

Date: January 18, 2013

IRS Practitioner Liaison Meeting

Virtual Meeting for New Hampshire Practitioner Organizations

Time: 9:00a.m.-12:00p.m.

Attendees:

- Edward O'Brien, Acting Territory Manager, IRS Small Business Self-Employed (SBSE) Examination
- Joceline Champagne, Local Taxpayer Advocate, Taxpayer Advocate Service
- R Scott Stone, Group Manager, IRS SBSE Collection
- Peter Colbath, Tax Auditor, New Hampshire Department of Revenue Administration
- Nancy Dery, Taxpayer Advocacy Panel (TAP), New Hampshire Member
- Shane Ferguson, Director, IRS Stakeholder Liaison Field
- Mary Marcotte, Senior Stakeholder Liaison, IRS Stakeholder Liaison Field
- Mary Hanson, Senior Stakeholder Liaison, IRS Stakeholder Liaison Field
- Lynn Annicchiarico, President, National Association of Tax Professionals (NATP), New Hampshire Chapter
- Tina Annis, Director, National Academy of Elder Law Attorneys, New Hampshire Chapter
- Justin Belair, Financial Planning Association of Northern New England (FPA of NNE)
- Rachel Burnham, New Hampshire Society of Accountants (NHSA)
- Bob Capriole, Secretary & Government Liaison Chair, Northern New England Society of Enrolled Agents (NNESEA)
- Steve Dalton, FPA of NNE
- Mark Dell'Orfano, New Hampshire Bar Association (NHBA)
- Jeff Goodrich, Director, Legal Advice Referral Center (LARC)
- Joseph Kenny, NHBA
- Sandy Martin, Director, NHSA
- David McLellan, NHBA
- Marsha Price, NHSA
- Carol Romeril, Board Member/Educational Committee Chair, NATP, NH Chapter
- Barbara Stewart, Pro-Bono Director, NHBA
- Filippa Viola, Director, Outreach and Multilingual Education, Legal Advice Referral Center (LARC)
- Ed Wagner, NHSA
- John C Walker, EA, NHSA & UNH TPI Planning Committee
- Jeff Winer, National Conference of CPA Practitioners
- Thomas Wisniewski, Past President, NNESEA

Meeting Summary

Mary Marcotte - Senior Stakeholder Liaison, IRS Stakeholder Liaison Field

Mary welcomed the participants and thanked them for attending the first New Hampshire virtual practitioner liaison meeting. After reviewing some teleconferencing procedures, Mary asked each participant to introduce himself/herself.

Shane Ferguson, Director, IRS Stakeholder Liaison Field

Shane thanked the practitioner organizations in attendance for partnering with the IRS and participating in the liaison meeting. He expressed his pleasure in being able to participate in the meeting via WebInterpoint, the web conferencing system that Stakeholder Liaison Field (SLF) is now using to hold virtual meetings. Using this technology, Shane was able to make his opening remarks using a webcam from his office in Sioux Falls, South Dakota. Shane explained that SLF has been required to reduce the amount of face-to-face meetings and there will be less stakeholder liaisons at each event. Using WebInterpoint is the first step to finding quality alternatives to expand SLF's outreach activities, while providing cost savings for the Service. He ended his comments by encouraging attendees to provide feedback on today's virtual meeting.

Edward M. O'Brien – Acting Territory Manager, IRS Small Business/Self-Employed (SBSE) Examination

Ed introduced himself as the Acting SBSE Territory Manager for Maine, New Hampshire and Vermont. Ed will be covering for Territory Manager Linda Gordius while she is on a special assignment for the next four to six months. His permanent office location is Boston, but now he is spending about three quarters of his time in southern New Hampshire. Ed provided a PowerPoint presentation on SB/SE Examination topics (below). He provided statistics on the core audit coverage in the North Atlantic Area (NAA). Ed stated that the work plan is designed to provide balanced coverage and it is set by National Office. He pointed out that the National Research Program (NRP) audits on individuals are continuing. This study has been taking place since 2002 and is done on an annual basis. It is more intrusive because there are more issues to examine. The purpose of NRP audits is to capture results and better gauge the tax compliance rate, which in turn enables SBSE Examination to develop a more efficient work plan. During this fiscal year, 1500 corporate returns will undergo NRP examinations; 100 of those will be from the NAA.

Ed continued his comments by briefly discussing the Information Return Document Matching (IRDM) programs for [Forms 1099-K](#) and [Forms 1099-B](#). There is a pilot project underway in the NAA involving the data reported on Forms 1099-K. The pilot project includes approximately 60 cases with about a half dozen cases for NH, VT, and ME. SBSE Examination is awaiting the implementation of the Affordable Care Act (ACA). There could be a pilot on ACA (similar to what they doing with IRDM) in the later part of this fiscal year.

Ed gave an overview of the Offshore Voluntary Disclosure Initiative (OVDI). UBS provided IRS information that helped the Service determine if taxpayers had a filing requirement. The findings have resulted in civil and criminal penalties. More information can be found on the IRS website under the [Voluntary Disclosure Questions and Answers](#). Exam has also been addressing identity theft in their work process. They have implemented a process to guide examiners on how to correct the account of a taxpayer under audit if the taxpayer is a victim of identity theft. Ed encouraged practitioners to contact him with any issues not resolved by Revenue Agents and their managers. His contact information is on the last slide of the PowerPoint presentation below.



Exam PLM NH
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Joceline Champagne, Local Taxpayer Advocate, Taxpayer Advocate Service

Joceline went over the role of the Taxpayer Advocate Service (TAS). She explained that TAS is the taxpayer's voice at the IRS, but it is important to remember that they are not the second IRS. TAS programs generally fall under either case advocacy or systemic advocacy. Under case advocacy, TAS helps taxpayers if they have tried to resolve a tax problem through IRS normal channels and have been unsuccessful or if their IRS problems are causing financial hardship. Joceline reviewed a list of contacts that are considered normal IRS channels for resolving problems (see slide 7 of the PowerPoint presentation below). Joceline suggested that tax professionals use the Practitioner Priority Service (PPS) as their first resource.

Joceline then reviewed the [TAS criteria](#) for accepting cases into their case advocacy program and clarified a change in case acceptance criteria that was issued in 2011. At that time, TAS assessed where its efforts have the greatest impact and identified four types of issues in which the IRS seemed to get the right answer (though slowly). Those cases involve the processing of original tax returns, processing of amended returns, rejected and unpostable returns, and injured spouse claims. TAS *generally* won't accept cases involving these pure processing issues in order to be able to focus on higher-impact problems. Exceptions to this policy, however, include if the taxpayer is suffering an economic burden, if the case involves other issues, if the taxpayer is referred by a congressional office or if the taxpayer specifically requests and insists on TAS assistance. In these scenarios, TAS will accept the case even though it falls into one of the four processing issues.. Under systemic advocacy, TAS works on issues affecting multiple taxpayers. If TAS caseworkers identify systemic issues, they can raise them to the Local Taxpayer Advocate (LTA) and the LTA can raise them to the National Taxpayer Advocate (NTA). Tax professionals can also raise systemic issues through the [Systemic Advocacy Management System \(SAMS\)](#).

Joceline briefly discussed the NTA's [2012 Annual Report to Congress](#). In this report, the NTA has listed the complexity of the tax code as the number one most serious problem facing taxpayers. Other concerns include the inadequate funding of the IRS and identity theft. Currently there are 21 units in the IRS dealing with identity theft problems. TAS would like the taxpayer to be able to go to 1 place to resolve all of their identity theft issues. More information on TAS can be found in the PowerPoint presentation below and on the [TAS website](#). Taxpayers may also contact TAS through the NTA case intake line at 1-877-777-4778.



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Mary Hanson- Senior Stakeholder Liaison, IRS Stakeholder Liaison Field

The focus of Mary's presentation was to review some key points on Return Preparer Program. She started by reviewing some of the history behind the Return Preparer Initiative. In 2009, as a result of IRS, Treasury and Congressional concerns about tax preparation quality, IRS began a study which included a series of public hearings. The results of that study are found in [Publication 4832](#), *The Return Preparer Review*. This document outlines the activities of the review and resulting recommendations which include registering all tax preparers and establishing competency testing and continuing education (CE) requirements for unenrolled tax return preparers. The

recommendations have been rolled out in 4 phases: Phase 1 was the new PTIN registration; Phase 2 is the rollout of competency testing; Phase 3 is the CE requirement; Phase 4 is Compliance and Enforcement. The Return Preparers Office (RPO) has been sending out a series of letters as part of their compliance and enforcement efforts. Some examples of these [letters are found on the IRS website](#).

Mary reminded the tax practitioners present that PTINs need to be renewed annually and the renewal process should be completed by December 31st each year. Beginning January 14th expiration letters will be issued to preparers who have not renewed their PTIN. If you are not going to prepare returns in 2013 you can disregard the letter.

The competency test has been available since November 2011. It is offered through PROMETRIC and candidates must schedule a time to take the test using their PTIN. More information about the competency test is available on IRS website on the [Registered Tax Return Preparer Competency Test Information](#) webpage.

Mary also talked about the e-file mandate and some preparer responsibilities. [Form 8944](#) needs to be submitted by February 15th if you wish to request a waiver from the e-file mandate. [Form 8948](#) needs to be attached to any return submitted on paper. If a taxpayer opts out of e-filing, the preparer has certain responsibilities including securing a handwritten statement from the taxpayer explaining the benefits of e-file. This statement is kept by the tax preparer. Acceptable language for the statement is found in [Revenue Procedure 2011-25](#).

Please note that after this practitioner liaison meeting was held, IRS made an important announcement regarding the Tax Return Preparer Program: *On Friday, Jan. 18, 2013, the United States District Court for the District of Columbia enjoined the Internal Revenue Service from enforcing the regulatory requirements for registered tax return preparers. In accordance with this order, tax return preparers covered by this program are not required to complete competency testing or secure continuing education. The ruling does not affect the regulatory practice requirements for CPAs, attorneys, enrolled agents, enrolled retirement plan agents or enrolled actuaries.*

Since this announcement, the court modified its order to clarify that the order does not affect the requirement for all paid tax return preparers to obtain a preparer tax identification number (PTIN). Consistent with this modification, the IRS has reopened the [online PTIN system](#). The IRS continues to have confidence in the scope of its authority to administer this program and is working with the Department of Justice to address all options, including a planned appeal. Tax professional can get updated information on this development by periodically checking the [Tax Pros](#) section of the IRS website.

Peter Colbath – Tax Auditor, New Hampshire Department of Revenue Administration

Peter began his presentation by briefly reviewing the 2012 New Hampshire legislative tax changes. He discussed Senate Bill 372, House Bill 1418, and Senate Bill 326. Senate Bill 372 establishes an Education Tax Credit for businesses. Beginning January 1, 2013, organizations must apply to the State to be recognized as a scholarship organization. The organization must issue a receipt with 15 days of the donation and they will also have to file a report to outline all scholarships that

have been granted. House Bill 1418 changed the threshold for the Business Enterprise Tax filing and creates "expense deductions" under the Business Profits Tax. Senate Bill 326 eliminates the taxation of trusts under the Interest and Dividends Tax. More details on these tax changes can be found on Peter's PowerPoint presentation (below) and on the [NH Department of Revenue website](#).

Peter also discussed some State form changes and some common return errors. Any affidavits which are not on a NH State form should be scanned as an image only and follow any federal pages that are attached to the return. Another common misunderstanding is the statute of limitations. The calculation of the statute goes by the due date of the return, not the extension date. One of the PowerPoint slides includes a picture of the NH seal blown up 800%. Peter included this to show how the rum barrels have been removed from the previous version of the seal. Peter concluded his remarks by reminding everyone that NH is a separate entity state and an SMLLC must file their own return and may not use their SSN (they must have a DIN or FEIN).

Peter's direct telephone number is (603) 230-5087. General contact information for the NH Department of Revenue Administration (DRA) is included on the last slide of the PowerPoint presentation below.



NH DRA PLM
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R Scott Stone – Group Manager, IRS SBSE Collection

Scott reviewed the basics of how to enter into an [online payment agreement](#) directly through the IRS website. He started his comments by pointing out some of the benefits of online payment agreements: simple to complete, convenient, immediate acceptance and lower processing costs for the IRS. In addition, entering into an online payment agreement will help taxpayers avoid having to deal with ACS or Field Collection. The payment options available through this online tool include full payment in 10 days, a short term extension to pay (11 – 120 days) and monthly payments. Monthly payments can be set up as a direct debit installment agreement, a payroll deduction installment agreement or a regular installment agreement.

Scott went over the process of the online payment agreement (OPA). The combined balance of individual income tax, penalties and interest must be less than \$50,000 to use the online method. Taxpayers must be able to full pay within 72 months and those taxpayers with a balance over \$25,000 must enter into a direct debit installment agreement. A good step-by-step guide to setting up an online payment agreement is provided in the [online payment agreement video](#) available on the IRS video portal. Additional information is also available on the IRS Website under the [Payment Plans, Installment Agreements](#) webpage.

Scott concluded his comments by mentioning that a similar tool for Offer In Compromises (OIC) is in development. He also noted that Revenue Officers may now accept [Form 433-F](#) as a financial statement in certain circumstances. Scott's contact information is on the last slide of his PowerPoint presentation below.



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Nancy Dery – New Hampshire Taxpayer Advocacy Panel Member

Nancy explained the role of Taxpayer Advocacy Panel (TAP). TAP is made up of volunteers who are supported under IRS, but they are not IRS employees. Volunteers are from all over the country; representing each state, D.C. and Puerto Rico. The members all have very different backgrounds and most of them are employed full time. TAP members work on ways to improved customer service and satisfaction with the IRS. The TAP members focus on specific issues through working on different committees to come up with recommendations for changes to IRS procedures. The recommendations are elevated forward to a joint committee to see if implementation is feasible. Nancy pointed out that 80% of the recommendations are accepted by the joint committee. There are many reasons why some recommendations can not be implemented. For example, there could be budget constraints or a suggestion for a form improvement may not align with the rewrite schedule. The number of TAP members will be decreasing (from 102 members to 74 members), so in turn there has been a drop in project committees (from 8 committees in 2012 to 5 committees in 2013).

Nancy explained that anyone can apply to be a TAP member except for government employees. Many current and past members have been CPAs, attorneys and Enrolled Agents. For more information on TAP (including how to make a suggestion or how to become a volunteer member) go to the TAP website at www.improveirs.org.



TAP Outreach
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Mary Marcotte - Senior Stakeholder Liaison, IRS Stakeholder Liaison Field

Mary provided a brief presentation on the IRS e-services program. E-services are a Web based product that allows tax practitioners to electronically interact with the IRS via a secure Internet site instead of through the phone or correspondence. There are three e-services products to which eligible tax practitioners and reporting agents have access: Disclosure Authorization; Transcript Delivery System; and Electronic Account Resolution. Under Disclosure Authorization (DA), practitioners can submit [Form 2848, Power of Attorney and Declaration of Representative](#), for both individuals and businesses. The authorizations are signed electronically using a PIN and they immediately post to the IRS's Centralized Authorization File (CAF). A Power of Attorney (POA) is required to access the Transcript Delivery System (TDS) and Electronic Account Resolution (EAR). TDS is used to electronically request various types of transcripts: line-by-line computer printouts of original returns; copies of income documents such as Forms W-2 and 1099; and detailed account information including estimated tax payments, additional assessments, penalties and interest. The most common inquiries that can be addressed through EAR are: refund inquiries (including undeliverable refunds, destroyed or stolen checks, erroneous refunds or refund offsets); notice inquiries; installment agreements; and payment tracers. EAR **cannot be used** to resolve CP-2000 notices (AUR) or correspondence examinations.

Once the EAR inquiry has been submitted, IRS will respond within three business days.

Mary explained that to use an e-services product for a firm or organization you must complete two steps. First, you must register to gain access to e-services. To register you must complete an [online registration application](#). It is important that you use your personal information (not your business information) to complete the application. Once you have completed the online registration application, you must wait for a confirmation notice in the mail in order to confirm your registration. The notice will contain a confirmation code that you must enter on the e-services "Confirm Registration" page. This will complete the registration process. Next you must apply to use an e-services product. Generally this is done through your firm's e-file application by completing the "Delegated User" section. More information on the process is available through the e-services online tutorials. Practitioners can also contact the e-help desk for assistance at 866-255-0654.



E-Services NH PLM
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Issues & Status

Pre-assessed Installment Agreements – A practitioner stated that he could not set up an installment agreement (IA) for a new liability (recently filed return) using the online payment agreement tool because he did not have the Caller ID number that is listed on the balance due notice.

Issue Status Report – The Caller ID is not necessary when requesting a pre-assessed installment agreement. Per IRM 21.2.1.6: *Taxpayers who want to establish a pre-assessed agreement on a current tax year Form 1040 liability prior to a notice being sent are requested to enter the balance they will owe, as shown on their Income Tax Return. Taxpayers are authenticated through the use of the following shared secrets: SSN or ITIN which appears first on their return; if filing jointly, the spouses SSN or ITIN; Date of Birth (DOB); and Adjusted Gross Income (AGI) from their last year's Income Tax Return.*

When entering the online payment agreement tool, the first thing you are requested to do is verify your status as the taxpayer or as an authorized Power of Attorney (POA). Under both categories there is an option you can select that indicates that a return has been filed with a balance due, but no notice has been received. If you are trying to set up a pre-assessed IA you must choose this option. POAs should also use this option if their copy of the balance due notice does not contain a Caller ID.

Installment Agreement Monthly Payment Amount – A practitioner questioned whether the online payment agreement tool took into consideration penalty and interest accruals. He had received a notice for a client in which the Failure to Pay (FTP) penalty was more than the IA monthly payment.

Issue Status – The online payment agreement tool does take into consideration penalty and interest accruals. The CP 521 (balance due notice) shows the total FTP penalty assessed, not just the FTP accrued for one month. This amount will continue to increase until the taxpayer's payments have fully paid the tax due. When the payment amount applied to a period is less than the liability for the period, the amount will be applied to tax, penalty, and interest, in that order, until the amount is absorbed.

Roundtable & Comments

Mary Hanson reminded the group that Stakeholder Liaison is responsible for identifying and resolving practitioner issues and concerns through the [Issue Management Resolution System \(IMRS\)](#). Mary discussed two recent IMRS issues. The first issue involved a taxpayer who unknowingly had become a victim of identity theft. When the taxpayer completed her financial aid form (FASA form) she used the new IRS tool to transfer her tax return information to the form. Unfortunately, she did not notice that the return information that transferred to the FASA form did not match her tax return. The taxpayer lost her student aid and had to drop out of college for one semester. Mary forwarded this information to an IMRS analyst and the analyst got back very quickly with details on what the procedure would be to correct this problem in the future. The analyst explained that meetings with Department of Education and IRS Privacy, Governmental Liaison and Disclosure (PGLD) resulted in an agreement that the Department of Education would accept a signed copy of the applicant's return along with a copy of the Identity Theft Affidavit [Form 14039](#). If the applicant does not have a copy of the Form 14039, the Department of Education would have the applicant sign a Statement of Identity Theft developed by the Department of Education. Another recent IMRS issue resulted in [Notice 2013-5](#), which provides relief from the estimated tax penalty for farmers and fishermen unable to file and pay their 2012 taxes by the March 1 deadline due to the delayed start for filing tax returns.

Issues brought up in the roundtable discussion requiring further research are part of the "Issues & Status" section of this meeting summary. Other questions and issues discussed during the meeting are summarized below.

A practitioner stated that she had heard that the PTIN Public Database was only going to list Registered Tax Return Preparers. Mary Hanson responded that the database would include all practitioners with a valid PTIN.

A practitioner stated that if an amended return is filed for a taxpayer who is in an IA, the IA will systemically default even if the amended return results in a refund. Collection Group Manager Scott Stone stated that IRS personnel are having the same problem when they make an adjustment to an account in IA status. He explained the IRM has a requirement to input a code to take the account out of IA status and put it into Currently Not Collectible (CNC). If field personnel are working the issue they can put the account back into IA status, however, if it has been more than a year since the IA was set up, they may ask for a new financial statement. Taxpayers also have the option of waiting until the tax period is fully paid and then filing the amended return.

Mary Marcotte reminded everyone to share the meeting summary with their respective organization's members.

Next Scheduled Meeting

The next New Hampshire Practitioner Liaison meeting will be held in June.