

**November 16, 2011**

***Practitioner Liaison Meeting***

**Boise, ID**

8:00am – 12:00pm

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**Attendees:**

- Kim Boyack, Senior Stakeholder Liaison, IRS
  - Kurt Stadlbauer, Tax Executives Institute
  - Barbara Porter, Idaho State Board of Accountancy
  - Robert (Bob) Wunderle, Director, Low Income Taxpayer Clinic, La Posada
  - Elke Gribskov, Idaho Association of Tax Consultants (IATC)
  - Shawn Novak, Ph D, CPA, BSU
  - Lisa Schroeder, Idaho State Tax Commission
  - Doreen Warren, Idaho State Tax Commission
  - Rich Jackson, Commissioner, Idaho State Tax Commission
  - John McGown, Idaho State Bar Association (ISBA)
  - Jane Knowles, Taxpayer Advocate Service, IRS
  - Bob Aldridge, ISBA
  - Ron Caron, RGC Tax & Estate Solutions
  - Terry Bayless, Idaho Association of Public Accountants (IAPA)
  - LaFonda Merrick, IAPA & NSA
  - Emily Call, IAPA
  - Herb Bohrer, Taxpayer Advocate Panel
  - Terry McCarthy, LB&I, IRS
  - Tyler Rice, Student, LITC
  - Bryce Downer, Student, LITC
  - Jim Harmer, Student, LITC
  - Chris Stephens, LITC
  - Leann Sannes, Chair of PLM, Idaho Society of CPAs (ISCPA)
  - Barbara Lock, U of I LITC
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**Meeting Summary**

**Guest Speakers – H-2A Foreign Agricultural Workers Changes – Kim Boyack, Senior Stakeholder Liaison, IRS and Bob Wunderle, Director, La Posada Tax Clinic**

Kim explained how Bob had brought to the attention of both Stakeholder Liaison and the Taxpayer Advocates Office, problems with processing the tax returns of H-2A Visa Workers. Kim provided an explanation of what an H-2A Visa worker is and statistics on how many workers are in Idaho. The Idaho Department of Labor actually administers the labor laws concerning H-2A workers but there is very little and often confusing information available on the taxability and processing of H-2A worker's wages. Bob explained the problems with rejects and erroneous notices that La Posada Tax Clinic was experiencing in preparing these tax returns. The problem was entered in both the Issue Management Resolution System (IMRS) and Systemic Advocacy Management System (SAMS). It took a lot of patience and effort on Bob's

part as well as Kim's and Jane Knowles's but eventually the problems with processing were addressed and a new method of reporting the wages were implemented. The change was primarily that the wages will now be reported on Form W-2 instead of Form 1099-MISC. Kim shared the revised instructions for the Form 943. Because the wages are exempt from social security and Medicare taxes, there were some misconceptions that the wages were tax exempt. Practitioners, agricultural employers and the employees will need to be educated on the existing rules for H-2A visa workers and the new way in which they are to be reported. The revised page on [irs.gov](http://www.irs.gov/businesses/small/international/article/0,,id=96422,00.html) concerning the taxation of H-2A Foreign Agricultural Workers is at: <http://www.irs.gov/businesses/small/international/article/0,,id=96422,00.html>

It was discussed that information regarding the H2-A visa workers needs to be coordinated with Idaho Department of Labor, United States Department of Labor, United State Citizenship & Immigration Service, Social Security Administration and Idaho State Tax Commission – possibly through Debra Mardanlou, Governmental Liaison.

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## Issues & Status

**Issue** – Practitioners receive duplicate information when subscribing to IRS e-news and list serves along with emails from the local Stakeholder Liaison.

**Issue Status Report** – We discussed that not all practitioners subscribe to the IRS e-news and that the IRS subscriptions do not contain local information that is included in the Stakeholder Liaison emailings. It was suggested that the next local Stakeholder Liaison email newsletter should contain information about how to subscribe to the various IRS subscriptions. Information on how to manage subscriptions was included in the October 2011 IRS Updates e-newsletter from Kim Boyack.

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## Roundtable & Comments

Terry McCarthy, Large Business & International Update: Alice Terzian-Ishkhans is the new Area Manager. Terry will be retiring the end of the year after 32 years of service. She has 5 agents here in Boise and is not sure who they will be reporting to after she retires.

There was a general discussion about the expiration of the current Continuing Resolution on November 18<sup>th</sup>. There is a possible furlough. We do know that our budget is being cut and they have offered early retirements/buy outs to about 5,400 IRS employees, hoping that 1,600 will accept the offer. Kim Boyack was offered a buy out but will not be accepting it.

IRS is still looking to upgrade their computer system: CADE2 (Customer Account Data Engine 2) is still being funded and will be implemented to include the expansion of Modernized e-File (MeF).

Rich Jackson shared that the legislature starts January 9<sup>th</sup> and hopes for conformity to be passed as early as possible.

Bob Aldridge discussed conservatorships and problems he has had with the appropriate way of filing. Conservatorships are used for a taxpayer that is generally incapacitated. They get an EIN and it appears that they need to file a Form 1041 and K-1 out the earnings to the individuals SSN. Example: they filed showing a net loss, the taxpayer got a letter wanting the taxpayer to file and pay the tax. LeAnn has seen this treated as a grantor trust. Bob said that banks want the conservator's name on grantor trusts and it really belongs to the taxpayer. Jane suggests putting on as a SAMS issue, maybe IMRS. Rich suggested nominees. Kim said only have provisions for nominees for interest and dividends, not for stocks. Kim has been unable to put in IMRS because she has been unable to identify where the problem lies within IRS. Rich said to try nominee for stocks – it works. SAMS (Systemic Advocacy Management System) can be accessed at <http://www.irs.gov/app/samsnet/IssueQualification.jsp>. Conservatorships are guardians of the estate. Bob Wunderle shared with Bob Aldridge to carefully think the issue through before entering on SAMS because of very limited space. One other problem with filing as a conservatorship is that the exclusion of gain for sale of home is not allowed as it would be for an individual taxpayer.

Elke Gribskov, Idaho Association of Tax Consultants (IATC): IATC started offering education in October 2010. They are working on expanding education outside of Boise. They have ordered and now have the PTIN list. They need instructors. Please contact Elke if you are interested in being an instructor at [iatc.mail@gmail.com](mailto:iatc.mail@gmail.com). Elke owns Ada Tax Professionals and wants to thank IRS for sending noncompliant persons through their doors. There always seems to be issues and IRS doesn't always work those issues so the taxpayers come to them. Elke is hearing more and more (IRS) employees delaying responses (to taxpayer inquiries). Asks: Can't notices be delayed while IRS is working the correspondence they have already received? They are getting requests for the same information that they have already submitted. Why are they answering the phones instead of working the notices? Kim recently saw a TIGTA report recommending that IRS shorten the time frame between notices. Kim will elevate this concern.

Jane suggests putting in a suggestion that we input a freeze when we receive correspondence due to a prior notice until we have time to work it. This timeframe in processing correspondence will probably get worse due to budget cuts. Terry said that 90% of our budget is salaries and wages. Jane said that her supply budget for the whole year was \$104. Bob Aldridge said they have the same problems with Medicaid.

There have been lots of complaints about not being able to use email for corresponding due to security issues. TAS is working on this.

Rich said ISTC is reviewing budget right now. LaFonda loves how ISTC employees are providing email addresses, and allowing scanning of documents and emailing them to the state.

Jane discussed future computer systems. IRS's biggest fear is disclosure. Identity theft is a big deal.

Barbara Porter – has a question on CPA licenses that are revoked – will email me.

Idaho State Tax Commission:

Lisa

- W-2s, please verify that EIN is accurate, Box 15, state ID number must be accurate for that company. For 2010 – identified 20% of all W-2s had invalid state ID numbers.
- Withholding Guide – will not be mailed – will be available online or mailed upon request. Is being updated.
- Verify that you check box that you want to be contacted as a paid preparer – include PTIN.
- Pass through WH, 7.8% on payments over \$1,000. PTEWX file to elect to have entity pay the tax on their behalf. Applies only to NR individuals. Working with software developers on supporting IDK-1 but if not, might need to mail in with a letter. Could scan and attach under MeF. Can also include a note if you were mailing in on IDMISC.
- Terry Bayless asked why paid preparer information isn't included on 967?
- ISTC Refund policy – implementing this year.
  - E-filed, existing account and perfect – will pay within 4 weeks
  - E-file that needs review or a new TP – within 7 weeks
  - Paper returns – 10 weeks80% of e-filed returns go through with no review.
- LeAnn asked for a refund chart like IRS's.
- Stakeholders Meeting 11/30, 3-4:30pm, everyone is invited, RSVP through Valerie Dilley at 334-7500

Rich

- Amazed at the number of notices of deficiency that taxpayers do nothing about. Certified mail that goes unclaimed.
- Had a discussion on having a state Form 8821.
- Certified mail – people are ignoring. State figures that 30% is unclaimed.
- Report through Lexis-Nexis – costs \$65 per inquiry but contains everything: complete background, criminal record, relatives, everyone who uses the current address. IRS uses this report too.
- ISTC phone system is being updated 1<sup>st</sup> week in February.
- Home Owners Exemptions still allowed on conservatorships.
- Hoping for ISTC conformity with IRS through the state legislature early February.

Herb Bohrer, Taxpayer Advocacy Panel: This will be his last meeting. Replacement nominated but not yet appointed, effective December 1<sup>st</sup>. Last 6 months have spent a lot of time reorganizing. Funding is an issue – reducing size – used to have 101 members – reducing to 75. Eliminated are committees and focusing on projects. Projects:

1. Processes to reduce the numbers of nonfilers
2. Committee to review forms and publications
3. Face to face service centers – 401 field assistance offices
4. Refund communications
5. Return processing
6. Reduce taxpayer burden
7. Toll-free line
8. Bankruptcy compliance

Details on Taxpayer Advocacy Panel website at <http://www.improveirs.org/>

Jane Knowles, Local Taxpayer Advocate:

1. Reducing cases to hardship only. Reduced from 89 to 64 cases per case worker. Don't hesitate if you have:
  1. Processing of original returns
  2. Unpostable returns
  3. Amended returns
  4. Injured spouse claims

Thinks first time home buyer repayment issues have been fixed.  
They are looking at prisoner abuse program.
2. Restack/remodel of IRS office – we will be getting new phone numbers. Kim will send out an email.
3. FBAR – Problem with Canadian employees – the 20% penalty can be devastating. Move in TAS office to try to get some relief for smaller taxpayers. Kim asked about \$10,000. (Only need to file if the aggregate value of all foreign financial accounts exceeded \$10,000 at any time during the calendar year to be reported – see Report of Foreign Bank and Financial Accounts (FBAR) on IRS.gov at <http://www.irs.gov/businesses/small/article/0,,id=148849,00.html> for more detailed information.) The US is only one of 3 nations that tax worldwide income. Information for U.S. Citizens or Dual Citizens Residing Outside the U.S. can be found at <http://www.irs.gov/newsroom/article/0,,id=250788,00.html>.

Kim Boyack, Senior Stakeholder Liaison: Reminded everyone of the Issue Management Resolution System (IMRS) program – the same program that I used to elevate Bob's issue regarding the H-2A visa workers' problem. The program can be used to address issues with programs, policies and procedures. Jane also reminded everyone of the SAMS program. What about legislative changes? We as IRS employees cannot lobby for tax law changes because of the Hatch Act but Nina Olson, National Taxpayer Advocate can so some of those issues can go through Jane's office.

LeAnn Sannes: Brought to our attention 2 new Forms:

1. Form 14157 – Complaint: Tax Return Preparer  
<http://www.irs.gov/pub/irs-pdf/f14157.pdf>  
Especially concerned about the reference to "Fee dispute"
2. Form 14242 – To Report Suspected Abusive Tax Promotions or Tax Preparers  
<http://www.irs.gov/pub/irs-pdf/f14242.pdf>

Concerns were expressed about someone abusing – who is administering?  
The Form 14157 is sent to the Return Preparer Office in Chesterfield, MO  
The Form 14242 is sent to IRS, Lead Development Center, Laguna Niguel, CA

John McGown: Expressed concerns about recent letters that went out to 21,000 tax preparers, especially the section referring to "tax preparer should look at books and records to review amounts reported" - not reasonable – impression is that preparer is conducting an audit before preparing the return.

Outreach on Tax Exempt Organizations – contact from Kim in Phoenix resulted in contact with someone in Washington DC. Proposing a session in Boise in late September, 2 IRS employees will be presenting – will be \$45 or less. A large number of Tax Exempt Organizations have lost their tax exempt status. Kim and Jane want to help promote.

Kurt – Frustrating when government communicates with a sub office that is not directly related to the headquarters office. Hindering government contracting – Power of Attorney – how do you define a non tax debt? What do you list on the POA? Jane will send him contact information for FMS. ACH Credits with no notification are being received – how do they identify what it is?

Ron Caron: Has a client with a joint liability whose ex-husband is deceased – trying to get IRS to go after his estate. Need a Revenue Officer.

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### **Next Scheduled Meeting**

The next meeting is scheduled for Thursday, May 24, 2012, 8am – noon, same location - U of I LITC Office. Confirmation and reminders will be sent by Kim when time gets closer.

Thank you to Barb Lock and the University of Idaho Low Income Tax Clinic for providing the meeting space.

Thank you to Ron Caron and the Idaho State Bar for sponsoring the refreshments. (Kim apologizes that we ran out – she promises to do better next time.)