

**Date: June 16, 2009**

***Practitioner Liaison Meeting***

**Boise, Idaho**

Time: 9:00 AM – 12:00 PM

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## **Attendees: Name, Title & Organization**

Practitioner Attendees:

- Rich Jackson – Idaho Society of CPAs
- John McGown – Idaho State Bar
- Terry Bayless – Idaho Association of Public Accountants
- Ron Caron – Idaho State Bar
- LaFonda Merrick – Idaho Association of Public Accountants
- Elizabeth Gonzalez – Idaho Association of Public Accountants
- Kurt Stadlbauer – Tax Executives Institute
- Bob Aldridge – Idaho State Bar
- Marilyn Clapp – Idaho Department of Commerce & Labor
- Lee Grigg – Idaho Association of Public Accountants

IRS Representatives:

- Kristen Hoiby: NW Area Manager – Stakeholder Liaison
  - John Blakeman: Stakeholder Liaison
  - Terry McCarthy: Supervisory Internal Revenue Agent – Large/Mid Sized Bus.
  - Liska Foss: Supervisory Internal Revenue Agent – Small Bus./Self Employed
  - Pam Reicks: Exam Territory Manager – Small Bus./Self Employed
  - Rhonda Reed: Supervisory Revenue Officer - Collection
  - Kim Boyack: Sr. Stakeholder Relationship Tax Consultant - SPEC
  - Mary Kimmel: Attorney – Estate & Gift Tax
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## **Meeting Summary**

### **Guest Speaker**

No guest speakers were scheduled for this meeting.

### **John McGown *Practitioner Liaison Committee Chairperson***

**John** provided introductions and opening remarks for our meeting. Most notably, he spoke on the importance of the meeting members to get copies of the meeting minutes out to their respective constituencies as soon as they are available, adding that the meeting does not serve much purpose if the information never goes outside of our small group. He also reminded everyone of the purpose of the meeting, which is to provide feedback to the IRS and to exchange information and constructive criticism between all stakeholders.

**Kristen Hoiby *Manager for Stakeholder Liaison-Field NW Area***

**Kristen** spoke on the IRS 2009-2013 Strategic Plan. The five year plan addresses many issues including workforce replacement, data security, globalization and international tax issues, practitioner feedback, and facing the challenges of ever-changing business models.

The plan has two primary goals, with specific objectives for each of them. The first goal is to improve service to make voluntary compliance easier. Objectives for the first goal include: improving service, expediting and improving issue resolution across all areas, targeted and timely guidance & outreach, and strengthening partnerships with the tax preparation community.

The second goal is to enforce the law to make sure everyone meets their obligation to pay taxes. The objectives for the second goal include: proactively enforcing the law while minimizing taxpayer burden, expanding enforcement approaches and tools, meeting the challenges of international tax administration, allocating resources using a data-driven approach, continued tax exempt sector oversight, and ensuring that tax practitioners, tax preparers, and other third parties in the tax system adhere to professional standards and follow the law. If you would like to read more on the 2009-2013 IRS Strategic Plan, please follow the link below to Publication 3744, *IRS Strategic Plan*.

<http://www.irs.gov/pub/irs-pdf/p3744.pdf>

**Terry McCarthy *for Large/Mid-size Business Exam (LMSB)***

**Terry** provided office updates and indicated that there have been no recent new hires for her group. She indicated that currently there is a focus on flow through returns, and their impact on partner/shareholder returns. The Tax Comp Specialist Program is working well in our exam area (Western Area). There are 5 Tax Comp Specialists in our area who handle the tax computations and create reports for the LMSB revenue agents. This results in greater accuracy and timeliness for the reports, while freeing up the agents' time to examine issues rather than deal with some of the administrative aspects of the job.

**Liska Foss & Pam Reicks *for Small Business/Self Employed Exam (SB/SE)***

**Liska** introduced Pam as the new Territory Manager (overseeing Utah, Idaho and part of Montana). Pam spoke on updates to the Internal Revenue Manual with respect to taxpayer identity theft issues. The updates will help agents constructively handle the issue should it come up during the course of an examination. She mentioned that SB/SE Exam is in the midst of a large hiring push, and Idaho will be gaining three new revenue agents. Unfortunately, these agents are coming from the office audit function, so there are now three Tax Compliance Officer positions that need to be backfilled.

Liska indicated that since the number of examining agents is increasing, the number of audits is also on the rise. Virtually all examinations require that the agent request information of the taxpayer. Liska stressed that there is a benchmark time period of 10 days on an information request (i.e. 10 days from the date of request until the agent receives the information). This helps the examination to proceed as quickly, effectively, and efficiently as possible, which is in the best interests of all parties concerned.

Liska also indicated that exam is now using an online system to classify 1040 returns for examination. While this process saves on resources and helps streamline the way these returns are picked for examination, the result is that a hardcopy (or the original) tax return is no longer included in the case file that is handed to the examining agent. The agent will instead receive a transcript listing the majority of the line items on the return. However, some of these items, most notably the "Other Deductions" line from Schedule C, will only show up as a lump sum with no attendant detail. Therefore, agents will likely be asking for a copy of the return for the year under examination as part of their information request.

**Kim Boyack for W&I Stakeholder Partnerships, Education & Communication (SPEC)**

**Kim** works with Donna Weddle and Debra Sprague to provide education and outreach to the Wage & Investment taxpayers in Idaho. Among SPEC's many roles is the management of the volunteer tax preparation sites. Kim indicated that all sites now use computer software to prepare returns, and there is a 90% e-file rate at these sites. She commented that the number of returns filed last season were down 20% as well as a corresponding 20% reduction in the number of volunteers. A number of factors could contribute to this including the state of the economy and more people taking advantage of "free-file" services. SPEC is working diligently to get the word out on the various tax related provisions in the American Recovery and Reinvestment Act (ARRA). Of particular concern is the Making Work Pay Credit, since people with multiple jobs or those receiving retirement benefits may not be having enough withheld from their checks to cover their entire tax liability at the end of the year. People in these situations should watch out for this "under-withholding" and adjust withholding when necessary. Kim indicated that taxpayers can take advantage of the convenient withholding tax calculator on our website to help figure out the proper amounts. This calculator can be accessed at the following link:

<http://www.irs.gov/individuals/article/0,,id=96196,00.html>

Additionally, Kim indicated that for divorces taking place in 2009 and forward Form 8332 is required to be filed with the return for the non-custodial parent to claim a child as a dependent (a copy of the divorce decree alone is no longer sufficient). Also, Debra Sprague is contacting companies that are experiencing large layoffs and providing them with packets to give to their affected persons. These packets contain helpful information on such things as IRA rollovers, COBRA benefits and other ARRA provisions, self-employment, unemployment, and job search information.

There is also a new form that victims of identity theft can submit to the IRS, which will help alert the Service to possible related issues in the future with respect to victims' tax returns. To access additional information on Identity Theft as well as Form 14039, *Identity Theft Affidavit* please click on the following link:

<http://www.irs.gov/privacy/article/0,,id=186436,00.html>

### **Rhonda Reed *for Collection***

**Rhonda** provided office updates and commented that Western Area has 93 new Revenue Officers. 5 of these are in Idaho (4 for Boise and 1 for Idaho Falls). Although there are many new hires, the IRS is losing quite a few of its senior officers to retirement resulting in a large loss in the experience base.

Rhonda indicated that even considering the state of the economy there was not a lot of relief for businesses with respect to Collection matters. On the individual level officers are working larger dollar cases. The department is seeing many instances where individuals have nothing left with which to pay their tax liabilities.

Offers in Compromise (OICs) remain difficult to obtain, and when filed they often take a long time to be reviewed. An option mentioned by Rich Jackson of the Idaho Society of CPAs is to try and get the account into Currently Non-Collectible status. Rhonda also urged the meeting members to educate their clients on the possible pitfalls of dealing with companies that specialize in OICs (i.e. those companies that advertise they will settle any tax liability for pennies on the dollar).

### **Mary Kimmel *for Estate & Gift Tax***

**Mary** spoke briefly on filing requirements for Estate and Gift Tax Returns, and sunsetting Estate Tax provisions. She indicated that her particular work group is centered in St. Paul, MN. Also, because of the way cases are distributed, a local case may not be worked locally, and, in fact, can be worked anywhere in the country.

### **John Blakeman *Stakeholder Liaison***

**John** briefly discussed several of the tax provisions in the American Recovery and Reinvestment Act (ARRA) as well as touching on the IRS's upcoming Tax Return Preparer Review. The Return Preparer Review will culminate in a set of recommendations that Commissioner Shulman will present to the Secretary of the Treasury and the President at the end of the year. These recommendations will seek to find ways to better work with the tax preparation community to help further the twin goals of increasing taxpayer compliance and ensuring uniform and high ethical standards of conduct for tax preparers.

John also spoke about the SSA/IRS Reporter. This is a quarterly online service for employers and other interested parties. The summer issue has some succinct, well written information on various provisions of the American Recovery and Reinvestment Act. To access the latest edition of the SSA/IRS Reporter and to sign up to receive future issues please click on the following link:

<http://www.irs.gov/businesses/small/article/0,,id=109886,00.html>

Also, to access Information Release 2009-57 regarding the Return Preparer Review you can click on the following link:

<http://www.irs.gov/newsroom/article/0,,id=209375,00.html>

To access the American Recovery and Reinvestment Act landing page use the following link:

<http://www.irs.gov/newsroom/article/0,,id=204335,00.html?portlet=6>

You may also contact John Blakeman at [John.W.Blakeman@irs.gov](mailto:John.W.Blakeman@irs.gov) or by telephone at 503-326-7053.

## **Roundtable & Comments**

### **Roundtable Discussion**

John McGown announced that Boise State University and the University of Idaho are coordinating so that classes in the Masters of Accountancy (Taxation) Program at BSU will count toward the law degree at the U of I College of Law. Also, there should be some law courses that will count toward the Masters of Accountancy (Taxation) degree. John also recommended that the next PLM have a discussion on preparer penalties and due diligence, and perhaps a segment on Form 990.

During the course of the meeting, Kurt Stadlbauer indicated that he heard information indicating the IRS Employment Tax Division would be conducting its own National Research Program (NRP) initiative. Stakeholder Liaison discussed this with the area Employment Tax Manager, Orville Surla, and indeed Employment Tax is scheduled to roll out its own version of NRP sometime this next fiscal year. Marilynn Clapp added that Idaho Department of Labor conducts Employment Tax exams, and is required by law to examine 2% of all businesses in Idaho. Currently, however, this amount is at 1%, since the Department of Labor is working benefit fraud cases too.

Marilynn also wondered if, due to the current state of the economy, any special measures were being taken to deal with hobby vs. for-profit business issues. Liska Foss (SB/SE Exam) indicated she was not aware of any special measures and that these types of issues are always decided on a case-by-case basis. Along these same lines is the issue of adequate compensation for S-corporation officers. Marilynn mentioned that the Idaho Dept. of Labor has a resource for determining a ballpark

fair market wage. To access this information you may use the following link:

<http://www.lmi.idaho.gov/Wages/WagesbyOccupation/tabid/749/Default.aspx>

Businesses are invited to contribute to this resource by taking the Occupational Wage Survey, which is found at the same link. Oregon also has a resource for gauging fair market wages by occupation. You may access this resource at the following link:

<http://www.olmis.org/olmisj/OCX>

Marilynn also asked that meeting participants encourage their business clients with employees to take a short online survey that will help in the design of a new online unemployment insurance tax wage reporting system. The link to the survey is as follows:

[http://www.surveymonkey.com/s.aspx?sm=W3pfbgWdxFu5XLHOVCbYIw\\_3d\\_3d](http://www.surveymonkey.com/s.aspx?sm=W3pfbgWdxFu5XLHOVCbYIw_3d_3d)

Bob Aldridge had several comments throughout the meeting. One question was in regard to how the IRS and Social Security Administration (SSA) work together to make sure correct amounts of employment tax are reported in cases of identity theft.

If someone contacts SSA to report that wages are improperly recorded under a given name and SSN, SSA will investigate to determine if the wages do belong to the individual, and if not, they attempt to obtain the identity of the real worker. (These contacts typically are generated by an unfamiliar entry on the annual Social Security Statement, or because of a referral from the state, IRS, or some other agency.) Sometimes SSA is able to get the name and SSN of the actual worker, but not always.

If SSA can obtain the identity the real worker, then it moves the wages to that person's record. If not, the wages are moved to a Suspense File, pending the identification of the actual worker. In either case, SSA sends the transaction data to IRS in its weekly transmissions.

Bob also alerted the group to a current scam whereby people are going to charitable organizations and selling them on a complex Form 990 and setting up bogus trusts, etc. for large fees.

Bob also voiced his continued frustration at MSSPs (Market Segment Specialization Program) not addressing issues affecting foreign missionaries.

The meeting was adjourned at 11:59 AM.

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### **Next Scheduled Meeting**

The next PLM is scheduled for November 4, 2009 from 9:00 AM – 12:00 PM in Room 384 at the James McClure Federal Building.