discontinued this filing season. They are working close with the volunteer programs through SPEC (Stakeholder Partnerships, Education & Communications – a function of IRS).

IRS is talking about rolling out an online transcript system where taxpayers can actually access (not just order) their account information online. College students, mortgage applicants, etc., could use the system. IRS is currently working through privacy and security issues before they roll it out. There would be no charge for this service.

The TAC will continue to work account issues: balance due accounts, currently not collectible determinations, installment agreements, etc.

The TAC continues to process ITIN applications. The closest IRS office where you can actually take your documentation in for authentication without sending off your original documents is in Salt Lake City, UT. If you bring your documents in to the Boise office, they are mailed to Austin, TX. There has been some talk of the Boise IRS office becoming an acceptance agent but they haven't received the training and, with the budget situation, not sure when they will.

Q: Which IRS offices are acceptance agents? A: See <http://www.irs.gov/uac/TAC-Locations-Where-In-Person-Document-Verification-is-Provided>

Q: If they send a client in to the federal building that is undocumented (although they have a photo ID, such as a Matricula or voter ID card) are they at risk?

A: They should not be, as the security here is not with Homeland Security or ICE but Sara said that she would check with Court Security on what their current policies are and get back with us.

Q: Must a client come in person? A: Primary, secondary, and dependent persons may submit W-7 applications in person (with original documents) at designated IRS Taxpayer Assistance Centers. Designated Taxpayer Assistance Centers will certify only original and copies certified by the issuing agency passports and National ID cards.

Q: Are ITIN numbers mailed to the address on the Form 1040 or on the Form W-7?

A: Sara will check on this.

Background information: because of fraud, IRS has tightened up the application process. Changes were announced in June of 2012. Changes are often made without much notice to the public in order to stay one step ahead to the fraudulent filers. This puts a burden on those that are doing it correctly.

Q: Who gets the rejects for ITIN applications – the taxpayer or the Acceptance Agent? A: The Acceptance Agent.

Q: Where is a list of acceptance agents? See:

<http://www.irs.gov/Individuals/Acceptance-Agent-Program> and click on the state you are looking for.

Taxpayer Advocates Office

Tina Stuck, Acting Local Taxpayer Advocate

Jane Knowles is retiring January 1, 2014 and is on special assignment in the interim.

Tina is currently acting. They cannot announce the position until Jane actually retires. They currently have 3 case advocates and a secretary but no intake advocate. Primary issues continue to include identity theft, refund holds, tax exempt (TE) organizations, and EITC examinations.

Bob W: Currently working on an application from last summer. In following up, found that it did have a problem but that it wasn't assigned and they were unable to

share with him what the problem is. When asked how far back they are working, was told that they were working May 2012. He views this as a systemic problem. If they could tell him what the problem is, he could correct and be ready for when they do work it.

TE applications that meet criteria are taken in and transferred to Cincinnati. (Congressional inquiries.)

Bob A: Is seeing a scam where churches are being scared into believing that they need to file the IRS 990 postcard when, in fact, they are not required to do so. Hasn't seen it yet in Idaho. Tina said she would elevate this.

CID Update

Tyler Hatcher, Group Manager

The IRS budget is down \$1 billion. The only way to change that is to contact congressional representatives.

They are looking to do a lot of outreach.

Was very interested in the ITIN scam because they are seeing this in fraud cases. Unfortunately our cracking down on ITIN fraud is affecting the honest preparers. As always, Tyler is interested in preparer and taxpayer fraud issues. If something doesn't feel right – money laundering, drugs, identity theft, etc., let him know. It is not an ethical issue if it is a criminal matter.

Q: What is the backlog with the U.S. Attorney's office on these preparer fraud cases? A: It takes a long time to work these cases. Don't give up; continue to

share your fraudulent cases with Tyler. Email Tyler at tyler.hatcher@ci.irs.gov or call him at 334-1223.

Stakeholder Liaison Update

Issue Management Resolution System (IMRS) Discussion

Fast Track Settlement Program

Kim Boyack, Senior Stakeholder Liaison (SL) and Kristen Hoiby, Area Manager

Kim reminded everyone about the IMRS and SAMS (Systemic Advocacy Management System) programs. IMRS issues come through Kim. She has them posted to an internal electronic bulletin board where SLs around the country compare notes and post comments. Some examples include the long waits on toll-free lines. Some excellent suggestions provided by practitioners have been posted and perhaps IRS can use some of these examples and ideas to improve the process. Another recent issue involves the PTIN application system. Kim is hearing of users having problems when using browsers other than Internet Explorer (i.e.; Chrome, Firefox). Sharing issues like this helps us figure out problems for others that contact us. Unlike IMRS where you have to go through Kim, you can enter SAMS issues yourself

<http://www.irs.gov/Advocate/Systemic-Advocacy-Management-System-SAMS>. Many of these issues take a long time to work and sometimes it helps to work through both systems. Some examples of IMRS and SAMS issues are Difficulty of Care Payments (which is still being worked after three years because it may require congressional action) and H2A Visa workers (which took about three years to work). The process of how to report income paid to H2A workers has been clarified and improved but because of many years of doing it incorrectly it is still in the education and outreach stage. Both Barb Lock and Bob Wunderle have used SAMS through their LITC. Bob Aldridge used to help clarify the issue of conservator filings.

We had originally asked Exam to address the Fast Track Settlement (FTS) Program but due to scheduling conflicts Kristen is bringing it up. Here is a link to a very recent article on the Fast Track Settlement Program

<http://www.irs.gov/uac/Newsroom/Fast-Track-Settlement-Program-Now-Available->

[Nationwide;-Time-Saving-Option-Helps-Small-Businesses-Under-Audit](#) which includes a link to a short video on the subject. Another good reference is Pub 5022 <http://www.irs.gov/pub/irs-pdf/p5022.pdf>. The brochure has a list of excluded cases (cases that wouldn't qualify for the program). Form 14017 [Application for Fast Track Settlement](#) is used to apply for the program. A presentation was made regarding FTS at the Nationwide Tax Forums and is available at <http://www.irstaxforumsonline.com/>. (A variety of other topics are available to view for free or for CE credit, for a fee.)

Our area is ahead of many other IRS areas in the nation in our virtual presentations. Kim is one of our "experts" in dealing with the technology we use and in testing future programs. We have and will continue to offer a variety of webinars on various topics. Our next scheduled webinar is an Employment Tax Update scheduled for [Wednesday, December 4, 2013 – 10:30 am-12:30 pm](#)(MT). This session will offer 1 CE for Enrolled Agents and a certificate of attendance for others.

Idaho State Tax Commission Update & Levy Discussion Doreen Warren, David Noland and George Brown

They have been doing a lot of extended outreach to various practitioner groups. The Tax Commission and the IRS are planning to do a session geared to unenrolled agents in December.

They are working on their GenTax Upgrade which will be effective 1-1-2015. ACH debit will remain the same.

The ISTC will be accepting fiduciary returns electronically but the only software company on board for this year is Drake.

Some statistics on Use Tax:

2011 – approx. 9,600 returns (out of 760,000) paid \$539,000, with their outreach efforts:

2012 – approx. 9,700 returns (actual increase of 80) paid \$544,000 (an average of \$56 per return)

Use Tax is the sales tax (6%) paid on your state income tax return for purchases that otherwise go untaxed; such as, online purchases, mail order, purchases in other states, etc.

John would like to see an exemption of say, the first \$1,000. That would increase compliance dramatically.

Bob – use tax is a recordkeeping nightmare.

Doreen said that some states are experimenting with a flat use tax and then allowing people to self-assess and pay more if they had more untaxed purchases than the use tax.

Patty discussed just how far a preparer should go if you suspect that someone is not in compliance, such as going to Ontario, OR for groceries.

Doreen said the estimated tax gap for unreported use tax is around \$20 million annually.

Q: Can you pay as you go? A: Yes, you can use [850-U Idaho Self-Assessed Use Tax Worksheet And Return](#), can't file online but can download and print it out.

Fraud – as Tyler said, the schemes just keep evolving. Last year they identified 563 returns resulting in \$600,000 in fraudulent refunds (126 were grocery credit claims).

Business reviews have slowed down processing but taxpayers seem to appreciate that they are helping to stop the fraud.

Double claimed dependents were identified on 24,000 returns in 2012, down to 20,000 returns in 2013. Still trying to arrange training and outreach with divorce courts and attorneys.

DOMA – Idaho is NOT following IRS on same sex marriages. Software companies seem to be handling it.

Wage levy procedures – David Noland shared the New Idaho Continuous Wage Levy Statute (Eff 7/1/13). There is confusion on the definition of “Gross taxable earnings”. Instead of 100% of wages being attached, the new statute allows for just 25% of gross “taxable” earnings or 10% if there is an existing IRS levy. The original intent is to keep people working so that they wouldn’t quit their jobs when their wages are attached.

Some discussion on where we are at with State Innocent Spouse Legislation – Les Bock had drafted legislation. Barb Lock state that Tim Tarter had suggested they look at the Arizona legislation.

Issues & Status

Issue – None

Issue Status Report – None

Roundtable & Comments

CP Jackson, Group Manager, IRS, Large Business & International

Regarding the Fast Track Settlement program, LB&I has been using it for a number of years now and it is very successful. If both the taxpayer and the IRS are in agreement on the factual development it puts them both in the same room with Appeals.

LB&I Commissioner Heather Maloy has implemented the Information Document Request (IDR) Enforcement Process which comes into play when the taxpayer does not meet the agreed upon date set in the IDR. John commented that the IDR Enforcement seems like it provides for less flexibility. The process involves three steps: 1) a delinquency notice, 2) a pre-summons letter and 3) a summons.

See <http://www.irs.gov/Businesses/Corporations/Large-Business-and-International-Directive-on-Information-Document-Request-Enforcement-Process> for more details.

Bob W. asked why immigrant taxpayers making less than \$50,000 per year couldn't be worked by Wage & Investment instead of through Philadelphia (International).

They seem to get lost in the shuffle. CP has worked in International and agrees but for now they are lumped into LB&I.

Bob Aldridge

Q: Cannot get into the ACA site, where would he go to get to find out if the foreign earned exclusion is included in the calculations.

A: Kim said that right now, IRS has us referring people to the various websites or to the toll-free numbers (Bob says the toll-free number refers you to the website).

Kristen said she would research and this is what she found:

From the FAQ's for the premium tax credit at:

<http://www.irs.gov/uac/Newsroom/Questions-and-Answers-on-the-Premium-Tax-Credit>

7. What is household income?

For purposes of the premium tax credit, your household income is your modified adjusted gross income plus that of every other individual in your family for whom you can properly claim a personal exemption deduction and who is required to file a federal income tax return. Modified adjusted gross income is the adjusted gross

income on your federal income tax return **plus any excluded foreign income**, nontaxable Social Security benefits (including tier 1 railroad retirement benefits), and tax-exempt interest received or accrued during the taxable year. It does not include Supplemental Security Income (SSI).

Also found in the Final Regulations at: <http://www.gpo.gov/fdsys/pkg/FR-2012-05-23/pdf/2012-12421.pdf>

John McGown, heard that SB/SE has partnership audits on the radar. Having taught many partnership classes, partnership issues can be very complex. Will be interested in seeing how the auditors will be trained.

David Noland, who would be IRS contact regarding levy and collection issues? That would be Brett Heiner, brett.heiner@irs.gov or call 363-8840.

Next Scheduled Meeting

LeAnn Sannes is retiring April 30, 2014. We need to elect a new chairperson. John McGown nominated Barb Lock. Barb introduced herself and provided a bit of her background and accepted the nomination. The group unanimously agreed that she was very qualified and her appointment was unanimous.

Thank you to LeAnn for leading our group. Facilitating this meeting can be a challenge and we really appreciate the wonderful job you have done for us.

The next meeting is scheduled for **Thursday, May 22, 2014, 8am – 11am**, same location – IRS Conference Room 384. Confirmation and reminders will be sent by Kim when time gets closer. (Subject to change, if conflicts arise.)

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Thank you to Bob Aldridge, and TEPI for sponsoring the refreshments. Bob volunteered to provide refreshments again for the next meeting. Let Bob know if you have any suggestions for what kind of munchies you would like.