

April 26, 2016
Practitioner Liaison Meeting (PLM)
Boise, ID
8:30am – 11:30am

Attendees:

- Barbara Lock, Chair of PLM, Director U of I Low Income Tax Clinic (LITC)
- Bob Wunderle, La Posada Low Income Tax Clinic (LITC), Twin Falls
- Kelly McConnell, Local Taxpayer Advocate, Taxpayer Advocate Service, IRS
- Brett Heiner, Collection Analyst, IRS
- Brent Allred, Exam Group Manager, IRS
- Justine Weaver, Revenue Operations Division, Idaho State Tax Commission (ISTC)
- Kurt Stadlbauer, JR Simplot Company & Tax Executives Institute
- Todd Wadsworth, Cooper Norman Certified Public Accountants, Twin Falls
- Melissa Nelson, Idaho Society of Certified Public Accountants (ISCPA)
- Emily Call, Merrick Accounting
- LaFonda Merrick, Merrick Accounting
- Miri Gillihan, Idaho Association of Tax Consultants (IATC)
- Luke Sturdy, ISCPA
- Bob Aldridge, Idaho State Bar Association (ISBA) and Trust & Estate Professionals of Idaho, Inc. (TEPI)
- John McGown, ISBA
- Kim Boyack, Senior Stakeholder Liaison, IRS
- Kelli Lofton, Attorney-Advisor, Estate & Gift Tax Policy (by phone/WebEx)
- Brenda Ceja, Idaho Department of Labor (by phone/WebEx)
- Gwynne Lethcoe, ISCPA (by phone/WebEx)
- Jan Walker, Governmental Liaison (IRS) (by phone/WebEx)
- Kevin Wauhob, Idaho Department of Labor (by phone/WebEx)

Meeting Summary

Stakeholder Liaison Update

Kim Boyack, Senior Stakeholder Liaison (SL)

- This year seemed to be a relatively smooth filing season. Although there are still a lot of identity theft issues out there, it seems like practitioners are better equipped to handle their clients' situations.
- IPPIN issues caused problems.
- John McGown – Commissioner addressed identity theft in his April 19, 2016 remarks - <https://www.irs.gov/uac/Written-Testimony-of-Commissioner-Koskinen-before-the-House-Ways-and-Means-Committee-on-the-2016-Filing-Season,-Cybersecurity-and-Protecting-Taxpayer-Information>
- Scam phone calls are an ongoing issue.
- Kim is retiring 1/3/2017 – She will not be replaced but either Portland or Salt Lake City staff will cover Idaho.

Form 8971, Information Regarding Beneficiaries Acquiring Property from a Decedent

Kelli Lofton, Attorney-Advisor, Estate & Gift Tax Policy

- Form 8971 and Form 8971 Instructions took 6 months to develop

- Notice 2016-27; due date delayed until June 30, 2016
- You can make comments on tax forms and publications at: <https://www.irs.gov/uac/Comment-on-Tax-Forms-and-Publications>
- Decedent's Form 706, Schedule A
- Transfers – may have to issue form again – accepting comments
- If you don't file a 706 – no requirement to file Form 8971
- What if there is a transposition error or typo on Form 8971? Estate is responsible for correcting – Kelli will take this issue back to consider in regulations.
- Schedule A – thousands of assets individually listed – every item must be listed
- Extensions applying to 706 apply to Form 8971
- Can you attach the list from the Form 706 and say that it could be any of those items and then file a supplement when they are actually distributed?
- Anything discovered later – cash – might be an exception or safe harbor.
- Income tax preparers – ask clients if they received a Schedule A from an estate.
- Estates after 7/31/2015 are affected by this.
- Filing 706 to elect portability – stepped up basis – don't have to do Form 8971.
- Use decedent's SSN just like on Form 706.
- Working on regulations with Counsel and Treasury – may come out this summer.

Exam Update

Brent Allred

- Currently have two abusive promotions Revenue Agents.
- Flow-thru entities – partnerships, S-corps, tiered entities, TEFRA, NRP – TY 2014 returns coming out.
- ACA – will be interesting when we start examining those returns.
- IRS.gov – be sure to share audit process videos with your clients and staff <http://www.irsvideos.gov/audit/>
- Lesson 4 on books and records will help taxpayers, their representatives and the IRS.
- Constitutionalists – has tapered off over the years.

Collection Update

Brett Heiner, Collection Analyst

- Same old thing – hasn't changed much.
- Because of reductions in staff – there is not much of a chance for face to face.
- Push to on-line tools, qualifier tools. Here is a link to our various on-line tools <https://www.irs.gov/uac/Tools>
- Eleven Revenue Officers in Idaho with about 60 cases each – floating about 600 cases. OICs are very difficult.
- IA's – must be (should be) current on all filings.
- IA up for review – maybe the statute is coming up?
- Preparer, stole taxpayer's Federal Tax Deposits for many years.
 - Writ to search home – not filing personal returns or paying tax debt. Seized about \$80,000 cash, about 1,000 ounces of silver and a car.
- Private Collections – Mike Crapo – fears of IRS impersonation will make their job more difficult.
- Penalties on 1099-MISC forms. Case by case.

Governmental Liaison Update

Jan Walker, Governmental Liaison

- Covers Idaho and Utah, located in Salt Lake City. Deals with state taxing agencies. Identity theft refund fraud agreements, data security.
- ID theft info not from IRS but from other sources and then used to breach IRS online systems.
- Also, work with Congressional offices regarding complaints on procedures and policies. One of the biggest complaints was regarding getting forms and pubs.
- Safeguarding Taxpayer Data – Publication 4557 and Publication 4600.
- LaFonda – recommends excellent identity theft webinar – on video portal – contains a testimonial from a practitioner that suffered a huge data breach. <http://www.irsvideos.gov/DataTheftsProtectingClientTaxInformation>
- Bob A. – Idaho still working on getting a streamlined death certificate to help protect decedents from identity theft.

Taxpayer Advocate Update

Kelly McConnell, Local Taxpayer Advocate

- TAS – deals in problem resolution – identity theft, pre-refund verification, hardships, IRS impersonator calls.
- TAS Website and 1-877-777-4778
- Taxpayer Advocacy Panel (TAP) – currently recruiting. It is a 3-year commitment. Current Idaho member is Kent Christensen – members are assigned to different projects. TAC project. The opening is listed on USAjobs: <https://www.usajobs.gov/Search/?Keyword=TAP&Location=&homeRadPublic=public&search=Search&AutoCompleteSelected=False&CanSeekStatusJobs=False>
- Congressional offices.

Idaho State Tax Commission Updates

Justine Weaver

- (Doreen is at the Security Summit)
- Processing returns – will be getting through the April due date by this Thursday, 6% increase in e-file this year.
- Issued 16,000 more refunds but refund inquiries have increased and taxpayers seem to be a bit nastier.
- Identity verification – despite all the publicity, some taxpayers think it is a scam.
- 319 returns with almost \$600,000 in refunds blocked until verification received.
- Preparer hacked – thief used information already entered and changed bank account information before transmitting. Five returns.
- Since the driver's license is required next year, what happens to the returns for those taxpayers that don't have a driver's license number or state issued ID card?
Answer: Justine verified with Doreen that the driver's license isn't required at this point; they don't reject returns if there is no driver's license or state issued ID number. They use more than just the driver's license or state ID number to validate a taxpayer's identity; so if the taxpayer doesn't provide that information, it doesn't necessarily mean their return will automatically be stopped or delayed.
- Complaints about not being able to save filled in PDF ISTC on-line forms. It is a security issue. (Form 66 is fillable and savable)
- Idaho Collection Standards – will they be changed to match IRS standards?

Answer: Debbie Coulson from the ISTC Collection division will follow up directly with Bob W.

- Melissa pointed out that Doreen won the Harley T. Duncan Award for her work on the Security Summit. Congratulations to Doreen and her great work.
<http://www.taxadmin.org/doreen-warren-of-the-idaho-tax-commission-wins-fta-s-harley-t--duncan-award-for-leadership-and-service>
- ISTC did get W-2 and 1099 due dates aligned with the new federal due dates.
- Is there a point of contact for requesting employer submitted W2 information for clients?

Answer: There is no single/general point of contact. Complete "Form STC-06: Request for Copies of Tax Returns" asking for the employer copy of your client's W2. As Bob W. stated, he would need a Power of Attorney for the request. There is no charge for the first 100 pages.

- Someone pointed out the good work that Commissioner Roberts did in getting the conformity bill passed.
- Doreen and Randy Tilley are going on the ISCPA Spring Tour – Justine asked Kim if they could get 200 copies of the "Safeguarding" brochure for the practitioner attendees. Kim thought she would be able to but has since found out that IRS no longer prints it. It is available electronically at [Publication 4600](#) but anyone is welcome to print it.

IRS Budget

John McGown

- John wanted to spend some time talking about the IRS Budget – the Commissioner's letter, 2016 filing season (2015 tax returns).



IRS Budget -
McGown.pdf

- On line access – taxpayers need to know more about themselves in order to access – e-authentication. Nina has concerns about online – shutting out a segment of the population that can't or doesn't want to access electronically.
- Kim said that IRS is looking at the same model as the banking industry. It is recognized by both financial institutions and IRS that there are people that still need face-to-face interactions. It may all go to appointment only through the IRS but face to face and telephone options are still and will continue to be made available.
- Brett mentioned that user fees, such as OIC fees, are being reassessed, identifying what it costs to actually process them. There will always be waivers or reduced fees for those who cannot afford the fees.
- Recent legislation has been introduced that includes the IRS not being given user fees it collects and bonus' not being given to IRS employees until the IRS improves their customer service.
- The online TIN/EIN application process has been working well.

Issues & Status

Issue – None

Issue Status Report – None

Roundtable & Comments

Brenda Ceja and Keven Wauhob: She and Kevin are with the Idaho Department of Labor, benefit overpayments. The overpayments are often collected through the Treasury offset program and Idaho State Tax Commission refunds. These offsets are sometimes the first time that a taxpayer is aware that they owe an overpayment. They have a question on how they can find out why an offset from a Treasury recovery is reversed. Is a letter issued? We know that the Bank Financial System (BFS) program administers the offsets but does the taxpayer ever get a letter that explains why or is there a way to find out why? We have the same customers. Kim and Jan (and Kelly?) will check into the offset process and see what they can find out for them.

Bob Aldridge: Tax Exempt entities think they are exempt from sales tax – need to educate them that they are exempt from income tax – not sales tax. Kim said there is a good brochure on that. Justine will find for us. The link to the ISTC webpage on Nonprofits is <https://tax.idaho.gov/i-1098.cfm> Here is a link to the [ISTC Brochure #50](#).

Brenda Ceja: Works with Idaho State Tax Commission. Employers close their business – notify the ISTC but not IDOL. Is there any way that DOL can get that information from ISTC so that they are not pursuing an employer and later find out they have been out of business for some time?
Answer: The ISTC will address that directly with IDOL to define the best method for information sharing.

Bob Aldridge: If an estate voluntarily files a Form 706, must they file a Form 8971? (Not electing portability) This is a question for Kelli – if it is required, it would be a good submission for IMRS and/or SAMS to ask for it to be optional.

Kurt Stadlbauer: Wanted to follow up with Brett on his comments from the last meeting about how Revenue Officers show proof of working for the IRS. There have been cases where Revenue Officers have been taken in and almost arrested by the police. (Brett showed an official commission to the group so that they would know what one looks like.)
Kurt asked the Idaho State Tax Commission why you can file your federal free through Turbo Tax but they charge \$20 to file the state return. He has no problem just printing it off and mailing it to save the \$20. Free State would increase the amount of e-filed returns.

Bob Wunderle:

- The Low Income Tax Clinic is offering a 2-year fellowship – law students can apply in their senior year. Also, need a supervisory attorney. Bob Aldridge and John McGown can send out a solicitation.
- There are a series of programs being offered for those who want to increase their tax preparation skills.
- We have a pandemic problem in the low-income community regarding child tax credit and additional child tax credit. Preparers target the low-income limited English-proficient taxpayers. We are not doing enough to prevent

these fraudulent refunds. IRS should flag "not valid" SSNs and ITINs that belong to children who do not live in the United States.

- ITINs that were issued prior to January 1, 2013 must be renewed*. IRS has not issued any procedures and many people are unaware of this requirement. This is going to be huge – talking millions.

Comment from Kim: I am usually pretty good at researching things on IRS.gov and could find nothing on the ITIN pages about this. I finally located an article: <https://www.irs.gov/uac/Newsroom/Unused-ITINS-to-Expire-After-Five-Years;-New-Uniform-Policy-Eases-Burden-on-Taxpayers,-Protects-ITIN-Integrity>. After reading this, I am not as concerned – it is only **UNUSED ITINs** that will be deactivated:

*Individual Taxpayer Identification Numbers (ITINs) will expire if not used on a federal income tax return for any year during a period of five consecutive years . . . That is, the IRS will not deactivate an ITIN that has been used on at least one tax return in the past five years.

Next Scheduled Meeting

The next meeting date was decided for **Wednesday, November 2 from 8:30am – 11:30am**. Kim has reserved Room 384/380.