

Servicewide Key Messages for Tax Professionals, November 2008

IRS Key Messages for Tax Practitioners

Tax return preparers perform a vital function in assisting taxpayers in meeting their tax obligations. As a tax professional, you have a vested interest (as both a taxpayer and a tax preparer) in the protection of the integrity of the tax filing system. We are committed to providing tax professionals with the information and tools you need to prepare timely, accurate, and complete tax returns for their clients.

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Stakeholder Liaison: Your Local IRS Contacts

Stakeholder Liaison is the IRS organization responsible for practitioner relationships. If you need assistance with IRS issues in your state contact your local stakeholder liaison. While Stakeholder Liaison's role is not to answer technical tax law questions, your [local stakeholder liaison](#) can point you in the right direction for more help.

You should also contact Stakeholder Liaison when you think something is not working as it normally should. The IRS depends on tax professionals to report systemic issues to correct them as soon as possible.

IRS Telephone Directories for Practitioners (by state) are available from your local SL contact. Each directory provides a list of important local IRS phone numbers.

IRS.gov Web Page for Tax Professionals

IRS.gov has all the tools tax professionals need to help their clients meet their federal tax responsibilities. The [Tax Professional Page](#) offers a variety of tax information for practitioners. [Basic Tools for Tax Professionals](#) is a one-stop source for filing, paying and reporting information. You will also find information on audits, collections and representation. In addition, IRS.gov offers a wide range of electronic services such as e-file and e-services to assist you in your practice.

IRS National/Local Phone Forums and Webinars for Practitioners

Tax professionals, small businesses and payroll companies can get helpful tax information from [monthly phone forums](#) (conference calls) sponsored by the Internal Revenue Service. These free and convenient monthly phone forums discuss topics of interest to businesses and the tax professionals who represent them. Once you register, you will receive the call-in phone number and instructions needed to participate in the phone forum.

Tax Calendar for Small Businesses and Self-Employed, Publication 1518

The Tax Calendar for Small Businesses and Self-Employed, Publication 1518, Catalog Number 12350Z, is now available for [print](#). This 12-month wall calendar is filled with useful information on general business taxes, IRS and SSA customer assistance, electronic filing and paying options, retirement plans, business publications and forms, and common tax filing dates. Each page highlights different tax issues and tips that may be relevant to small business owners with room on each month to add notes, state tax dates, or business appointments.

Adjusted Employment Tax Returns (Forms 94X)

A new set of [dual-purpose forms for adjustments and refunds](#), scheduled to be implemented in January, 2009, will reduce burden for employers, payers and the IRS. The IRS, with stakeholder input, is making the new forms as user-friendly as possible and implementing more accurate procedures for adjustments and refunds of employment taxes.

Each stand-alone form will correspond to, and relate line-by-line with, the employment tax return it is correcting. For example, an employer who discovers an underpayment or overpayment error on a previously filed Form 941 will use Form 941-X to make a correction. Since the Form 941-X is a stand-alone form, the employer will be able to file Form 941-X when an error is discovered, rather than having to wait to file it at the end of the quarter with the next employment tax return.

The new forms being developed will correspond with Form 941, *Employer's Quarterly Federal Tax Return*; Form 943, *Employer's Annual Federal Tax Return for Agricultural Employees*; Form 944, *Employer's Annual Federal Tax Return*; Form 945, *Annual Return of Withheld Federal Income Tax* and Form CT-1, *Employer's Annual Railroad Retirement Tax Return*. Spanish versions of the new forms are being developed for Forms 941-PR, 944-PR, and 944(SP).

[EITC information for Tax Preparers](#)

You are an important link in helping taxpayers understand and appropriately claim the Earned Income Tax Credit. EITC errors can potentially delay or even result in denial of the EITC portion of a taxpayer's refund.

Help your clients avoid the most common EITC errors:

As you prepare EITC returns for your clients, avoid the three most common EITC errors, accounting for more than 60 percent of erroneous claims:

1. This error occurs when taxpayers claim a child that does not meet the age, relationship or residency requirements.
2. Married taxpayers sometimes incorrectly claim single or head of household filing status in order to qualify for EITC or increase the amount of EITC.
3. Taxpayers sometimes over-report or under-report their income to qualify for or maximize the amount of EITC. Self-employed taxpayers filing a Schedule C, *Profit or Loss from Business (Sole Proprietorship)*, must report all income and deductions on their return.

In addition, incorrect or invalid social security numbers, individual tax identification numbers, and adoption tax identification numbers provided by taxpayers will result in the automatic rejection of an electronic return and a delay in the processing of a paper return.

Due Diligence

As a preparer protect yourself from potential penalties related to EITC. Ensure you adhere to the requirements in Internal Revenue Code section [6695\(g\)](#), *Preparer Due Diligence Requirements for Determining Earned Income Credit Eligibility*.

Both the IRS and taxpayers expect that tax return preparers are knowledgeable in the tax law. Furthermore, as an EITC return preparer, you have additional due diligence requirements (IRC §6695(g)). To meet the due diligence requirements, you must do the following:

Remember: Tax software is a tool to assist tax preparers, and it is not a substitute for tax preparers' knowledge and professional responsibility.

What to Do If You Need Help

For additional information on [Due Diligence](#) visit www.irs.gov/eitc. You can also visit the EITC Toolkit for Tax Professionals on our Web site at www.eitcfortaxpreparers.com. This toolkit features resources and information to help you:

- Determine clients' eligibility for the EITC
- File accurate claims on behalf of clients to avoid unnecessary delays in their refunds
- Ensure full compliance with EITC rules and regulations
- Understand your EITC due diligence requirements.

Standards of Practice for Tax Professionals

The Office of Professional Responsibility has put together a one-stop-resource shop for tax professionals. This page provides links to enrollment and education requirements for enrolled agents as well as information regarding Circular 230. [Read More](#).

Stakeholder Liaison Offers Tax Professional Education

IRS Stakeholder Liaison offers a wide variety of tax practitioner education opportunities, sponsoring seminars, phone forums, practitioner symposiums and tax institutes. Visit the [Tax Professional Page](#) on IRS.gov and click on "[Tax Pro Events](#)." And don't forget the annual [Nationwide Tax Forums](#). These are an excellent opportunity to hear directly from IRS experts and leaders.

Requesting Taxpayer Advocate Assistance

The Taxpayer Advocate Service is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should. If you believe a client is eligible for TAS assistance, call the TAS toll-free case intake line at 1-877-777-4778 or TTY/TTD 1-800-829-4059.

Also, be sure to check out the IRS and [TAS Tax Toolkit](#) Web site. This toolkit is available to you 24 hours a day, seven days a week. It provides information in English and Spanish, as well as audio in both languages. The highlights include:

- Choosing a tax preparer
- Complying with tax laws
- Visiting an IRS office
- Employers of disabled persons
- Taxpayers with disabilities
- Individual taxpayer identification numbers
- Income tax refund delivery

- Earned income tax credit and family credits
- Tax benefits for education
- Collection and Payment Alternatives
- Recordkeeping for Small Businesses
- Starting a Small Business
- Mortgages: Basic Information
- Identify Theft
- Federal Payment Levy Program

Practitioner Priority Services

[Practitioner Priority Service](#) is a nationwide, toll-free, professional support-line staffed by IRS customer service representatives specially trained to handle tax practitioners' questions. PPS is a valuable resource practitioners may use in resolving their clients' account-related issues. A third-party authorization will be required for disclosure of a taxpayer's specific information.

The types of assistance offered by PPS include:

- Account problems – individual or business
- Complex refunds – undeliverable, destroyed, refund repayment, erroneous refunds, and refund offsets
- Installment agreements – arrangements to pay balance due accounts
- Locating missing payments
- General information – IRS communications, notices, etc.

PPS can be reached at 1-866-860-4259. Hours of operation are Monday through Friday, 8:00 a.m. to 8:00 p.m. local time (Alaska and Hawaii follow Pacific Time)

Note: Requests for transcripts (account, return, etc.) can be serviced immediately using e-Services Transcript Delivery System with a properly executed Form 2848, *Power of Attorney*. For instances where a power of attorney is not in place, transcripts should be requested using Form 4506-T, *Request for Transcript of Tax Return*, and/or the IRS Income Verification Express Service rather than PPS.

Disaster Relief

Practitioners may contact Special Services' toll-free support-line directly for assistance when they or their clients have been impacted by natural disasters. The [Bulk Requests from Practitioners for Disaster Relief](#) webpage provides instructions for notifying IRS of those impacted by contacting Special Services via mail or telephone.

Special Services can be reached at 1-866-562-5227. Hours of operation are Monday through Friday, 7:00 a.m. to 10 p.m. local time (Alaska and Hawaii follow Pacific Time.)

The [Disaster Relief Resource Center for Tax Professionals](#) Web page provides resources and assistance to members of the impacted payroll and practitioner community. The [Tax Relief in Disaster Situations](#) Web page provides information about specific disasters.

Have a question about e-Filing? Access phone representatives through the e-Help Desk

[E-Help Desk](#) assistants are ready to respond to enrolled agents, reporting agents, electronic return originators, certified public accountants, software developers, and transmitters with non-account related questions and issues concerning e-products.

The e-Help Desk's toll-free number is 1-866-255-0654. E-Help desk assistants support IRS e-File Individual and Business, EFTPS, CCR, and e-Services customers.

Note: Callers who are outside of the 50 U.S. States and/or U.S. Territories should use the International phone number: 1-512-416-7750.

Hours of operation for the e-help enterprise are:

Core Hours (Non-Peak)

Monday through Friday 6:30 A.M.- 6:00 P.M. Central Time

Expanded Service

January 9 through April 17, 2009 (Peak)

Monday through Friday 6:30 A.M. - 10:00 P.M. CST

Saturdays January 10 through April 11, 2009 7:30 A.M. - 4:00 P.M. CST

Holidays January 19, 2009, and February 16, 2009 6:30 A.M. – 10:00 P.M. CST

April 15 (Due Date for Forms 1040) 6:30 A.M. – 11:00 P.M. CST

The Tax Gap

The federal tax gap is the difference between the amount of tax that taxpayers should pay and the amount that is paid on time. In other words, it is the sum of non-compliance with the tax law. The latest estimate of the overall tax gap is approximately \$345 billion. Learn what you can do as a tax professional to help improve voluntary compliance by visiting the [Tax Gap page](#). The best solutions are found when we work together.

Tax Return Preparer Fraud

[Return preparer fraud](#) generally involves the preparation and filing of false income tax returns by preparers who claim inflated personal or business expenses, false deductions, unallowable credits or excessive exemptions on returns prepared for their clients. This includes inflated requests for the special one-time refund of the long-distance telephone tax. Preparers may also manipulate income figures to obtain tax credits, such as the earned income tax credit, fraudulently.

In some situations, the client (taxpayer) may not have knowledge of the false expenses, deductions, exemptions and/or credits shown on their tax returns. However, when the IRS detects the false return, the taxpayer — not the return preparer — must pay the additional taxes and interest and may be subject to penalties.

The IRS Return Preparer Program focuses on enhancing compliance in the tax return preparer community by investigating and referring criminal activity by preparers to the Department of Justice for prosecution and/or asserting appropriate civil penalties against unscrupulous preparers.

While most preparers provide excellent service to their clients, the IRS urges taxpayers to be very careful when choosing a tax preparer. Taxpayers should be as careful as they would be in choosing a doctor or a lawyer. It is important to know that even if someone else prepares a tax return, the taxpayer is ultimately responsible for all the information on the tax return.

Suspicious E-mails and Identity Theft

The Internal Revenue Service has issued several consumer warnings on the fraudulent use of the IRS name or logo by scamsters trying to gain access to consumers' financial information in order to steal their identity and assets. When identity theft takes place over the Internet, it is called phishing. The good news is that you can help shut down these schemes and prevent others from being victimized. If you receive a [suspicious e-mail that claims to come from the IRS](#), you can relay that e-mail to phishing@irs.gov.

Report Attempts to Impede Tax Administration

By act of Congress, the Treasury Inspector General for Tax Administration (TIGTA) is the agency responsible for protecting the integrity of Federal tax administration.

TIGTA has the responsibility for investigating allegations of IRS employee misconduct as well as conducting investigations of external attempts to corrupt or impede the administration of internal revenue laws. Such external attempts include:

TIGTA's efforts to protect the integrity of tax administration also extend to investigations of impropriety in the tax preparer community. TIGTA investigations in this area include the investigation of overstatement of qualifications; the investigation of thefts of remittances intended for the IRS and thefts of IRS refunds intended for clients; bribery; threats and assaults against IRS personnel and facilities; improper disclosure; misuse of Treasury Department names, symbols or emblems; and impersonation of IRS officials.

A vital component to the success of TIGTA's mission is the involvement of the tax professional community. Tax professionals are the front line of defense against efforts to corrupt the integrity of Federal tax administration. If you witness wrongdoing contact one of TIGTA's divisional offices http://www.treas.gov/tigta/oi_office.shtml or TIGTA's Complaint Hotline. The Hotline can be reached via TIGTA's website www.tigta.gov or by calling toll-free at 1-800-366-4484.

When to Call TIGTA

- If you believe that an IRS employee has committed serious misconduct, or is soliciting a bribe in exchange for preferred treatment of your client.
- If you suspect someone is violating the law by forging IRS documents, diverting clients' tax payments, or overstating his or her qualifications.
- If someone is impersonating an IRS employee
- If a client or other individual threatens the IRS.

The complaint will be evaluated for possible investigation. If the complaint does not fall into TIGTA's area of investigative responsibility, it will be referred to the appropriate agency for information and/or action. TIGTA maintains a relationship with the IRS Office of Professional Responsibility (OPR) and IRS-Criminal Investigations Division.

For More Information About TIGTA

TIGTA maintains a public website (www.tigta.gov) where tax practitioners and the general public can learn more about TIGTA's investigative and sign up to receive email alerts when new content is posted. In addition, TIGTA officials attend the IRS National Tax Forums and are available to make presentations to the local tax practitioner community.

Online Payment Agreement Application Enhancements Available

The Internal Revenue Service has added several new features to the interactive [Online Payment Agreement application](#) that will make it easier for taxpayers and their authorized representatives to make changes to existing installment agreements.

The system now permits:

- Individuals to revise their payment due dates and/or amounts on existing agreements.
- Individuals to revise existing extensions to regular installment agreements and direct debit installment agreements.
- Individuals to revise existing regular installment agreements to a payroll deduction installment agreement or a direct debit installment agreement.
- Practitioners with valid authorizations to use the signature date found on their approved Form 2848, *Power of Attorney and Declaration of Representative*, or the caller ID as an alternate way to authenticate when requesting agreements for clients.

E-file Form 2290, Heavy Highway Vehicle Use Tax Return

Individuals and organizations with 25 or more trucks, tractors or other heavy vehicles used on highways now are required to make their excise tax filings with the Internal Revenue Service electronically, rather than by paper.

Electronic filing streamlines the processing of the Form 2290, is more safe and reliable than paper filing and reduces preparation and processing errors. Although electronically-filing Form 2290 is not required for taxpayers reporting fewer than 25 vehicles, all taxpayers are encouraged to file their forms electronically. Most Forms 2290 are due by August 31.

Another advantage of [e-filing Form 2290](#) is that taxpayers don't have to wait for a stamped version of the Schedule 1, *Schedule of Heavy Highway Vehicles*, to be returned by mail because they will almost instantly receive the equivalent of a stamped version electronically. This means truckers won't have to wait to register their vehicles with the appropriate state authority when obtaining the proper license tags.

Report Fraud, Waste, and Abuse

The Treasury Inspector General for Tax Administration is the independent agency responsible for investigating fraud, waste and abuse in IRS programs and IRS operations. TIGTA investigates allegations of impersonation of the IRS, bribery and extortion related to tax issues, thefts of IRS refunds and remittances by practitioners, overstatement of qualifications on Form 2848 and misconduct on the part of IRS employees. If you are aware of fraud, waste, mismanagement, and abuse in IRS programs and operations, report it to the TIGTA. [Read More](#).

Low Income Taxpayer Clinics

LITCs are independent organizations that provide low income taxpayers with representation in federal tax controversies with the IRS for free or for a nominal charge. The clinics also provide taxpayer education and outreach for taxpayers who speak English as a second language. [Publication 4134, Low Income Taxpayer Clinic List](#), provides information on clinics in your area. It is available at www.irs.gov or your local IRS office.

Identity Theft

The IRS opened an Identity Protection Specialized Unit on October 1, 2008.

A phone line is now available to provide assistance for individuals who believe they may be a victim of identity theft with a known tax administration impact, and for those who have a current identity theft related tax issue that has not been resolved. Please call toll free 1-800-908-4490.

Hours of Operation: Monday – Friday, 8:00 a.m. – 8:00 p.m. your local time (Alaska and Hawaii follow Pacific Time.)

Remember, the IRS **does not** initiate communication with taxpayers through e-mail. Before identity theft happens, safeguard your information. Learn more at IRS.gov, keyword identity theft.

Information Reporting Program Advisory Committee

The Information Reporting Program Advisory Committee provides recommendations to IRS leadership on a wide range of information reporting and administration issues. The committee presents a report to the Commissioner of the IRS each year at a public meeting in the fall. Members are drawn from substantially diverse backgrounds and include representatives of the taxpaying public, tax professional community, small and large businesses, colleges and universities, state tax administrations, banks, and insurance and payroll communities. For additional information, visit the [IRPAC information page](#) or send an e-mail to: *public_liaison@irs.gov.

Internal Revenue Service Advisory Council

The Internal Revenue Service Advisory Council provides an organized public forum for IRS officials and representatives of the public to discuss relevant tax administration issues. IRSAC advises the IRS on issues that have a substantive effect on federal tax administration. As a body designed to focus on broad policy matters, the IRSAC reviews existing tax policy and/or recommends policies with respect to emerging tax administration issues. The IRSAC suggests operational improvements, offers constructive observations about IRS' current or proposed policies, programs, and procedures and advises the IRS on particular issues having substantive effect on federal tax administration. For additional information visit the [IRSAC information page](#) or send an email to *public_liaison@irs.gov.

Governmental Liaison Program

The [Governmental Liaison](#) (GL) program promotes cooperation between IRS and federal, non-tax agencies, and state and local taxing agencies. The program offers opportunities to improve voluntary compliance, increase the efficiency of tax administration, reduce taxpayer burden, leverage limited resources and implement the GL Data Exchange Program. Governmental Liaison has servicewide responsibility for providing guidance and assistance in securing federal, state or local agency data in support of IRS programs and objectives. Governmental Liaison also manages relationships with local congressional offices.

GL is available to provide assistance to the practitioner community in coordination with Stakeholder Liaison when Fed-State projects have a direct impact on their customers. GL recognizes that frequently IRS and state taxing agencies have a lot of common issues and interest with respect to practitioners. GL continues to provide support to the practitioner community by assisting in identifying IRS speakers for practitioner meetings.

Publication 4437, Tax Hints

[Tax Hints](#) is a convenient electronic sourcebook, with links to vital information and data for tax professionals. This downloadable newsletter is updated periodically year-round to provide current information on many of the issues that tax professionals will encounter. It also includes a summary of changes, reminders, and other important information.

Business Provisions of the Economic Stimulus Act of 2008

The Economic Stimulus Act of 2008 contains two provisions that provide [tax benefits for businesses](#). The first provision increases the limit up to which a business can expense property purchased and placed in service during its 2008 tax year. The second provision provides an additional 50 percent special depreciation allowance for property acquired and placed in service during calendar year 2008.

Unlike the economic stimulus payments that millions of individuals have already received, the tax benefits for businesses are not automatic; businesses must act to take advantage of the new provisions by purchasing qualifying property.

Practitioner assistance for Volunteer Income Tax Assistance and Tax Counseling for the Elderly

Practitioner assistance for Volunteer Income Tax Assistance and tax organizations in communities across the U.S. look for volunteers to help people prepare their tax returns through the VITA or the Tax Counseling for the Elderly programs. Volunteer tax assistants provide free, basic income tax preparation to others in their communities who have low-to-moderate incomes and need help filing their tax returns.

As a tax practitioner, you have many opportunities to participate in one of the volunteer programs. Practitioners can help organize volunteer tax sites, participate as volunteer tax preparers, lend their expertise as classroom instructors, serve as technical advisors, or serve as quality reviewers ensuring the accuracy of the volunteer returns. Each of these activities is an important aspect for VITA/TCE and your contribution adds valuable assistance to the program.

Becoming a volunteer can be personally rewarding and provides support to your local community. If you would like to help, you can contact the IRS at 1-800-829-1040 and give them your name, telephone number and location, or send an email to partner@irs.gov. A local IRS representative will connect you with the nearest organizations offering VITA or TCE.

QuickAlerts

[QuickAlerts](#) is a free online messaging service by the IRS that disseminates mass e-file messages, within seconds, to all "subscribed" individual and business e-file software developers, transmitters and authorized IRS e-file providers. If you are a tax practitioner and would like to subscribe to QuickAlerts, you must have an IRS-assigned EFIN or ETIN number that can be used as your official login or username. You will use the 5-digit "year-round mailing address zip code" placed on your original Form 8633, *Application to Become an Authorized IRS e-file Provider*, as the password.

Note: If you move and your zip code changes, QuickAlerts does not automatically update this change.

Where's My Refund?

Point your clients to [Where's My Refund?](#) or [¿Dónde está mi reembolso?](#) on IRS.gov for quick, easy, and secure refund information. Your clients can access their refund information 72 hours after IRS acknowledges receipt of their e-filed returns or three to four weeks after mailing paper returns.

Remind them to have a copy of their tax return handy to provide the following information:

- Their social security number (or individual taxpayer identification number);

- Their filing status; and
- The exact whole dollar amount of their refund

Clients without Internet access can call IRS' Refund Hotline at 1-800-829-1954.