

## Chapter 4: IRS Update

Audits and Examinations.....	107	Issue Management Resolution System .....	127
The Appeals Process.....	116	Electronic Issues .....	128
Taxpayer Burden Reduction .....	125		

Corrections were made to this workbook through January of 2007. No subsequent modifications were made.

### AUDITS AND EXAMINATIONS

#### SELECTION METHODS

The IRS accepts the majority of returns as filed. However, each year a number of returns are chosen for examination. The IRS uses several methods to select these returns including:

- Random sampling
- Computerized screening
- Document matching
- Informants

**Random sampling** is done from the general pool of taxpayers or a specific industry. In recent years, the IRS performed a number of audits under the National Research Program (NRP) to refine the process the IRS uses to identify returns with compliance issues. These types of audits are also used to develop the audit technique guides the IRS uses to assist its personnel in focusing on the issues most common to a business in that industry. These audit guides are also available to the public and can help a practitioner prepare for an audit.

**Computerized screening** is done with a program called the Discriminant Inventory Function System (DIF). The DIF evaluates each individual return on the likelihood of an error in the return. Some corporate returns are also evaluated by the DIF.

Most practitioners are well acquainted with the **document matching** process. Each year, the IRS matches the W-2s, 1099s, and other information returns filed by employers, banks, and other parties against the income tax returns filed by individuals. If there is a discrepancy, the IRS issues a Notice CP2000 to the taxpayer. This notice includes a list of items reported that did not match the return. The taxpayer may reply to the notice by agreeing to the changes or by submitting additional documentation refuting the IRS's position.

Finally, returns may be selected because of **information received** from media sources, public records, or individual informants (such as an ex-spouse). However, since these sources may be untrustworthy, the IRS evaluates the reliability and accuracy of the source before using such information as the basis for an examination or investigation.

# 2006 Workbook

## EXAMINATION METHODS

Except in the most extreme circumstances, the taxpayer first knows of the examination when a notice from the IRS is received. The notice indicates whether the examination will be handled by mail or in person.

**Example 1.** Ted Flanders filed a return claiming 16 dependents and charitable contributions totaling over 50% of the family's annual income. The IRS selected this return for examination and sent a notice requesting that Flanders supply copies of birth certificates for the dependents, verification of the dependents' residency, and receipts supporting the charitable deductions. He provided these. Upon receiving the documentation, the IRS concluded that the dependents were genuine and the contributions legitimate. No changes were proposed to the original return.

For examinations to be conducted in person, the notice indicates that the taxpayer should call the examiner to set a time and place for the audit. The place for the audit could be the taxpayer's home or business, the local IRS office, or another logical place, such as the office of the tax practitioner who prepared the return. While the examiner tries to work with the taxpayer in selecting a convenient time and place, ultimately the IRS makes the final determination of where, when, and how the examination takes place.

**Example 2.** The taxpayer and examiner meet in the taxpayer's apartment. However, the apartment is next door to a garage where a band practices and is also filled with noxious fumes. The IRS agent has the right to insist that the taxpayer bring the records to the IRS office.

## AUDIT EXAMPLE

At some time in their career, most tax practitioners have one of their clients selected for an audit. Throughout this section, a taxpayer named Paul Bunyon appears in examples at applicable places. The purpose is to illustrate the various documents the taxpayer and his representative receive from the time the audit begins until the final resolution.

**Example 3.** Paul Bunyon owns 100 acres of pasture and undeveloped land. He also owns one big blue ox, whom he affectionately calls Babe.

For the past 25 years, Paul has been reporting stud fee income on Schedule F along with the expenses of keeping Babe. In the early years, this was a profitable venture. Currently, the demand for big blue ox babies has declined, and for the last 10 years, Paul reported a loss.

Of course, Paul believes that he is still operating a potentially profitable business, despite the fact that he had to mortgage the farm to keep Babe in feed.

The rest of his 1040 return is unremarkable. He receives sufficient interest and dividend income to support himself and cover the farm losses. He does not itemize. He claims an exemption for his son, Wilbur, who resides with his ex-wife.

In the middle of tax season, Paul brings a letter from the IRS to his tax preparer. Paul is being audited. The following page shows Paul's 2004 Schedule F and the letter from the IRS.

# 2006 Workbook

## For Example 3

9	Custom hire (machine work) . . . . .	9	
10	Other income, including Federal and state gasoline or fuel tax credit or refund (see page F-3) . . . . .	10	4,000
11	<b>Gross income.</b> Add amounts in the right column for lines 3 through 10. If accrual method taxpayer, enter the amount from page 2, line 51 . . . . .	11	4,000

**Part II Farm Expenses—Cash and Accrual Method.** Do not include personal or living expenses such as taxes, insurance, repairs, etc., on your home.

12	Car and truck expenses (see page F-4—also attach Form 4562) . . . . .	12	375	25	Pension and profit-sharing plans . . . . .	25	
13	Chemicals . . . . .	13		26	Rent or lease (see page F-5):	26	
14	Conservation expenses (see page F-4) . . . . .	14		a	Vehicles, machinery, and equipment . . . . .	26a	
15	Custom hire (machine work) . . . . .	15		b	Other (land, animals, etc.) . . . . .	26b	
16	Depreciation and section 179 expense deduction not claimed elsewhere (see page F-4) . . . . .	16	892	27	Repairs and maintenance . . . . .	27	3,800
17	Employee benefit programs other than on line 25 . . . . .	17		28	Seeds and plants purchased . . . . .	28	
18	Feed purchased . . . . .	18	8000	29	Storage and warehousing . . . . .	29	
19	Fertilizers and lime . . . . .	19		30	Supplies purchased . . . . .	30	
20	Freight and trucking . . . . .	20		31	Taxes . . . . .	31	5,600
21	Gasoline, fuel, and oil . . . . .	21		32	Utilities . . . . .	32	
22	Insurance (other than health) . . . . .	22		33	Veterinary, breeding, and medicine . . . . .	33	
23	Interest:			34	Other expenses (specify):		
a	Mortgage (paid to banks, etc.) . . . . .	23a	2500	a	TAX CONSULTING . . . . .	34a	500
b	Other . . . . .	23b		b	. . . . .	34b	
24	Labor hired (less employment credits) . . . . .	24		c	. . . . .	34c	
				d	. . . . .	34d	
				e	. . . . .	34e	
				f	. . . . .	34f	
35	<b>Total expenses.</b> Add lines 12 through 34f . . . . .	35	21,667				
36	<b>Net farm profit or (loss).</b> Subtract line 35 from line 11. If a profit, enter on Form 1040, line 18, and also on Schedule SE, line 1. If a loss, you must go on to line 37 (estates, trusts, and partnerships, see page F-6) . . . . .	36	(17,667)				
37	If you have a loss, you must check the box that describes your investment in this activity (see page F-6). • If you checked 37a, enter the loss on Form 1040, line 18, and also on Schedule SE, line 1. • If you checked 37b, you must attach Form 6198.			37a	<input checked="" type="checkbox"/> All investment is at risk.		
				37b	<input type="checkbox"/> Some investment is not at risk.		

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 11346H Schedule F (Form 1040) 2004

### Internal Revenue Service

### Department of the Treasury

Dear Paul Bunyon,

Your federal tax return for the year(s) shown above has been selected for examination.

#### What You Need To Do

Please call me on or before Thursday 2/15/07. I can be contacted from 8:00 to 4:00 at the contact telephone number printed above.

#### What We Will Discuss

During our telephone conversation, we will discuss:

- Items on your return that I will be examining,
- Types of documentation I will ask you to provide,
- The examination process,
- Any concerns or questions you may have.
- We will also set the date, time and agenda for our first meeting.

The issues listed below are the preliminary items identified for examination. During the course of the examination, it may be necessary to expand or contract the items. If this should occur, I will advise you of the change.

#### Schedule F—Ox Breeding

Gross Receipts  
Taxes  
Depreciation

Car & Truck Expense  
Repairs & Maintenance  
Feed Expense

Mortgage Interest

Rev. 05/2007

Letter 2205-A (DO)

# 2006 Workbook

## EXAMINATION REPRESENTATION

The taxpayer may want to appoint someone to represent him during the audit. To do so, he must submit Form 2848, *Power of Attorney and Declaration of Representative*, indicating the person(s) to represent him and the specific years and forms that the authorization covers. Only federally authorized practitioners are allowed to represent taxpayers before the IRS. These practitioners include:

- Attorneys,
- Certified Public Accounts,
- Enrolled Agents,
- Enrolled Actuaries, and
- Unenrolled tax preparers

**Note.** Unenrolled preparers may only represent taxpayers for whom they prepared the return under examination. In addition, they cannot practice before appeals, collection, or counsel. They cannot execute claims for refund, receive refund checks, execute consents to extend the statutory period for assessments or collections, execute closing agreements, or execute waivers of restriction on assessment or collection of a deficiency in tax.

Once a representative is appointed, the taxpayer is not required to be present during the examination. However, the representative may find it easier to have the taxpayer present to answer questions in the initial interview. Representatives should advise their clients to have them present during any contact with the IRS.

**Confidentiality Privilege.** Attorney–client confidentiality protection applies to certain communications with federally authorized practitioners. Confidential communications are those that:

- Advise the taxpayer on tax matters within the scope of the practitioner’s authority to practice before the IRS
- Would be confidential between an attorney and the taxpayer
- Relate to **noncriminal** tax matters before the IRS or tax proceedings brought in federal court by or against the United States

**Caution.** This confidentiality privilege is strictly limited to the topics and situations shown above. It’s important to note that the protection offered is for the taxpayer and not the practitioner. For example, the IRS can audit a CPA’s workpapers for compliance with the due diligence requirements related to EIC without violating the taxpayer’s expectation of privacy. In addition, if the taxpayer waives the privilege in order to avoid penalties by asserting reliance on tax advice from the practitioner, the practitioner cannot plead the confidentiality privilege to avoid disclosure.

In the case of communications in connection with the promotion of a tax shelter, the confidentiality privilege does **not** apply to written communications from the practitioner promoting the shelter. A tax shelter is any entity, plan, or arrangement, a significant purpose of which is the avoidance or evasion of income tax.

The Supreme Court confirmed the IRS’s right to obtain financial audit workpapers under its summons authority in *United States v. Arthur Young & Co.*, 465 U.S. 805 (1984). Since such workpapers are not generated in connection with seeking legal or tax advice, but are developed to disclose a taxpayer’s financial condition to third parties, audit workpapers are not privileged communications. Specifically related to the focus on abusive tax shelters, the IRS announced its intent to request financial audit workpapers relating to accrued, deferred, and contingent tax liabilities.<sup>1</sup> The IRS also reiterated in that announcement its intent to show restraint in exercising this authority only in examinations related to abusive tax shelters. However, there is a mandatory Information Document Request (IDR) for corporate exams, which contains an exhaustive list of audit workpapers that the corporation must show the examiner.

<sup>1</sup>. IRS Announcement 2002-63, June 17, 2002

## THIRD PARTY CONTACTS

In addition to the examination notice, the IRS routinely issues a third party contact notice:

*This notice is provided to tell you that we may contact other persons, such as a neighbor, bank, employer or employees, and will generally need to tell them limited information, such as your name. The law prohibits us from disclosing any more information than is necessary to obtain or verify the information we are seeking. Our need to contact other persons may continue as long as there is activity on this matter. If we contact other persons, you have the right to request a list of those contacted.*

Although this notice causes concern for many taxpayers, the notice is issued automatically, and does not necessarily mean that contact is imminent. In most circumstances, a simple phone call to the examiner yields what contacts, if any, are planned.

## PLANNING AHEAD

Prior to meeting with the examiner, the representative should review the return for potential audit issues and be prepared with answers should those issues actually arise.

**Note.** It is advisable to perform this sort of review during the preparation phase of the return. Doing so will help practitioners advise clients on risk assessment and possibly avoid preparer penalties.

Some practitioners provide clients with a copy of “Recordkeeping” from pages 306–312 of the *2004 University of Illinois Federal Tax Workbook* (also available for download at [www.ace.uiuc.edu/Taxschool/PDF/RecordKeeping1.pdf](http://www.ace.uiuc.edu/Taxschool/PDF/RecordKeeping1.pdf)). This document can advise clients on proper documentation that will withstand an examination.

In addition, the practitioner may want to review the taxpayer’s supporting documentation. For example, some practitioners reconcile the income reported on the return to the deposits shown in the taxpayer’s bank records.

It may also help to do a practice run with the client prior to the first meeting to prepare the client for the types of questions that the auditor will ask. This may put the client more at ease during the actual audit. In combination with the review, the client should be prepared for the tough questions and be forewarned of any possible negative audit adjustments. Practitioners can access many of the IRS’s Audit Technique Guides (ATGs) specific to the issues included in the client’s return via [www.irs.gov](http://www.irs.gov).

The examination notice indicates which documents the IRS wants to review. Having the requested information ready when the auditor arrives makes the examination go more smoothly.

Usually, the examiner requests copies of tax returns for the years proceeding and subsequent to the audited return. And for small business taxpayers, the agent almost always wants to review the bank statements and cancelled checks for the year, including the months just before and just after the tax year for carryover items. In addition, the notice may request documentation supporting specific amounts reported on the return.

## HOT ISSUES

In addition to the specific concerns identified in the audit notice, examiners are also on the lookout for the following items.

**Unreported Income.** The examiner reviews bank records of the taxpayer looking for unreported income. Taxpayers may be required to obtain copies of deposits or verification from others to show that the money was properly excluded from income (e.g., gifts). The examiner may also request information directly from the bank to discover if the taxpayer is cashing checks without depositing them, which might not show on bank statements. In addition, the IRS might perform a “lifestyle audit” if the taxpayer’s standard of living seems inconsistent with the income reported on the return.

# 2006 Workbook

**Note.** The 2005 *University of Illinois Federal Tax Workbook* contains an in-depth discussion of “Indirect Methods for Determining Income” on pages 73–86.

**Hobby Losses.** Based on the number of tax court cases tried each year, too many taxpayers report business losses which fail to pass as legitimate for-profit enterprises. Activities involving horses, race cars, and fishing receive higher scrutiny than activities that do not have significant elements of personal pleasure.

**Listed Property.** It is tempting for many taxpayers to claim 100% business use of items that are actually used for both business and pleasure. Therefore, the IRS requires additional documentation for those items with the most significant element of fun, such as vehicles, cell phones, home computers, and other electronic devices. The taxpayer’s best defense is to keep a contemporaneous log documenting both business and personal use of such listed items. The examiner frequently asks to see the documentation supporting any car/truck expenses deducted on the return.

**Meals and Entertainment.** Another area teeming with temptation is the deduction for business meals and entertainment. Taxpayers should be prepared with documentation showing the who, what, when, where, and why of these expenses.

**Repairs and Maintenance.** There is an indistinct line between expenses properly categorized as repairs and those properly categorized as capital improvements. Taxpayers should be prepared to show that repairs did not prolong the useful life of the items repaired, nor did the repairs materially increase the value of the items.<sup>2</sup>

**Allocation of Mixed Personal and Business Expenses.** Often a taxpayer pays expenses that include both personal and business use, such as:

- Tax consultations,
- Utilities,
- Taxes,
- Insurance, and
- Interest expense on mixed use loans.

Sometimes the allocation of these costs can be found on the bill from the vendor. However, occasionally the allocation must be determined by the taxpayer. In these cases, it is important for the taxpayer to fully document the basis upon which the allocation is made.

**Note.** Regarding tax preparation fees, IRS Rev. Rul. 92-29 stipulates that only the portion of the fees specifically related to the activity can be deducted against the income of the activity. However, in *Burleson v. Commr.*, TC Memo 1994-130, the court agreed with the taxpayer that the preparation fees were 100% attributable to the business.

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<sup>2</sup> *FedEx Corporation v. United States*, KTC 2005-41 (6th Cir. 2005), Docket 03-6514, February 16, 2005

**Example 4.** Paul gives his tax consultant, Dorothy Dorigt, EA, a signed Form 2848, *Power of Attorney and Declaration of Representative*, giving her permission to represent him before the IRS. She contacts the auditor and sets up an appointment. During the phone call, Mr. Krick gives her a list of documents to bring to the first meeting:

- Paul's personal and business bank statements from December 2003 through January 2005, including cancelled checks
- Credit card statements from the same period
- Accounting records showing how the reported amounts were calculated
- Mileage logs
- Depreciation schedules
- Receipts for all reported expenses
- Copies of the 2003, 2004, and 2005 returns and the 2006 return if it is completed

Prior to meeting with Paul or the auditor, Dorothy downloads from the IRS website the Market Segment Specialization Program (MSSP) ATGs for Farm Hobby Losses<sup>3</sup> and for Specific Income Issues related to Farming.<sup>4</sup>

Paul and Dorothy gather the documents that they can find and prepare to meet with the auditor. They discuss the possible questions and issues that the IRS might raise. Dorothy decides that the primary risk is that the IRS will find that the activity lacks proper profit motive. She walks Paul through the factors that the IRS considers when making that determination. Based on Paul's ability to rationally discuss the issues, Dorothy decides to have him present at the audit.

They also decide to wait to file the 2006 return until the results from the audit are finalized.

## DURING THE AUDIT

A taxpayer with less-than-perfect records would do well not to invite the examiner to take a hard-line stance. In addition, neither the taxpayer nor the practitioner should give the examiner reason to doubt her integrity.

Ways for representatives to cast a professional image:<sup>5</sup>

- Be on time for meetings with the auditor.
- Have supporting records available.
- Explain the method of preparing the return, as well as explain the underlying documentation.
- Do not be defensive.
- Make the records easy to follow and tie into the return.
- Be ready to explain the technical aspects of the return.
- Be proactive in dealings with the IRS.
- Do not lie.

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<sup>3</sup> IRC Section 183: *Farm Hobby Losses with Cattle Operations and Horse Activities*, available at [www.irs.gov](http://www.irs.gov), March 2001

<sup>4</sup> *Farming — Specific Income Issues and Farm Cooperatives*, available at [www.irs.gov](http://www.irs.gov), July 1997

<sup>5</sup> "IRS Audits," *EA Journal*, January-February 2006, p. 13



# 2006 Workbook

**Example 5.** The meeting takes place at the local IRS office. Mr. Krick gives Paul and Dorothy a copy of IRS Pub. 3498, *The Examination Process*, and highlights the audit procedures for them. He then asks Paul a series of questions. The first set of questions simply verifies the information presented on the return. Paul is single with no dependents and is not gainfully employed.

The next series of questions concern Paul's finances:

- Identify all bank and investment accounts, including both personal and business. Are there any foreign accounts?
- Are personal and business activities kept separate?
- Were all business receipts deposited? To which account?
- Is there a safety deposit box and what are its contents?

Next Mr. Krick asks about Paul's farming operation, its history, and its present prospects. His questions include:

- How much time does Paul spend on the activity?
- How does Paul intend to make the activity profitable?
- Are any by-products of the activity sold?

After the interview is completed, Mr. Krick and Ms. Doright join Paul at the ranch to take a tour of the facilities and meet Babe. Before they part, Mr. Krick gives them a receipt for the documents they have left with him at his office.

Agent Krick later requested information which was not provided the day of the audit. He made this request on the following IDR.

Form <b>4564</b> (Rev. June 1988)	Department of the Treasury — Internal Revenue Service <b>Information Document Request</b>	Request number 1
To: (Name of Taxpayer and Company Division or Branch) Paul Bunyon 777 Lumberjack Way Wilderness, IL 61555		Subject 2004 examination
		SAIN number Submitted to: Dorothy Doright
Please return Part 2 with listed documents to requester identified below Description of documents requested  During the review of your bank statements and the records you supplied, I noted some items that I would like to review further. In order to expedite the audit process, please send this information to me by May 1, 2007.  1. Mileage log and calculation of Car & Truck expenses 2. I was unable to trace the deposit of \$1245 on 8/25/2004 into account 67-9000 from another account, and it was not included in [redacted] [redacted] [redacted]		Dates of previous requests N/A
Information due by May 1, 2007	At next appointment <input type="checkbox"/>	Mail in <input checked="" type="checkbox"/>
From:	Name and title of requester Herbert Krick, Internal Revenue Agent	Employee ID number 36-12345
	Office location Local office address Local City, IL 61602	Date 04/01/2007
	Fax Number: 309-555-2121	Telephone number 309-555-1212 x999
Catalog No. 23145K		Form <b>4564</b> (Rev. 6-1988)



Ms. Doright has information on the mileage in her records, but she has to contact Paul to ask about the deposit. He tells her that the money was a birthday gift from his grandmother. She asks Paul to get a copy of the deposit from the bank, including the check.

Dorothy sends the copy to Mr. Krick along with a note explaining that although Paul does not keep a mileage log, his feed receipts show that he makes weekly trips to the feed store. Mapquest® shows that the feed store is 20 miles round trip from the farm. They assume that Paul made 50 trips, so his total mileage expense was calculated as 1,000 miles  $\times$  \$0.375 per mile. No other business trips were included in the total, although they could probably show that he did make other trips for repairs and maintenance, and so on.

## Closing the Audit

After the examiner reviews the documentation, he prepares an examination report. In practice, the examiner usually discusses the proposed changes with the representative and gives him the opportunity to defend the issues prior to completing the report.

The representative should discuss the issues and options with the taxpayer (i.e.; Is additional support available to dispute the examiner's findings? What are the costs associated with appealing the findings? Are there potential unexamined issues that could create additional tax liability?).

**Example 6.** Paul's son, Wilbur, is a college student who earns \$15,000 per year. The examiner did not question whether Wilbur is self-supporting. Paul **believes** that he and Wilbur's mother provided over half of Wilbur's support, but Dorothy has not verified this. If the dependency exemption were disallowed, Paul could lose the exemption and the education credit.

## 30-Day Letter

Within a few weeks after the closing conference with the examiner, the taxpayer receives a package with:

- A letter notifying the taxpayer of the right to appeal the proposed changes within 30 days
- A copy of the examination report explaining the examiner's proposed changes
- An agreement or waiver form
- A copy of IRS Pub. 5, *Your Appeal Rights and How to Prepare a Protest if You Don't Agree*

The taxpayer has 30 days from the date of the letter to tell the IRS whether the proposed changes are accepted or appealed. The letter explains what steps to take, depending on the action chosen. The instructions must be followed carefully. Most taxpayers agree to the proposed changes and the examinations are closed at that time.

## 90-Day Letter

If the IRS does not receive a response to the 30-day letter, or if no agreement is reached with the Appeals Officer, the IRS sends a 90-day letter, which is also known as a notice of deficiency. The taxpayer has 90 days from the date of the notice to file a petition with the Tax Court. If the taxpayer is located outside of the United States, the deadline is 150 days instead of 90. During this period, the IRS is not permitted to take action on the tax deficiency.

# 2006 Workbook

## When the Taxpayer Agrees to the Proposed Changes

If there is a balance due as a result of the examination, the taxpayer may pay the additional tax at the time of signing the agreement form. The taxpayer is billed for interest from the due date of the return to the date the tax is paid. If the taxpayer is unable to pay the balance due, additional options include:

- Indicating the intent to pay within 120 days of signing the agreement form
- Paying by credit card, which is subject to a convenience fee
- Applying for an installment agreement using Form 9465, *Installment Agreement Request*
- Applying for an offer in compromise by filing Form 656, *Offer in Compromise*. Acceptance of the offer by the IRS allows the taxpayer to settle the tax due for less than the full amount due.

**Note.** See the 2005 *University of Illinois Federal Tax Workbook*, Chapter 2, for detailed discussions of these options.

Under special circumstances, one spouse may file for relief from the tax liability by filing Form 8857, *Request for Innocent Spouse Relief*, and Form 12510, *Questionnaire for Requesting Spouse*.

If the taxpayer is due a refund as a result of the audit, signing the agreement form is the first step in the IRS process of issuing a refund check. The taxpayer is paid interest on the overpayment.

## THE APPEALS PROCESS

### When the Taxpayer Disagrees with the Proposed Changes

If the representative has not been able to persuade the examiner that the treatment is correct and the taxpayer wishes to pursue the matter, the first appeal is to the examiner's supervisor. The supervisor considers the taxpayer's arguments and if possible, reaches an agreement with the taxpayer at that time.

If an agreement cannot be reached with the supervisor, or if the examination takes place outside of an IRS office, the examiner writes up the case explaining the taxpayer's position and the IRS's position. The examiner then forwards the case to appeals.

**Example 7.** A few days after receiving the information, Mr. Krick calls Ms. Doright and says that he proposes adjustments to reclassify the income to "hobby income" and move the expenses to miscellaneous itemized deductions. Ms. Doright asks for a meeting with his supervisor, which is arranged.

The meeting is held on May 15, and despite arguments by Dorothy and Paul, the supervisor agrees with the examiner that the past ten years of losses are sufficient to show lack of profit motive.

A few weeks later, Dorothy receives the 30-day letter, a copy of the proposed audit changes, and a copy of IRS Pub. 5. After discussing the liability, Paul directs Ms. Doright to appeal the decision. A copy of her letter of appeal follows the Income Tax Examination Changes.

# 2006 Workbook

## For Example 7

**Internal Revenue Service  
Small Business and Self-Employed**

**Date:** May 31, 2007

PAUL BUNYON  
777 Lumberjack Way  
Wilderness, IL 61555

**Department of the Treasury**

Local office address  
Local City, IL 61602

**Taxpayer Identification Number:** 888-11-7777

**Form:** 1040

**Tax Period(s) Ended:** 200412, 200512

**Person to Contact:** Herbert Krick

**Contact Telephone Number:** 309-555-1212 x999

**Employee Identification Number:** 36-12345

**Refer Reply to:**

**Last Date to Respond to this Letter:** 06/30/2007

Dear PAUL BUNYON:

We have enclosed two copies of our examination report showing the changes we made to your tax for the period(s) shown above. Please read the report and tell us whether you agree or disagree with the changes. (This report may not reflect the results of later examinations of partnerships, "S" corporations, trust, etc., in which you have an interest. Changes made to those tax returns could affect your tax.)

IF YOU AGREE with the changes in the report please sign, date, and return one copy to us by the response date shown above. If you filed a joint return, both taxpayers must sign the report. If you owe additional tax, please include payment for the full amount to limit penalty and interest charges to your account.

IF YOU CAN'T PAY the full amount you owe now, pay as much as you can. If you want us to consider an installment agreement, please complete and return the enclosed Form 9465, *Installment Agreement Request*. If we approve your request, we will charge a \$43.00 fee to help offset the cost of providing this service. We will continue to charge penalties and interest until you pay the full amount you owe.

IF YOU DON'T AGREE with the changes shown in the examination report, you should do one of the following by the response date.

- Mail us any additional information that you would like us to consider
- Discuss the report with the examiner
- Discuss your position with the examiner's supervisor
- Request a conference with an Appeals Officer, as explained in the enclosed Publication 3498, *The Examination Process*. Publication 3498 also explains *Your Rights as a Taxpayer* and *The Collection Process*.

IF YOU DON'T TAKE ANY ACTION by the response date indicated in the heading of this letter, we will process your case based on the information shown in the report. We will send you a statutory notice of deficiency that gives you 90 days to petition the United States Tax Court. If you allow the 90-day period to expire without petitioning the Tax Court, we will bill you for any additional tax, interest, and penalties.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter. When you write to us, please include your telephone number and the best time for us to call you if we need more information. We have enclosed an envelope for your convenience.

Thank you for your cooperation.

Sincerely yours,

ROSEMARY LIGHTHOUSE  
DIRECTOR COMPLIANCE, AREA 7

**Enclosures:**

Examination Report (2)  
Form 9465  
Publication 3498  
Envelope

Letter 915(Do) (Rev. 9-2000)  
Catalog Number 62712V

4

# 2006 Workbook

## For Example 7

Form <b>4549</b> (Rev. March 2005)		Department of the Treasury-Internal Revenue Service <b>Income Tax Examination Changes</b>		Page _____ of _____
Name and Address of Taxpayer <b>PAUL BUNYON 777 LUMBERJACK WAY WILDERNESS, IL 61555</b>		Taxpayer Identification Number <b>888-11-7777</b>		Return Form No.:
		Person with whom examination changes were discussed.	Name and Title: <b>DOROTHY DORIGHT, EA</b>	
1. Adjustments to Income		Period End <b>2004</b>	Period End <b>2005</b>	Period End
a. <b>OTHER INCOME</b>		<b>4,000</b>	<b>3,500</b>	
b. <b>SCH F. CAR &amp; TRUCK EXPENSES</b>		<b>375</b>	<b>430</b>	
c. <b>SCH F. DEPRECIATION</b>		<b>892</b>	<b>893</b>	
d. <b>SCH F. FEED</b>		<b>8,000</b>	<b>8,300</b>	
e. <b>SCH F. MORTGAGE INTEREST</b>		<b>2,500</b>	<b>2,000</b>	
f. <b>SCH F. REPAIRS &amp; MAINT</b>		<b>3,800</b>	<b>1,500</b>	
g. <b>SCH F. TAXES</b>		<b>6,000</b>	<b>6,500</b>	
h. <b>SCH F. OTHER EXPENSES</b>		<b>100</b>	<b>120</b>	
i. <b>SCH F. GROSS RECEIPTS</b>		<b>-4,000</b>	<b>-3,500</b>	
j. <b>SCH A. ITEMIZED DEDUCTIONS</b>		<b>-5,150</b>	<b>-5,500</b>	
k.				
l.				
m.				
n.				
o.				
p.				
2. <b>Total Adjustments</b>		<b>16,517</b>	<b>14,243</b>	
3. <b>Taxable Income Per Return or as Previously Adjusted</b>		<b>64,383</b>	<b>88,557</b>	
4. <b>Corrected Taxable Income</b>				
Tax Method <b>QDCGTW</b>		<b>80,900</b>	<b>102,800</b>	
Filing Status <b>SINGLE</b>		<b>12,969</b>	<b>18,371</b>	
5. <b>Tax</b>				
6. <b>Additional Taxes / Alternative Minimum Tax</b>				
7. <b>Corrected Tax Liability</b>		<b>12,969</b>	<b>18,371</b>	
8. <b>Less Credits</b>				
a. <b>HOPE CREDIT</b>			<b>1,500</b>	
b.				
c.				
d.				
9. <b>Balance (Line 7 less Lines 8a through 8d)</b>		<b>12,969</b>	<b>16,871</b>	
10. <b>Plus Other Taxes</b>				
a.				
b.				
c.				
d.				
11. <b>Total Corrected Tax Liability (Line 9 plus Lines 10a through 10d)</b>		<b>12,969</b>	<b>16,871</b>	
12. <b>Total Tax Shown on Return or as Previously Adjusted</b>		<b>8,832</b>	<b>13,309</b>	
13. <b>Adjustments to:</b>				
a.				
b.				
14. <b>Deficiency-Increase in Tax or (Overassessment-Decrease in Tax) (Line 11 less Line 12 adjusted by Lines 13a plus 13b)</b>		<b>4,137</b>	<b>3,562</b>	
15. <b>Adjustments to Prepayment Credits - Increase (Decrease)</b>				
16. <b>Balance Due or (Overpayment) - (Line 14 adjusted by Line 15) (Excluding interest and penalties)</b>		<b>4,137</b>	<b>3,562</b>	

The Internal Revenue Service has agreements with state tax agencies under which information about federal tax, including increases or decreases, is exchanged with the states. If this change affects the amount of your state income tax, you should amend your state return by filing the necessary forms.

You may be subject to backup withholding if you underreport your interest, dividend, or patronage dividend income you earned and do not pay the required tax. The IRS may order backup withholding (withholding of a percentage of your dividend and/or interest income) if the tax remains unpaid after it has been assessed and four notices have been issued to you over a 120-day period.

# 2006 Workbook

## For Example 7

DOROTHY DORIGHT, EA  
293 HAROLD AVE  
CENTRAL IL 61555  
(309) 555-1111

June 21, 2007

INTERNAL REVENUE SERVICE  
APPEALS OFFICE  
KANSAS CITY MO 64999

RE: PAUL BUNYON

SS#888-11-7777

777 Lumberjack Way  
Wilderness, IL 61555

EXAMINATION CHANGES FORM 1040 YEARS: 2004, 2005

Dear Gentilepersons,

We are writing to **appeal the changes** proposed on the attached Form 4549. The IRS examiner made the determination that Mr. Bunyon's farm operations were not operated with a profit motive. However, we respectfully disagree.

Mr. Bunyon has been in this business for 25 years. Although revenues have been declining for the past few years, this is believed to be a temporary downswing, and demand for his ox's services is expected to recover in the next few years. Furthermore, the land where the ox is kept is increasing in value due to the fertilization of the ground from ox by-products. We are attaching a report from Farm Servicing Corp. which shows that his ground has a higher concentration of natural fertilizers than neighboring farms and that the value of his land is significantly higher than that of his neighbors for the same reason.

Reviewing the nine factors in evaluating the profit motive of an activity:

1. Mr. Bunyon operates the activity in a business-like manner with a separate account for business transactions. He keeps accurate and orderly books and records.
2. Mr. Bunyon is a nationally recognized expert on big blue oxen. A copy of a *Lumberjack Magazine* article profiling his renown is enclosed.
3. Mr. Bunyon spends a significant amount of time caring for his ox. The taxpayer spends four to eight hours a day on ox upkeep.
4. There is a realistic expectation that the land has will continue to increase in value as a result of its use in this activity. Because the fertilizer resulting from the current use has a direct relationship to the appreciation of the land, the holding of the land should not be treated as a separate investment from the current activity.
5. The taxpayer has had numerous successes in the past in a variety of activities relating to forestry and farming.
6. For 15 years, Mr. Bunyon proved that this activity can generate a profit under his guidance. He expects the market to improve within the next few years. Enclosed are copies of his Schedule Fs that were included in his tax returns since inception of the business.
7. The past profits were more than occasional. The potential profitability that is expected from both land appreciation and market recovery will more than justify the investment the taxpayer is making at this time.
8. Although Mr. Bunyon's financial wherewithal allows him to continue this operation when less fortunate taxpayers would have abandoned it, it is only his belief in the future financial rewards that keeps him operating in the manner he has.
9. The level of personal pleasure in keeping the ox is outweighed by the amount of time and effort involved in his care, especially the manure shoveling.

We believe that the facts in this situation are similar to the facts in ***George R. and Barbara H. Burrus v. Commissioner, TC Memo 2003-285, October 3, 2003***, and that the appeals office should overturn the examiner's conclusion.

Thank you for your time and efforts in addressing our request.

I have prepared this appeal and gathered the supporting documentation. To the best of my knowledge and belief all of the information presented is true.

Sincerely,  
Dorothy Doright

4

# 2006 Workbook

## FAST TRACK MEDIATION

The IRS offers fast track mediation services to help taxpayers resolve many disputes resulting from examinations and other IRS actions. Most cases that are not docketed in any court qualify for fast track mediation. Mediation can take place at a conference requested with a supervisor, or later. The process involves an Appeals Officer who has been trained in mediation.

The advantage of the fast track process is that the case is assigned to a mediator who contacts the taxpayer within a week to schedule a meeting at a neutral location. While the mediator works within the law, she does not have the authority to require either party to accept the resolution. Both the IRS representative and the taxpayer must sign a form agreeing to participate in the mediation process. Not all issues qualify for fast track mediation.

## APPEAL WITHIN THE IRS

Additional information on the appeals process can be found at [www.irs.gov/appeals](http://www.irs.gov/appeals). The website also contains an informative online video entitled “Appeals — Today and Tomorrow.”

The Appeals Office is an independent branch of the IRS, separate from the other IRS functions. This is the only level of appeal within the IRS. The taxpayer may represent himself at the appeals conference, or he may be represented by an attorney, CPA, EA, or enrolled actuary.

Conferences with the Appeals Office personnel are held in an informal manner by correspondence, telephone, or in person. The 30-day letter includes instructions for requesting an appeals conference. Appeals conferences are not available to taxpayers whose reasons for disagreement are not within the scope of the Revenue Code. For example, a disagreement based solely on moral, religious, political, constitutional, conscientious, or similar grounds is not eligible for an appellate conference.

**Note.** In September of 2005, the Treasury Inspector General for Tax Administration issued the results of its audit to determine the independence of the IRS Appeals Office. The findings were that the office does appear to be independent.<sup>6</sup> According to the report, representatives from ABA, AICPA, NAEA, and NSA advised the auditors that they believe the independence of Appeals is very high.

In addition, the U.S. Government Accountability Office reported in March 2006 that an estimated **41%** of the 102,623 appeals cases closed in fiscal year 2004 were decided, at least in part, in the **taxpayer’s favor**.<sup>7</sup>

Written protests are **not** required for taxpayers who qualify for the small case request procedure and for those whose circumstances fall under a special appeals procedure, such as requesting consideration of liens, levies, seizures, or installment agreements.

Written protests **are** required in the following instances:

- All employee plan and exempt-organization cases without regard to the dollar amount at issue
- All partnership and S corporation cases without regard to the dollar amount at issue

<sup>6</sup> Treasury Inspector General for Tax Administration: Reference number 2005-10-141: *The Overall Independence of the Office of Appeals Appears to Be Sufficient*, September 2005

<sup>7</sup> GAO-06-396: TAX ADMINISTRATION Opportunities to Improve Compliance Decisions and Service to Taxpayers through Enhancements to Appeals’ Feedback Project



## Written Protest

When a written protest is required, it must be filed within the time frame specified in the 30-day letter. The protest should include:

- The taxpayer's name, address, and daytime phone number
- A statement that the taxpayer wishes to appeal the IRS findings to the Appeals Office
- A copy of the letter showing the proposed changes that the taxpayer disagrees with
- The tax periods or years involved
- A list of the disputed changes and the reasons that they are disputed
- The facts supporting the taxpayer's position
- The law or authority supporting the taxpayer's position
- A declaration signed by the person submitting the protest

If the taxpayer is submitting the protest, the declaration should read: "Under the penalties of perjury, I declare that I examined the facts stated in this protest, including any accompanying documents, and to the best of my knowledge and belief, they are true, correct, and complete."

If the taxpayer's representative is submitting the protest, the declaration should state that the representative is submitting the protest and accompanying documents, and state whether the representative knows personally that the facts stated in the protest and accompanying documents are true and correct.

The more information provided with the written protest, the faster the appeal can be resolved.

## Small Case Request

If the total amount for any tax period is not more than \$25,000, the taxpayer may make a small case request instead of filing a formal written protest. In figuring the total amount, a proposed increase or decrease in tax is included, plus penalties. If the taxpayer is making an offer in compromise, include total unpaid tax, penalty, and interest due.

To make a small case request, send a letter to the IRS requesting consideration by Appeals that indicates the changes that are disputed and the reasons for the dispute.

## Appeals Related to Employee Plan Examinations

There are a number of issues specific to employee plans, such as whether a plan is qualified or subject to excise taxes. There may be additional procedures required when a taxpayer is protesting IRS determinations related to such issues. IRS publication *EP Examination Process Guide*, "Section 7: Appeals," should be reviewed by anyone wishing to make an appeal related to an employee plan.

## APPEALS TO THE COURTS

**Note.** For additional information related to the courts, see the section "Judicial System for Tax Disputes" in the *Rulings and Cases* chapter.

Appeals may be made to the U.S. Tax Court, U.S. Court of Federal Claims, or the U.S. District Court even if the taxpayer elects to bypass the IRS's appeals system. However, a case petitioned to the Tax Court normally is considered for settlement by the Appeals Office before the Tax Court hears the case. The Tax Court may impose fines of up to \$25,000 if the case is frivolous, groundless, or intended primarily as a delay tactic, or if the taxpayer unreasonably fails to pursue the IRS's appeals system.

# 2006 Workbook

Taxpayers would do well to consult with legal counsel before deciding which court to petition for their appeal. Factors to consider include:

- Precedents set by each court in the jurisdiction of the taxpayer's residence.
- Jury trials are only available in the U.S. District Court.
- Taxpayers can only represent themselves in Tax Court.
- Only the Tax Court can hear cases before the disputed tax is paid.
- The types of cases each court is allowed to review.

During the period that the case is under appeal, the IRS is not allowed to take action on the tax deficiency if the taxpayer has provided a bond.

## Prohibition on Requests to Taxpayers to Give Up Rights to Bring Civil Action

The government can only ask a taxpayer to waive the right to sue the United States or a government officer or employee if:

- The taxpayer knowingly and voluntarily waives that right,
- The request to waive that right is made in writing to the taxpayer's attorney or other federally authorized practitioner, or
- The request is made in person and the representative is present.

## Burden of Proof

The IRS generally has the burden of proof for any factual issue if the taxpayer meets the following requirements:

- The taxpayer introduced credible evidence relating to the issue.
- The taxpayer complied with all substantiation requirements of the Revenue Code.
- The taxpayer maintained all records required by the Revenue Code.
- The taxpayer cooperated with all reasonable requests by the IRS for information regarding the preparation and related tax treatment of any item reported on the tax return.
- The tax return is for a corporation, partnership, or trust: The taxpayer had a net worth of \$7 million or less and not more than 500 employees at the time the liability is contested in any court proceeding.

The burden of proof does not change on an issue when another provision of the tax laws requires a specific burden of proof related to that issue.

The IRS also has the burden of proof when it reconstructs an individual's income solely through the use of statistical information drawn on unrelated taxpayers. In addition, the IRS has the burden of initially producing evidence related to the liability of any individual taxpayer for any penalty, addition to tax, or additional amount imposed by the tax laws.

## Recovering Litigation or Administrative Costs

The taxpayer may be able to recover reasonable litigation or administrative costs if all of the following conditions apply:

- The taxpayer is the **prevailing party** or meets the **qualified offer rule** discussed below.
- All administrative remedies within the IRS were exhausted.
- The taxpayer's net worth is below certain levels, shown below.

- The taxpayer did not unreasonably delay the proceeding.
- The application for recovery of administrative costs is made within 90 days of the date on which the Appeals Office's final decision was mailed to the taxpayer.
- The application for recovery of litigation costs is made within the time frames provided by Tax Court Rule 2.

If the IRS denies the request for administrative costs recovery, the deadline to appeal that decision is 90 days from the date the IRS mails the denial notice. The appeal is made to the Tax Court.

To be the **prevailing party**, the taxpayer must substantially win with respect to the amount in controversy or on the most significant tax issue or set of issues in question. Additionally, the United States must fail to establish that its position was substantially justified. The position of the United States is presumed not to be substantially justified in either case if the IRS:

- Did not follow its applicable published guidance in the proceeding. Such guidance might include regulations, revenue rulings, notices, announcements, private letter rulings, technical advice memoranda, and/or determination letters issued to the taxpayer. This presumption can be overcome by evidence.
- Has lost in courts of appeal for other circuits on substantially similar issues.

The court generally decides who the prevailing party is.

**Reasonable costs** can include the following:

- Court costs or administrative fees imposed by the IRS.
- The costs of studies, analyses, engineering reports, tests, or projects.
- The costs of expert witnesses.
- Attorney fees that generally may not exceed \$160 per hour for 2006.<sup>8</sup> Attorney fees include the fees paid by the taxpayer for the services of anyone who is authorized to practice before the Tax Court or before the IRS. The hourly rate is adjusted each year for inflation.

Administrative costs can be awarded for costs incurred after the earliest of:

- The date the first letter of proposed deficiency is sent that allows the taxpayer the opportunity to request administrative review in the IRS Office of Appeals,
- The date the taxpayer receives notice of the IRS Office of Appeals' decision, or
- The date of the notice of deficiency.

## Net Worth Requirements for Recovering Appeal Costs

A taxpayer may be able to recover litigation or administrative costs if the following requirements are met:

- **For individuals:** the taxpayer's net worth does not exceed \$2 million as of the filing date of the petition for review. For this purpose, individuals filing a joint return are treated as separate individuals.
- **For estates:** the estate's net worth does not exceed \$2 million as of the date of the decedent's death.
- **For charities and certain cooperatives:** the taxpayers do not have more than 500 employees as of the filing date of the petition for review.
- **For all other taxpayers:** as of the filing date of the petition, the taxpayer's net worth does not exceed \$7 million, and the taxpayer does not have more than 500 employees.

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<sup>8</sup> IRB 2005-47, November 21, 2005

# 2006 Workbook

## Recovering Costs under the Qualified Offer Rule

Taxpayers may be treated as a prevailing party in a civil action or proceeding if:

- The taxpayer makes a qualified offer to the IRS to settle the case,
- The IRS does not accept the offer, and
- The tax liability (not including interest, unless interest is at issue) as determined by the court is equal to or less than the amount of the qualified offer.

A **qualified offer** is a written offer made during the qualified offer period. **The period begins on the day the IRS mails the 30-day letter and it ends 30 days before the case is first set for trial.** The offer must specify the proposed settlement, not including interest, and state that it is a qualified offer. It must remain open from the date it is made until the earliest of:

- The date it is rejected,
- The date the trial begins, or
- 90 days from the date it is made.

## The Tax Court

The taxpayer may be represented by himself or by anyone admitted to practice before the Tax Court. The Tax Court can hear cases concerning the following issues:

- Income, estate, gift, and certain excise taxes
- Penalties related to these proposed liabilities
- IRS's failure to abate interest (under certain circumstances)<sup>9</sup>
- Appeals determination with respect to lien notices and proposed levies<sup>10</sup>

Other types of tax controversies, such as those involving some employment tax issues or manufacturers' excise taxes cannot be heard by the Tax Court. However, the Tax Court **can** review IRS determinations that an individual performing services for the taxpayer is an employee instead of an independent contractor, or that the taxpayer is not entitled to relief under the Revenue Act of 1978 §530(a). Additional requirements also apply.<sup>11</sup>

The Tax Court also reviews requests for innocent spouse relief or separation of liability if **either** the IRS denies the taxpayer's request for relief, in whole or in part, **or** if the IRS does not make a determination within six months from the date relief is requested.

Finally, the taxpayer can request that the Tax Court redetermine the amount of interest that the taxpayer has paid. However, this can be done only after the:

- Tax Court has made a determination on a case,
- IRS has assessed the deficiency as determined by the Tax Court, plus interest, and
- Entire amount of the deficiency and interest has been paid.

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<sup>9</sup> IRC §6404(h)(1)

<sup>10</sup> For more information see IRS Pub. 1660, *Collection Appeal Rights*.

<sup>11</sup> For additional information, see IRS Pub. 3953, *Questions and Answers About Tax Court Proceedings for Determination of Employment Status Under IRC Section 7436*.

## The Tax Court and the 90-day Letter

Cases cannot be filed with the Tax Court before receipt of the notice of deficiency (the 90-day letter). The exact deadline for the appeal to the Tax Court is shown in the notice.

If the taxpayer and the IRS agree, the IRS may withdraw a notice of deficiency. This might be done if they are in negotiations, but want to leave the option open to file with the Tax Court. Once withdrawn, the limits on credits, refunds, and assessments concerning the notice are void, and the taxpayer and the IRS have the same rights and obligations as existed before the notice was issued. The suspension of any time limitation while the notice was issued does not change when the notice is withdrawn. However, after the notice is withdrawn, the taxpayer cannot file a petition with the Tax Court based on that notice. Also, the IRS can later issue a notice of deficiency for a different amount than the original notice.

## Small Tax Case Procedure

If the amount of tax due is \$50,000 or less for any one tax year or period, the taxpayer can request that the case be handled under the small tax case procedure. Trials under this procedure are generally less formal and result in a speedier disposition. However, if the Tax Court grants the request to use this procedure, the decision of the court in the case **cannot be appealed**.

## Appealing Tax Court Decisions

With the exception of cases heard under the small tax case procedure, decisions of the Tax Court can be appealed to the Circuit Court of the taxpayer's residence. A final appeal can be made to the U.S. Supreme Court, but since its jurisdiction is discretionary, the court hears relatively few tax cases.

## U.S. District Court and the U.S. Court of Federal Claims

Generally, these courts only hear cases after the **disputed tax has been paid** and the taxpayer's claim for refund has been denied. However, if the IRS does not act within six months from the date the claim was filed, the taxpayer may file suit for the refund even though the IRS has failed to deliver a decision. Once the IRS does inform the taxpayer the claim is rejected, the taxpayer only has two years to file suit.

If the taxpayer wishes to go directly to one of these courts without using the IRS Appeals Office, he can file a claim for refund with the written request that the claim be immediately rejected.

Claims for refund of penalties associated with abusive tax shelters and/or aiding and abetting the understatement of tax liability on another's return cannot be filed with the Federal Claims Court.

## TAXPAYER BURDEN REDUCTION

The IRS is requesting the help of all tax professionals. One of its major initiatives is to reduce taxpayer burden. In the past they have instituted such changes as not requiring a Schedule B if the taxpayer's interest income is less than \$1,000 as a means of reducing burden. Previously, the Schedule B was required for interest received of \$400 or more.

The IRS has released Form 13285-A, *Reducing Tax Burden of America's Taxpayer*. This form can be downloaded from the IRS website at **www.irs.gov**. The completed form is then sent to the address shown on the form.

Form 13285-A is shown on the following page.

# 2006 Workbook

Form **13285-A**  
(Rev. May 2006)

Department of the Treasury — Internal Revenue Service  
**Reducing Tax Burden on America's Taxpayers**  
*(Referral Form for Use by the Public)*

OMB # 1545-2009

The IRS Office of Taxpayer Burden Reduction (TBR) needs the taxpaying public's help in identifying meaningful taxpayer burden reduction opportunities that impact a large number of taxpayers. Use this form to refer ideas for reducing taxpayer burden to TBR for consideration and possible implementation.

Please answer the following questions to the best of your knowledge. Attach additional sheets if needed.

**Tracking Number**  
*(Official Use Only)*

Originator's name *(Optional)*

Date *(mmddyyyy)*

Address *(Street, City, State & Zip Code) (Optional)*

Phone number *(include area code) (Optional)*

( )

E-mail address *(Optional)*

1. Are you? ☐ Business Owner ☐ Tax Professional ☐ Other *(please specify)*

2. What is the problem/issue causing taxpayer burden? *(Be as specific as possible)*

3. What kind of taxpayers or businesses does it affect? *(Please check the appropriate block and describe the nature of the business, i.e. restaurant, trucking.)*

☐ Sole Proprietorship

☐ Partnership

☐ Regular Corporation

☐ S Corporation

☐ Limited Liability Company

☐ Other *(please specify)*

4. What is your proposed solution or remedy? *(Please check the appropriate box and provide a detailed description of the remedy below.)*

☐ Simplify forms/publications

☐ Change regulations or rulings

☐ Change the tax law

☐ Streamline policies or procedures

☐ Other *(please specify)*

Submit the completed form via email to [\\*sbse.otpbr@irs.gov](mailto:*sbse.otpbr@irs.gov) or send to:

Office of Taxpayer Burden Reduction  
Internal Revenue Service - SE:S:TBR, IR 2023  
1111 Constitution Ave., NW  
Washington, DC 20224

Thank you for taking the time to refer this issue to the Office of Taxpayer Burden Reduction.



## ISSUE MANAGEMENT RESOLUTION SYSTEM

The IRS Stakeholder Liaison (SL) recently established the Issue Management Resolution System (IMRS), which is a streamlined and structured process that facilitates stakeholder issue identification, resolution, and feedback.

IMRS captures, develops, resolves and responds to significant national and local stakeholder issues. When stakeholder organizations notify the IRS of concerns about **IRS policies, practices, and procedures**, SL researches the issues to bring about resolution.

IMRS also identifies nationwide trends in the reporting, filing, and paying requirements that may necessitate changes to IRS processes and procedures. Progress on stakeholder issues is closely monitored to ensure proper response and communication to the initiating stakeholder and all affected stakeholders.

Tax professionals should forward significant issues regarding IRS policies, practices and issues to their SL local contacts:

Stakeholder Liaison Areas	Phone
Mid-Atlantic — PA, NJ, DE, WV	(412) 395-5243
New York	(212) 436-1056
Great Lakes — MI, OH	(216) 522-2563
Northeast — MA, ME, NH, VT, CT, RI	(203) 781-3087
Midwest — MN, WI, ND, SD, NE, IA	(414) 231-2157
Southwest — TX, NM, CO	(713) 209-3806
Central — IL, IN, MO, KS	(630) 493-5866
Mid-South — KY, TN, AL, MS, AR, LA, OK	(405) 297-4045
Southeast — FL, GA	(954) 423-7686
South Atlantic — MD, VA, NC, SC	(336) 378-2348
Northwest — WA, OR, NV, AZ, UT, ID, MT, WY	(206) 220-5300
Western — CA, AK, HI	(949) 389-4125

Local SL offices establish relationships with organizations representing small business and self-employed taxpayers. These SL offices provide information about the policies, practices, and procedures the IRS uses to ensure compliance with the tax laws.

Stakeholder Liaison employees are available to the payroll and practitioner community and stakeholder organizations to provide information throughout the year about IRS policies, practices, and procedures. SL involvement with practitioner institutes, phone forums, and small business forums strengthens the IRS partnership with the tax professional community and facilitates the exchange of information, ideas, and concerns. For example, as of May 9, 2006, SL facilitated 174 tax practitioner institutes; 78 practitioner liaison meetings; and 788 seminars, phone forums and other stakeholder events during fiscal year 2006.

Tax professionals can also contact their SL local contacts if they are having difficulties in navigating the IRS.

## ELECTRONIC ISSUES

The IRS is continually updating its systems and attempting to computerize functions to reduce labor. The items shown below are some of the recent improvements.

### ELECTRONIC FILING SCHEDULE D ATTACHMENTS

When a taxpayer has numerous Schedule D transactions, the taxpayer often provides the tax preparer with a spreadsheet listing the transactions, or with a broker's listing of gains and losses. Rather than re-enter the information in detail, many practitioners put the totals on the Schedule D and attach the detail to the return.

There was some confusion at the beginning of 2006 about whether this practice would still be allowed for electronically filed returns. On January 13, 2006, the IRS clarified that this method could still be used if the transactions were attached to Form 8453 and mailed to the IRS within three days of receiving the acknowledgement of the IRS acceptance of the electronically filed return. Returns submitted in this way may **not** be signed with the personal identification number (PIN) signature method.

**Observation.** At the time this was written, the IRS was still considering whether to revise this policy for 2006 returns.

### ELECTRONIC INSTALLMENT AGREEMENTS (eIA)

The eIA application provides taxpayers with ability to pay their outstanding IRS debts. Taxpayers may access the eIA application at **www.irs.gov**. The eIA application authenticates taxpayer information before account information is disclosed or further use of the application is permitted.

Once authenticated, the eIA application allows the taxpayer or authorized representative to apply and receive approval online for either a monthly installment agreement or a short-term extension to pay the debt. The taxpayer has the option of paying the balance in full, establishing a direct debit from his checking account, or establishing payroll deductions through his employer. If the taxpayer requests an install agreement, he is prompted to provide information about income and expenses (e.g., rent, mortgage payments, pay stubs, and utility bills).

If the taxpayer is granted online approval, he will receive a written confirmation within 10 days.

### EFTPS (ELECTRONIC FEDERAL TAX PAYMENT SYSTEM)

EFTPS enables tax preparers, businesses, and individuals to pay federal taxes electronically, including corporate, excise and employment taxes, and 1040 **quarterly estimated** tax payments. EFTPS offers a variety of payment methods, including the **Internet** and a **telephone voice response system**, as well as other electronic solutions for tax preparers of all sizes.

"In 2005, 68.4 million tax returns were filed electronically through IRS e-file. **IRS now receives more returns electronically than on paper.** This breakthrough shows increased public interest in electronic interaction with the government," said Kevin Brown, IRS Commissioner, Small Business/Self-Employed Division.

To enroll in the EFTPS service, taxpayers can use the Internet at **www.eftps.gov**, or they can request an enrollment form from EFTPS Customer Service at 1-800-555-4477, or at 1-800-945-8400. However, all business taxpayers who apply for a new employer identification number (EIN) are now automatically pre-enrolled in EFTPS at the time their EIN is processed. These taxpayers receive a separate mailing containing an EFTPS personal identification number (PIN), and instructions for activating their enrollment. They activate their enrollment by calling a toll-free number, entering their banking information, and completing an authorization for EFTPS to transfer funds from their account.

According to the IRS, paying taxes via EFTPS results in 19 times greater accuracy and fewer penalties.

## EFTPS and the Tax Professional...an Overview of EFTPS Programs

Number of Clients <i>If you are a Tax Professional and...</i>	Type of EFTPS Program	Program Notes	Authorization Needed For Each Client	EFT Acknowledgement Number	FREE Marketing Materials	How To Get Started
...do not pay client taxes.	<ul style="list-style-type: none"> <li>Market EFTPS to your clients and encourage them to use EFTPS.</li> <li>Consider EFTPS for your business.</li> <li>Enroll in EFTPS as a business, or as an individual, if you are a Sole Proprietor.</li> </ul>	<ul style="list-style-type: none"> <li>To make tax payments use the Internet or phone.</li> <li>Order FREE EFTPS marketing materials to let clients know about EFTPS.</li> <li>Interchangeable payment methods: Internet and phone.</li> <li>Internet: One payment at a time per login session.</li> <li>Phone: Multiple payments per call.</li> </ul>	<p>Not Applicable.</p> <p>Yes: <b>Form 8655-Reporting Agent Authorization</b> (authorizes a company or individual to electronically file and make tax payments on behalf of a business taxpayer).</p> <p><b>Form 2848-Power of Attorney</b> (authorizes an individual to act on behalf of a taxpayer before the IRS regarding tax matters).</p> <p><b>Form 8821-Tax Information Authorization</b> (authorizes a company or individual to receive or inspect IRS information regarding taxes and make tax payments on behalf of individual taxpayers). Available from the IRS website (<a href="http://www.irs.gov">www.irs.gov</a>)</p>	<p>Yes: for each transaction, you will receive an EFT Acknowledgement Number that is a receipt for your payment instructions.</p> <p>Yes: for each transaction, you will receive an EFT Acknowledgement Number that is a receipt for your payment instructions.</p>	<p>Yes: Order FREE EFTPS marketing materials in quantity by calling 1-888-725-7879 or visit <a href="http://www.fms.treas.gov/eftps">www.fms.treas.gov/eftps</a>.</p> <p>Yes: Order FREE EFTPS marketing materials in quantity by calling 1-888-725-7879 or visit <a href="http://www.fms.treas.gov/eftps">www.fms.treas.gov/eftps</a>.</p>	<p>To enroll in EFTPS as a business and/or as an individual (if you are a sole proprietor), go to <a href="http://www.eftps.gov">www.eftps.gov</a> and click on <b>Enrollment</b>, or call 1-800-555-4477 to request an enrollment form.</p> <p>To enroll your business and your clients one at a time go to <a href="http://www.eftps.gov">www.eftps.gov</a> and click <b>Enrollment</b> or call 1-800-555-4477 to request enrollment forms.</p>
...pay taxes for at least 3 but less than 1,000 clients.	<ul style="list-style-type: none"> <li>Consider becoming an EFTPS Batch Provider.</li> <li>Order FREE Batch Provider Software, with which you can register as a Batch Provider.</li> <li>Enroll up to 1,000 clients in EFTPS, transmitting 5,000 payments in one transmission.</li> <li>Consider adding your company as an EFTPS enrollment on the Batch software.</li> </ul>	<ul style="list-style-type: none"> <li>Must register as an EFTPS Batch Provider.</li> <li>Up to 1,000 payments per transmission.</li> <li>Can use Taxpayer Bank Account and/or Master Bank Account.</li> <li>You can offer clients an inquiry PIN, with which they can check payment status and payment history. They will need an Internet Password to go online.</li> </ul>	<p>Yes: [see above for Authorization Forms]</p>	<p>Yes: for each transaction, you will receive an EFT Acknowledgement Number that is a receipt for your payment instructions.</p>	<p>Yes: Order FREE EFTPS marketing materials in quantity by calling 1-888-725-7879 or visit <a href="http://www.fms.treas.gov/eftps">www.fms.treas.gov/eftps</a>.</p>	<p>To request an EFTPS Batch Provider Kit, containing the Batch Software, User's Manual and Quick Start Guide call 1-800-945-0966 or you can download the software and manuals at <a href="http://www.eftps.gov">www.eftps.gov</a>, click on <b>Help and Information</b>, then <b>Downloads</b>.</p>
...pay taxes for more than 1,000 clients, or if you are a payroll company.	<ul style="list-style-type: none"> <li>Consider becoming an EFTPS Bulk Provider.</li> <li>The Bulk option is designed for payroll processors who initiate frequent payments and desire automated enrollment through an Electronic Data Interchange (EDI)-compatible system.</li> <li>Each set of up to 1,000 payment records is associated with a consolidated debit transaction.</li> </ul>	<ul style="list-style-type: none"> <li>Must register as an EFTPS Bulk Provider.</li> <li>Each set of up to 1,000 payments per transmission.</li> <li>Can only use a Master Bank Account.</li> </ul>	<p>Yes: [see above for Authorization Forms]</p>	<p>Yes: for each transaction, you will receive an EFT Acknowledgement Number that is a receipt for your payment instructions.</p>	<p>Yes: Order FREE EFTPS marketing materials in quantity by calling 1-888-725-7879 or visit <a href="http://www.fms.treas.gov/eftps">www.fms.treas.gov/eftps</a>.</p>	<p>Call EFTPS Customer Service at 1-800-945-0966 and request information to become a Bulk Provider.</p>

1-800-945-0966

[www.eftps.gov](http://www.eftps.gov)

# 2006 Workbook

## CHANGING EFTPS BANK ACCOUNT INFORMATION

EFTPS now makes it easier for taxpayers enrolled in EFTPS to change their bank account information. To make the change using **EFTPS-Phone**:

1. Call the EFTPS toll-free number (**1-800-272-9872**)
2. Enter the taxpayer's **EIN** and four digit **PIN**
3. Press **3** to add new financial institution information
4. Enter the 9-digit **routing number** associated with the financial institution
5. Enter the new **account number**
6. Select the **account type** (checking or savings)
7. Indicate if they wish to have the account information **verified** with the financial institution.
8. EFTPS gives taxpayers an EFT acknowledgement number for the transaction as a record of the change.

**Note.** Verification of the account information is **optional**. Once the verification is complete, a new PIN is sent through the U.S. mail. The process of verification and generating a new PIN takes 10 to 15 days.

If verification is not chosen, the taxpayer is responsible for the accuracy of the bank account information. If the information is incorrect, payments may be returned or delayed and taxpayers may incur a penalty. The taxpayer receives the new PIN immediately over the phone and can use it right away.

Taxpayers can also use **EFTPS-OnLine** to change their bank account information by selecting "Edit Financial Institution Information" on the website **www.eftps.gov**. After all information is input, taxpayers can print a hard copy of the change for their files. EFTPS-OnLine gives taxpayers an enrollment trace number as a record of the change. With EFTPS-OnLine, the taxpayer **must** have the financial institution account information verified. Once the verification is complete, a new PIN is mailed to the IRS address of record within 7 to 10 business days.

## E-SERVICES

The IRS launched a suite of Internet-based business tools giving tax professionals and financial institutions quicker access to tax information. Known collectively as **e-Services**, the suite of products provides practitioners with new choices for working electronically with the IRS. The current products provide a foundation for future services that significantly enhance how the IRS does business with tax professionals and others.

**Caution.** e-Services must be accessed at least every six months or the IRS must be contacted to have the password reset.

## What Products are Available?

**Registration.** Before using other e-Services products, tax professionals must register online to create an electronic account. The registration process is a one-time process for practitioners to select a user name, password, and personal identification number. An on-screen acknowledgment immediately confirms the registration process. For security purposes, a confirmation code is also mailed to the user to complete the registration process.

**PTIN Application.** The preparer tax identification number (PTIN) is an alternative number assigned by the IRS to be used in lieu of the preparer's social security number when preparing returns. The online application can be used instead of paper Form W-7P.

**Interactive Taxpayer Identification Number (TIN) Matching.** TIN Matching is a pre-filing service offered to payers and/or authorized agents who have submitted any of these information returns in the last two years: Forms 1099-B, INT, DIV, OID, PATR, and MISC. With **Interactive TIN Matching**, authorized payers can match up to 25 payee TIN and name combinations against IRS records prior to submitting an information return. **Bulk TIN Matching** allows authorized firms to match up to 100,000 TIN and name combinations.

**Electronic e-File Application.** The electronic IRS e-file application is available to anyone who wishes to apply, or to change their existing application for the e-file programs. For example, tax preparation firms who have been filing Forms 1040 electronically may wish to add corporation and partnership returns to the e-filing services offered to clients. However, to do this, the firm must first revise its application to include these forms. Applications can be maintained and updated electronically to add forms or employees as needed.

## Incentive Products

The incentive products allow practitioners to access and exchange information with the IRS about specific clients faster than ever before.

**Disclosure Authorization (DA).** Submit, review, and modify **Form 2848**, *Power of Attorney and Declaration of Representative* and **Form 8821**, *Tax Information Authorization* directly into the IRS system. **The IRS acknowledges each accepted submission within seconds and practitioners can begin acting on behalf of clients right away.** To enter the client's signature electronically, the practitioner must know the client's date of birth, and AGI from one of the past two years' filed returns.

**Electronic Account Resolution (EAR).** EAR eliminates the wait for telephone and written responses. Using EAR, practitioners have a secure method of electronically corresponding with the IRS to ask about individual or business account problems, refunds, installment agreements, notices or missing payments. The IRS response is delivered to a secure electronic mailbox within **three business days** and the practitioner is notified by email that a response is waiting.

**Transcript Delivery System (TDS).** TDS is used to request tax return transcripts, account transcripts, wage and income transcripts, verification of non-filing, and records of account for individual taxpayers. For business taxpayers, TDS can be used to access account transcripts for income tax returns, payroll tax returns, and others.

**Note.** To use EAR and TDS, the practitioner must have Form 2848 on file with the IRS. This could have been filed immediately prior using e-Services DA or previously via DA or paper.

**Observation.** To say that the incentive products are the “greatest thing since sliced bread” may be **understating** the case. These products can save significant amounts of time, as well as allow practitioners to resolve client problems within days instead of weeks.

**Who Is Eligible to Use e-Services Incentive Products?** **Authorized e-file providers** who are active participants in the IRS e-file program and **who e-file five** or more accepted individual or business tax returns in a calendar year can use the incentive products. A firm can also delegate access to incentive products to its **employees** by updating its electronic e-file application to add the employees as authorized individuals. The e-file application can be filed and/or revised online, and the firm can specify which tasks each individual employee is authorized to perform.

**What Are the Quickest Ways to Start?** The following are three ways to start using e-Service incentive products:

1. Go to **www.irs.gov**, enter “e-services” in the search box, and follow the first link to the login/registration page,
2. Go to **www.irs.gov**, click on the Tax Professionals button, and click on “e-services — Online Tools for Tax Professionals,” or
3. Go to **www.irs.gov/taxpros/article/0,,id=109646,00.html**.



# 2006 Workbook

## NAVIGATING THE IRS WEBSITE

In November 2005, the IRS redesigned its website. It improved overall site navigation and enhanced the search engine to increase search result accuracy and usability. The number of tools and resources available on the website is immense and, without a doubt, every tax practitioner can benefit from using **www.IRS.gov**.



The link to **More Online Tools** directs the user to more links for online tools including:

- IRS Withholding Calculator
- Online Application — Form SS-4, *Employer Identification Number (EIN)*
- Alternative Minimum Tax (AMT) Assistant
- Subscription Services (IRS e-mail services)

The middle of the home page is used to spotlight “Hot Topics.” These links change periodically as current events dictate.

The upper right side of the home page is used for quick access to tasks the user needs to accomplish. The drop down list under “I need to...” includes:

- Learn to Use the Site
- Call or Contact the IRS
- Set Up a Payment Plan
- Get a Copy of My Return
- Get a Taxpayer ID Number
- Change My Address
- Start a Business
- Find Forms & Publications

The lower right side of the home page is used to advertise forums and other resources.



# 2006 Workbook

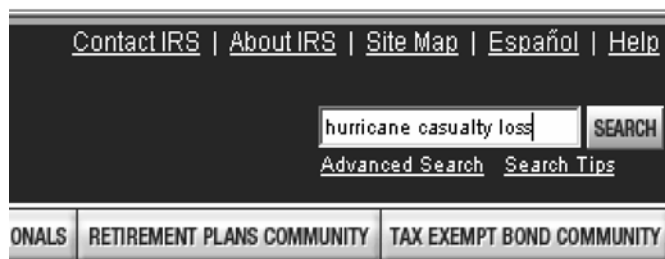
4



The links on the left side of the page are constant, while the links in the center of the page may change depending on what topics are currently most interesting.

**Caution.** The IRC tool “Code, Regs & Guidance” is **not** current. The user should note the date in the “Caution” section on the web page. As of June 2006, this reference only included changes to the Revenue Code **through 2003**.

The following snapshots show how the search features of **www.irs.gov** can be used to refine and sort search results:



## Hurricane or Casualty or Loss

By typing “hurricane casualty loss” in the search box, the search engine looks for references containing any of these words.

# 2006 Workbook

Note the number of results found as shown in the following box:

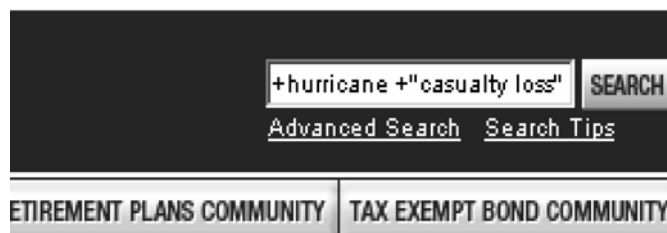
The screenshot shows the IRS website's search results page. At the top, there is a navigation bar with links: Home, Contact IRS, About IRS, Site Map, Español, and Help. Below this is the IRS logo and the text "Internal Revenue Service" and "United States Department of the Treasury". A search bar at the top right contains the text "hurricane casualty loss" and a "SEARCH" button. Below the search bar are links for "Advanced Search" and "Search Tips". A horizontal menu below the header lists various categories: INDIVIDUALS, BUSINESSES, CHARITIES & NON-PROFITS, GOVERNMENT ENTITIES, TAX PROFESSIONALS, RETIREMENT PLANS COMMUNITY, and TAX EXEMPT BOND COMMUNITY. On the left side, there is a section titled "IRS Resources" with a list of links: Compliance & Enforcement, Contact My Local Office, e-file, Forms and Publications, Frequently Asked Questions, News, Taxpayer Advocacy, and Where To File. The main content area is titled "Search Results". It contains a search box with two radio buttons: "New Search" and "Search within Results" (which is selected). To the right of the search box is a "SEARCH" button. Below the search box, there is a message: "To search the Internal Revenue Manual, please use the Advanced Search." Below this, the search results are displayed: "You Searched for: hurricane casualty loss" and "2875 results found, top 500 displayed". A link "Summaries: Show | Hide" is to the right. Below the results, there is a section titled "Tax Topics - Topic 515 Casualty, Disaster, and Theft Losses" with a brief description and a date "17 Jan 06". A "Highlight Term(s)" link is also present. A large oval is drawn around the search results text.

Note in the following screenshots how the hits can be further narrowed by entering “Katrina” into the box to the right of “Search within Results.”

The screenshot shows the IRS website's search results page, similar to the one above, but with the search term "katrina" entered into the search box. The search results are now: "You Searched for: hurricane casualty loss | katrina" and "321 results found". A link "Summaries: Show | Hide" is to the right. Below the results, there is a section titled "Tax Topics - Topic 515 Casualty, Disaster, and Theft Losses" with a brief description and a date "17 Jan 06". A "Highlight Term(s)" link is also present. Two arrows point to the search box and the "Search within Results" radio button. A large oval is drawn around the search results text.

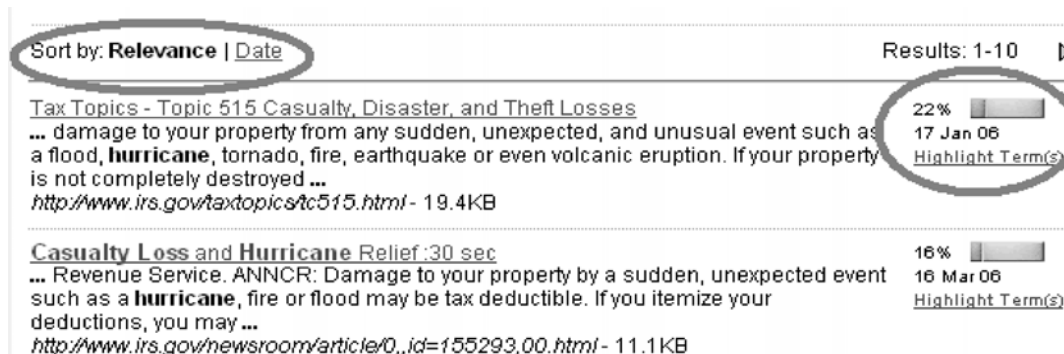
# 2006 Workbook

This search could also have been done using Boolean characters and phrases. For example, +hurricane + “casualty loss” in the search box directs the search engine to look for results that contain the word “hurricane” and also contain the phrase “casualty loss.” The following screens show the number of results returned using this method.



- +** = must be in response
- “ ”** = phrase
- = must NOT be in response

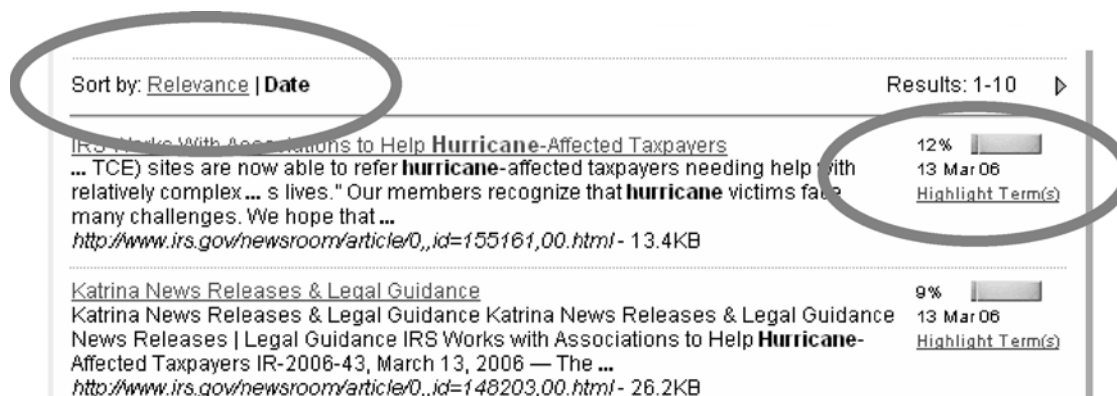
The following two snapshots show how the results can be sorted by **Relevance** or by **Date**. By default, the results are shown sorted by relevance. Clicking on “Date” changes the order of the list to show the most recently revised hits first. Note the option that appears below the date for each result; clicking “Highlight Terms” will highlight the search terms in the linked result.



Sort by: **Relevance** | Date Results: 1-10 ▶

**Tax Topics - Topic 515 Casualty, Disaster, and Theft Losses**  
... damage to your property from any sudden, unexpected, and unusual event such as a flood, **hurricane**, tornado, fire, earthquake or even volcanic eruption. If your property is not completely destroyed ...  
<http://www.irs.gov/taxtopics/tc515.html> - 19.4KB  
22% 17 Jan 06  
[Highlight Term\(s\)](#)

**Casualty Loss and Hurricane Relief :30 sec**  
... Revenue Service. ANNCR: Damage to your property by a sudden, unexpected event such as a **hurricane**, fire or flood may be tax deductible. If you itemize your deductions, you may ...  
<http://www.irs.gov/newsroom/article/0,,id=155293,00.html> - 11.1KB  
16% 16 Mar 06  
[Highlight Term\(s\)](#)



Sort by: **Relevance** | **Date** Results: 1-10 ▶

**IRS Works With Associations to Help Hurricane-Affected Taxpayers**  
... TCE) sites are now able to refer **hurricane**-affected taxpayers needing help with relatively complex ... s lives." Our members recognize that **hurricane** victims face many challenges. We hope that ...  
<http://www.irs.gov/newsroom/article/0,,id=155161,00.html> - 13.4KB  
12% 13 Mar 06  
[Highlight Term\(s\)](#)

**Katrina News Releases & Legal Guidance**  
Katrina News Releases & Legal Guidance Katrina News Releases & Legal Guidance News Releases | Legal Guidance IRS Works with Associations to Help **Hurricane**-Affected Taxpayers IR-2006-43, March 13, 2006 — The ...  
<http://www.irs.gov/newsroom/article/0,,id=148203,00.html> - 26.2KB  
9% 13 Mar 06  
[Highlight Term\(s\)](#)

# 2006 Workbook

The following link takes the user to the Advanced Search page, where the search can be narrowed by multiple options including general topics, file formats, and date updated.



**IRS Resources**

- [Compliance & Enforcement](#)
- [Contact My Local Office](#)
- [e-file](#)
- [Forms and Publications](#)
- [Frequently Asked Questions](#)
- [News](#)
- [Taxpayer Advocacy](#)
- [Where To File](#)

**Advanced Search Options** [SEARCH](#)

**Find Results**

With all of the words:  in the body

With the exact phrase:  in the body

With any of the words:  in the body

Without the words:  in the body

**Limit Search To**

<input checked="" type="checkbox"/> Entire Site	<input type="checkbox"/> Individuals	<input type="checkbox"/> Internal Revenue Manual
<input type="checkbox"/> Forms and Instructions	<input type="checkbox"/> Businesses	<input type="checkbox"/> Tax Statistics
<input type="checkbox"/> Publications	<input type="checkbox"/> Charities & Non-Profits	<input type="checkbox"/> e-file
<input type="checkbox"/> Notices	<input type="checkbox"/> Government Entities	<input type="checkbox"/> Español
<input type="checkbox"/> IR Bulletins	<input type="checkbox"/> Tax Professionals (Includes Tax Regulations)	<input type="checkbox"/> FAQs

**File Format**

Only return results of the file format:

[File Format Descriptions](#)

**Date Last Updated**

☒ Search pages last updated within:

☐ Or search by date range

After:

Before:

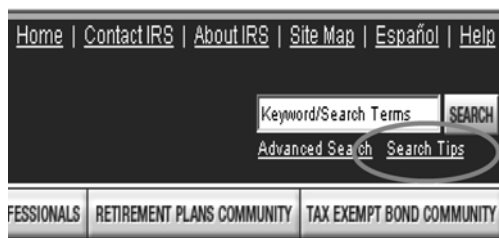
**Display Options**

Results per page:

Sort in order of:

[Search Tips](#)

Additional hints for refining searches can be found by following the Search Tips link under the search box:



The previous pages are samples of only a few of the resources available at **www.IRS.gov**. Almost everyone will be surprised by the useful information found when exploring the rest of the site, such as the pages accessed by the **BUSINESSES** button. The screen shots provided here were taken from information provided to participants in the May 17, 2006, IRS Phone Forum, “Navigating IRS.gov.”