

Chapter 4: IRS Update

Real-Time Tax System.....	A135	Alternative Dispute Resolution	A161
Taxpayer Advocate Service	A136	Collections Update	A163
Identity Theft	A142	Transcript Delivery System (TDS) Changes.....	A165
Disallowance of Education Credit.....	A149	Prescribed Interest Rates.....	A166
New Taxpayer Notices.....	A154	IRS Hotlines	A167
Appeals Request	A155	Audit Technique Guides	A170

Corrections were made to this workbook through January of 2013. No subsequent modifications were made.

REAL-TIME TAX SYSTEM

In April 2011, IRS Commissioner Doug Shulman outlined a vision to move the agency away from the traditional “look back” model of compliance. He instead proposed a “real time” or upfront matching of tax returns when they are initially filed with the IRS. The goal of this initiative, named the real-time tax system (RTTS), is to improve the tax filing process by reducing the burden on taxpayers and increasing overall compliance. Third-party information returns, such as Forms W-2 and 1099, are electronically available to the IRS during the income tax season. Under the RTTS, the IRS would match information submitted on a tax return with third-party information at the beginning of return processing and provide the opportunity for taxpayers to correct their tax returns if they contain entries that do not match IRS records.¹ The RTTS may also help prevent fraudulent tax refunds and identity theft, which are growing concerns for the IRS.

The standard deadline for employers to electronically file Forms W-2 with the Social Security Administration is March 31 (February 28 if filed in paper format). Currently, there is a voluntary program for large employers to submit Form W-2 data to the IRS by mid-January. This program has helped the IRS prevent substantial tax refund fraud by providing income and withholding information early in the filing season. The IRS is considering the **feasibility of requiring all employers to file information returns in January.**

An employee’s cash wages are generally known by December 31 of a given year. The employers, however, may need to gather and report as many as 50 additional elements. Many of these other items — including disability and sick pay, taxable stock transactions, dependent care assistance, and the value of company travel or personal use of a vehicle — are calculated by third parties and are usually not available by December 31. To successfully implement an RTTS, all stakeholders in the process (IRS, employers, employees, and third-party administrators) must work together to coordinate information reporting. If this coordination cannot occur, the potential for delaying the tax season filing deadline past April 15 must be considered. Alternatively, a staggered tax filing season could be created to help spread the workload burden.²

¹ *Prepared Remarks of IRS Commissioner Doug Shulman at the National Press Club.* IR-2011-38 (Apr. 6, 2011).

² *Ibid.*

The RTTS has some potential pitfalls, including refund delays. Early tax return filers are typically the ones who depend on fast and timely refunds, and any delay may create a burden and hardship for them. Another challenge is tax legislation enacted by Congress late in the year. When new legislation is enacted late in the calendar year, it creates substantial problems such as tax software development issues and a late start for practitioners. In addition, there is uncertainty regarding how the RTTS will handle complex items on tax returns, such as matching Schedules K-1 from pass-through entities, education tax credits, and charitable contributions on Schedule A. Uncertainty exists regarding what additional information reporting is necessary in order to have an effective matching system that enables the IRS to efficiently review these tax returns and detect errors during a real-time process.³

Currently, after the tax return is filed and processed, the IRS conducts compliance activities. These activities create problems and frustrations for both the IRS and taxpayers. Taxpayers occasionally receive refunds that they were not entitled to and which must be repaid with any applicable interest and penalties. Commissioner Shulman envisions that the RTTS would require the IRS to receive all information returns filed by third parties before individuals begin to file their tax returns. Taxpayers and tax return preparers could access this information online, download it into their tax return preparation software, and then immediately file the returns. The IRS would embed the third-party information into its filters and immediately reject any return that did not match its records. This should, in turn, create more accurate tax returns, enable the correction of filing problems during the tax return filing period, and reduce the volume of nontax season correspondence currently issued by the IRS.⁴

Shifting to an RTTS will require an expensive reworking of IRS technology systems. The IRS identified several potential benefits, including the following.⁵

- Saving taxpayers millions of dollars in penalties and interest
- Reducing direct contacts between the IRS and taxpayers
- Eliminating the expenses of back-end field audits
- Raising billions of dollars of net revenue through tax compliance

To continue the feasibility process, the IRS held public meetings on December 8, 2011 and January 25, 2012. Full transcripts of these meetings are available at www.irs.gov/Tax-Professionals/Real-Time-Tax-System-Initiative.

TAXPAYER ADVOCATE SERVICE

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS, headed by the National Taxpayer Advocate (NTA). The roots of the TAS go back to 1979 when the Office of the Taxpayer Ombudsman was created. With the passage of the Taxpayer Bill of Rights 2⁶ (TBOR2) in 1996, this function eventually evolved into the current TAS. TBOR2 established the functions of the TAS as follows.

- Assist taxpayers in resolving problems with the IRS
- Identify areas in which taxpayers have problems dealing with the IRS
- To the extent possible, propose changes in the administrative practices of the IRS to mitigate those identified problems
- Identify potential legislative changes that may be appropriate to mitigate such problems

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ PL 104-168.

The office of the NTA was codified by the IRS Restructuring and Reform Act of 1998 (RRA). The RRA amended IRC §7803(c), which is the statutory provision for the NTA, and IRC §7811, which outlines the structure of taxpayer assistance orders. IRC §7803(c) outlines the administration, function, and responsibilities of the NTA.

Congress mandated in the RRA that the NTA could not be an officer or an employee of the IRS for two years preceding or five years following their appointment. The NTA is not considered an IRS employee under this provision. The NTA reports semiannually to Congress. Prior to submission to Congress, these reports are not reviewed by the IRS Commissioner, the Secretary of the Treasury, or the Office of Management and Budget.⁷

The RRA provides for local taxpayer advocate (LTA) offices in each state. The LTA offices are required by law to maintain telephone systems, fax lines, and mailing addresses separate from those of the IRS. Individual LTA offices report directly to the NTA.

In fiscal year 2010, the TAS received nearly 299,000 new cases. This was approximately 10% more than the prior fiscal year. The most common issues in the TAS's case inventory in fiscal year 2010 were document processing, audits, and refunds.

The primary responsibility of the TAS is to assist taxpayers in resolving issues with the IRS. Most TAS cases fall into one of two general categories: **economic advocacy** and **systemic advocacy**.

A taxpayer qualifies for TAS assistance under **economic advocacy** if they have one of the following **economic hardship** situations.

- Suffers from or is about to suffer economic harm
- Faces an immediate threat of adverse IRS action
- Will likely incur significant costs if relief from IRS action is not granted
- Will likely suffer irreparable injury or long-term adverse impact if relief from IRS action is not granted

Practitioners should attempt to resolve a taxpayer's IRS problem through telephone contact or mail correspondence. If resolution is not achieved and the taxpayer's circumstances meet the qualifications previously listed, then the TAS should be contacted.

To request TAS assistance, the phone number for the TAS office nearest to the taxpayer should be called. A list of all the TAS offices is available on the IRS website at **www.irs.gov/uac/Contact-a-Local-Taxpayer-Advocate**. The toll-free phone number is 877-777-4778. The taxpayer should then complete Form 911, *Request for Taxpayer Advocate Service Assistance*. This completed form, and/or any other correspondence, should be faxed or mailed to the TAS office nearest to the city in which the taxpayer resides.

⁷ IRC §7803(c).

2012 Workbook

OMB No. 1545-1504

Department of the Treasury - Internal Revenue Service

Request for Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order)

Form **911**
(Rev. 5-2011)

Section I – Taxpayer Information *(See Pages 3 and 4 for Form 911 Filing Requirements and Instructions for Completing this Form.)*

1a. Your name as shown on tax return		1b. Taxpayer Identifying Number (SSN, ITIN, EIN)	
2a. Spouse's name as shown on tax return <i>(if applicable)</i>		2b. Spouse's Taxpayer Identifying Number (SSN, ITIN)	
3a. Your current street address <i>(Number, Street, & Apt. Number)</i>			
3b. City		3c. State <i>(or Foreign Country)</i>	3d. ZIP code
4. Fax number <i>(if applicable)</i>	5. Email address		
6. Tax form(s)		7. Tax period(s)	
8. Person to contact		9a. Daytime phone number	9b. <input type="checkbox"/> Check here if you consent to have confidential information about your tax issue left on your answering machine or voice message at this number.
10. Best time to call		<input type="checkbox"/> Check if Cell Phone	
11. Indicate the special communication needs you require <i>(if applicable)</i> <input type="checkbox"/> TTY/TDD Line <input type="checkbox"/> Interpreter - Specify language other than English <i>(including sign language)</i> _____ <input type="checkbox"/> Other <i>(please specify)</i> _____			
12a. Please describe the tax issue you are experiencing and any difficulties it may be creating <i>(If more space is needed, attach additional sheets.)</i>			

12b. Please describe the relief/assistance you are requesting *(If more space is needed, attach additional sheets.)*

I understand that Taxpayer Advocate Service employees may contact third parties in order to respond to this request and I authorize such contacts to be made. Further, by authorizing the Taxpayer Advocate Service to contact third parties, I understand that I will not receive notice, pursuant to section 7602(c) of the Internal Revenue Code, of third parties contacted in connection with this request.

13a. Signature of Taxpayer or Corporate Officer, and title, if applicable	13b. Date signed
14a. Signature of spouse	14b. Date signed

Section II – Representative Information *(Attach Form 2848 if not already on file with the IRS.)*

1. Name of authorized representative	2. Centralized Authorization File (CAF) number	
3. Current mailing address	4. Daytime phone number	<input type="checkbox"/> Check if Cell Phone
	5. Fax number	
6. Signature of representative		7. Date signed

Catalog Number 16965S

www.irs.gov

Form **911** (Rev. 5-2011)

If the taxpayer qualifies for assistance, a TAS caseworker is assigned to the case. This caseworker becomes the single point of contact and works the case from inception to conclusion. The caseworker acts as mediator between the taxpayer and the appropriate IRS business unit.

TAS services are provided free of charge. The TAS has limited power to stop or overturn IRS actions.⁸ Therefore, the TAS cannot lift wage garnishments or remove liens. However, it can advocate to key IRS personnel.

TAXPAYER ASSISTANCE ORDERS

A taxpayer facing a significant hardship may file an application for a taxpayer assistance order (TAO) on Form 911. The NTA can subsequently issue a TAO to assist the taxpayer. Alternatively, the NTA can issue a TAO on its own when it sees a taxpayer facing a significant hardship.

Significant hardship refers to a serious privation caused or about to be caused to the taxpayer as a result of the manner in which the revenue laws are being administered by the IRS. A significant hardship includes, but is not limited to, the following.⁹

1. An immediate threat of adverse action

Example 1. The IRS serves a levy on Adam's bank account. Adam needs the bank funds to pay for medically necessary surgery that is scheduled to take place the following week. If the levy is not released, Adam will not have the funds to pay for the procedure. He is experiencing an immediate threat of adverse action.

2. A delay in resolving account problems of more than 30 days

Example 2. Camellia files a Form 4506, *Request for a Copy of Tax Return*. She does not receive the photocopy of the return after waiting more than 30 days beyond the normal time for processing. Camellia is experiencing a delay of more than 30 days.

3. Significant costs, including professional representation costs, if relief is not granted

Example 3. The IRS sends a notice requesting payment of outstanding employment taxes and penalties to Avalon Co. The notice states that Avalon has employment tax balances for 12 tax quarters that total \$20,000. Avalon provides documentation to the IRS that shows that there would be no balance due if the IRS applied all the payments to each quarter correctly. The IRS requests additional records and documentation. Because there are 12 quarters involved, Avalon asserts that it will need to hire an accountant to comply with the request. The accountant estimates her fees will be at least \$5,000 to organize all the records and provide a detailed analysis of how to apply the deposits and payments. Avalon Co. is facing significant costs.

4. Irreparable injury to, or a long-term adverse impact on, the taxpayer if relief is not granted

Example 4. Darren has arranged with a bank to refinance his mortgage to lower his monthly payments. He is unable to make the current monthly mortgage payment. Unless the monthly payment amount is lowered, the bank will foreclose on Darren's residence. The IRS refuses to subordinate the federal tax lien or discharge the property subject to the lien. As a result, the bank will not allow Darren to refinance. He is facing an irreparable injury if relief is not granted.

If an IRS employee is not following published administrative guidance, the NTA can take this into account in determining whether a TAO should be issued.

A TAO can be issued to require the IRS to release levied property belonging to the taxpayer, cease collection activity, or other specific items.¹⁰ Although a TAO can generally be issued to any IRS office, division, or function, it may not be directed at the IRS Criminal Investigation Division if it appears the TAO may impede a criminal investigation.

⁸ Treas. Reg. §301.7811-1.

⁹ Treas. Reg. §301.7811-1(a)(4)(ii).

¹⁰ Treas. Reg. §301.7811-1.

SYSTEMIC ADVOCACY

The Office of Systemic Advocacy studies, analyzes, and recommends action to produce a positive resolution to taxpayer problems. Systemic advocacy resolves problems by recommending administrative changes to IRS policy, procedures, and processes. Alternatively, depending on the issue, it can resolve problems by proposing legislative remedies.

As of October 1, 2011, the TAS no longer accepts systemic advocacy cases that involve processing original returns, unpostable or rejected returns, processing amended returns, and injured spouse claims. The TAS will focus its limited resources on economic burden cases and only those systemic burden cases in which it plays a more direct role in affecting the outcome. Examples of systemic cases that the TAS will accept include those referred by a congressional office and those that could be resolved if a taxpayer files an amended return, original return, or claim for refund.¹¹

The Office of Systemic Advocacy uses the Systemic Advocacy Management System (SAMS) database to receive, prioritize, and assign issues submitted by the public and IRS employees. Individuals, businesses, academic and research institutions, professional organizations, practitioners, and all other interested parties may submit issues.¹²

After the issue is submitted, an acknowledgement is sent to the taxpayer via e-mail. Based on the facts presented, a decision is made about whether the issue merits development as an advocacy project. If so, it is assigned. As the issue is reviewed and the status updated, additional e-mails may be sent.

An issue can also be submitted by completing Form 14411, *Systemic Advocacy Issue Submission Form*, which can be faxed to 202-622-3125 or e-mailed to Systemic.Advocacy@irs.gov.

SUCCESS STORIES

The TAS has many success stories. Examples of resolutions accomplished through the TAS include the following.¹³

- Helping a taxpayer uncover identity theft that resulted in their refund being frozen (Because of TAS efforts, the taxpayer was able to pay for their medical expenses with the refund.)
- Helping a taxpayer prevent their home from being seized (Because the TAS helped the taxpayer file a revised offer in compromise (OIC) to more accurately reflect their earning potential, the taxpayer was able to keep their home.)

TAXPAYER ADVOCATE MID-YEAR REPORT¹⁴

The NTA, Nina Olson, released her mid-year report to Congress on June 30, 2012. The report describes fiscal year 2013 objectives. It expresses particular concern about the impact on taxpayers of expired and expiring tax provisions, and the rise in tax fraud and tax-related identity theft. The report also describes attempts to limit the NTA's formal input on taxpayer rights and taxpayer burdens via "Taxpayer Assistance Orders" and "Taxpayer Advocate Directives."

Impact of Changes in Tax Law

The report emphasizes that continual changes to significant tax laws and extender provisions have created IRS delays in handling millions of taxpayer returns. In addition, many taxpayers have not claimed all the benefits to which they are entitled because they are uninformed about the tax laws. Olson said that the 2013 tax filing season is already at risk unless Congress addresses many provisions that have expired or will expire.

¹¹ *Taxpayer Advocate Service Changes Case Acceptance Criteria*. [www.taxpayeradvocate.irs.gov/userfiles/file/TAS_change_case_criteria.pdf] Accessed on Jul. 19, 2012.

¹² *Systemic Advocacy Management System (SAMS)*. Aug. 2, 2012. [[www.irs.gov/uac/Systemic-Advocacy-Management-System-\(SAMS\)](http://www.irs.gov/uac/Systemic-Advocacy-Management-System-(SAMS))] Accessed on Sep. 5, 2012.

¹³ *Success Stories*. [www.taxpayeradvocate.irs.gov/About-TAS/Success-Stories#TAS_Uncovers] Accessed on Jul. 19, 2012.

¹⁴ *Fiscal Year 2013 Objectives*. Jun. 30, 2012. [www.taxpayeradvocate.irs.gov/userfiles/file/FY13ObjectivesReporttoCongress.pdf] Accessed Jul. 24, 2012.

The following provisions expired at the end of 2011.

- The alternative minimum tax (AMT) patch (This will cause an estimated 27 million more taxpayers to be subject to AMT in 2012.)
- The deduction for state and local sales taxes (This deduction was claimed by 11 million taxpayers in 2011.)
- The deduction for mortgage insurance premiums (This deduction was claimed by approximately 4 million taxpayers in recent years.)
- A provision allowing persons over age 70½ to use tax-free withdrawals from their IRAs in order to make charitable contributions

Many more tax provisions will expire at the end of 2012 unless Congress acts. These include the following.

- Cuts in marginal tax rates
- Reduced tax rates on dividends and long-term capital gains
- Various marriage penalty relief provisions
- Certain components of the child tax credit, the earned income credit, and the adoption credit
- The moratoria on the phase-out of itemized deductions and personal exemptions

Impact of Tax Fraud and Tax-Related Identity Theft

Tax fraud and tax-related identity theft continue to grow. In 2011, the IRS identified more than 1 million returns as potentially fraudulent. This was a 72% increase from 2010. The IRS blocked over 1 million returns using other means. The IRS recently reported an inventory of over 450,000 identity theft cases.

Tax Fraud. The TAS found that the IRS's automated fraud-detection filters were inherently imperfect. The IRS detected almost 2 million fraudulent returns. However, tens of thousands of these were not fraudulent. This caused an unreasonable delay in these taxpayers receiving refunds.

If the IRS suspects invalid wage and withholding information on a return, it has 11 weeks to verify the information or release the claimed refund. Due to faulty filters, there were more cases than it could handle. Consequently, the IRS placed "hard freezes" on many returns. Olson notes that the IRS has little incentive to work a case once a hard freeze is placed on it.

Balancing Speedy Refunds, Fraud Prevention, and Victim Assistance. Congress demanded that the IRS stop the payment of fraudulent refunds. They also directed the IRS to reduce the time to issue a refund after a return is filed. These two demands can be counterproductive. Last year, the IRS processed approximately 145 million returns, including 109 million claims for refund.

To deal with these issues, the IRS created a new Taxpayer Protection Unit (TPU) to provide more information to affected taxpayers. However, the unit was only able to answer two out of three calls. During the filing season, it answered only about one out of nine calls. If a taxpayer managed to have a call answered, the average wait time to speak to an IRS employee was over one hour.

IDENTITY THEFT¹⁵

Identity theft occurs when someone uses an individual's personal information (such as name, social security number (SSN), or other identifying information) without the individual's permission to commit fraud or other crimes.¹⁶ In January 2012, the IRS issued several Fact Sheets (FS) related to identity theft. FS-2012-7 alerts taxpayers about identity theft and explains what the IRS is doing about it. FS-2012-8 is the Taxpayer Guide to Identity Theft.

Note. The IRS provides Pub. 4535, *Identity Theft Prevention and Victim Assistance*, and Pub. 4523, *Beware of Phishing Schemes*, to assist taxpayers.

According to the Bureau of Justice Statistics, 7% of households (approximately 8.6 million households) in 2010 had at least one member who experienced one or more incidents of identity theft.¹⁷ Although most of these incidents involved credit card fraud, other types of fraud occurred such as unauthorized use of financial accounts, misuse of personal information to obtain new accounts or loans, and filing fraudulent tax returns to obtain refunds. A study conducted by Javelin Strategy and Research reported a 13% increase in identity fraud between 2010 and 2011.¹⁸

On May 8, 2012, J. Russell George, the Treasury Inspector General for Tax Administration (TIGTA), testified before the Oversight and Social Security Subcommittee of Congress's Ways and Means Committee that the IRS detected 940,000 fraudulent returns in 2010 and sent \$6.5 billion in refunds to identity thieves. Mr. George also indicated that 1.5 million **possibly** fraudulent returns worth \$5.2 billion were missed by the IRS. In 2011, the number of fraudulent returns detected by the IRS increased to 1.1 million.¹⁹

In early February 2012, the IRS and Justice Department announced the results of a massive national crackdown on suspected identity theft perpetrators. As of February 3, 2012, this nationwide effort resulted in the following.

- 80 criminal proceedings initiated from investigations in 23 locations across the United States
- 58 arrests, the execution of 19 search warrants, 10 guilty pleas, and four sentencing
- Visits to 150 money service businesses to ensure these businesses were not participating in identity theft or refund fraud
- The initiation of audits of over 250 check-cashing operations as part of a further investigatory effort

¹⁵ *Taxpayer Guide to Identity Theft*. Aug. 29, 2012. [www.irs.gov/uac/Taxpayer-Guide-to-Identity-Theft] Accessed on Sep. 5, 2012.

¹⁶ *Ibid.*

¹⁷ *Identity Theft Reported by Households, 2005-2010*. Dec. 27, 2011. [bjs.ojp.usdoj.gov/index.cfm?ty=pbdetail&iid=2207] Accessed on Jul. 20, 2012.

¹⁸ *Identity Fraud Rose 13% in 2011 According to New Javelin Strategy & Research Report*. February 22, 2012. [www.javelinstrategy.com/news/1314/92/Identity-Fraud-Rose-13-Percent-in-2011-According-to-New-Javelin-Strategy-Research-Report/d,pressRoomDetail] Accessed on Jul. 20, 2012.

¹⁹ *Testimony of The Honorable J. Russell George, Treasury Inspector General for Tax Administration*. May 8, 2012. [www.treasury.gov/tigta/congress/congress_05082012.pdf] Accessed on Jul. 20, 2012.

The IRS investigatory activity took place in 23 states. In addition, IRS auditors conducted extensive compliance visits to money service businesses in nine areas determined to be high risk for identity theft or refund fraud, which included areas in and surrounding:

- Atlanta,
- Birmingham,
- Chicago,
- Los Angeles,
- Miami,
- New York City,
- Phoenix,
- Tampa, and
- Washington, D.C.²⁰

During the 2012 filing season, the IRS designed and implemented new identity theft screening filters to prevent processing of fraudulent tax refunds. As of April 19, 2012, the IRS reported that it stopped the issuance of \$1.3 billion in potentially fraudulent tax refunds. The IRS began a pilot program with the Social Security Administration to lock taxpayers' accounts when the IRS Master File and Social Security Administration data indicated a date of death. As of March 1, 2012, the IRS had locked 90,570 tax accounts and prevented approximately \$1.8 million in fraudulent tax refunds for deceased individuals.²¹

DETERMINING IF TAX RECORDS WERE AFFECTED²²

Usually, an identity thief uses a legitimate taxpayer's identity to fraudulently file a tax return and claim a refund. Generally, the identity thief uses a stolen SSN to file a forged tax return and attempts to get a fraudulent refund early in the filing season. A taxpayer may be unaware that this has happened until they file their return later in the filing season and discover that two returns were filed using the same SSN.

Taxpayers should be alert to possible identity theft if they receive an IRS notice or letter that states one of the following.

- The taxpayer filed more than one tax return.
- The taxpayer had a balance due, refund offset, or collection action for a year in which a tax return was not filed.
- IRS records indicate the taxpayer received wages from an unknown employer.

²⁰ *IRS Identity Theft Crackdown Sweeps Across Ohio, Nation*. Jenkins, Jennifer. February 3, 2012. [http://blog.cleveland.com/tax-tips/2012/02/irs_identity_theft_crackdown_s.html] Accessed on Jul. 23, 2012.

²¹ Ibid.

²² *Taxpayer Guide to Identity Theft*. Aug. 29, 2012. [www.irs.gov/uac/Taxpayer-Guide-to-Identity-Theft] Accessed on Sep. 5, 2012.

PROTECTING TAXPAYERS' IRS RECORDS²³

If after receiving an IRS notice, a taxpayer believes someone may have fraudulently used their SSN, the IRS should be notified immediately by contacting the name and number printed on the notice or letter. The taxpayer should also complete Form 14039, *Identity Theft Affidavit*. This form is shown on the following pages.

Although many IRS divisions and offices receive information from taxpayers regarding identity theft cases, taxpayers who believe they are victims of identity theft should contact the IRS Identity Protection Specialized Unit (IPSU) at 800-908-4490. This special department of the IRS was created in October 2008 for the specific purpose of preventing, detecting, and resolving identity theft cases as soon as possible. Typically, the IPSU staff asks the taxpayer for details regarding suspected identity theft and also requests that they complete Form 14039, if not already completed. Taxpayers may also contact the IPSU if they believe they may be at risk of becoming victims due to a lost or stolen social security card, credit card, or other items containing sensitive information.

Victims of identity theft should also take the following protective actions.

- Contact their financial institutions
- Contact the three major credit bureaus to place a fraud alert and get free credit reports
- File a police report with local law enforcement
- Contact the Federal Trade Commission at www.ftc.gov/bcp/edu/microsites/idtheft2012

If a taxpayer's tax records are not currently affected by identity theft but they believe they may be at risk due to a lost or stolen purse or wallet, questionable credit card activity, or problems found on their credit report, they should contact the IPSU.

Contact information for the three major credit bureaus follows.

- Equifax: www.equifax.com, 800-525-6285
- Experian: www.experian.com, 888-397-3742
- TransUnion: www.transunion.com, 800-680-7289

²³ Ibid.

2012 Workbook

Form 14039 Rev. December 2011	Department of the Treasury - Internal Revenue Service Identity Theft Affidavit	OMB Number 1545-2139
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Please complete and submit this form if you are an actual or potential victim of identity theft and would like the IRS to mark your account to identify any questionable activity.

Please check one of the following boxes

☐ I am a **victim of identity theft** and I believe this incident **is affecting** my tax records *(Provide a short explanation of the tax impact)*

☐ I am a **victim of identity theft** and believe I may be at risk for **future impact** to my tax account

☐ I am a **potential victim** of identity theft and believe I may be at risk for future impact to my tax account.
(You should check "potential victim" if you have not experienced identity theft but are at risk due to a lost/stolen purse or wallet, questionable credit card or credit report activity, etc.)

Tax year(s) impacted and/or date the incident occurred <i>(if applicable or known)</i>	Last tax return filed (year) <i>(Enter NRF if not required to file)</i>
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Taxpayer's last name	First name	Middle initial	Provide the last 4 digits of your Social Security Number (SSN) or your complete Individual Taxpayer Identification Number (ITIN)
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Taxpayer's current mailing address

City	State	ZIP code
------	-------	----------

Address on last tax return filed *(Check here ☐ if you are not required to file a tax return)*

City	State	ZIP code
------	-------	----------

Telephone number <input type="checkbox"/> Home <input type="checkbox"/> Work <input type="checkbox"/> Cell	Best time(s) to call
--	----------------------

Primary language
☐ English ☐ Spanish ☐ Other - specify

Under penalty of perjury, I declare that, to the best of my knowledge and belief, the information entered in this form is true, correct, complete, and made in good faith.

(Signature of taxpayer)	(Date signed mm/dd/yyyy)
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Please submit this completed form and a photocopy of at least one of the following documents to verify your identity.
(Check the box next to the document you are submitting)

- ☐ a) Passport
- ☐ b) Driver's license
- ☐ c) Social Security Card
- ☐ d) Other valid U.S. Federal or State government issued identification**

** Please do not submit photocopies of federally issued identification where prohibited by 18 U.S.C. 701 (e.g., official badges designating federal employment).

Please submit the photocopies required above with this form using one of the options described on page 2 of this form.

For Privacy Act and Paperwork Reduction Act Notice, see page 2.

Form **14039** (Rev. 12-2011)

www.irs.gov

Catalog Number 52525A

2012 Workbook

Please submit the photocopies required above with this form using one of the following options	
BY MAIL	BY FAX
<p>If you received a notice from the IRS, return this form with a copy of the notice to the address contained in the notice. If you are unable to file your return electronically because the primary and/or secondary SSN was misused, submit this form with your paper return to the IRS location for your state. If you have already filed your return, submit the form with a letter of explanation to the IRS location for your state. Refer to the "Where Do You File" section of your return instructions.</p> <p>If you have not received an IRS notice and are self-reporting as being at risk for future impact to your tax account, please mail this form to:</p> <p>Internal Revenue Service P.O. Box 9039 Andover, MA 01810-0939 USA</p>	<p>If you received a notice <u>in the mail</u> from the IRS and a fax number is shown, fax this completed form with a copy of the notice to that number. Please include a cover sheet marked "Confidential." If no fax number is shown, please follow the mailing instructions.</p> <p>NOTE: The IRS does not initiate contact with taxpayers by e-mail or fax.</p> <p>If you have not received an IRS notice and are self-reporting as being at risk for future impact to your tax account, fax this form to: (978) 684-4542.</p> <p>NOTE: This is not a toll-free number. Your telephone company or a third party service provider, if applicable, may charge to send faxes.</p>

Other helpful identity theft information may be found on www.irs.gov (keyword "identity theft"). Additionally, locations and hours of operation for Taxpayer Assistance Centers can be found at <http://www.irs.gov/localcontacts/index.html>.

Note: The Federal Trade Commission (FTC) is the central federal government agency responsible for identity theft awareness. The IRS does not share taxpayer information with the FTC. Please refer to the FTC's website at <http://www.ftc.gov> (keyword "identity theft") for additional information, protection strategies, and resources.

IRS ACTIONS TO COMBAT IDENTITY THEFT

The IPSU provides individualized assistance to taxpayers, which includes the following.

- A single customer service representative to answer identity theft victims' questions and resolve their issues
- A focus on verification of taxpayer identity and identity theft
- A place for taxpayers to self-report identity theft before it impacts their tax accounts
- A place for taxpayers to self-report incidents when they may be at risk for identity theft because their personally identifiable information was compromised (for example, stolen purse or wallet)

In addition, the IPSU assists taxpayers who have already had their tax accounts impacted by identity theft but have not yet had their issues resolved. The IPSU was created to act as a central contact point for identity theft victims. However, the IPSU is not sufficiently staffed to fully investigate or handle identity theft cases. Instead, the unit refers taxpayers to other specific IRS departments that are working with the taxpayer's particular identity theft issue and also collaborates with those departments to monitor the taxpayer's case until it is resolved.

Beginning in 2012, the IRS began using newly designed identity theft screening filters that are intended to improve its ability to spot false returns before they are processed. Once a tax return is flagged as fraudulent, the IRS holds the return until it can verify the taxpayer's identity. The IRS attempts to correspond with the taxpayer and verify that the return is legitimate before processing the tax return.

2012 Workbook

To assist victims in filing their tax returns, the IRS began using identity protection personal identification numbers (IP PIN). The process begins with the taxpayer completing Form 14039, as discussed earlier. Including the IP PIN on the return indicates the taxpayer previously provided the IRS with information validating their identity. Returns containing the correct corresponding IP PINs are processed as valid tax returns. A new IP PIN is issued by mail each year before the filing season starts. For the 2012 filing season, there were 252,000 IP PINs issued.²⁴ Taxpayers enter the IP PIN on page 2 of Form 1040.

You Own It

Third Party Designee Do you want to allow another person to discuss this return with the IRS (see instructions)? ☐ Yes. Complete below. ☐ No

Designee's name ▶ Phone no. ▶ Personal identification number (PIN) ▶

Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records. ▶

Your signature ▶ Date ▶ Your occupation ▶ Daytime phone number ▶

Spouse's signature. If a joint return, **both** must sign. ▶ Date ▶ Spouse's occupation ▶ Identity Protection PIN (see inst.) ▶

Paid Preparer Use Only Print/Type preparer's name ▶ Preparer's signature ▶ Date ▶ Check ☐ if self-employed ▶ PTIN ▶

Firm's name ▶ Firm's EIN ▶

Firm's address ▶ Phone no. ▶

Form **1040** (2011)

Taxpayers who lose their IP PIN before filing their return can request a replacement by contacting IPSU. It is no longer necessary to issue an inquiry referral (Form 4442) to the Privacy, Governmental Liaison, and Disclosure unit in order to receive a replacement IP PIN. To facilitate timely filing of returns, IRS employees will provide taxpayers who qualify for a replacement IP PIN with a generic number by telephone. The generic PIN will allow the taxpayers to e-file, but the returns will be delayed while the IRS checks the validity of information. If the taxpayer experiences an economic burden, the TAS could advocate by preparing an expedited operations assistance request with necessary information to facilitate return posting. Without an IP PIN, a paper return must be filed.

Although the IRS is making great strides in combating identity theft, there is a great deal of fraud that goes undetected. The IRS can detect identity theft only for those individuals who file a tax return and are subsequently told they filed a duplicate return. Individuals who are not required to file a tax return may not realize their identity has been stolen until other events occur, such as creditors calling for payment for purchases that the individual never made.

To increase its identity theft prevention efforts, the IRS has requested expanded access to the National Directory of New Hires (NDNH). The IRS currently uses the NDNH to verify income for the earned income credit. Expanded access would provide information pertaining to all third-party income and withholding data to prevent this type of identity theft tax fraud. With expanded access, the IRS could confirm that an individual had no reported income or withholding in the prior tax year and did not obtain employment in the current year. The IRS could then freeze the tax refund until income and withholding were verified. Although the IRS has requested expanded access for the past three fiscal years, its request has not yet been approved.²⁵

²⁴ *Testimony of The Honorable J. Russell George, Treasury Inspector General for Tax Administration*. May 8, 2012. [www.treasury.gov/tigta/congress/congress_05082012.pdf] Accessed on Jul. 20, 2012.

²⁵ Ibid.

MINIMIZING THE RISK

Tax professionals should remind their clients to take the following actions to minimize their risk of becoming identity theft victims.²⁶

- Never carry a social security card or any document with an SSN on it. Memorize your SSN, passwords, and personal identification numbers (PIN). Do not use easily available information as passwords or PINs, such as mother's maiden name, birth date, house number, phone number, or last four digits of the SSN.
- Never give a business an SSN just because they ask for it. The business should explain to the taxpayer's satisfaction why the SSN is required and how it will be safeguarded.
- All financial information should be protected. Shred or destroy unwanted documents that contain personal information such as credit offers and applications, insurance forms, bank checks, and monthly statements. Individuals should opt-out of receiving preapproved offers of credit or insurance. This can be done at **www.optoutprescreen.com** or by calling 888-567-8688.
- An individual's credit report should be checked every 12 months to determine fraudulent activities. All three major credit bureaus' reports should be checked. This can be done at no cost at **www.annualcreditreport.com**.
- Any document that contains personal information should be secured in the home.
- Personal computers should be protected by using firewalls and anti-spam and anti-virus software, updating security patches, and changing passwords for Internet accounts on a regular basis. Individuals should never click on links provided in unsolicited e-mail.
- Never provide unsolicited personal information such as credit card or bank account numbers over the phone, through the mail, or online. If providing personal information online, the web address should begin with "https://" to indicate the website is secure.
- If the individual does not have a mailbox that locks, outgoing mail should be placed in a post office collection box or taken to the post office. Incoming mail should be collected from boxes as soon as possible after it is delivered.

Practitioners can help clients avoid identity theft by adopting strong internal controls such as the removal of sensitive information from computer hard drives and storing taxpayer information in secure, locked places. The following actions are recommended.

1. Safeguard the taxpayers' personal information. IRS Pub. 4557, *Safeguarding Taxpayer Data*, provides several effective steps that should be taken by tax practitioners to properly safeguard client tax information. These steps include the following.
 - a. Locking doors to restrict access to paper or electronic files
 - b. Requiring passwords to restrict access to computer files
 - c. Encrypting electronic taxpayer data
 - d. Maintaining a backup file of electronic files for later recovery if necessary
 - e. Shredding paper containing sensitive taxpayer information before disposal²⁷
2. Remind taxpayers that the IRS generally does not initiate contact with taxpayers by e-mail and that any e-mail purporting to come from the IRS is a scam.
3. Instruct taxpayers to regularly check credit reports and other financial records to look for evidence of fraudulent activity.

²⁶ *Minimizing Your Risk of Identity Theft*. [consumer-law.lawyers.com/consumer-fraud/Minimizing-Your-Risk-of-Identity-Theft.html] Accessed on Jul. 20, 2012.

²⁷ IRS Pub. 4557, *Safeguarding Taxpayer Data*, includes a practitioner checklist for safeguarding client financial information, applicable laws and regulations regarding the use and safeguarding of such information, and other useful practitioner resources on this subject.

DISALLOWANCE OF EDUCATION CREDIT

There are a variety of tax credits, deductions, and savings plans available to taxpayers to assist with the costs of higher education. IRS Pub. 970, *Tax Benefits for Education*, is a valuable resource for information about the available tax benefits. The IRS created a webpage at [www.irs.gov/uac/Correction-to-Publication-970,-Tax-Benefits-for-Education-\(Revision-2011-\)-03-MAY-2012](http://www.irs.gov/uac/Correction-to-Publication-970,-Tax-Benefits-for-Education-(Revision-2011-)-03-MAY-2012) that provides recent developments affecting the information in the publication.

In addition, the IRS article entitled “Tax Benefits for Education: Information Center” contains very useful information. It can be found at www.irs.gov/uac/Tax-Benefits-for-Education:-Information-Center.

IRS DISALLOWANCE CRITERIA

The Internal Revenue Manual (IRM) provides criteria for the IRS to use in determining if an education credit claimed on Form 8863, *Education Credits (American Opportunity and Lifetime Learning Credits)*, should be disallowed.²⁸

The IRS issues various letters to alert taxpayers about the disallowance of education credits. If an education credit is completely or partially disallowed and no other issues are present, a 105C letter is issued to the taxpayer with an explanation for the disallowance. If the education credit is completely or partially disallowed and there are other issues present on the return, then a letter 106C is issued.

²⁸ IRM 3.11.6.8.6.6.

2012 Workbook

Internal Revenue Service

Department of the Treasury

Date:

Taxpayer Identification Number:

Amount Claimed:

Amount Allowed:

Tax Year Ended:

Person to Contact:

Contact Telephone Number:

CERTIFIED MAIL

This letter is our legal notice to you regarding your claim for your Federal income tax return.

Your claim for an adjustment has been disallowed in full for the reasons stated below.

You may submit a new claim with additional information that was not included on your original claim. If you want to bring suit or proceedings for the recovery of any tax, penalties, or other moneys for which this disallowance notice is issued, you may file the suit with the United States District Court having jurisdiction, or the United States Claims Court. You have 2 years from the mailing date of this letter to do this. However, if you signed a Waiver of Statutory Notification of Claim Disallowance (Form 2297), the period for bringing suit began on the date the waiver was filed.

If you have any questions, please write to us or you may call our office at the telephone number shown. A member of our staff will be able to assist you. If the number is outside your local calling area, there will be a long-distance charge to you.

Sincerely yours,

Director, Service Center

Enclosure:
Publication 1

Reasons for disallowance:

Letter 105 (SC) (Rev. 10-1989)
Catalog Number: 40063T

If the taxpayer receives a 105C or 106C letter and they disagree with the IRS's disallowance of the education credit, they may appeal the decision. Information about the appeal process is contained in each of these letters.

The following table, from the IRM, is used by the IRS to determine if an education credit should be disallowed.²⁹

If	And Form 8863 Is the Only Issue . . .	And Other Issues Are Present . . .
Through research it is determined that the person listed as the student was not the taxpayer's dependent.	Send a 105C letter disallowing the claim and input the adjustment per IRM 3.11.6.9.3(1). Use the following for the fill-in: "We have disallowed your claim on Form 8863, <i>Education Credit</i> . You can claim this credit only if one of the following was a student: (1) yourself, (2) your spouse, or (3) a dependent that was claimed on your tax return."	Send a 106C letter disallowing the claim and input the adjustment per IRM 3.11.6.9.3(2). Use the following for the fill-in: "We have disallowed your claim on Form 8863, <i>Education Credit</i> . You can claim this credit only if one of the following was a student: (1) yourself, (2) your spouse, or (3) a dependent claimed on your tax return." Continue to process the return for other issues.
The taxpayer claimed both the Hope and lifetime learning credit for the same student in the same year	Send a 105C letter disallowing the claim and input the adjustment per IRM 3.11.6.9.3(1). Use the following for the fill-in: "We disallowed your claim on Form 8863, <i>Education Credit</i> . You cannot claim both the Hope credit and the lifetime learning credit for the same student for the same tax year."	Send a 106C letter disallowing the claim and input the adjustment per IRM 3.11.6.9.3(2). Use the following for the fill-in: "You cannot claim both the Hope credit and the lifetime learning credit for the same student for the same tax year." Continue to process the return for other issues.

Although a taxpayer often qualifies for more than one of the education tax benefits, only one benefit can generally be claimed for a particular education expense. In addition, income limits and other special rules apply to each of the benefits. The following table from Appendix B of IRS Pub. 970 is a useful guide for taxpayers to use when determining eligibility for each of the education benefits.

²⁹ Ibid.

2012 Workbook

Appendix B. Highlights of Education Tax Benefits for Tax Year 2011

This chart highlights some differences among the benefits discussed in this publication. See the text for definitions and details. Do not rely on this chart alone.

Caution: You generally cannot claim more than one benefit for the same education expense.

	Scholarships, Fellowships, Grants, and Tuition Reductions	American Opportunity Credit	Lifetime Learning Credit	Student Loan Interest Deduction	Tuition and Fees Deduction
What is your benefit?	Amounts received may not be taxable	Credits can reduce the amount of tax paid 40% of the credit may be refundable (limited to \$1,000 per student)	Credits can reduce amount of tax paid	Can deduct interest paid	Can deduct expenses
What is the annual limit?	None	\$2,500 credit per student	\$2,000 credit per tax return	\$2,500 deduction	\$4,000 deduction
What expenses qualify besides tuition and required enrollment fees?	Course-related expenses such as fees, books, supplies, and equipment	Course-related books, supplies, and equipment	Amounts paid for required books, etc., that must be paid to the educational institution, etc., are required fees	Books Supplies Equipment Room and board Transportation Other necessary expenses	None
What education qualifies?	Undergraduate and graduate K–12	Undergraduate and graduate	Undergraduate and graduate Courses to acquire or improve job skills	Undergraduate and graduate	Undergraduate and graduate
What are some of the other conditions that apply?	Must be in degree or vocational program Payment of tuition and required fees must be allowed under the grant	Can be claimed for only four tax years (which includes years Hope credit claimed) Must be enrolled at least half-time in degree program No felony drug conviction(s) Must not have completed first four years of postsecondary education before end of preceding tax year	No other conditions	Must have been at least half-time student in degree program	Cannot claim both deduction and education credit for same student in same year
In what income range do benefits phase out?	No phaseout	\$80,000 – \$90,000 \$160,000 – \$180,000 for joint returns	\$51,000 – \$61,000 \$102,000 – \$122,000 for joint returns	\$60,000 – \$75,000 \$120,000 – \$150,000 for joint returns	\$65,000 – \$80,000 \$130,000 – \$160,000 for joint returns

(Continued)

2012 Workbook

Appendix B. Highlights of Education Tax Benefits for Tax Year 2011 (Continued)

This chart highlights some differences among the benefits discussed in this publication. See the text for definitions and details. **Do not rely on this chart alone.**

Caution: You generally cannot claim more than one benefit for the same education expense.

	Coverdell ESA [†]	Qualified Tuition Program (QTP) [†]	Education Exception to Additional Tax on Early IRA Distributions [†]	Education Savings Bond Program [†]	Employer-Provided Educational Assistance [†]	Business Deduction for Work-Related Education
What is your benefit?	Earnings not taxed	Earnings not taxed	No 10% additional tax on early distribution	Interest not taxed	Employer benefits not taxed	Can deduct expenses
What is the annual limit?	\$2,000 contribution per beneficiary	None	Amount of qualified education expenses	Amount of qualified education expenses	\$5,250 exclusion	Amount of qualifying work-related education expenses
What expenses qualify besides tuition and required enrollment fees?	Books Supplies Equipment Expenses for special needs services Payments to QTP Higher education: Room and board if at least half-time student Elem/sec (K–12) education: Tutoring Room and board Uniforms Transportation Computer access Supplementary expenses	Books Supplies Equipment Room and board if at least half-time student Expenses for special needs services Computer technology, equipment, and Internet access (2010)	Books Supplies Equipment Room and board if at least half-time student Expenses for special needs services	Payments to Coverdell ESA Payments to QTP	Books Supplies Equipment	Transportation Travel Other necessary expenses
What education qualifies?	Undergraduate and graduate K–12	Undergraduate and graduate	Undergraduate and graduate	Undergraduate and graduate	Undergraduate and graduate	Required by employer or law to keep present job, salary, status Maintain or improve job skills
What are some of the other conditions that apply?	Assets must be distributed at age 30 unless special needs beneficiary	No other conditions	No other conditions	Applies only to qualified series EE bonds issued after 1989 or series I bonds	No other conditions	Cannot be to meet minimum educational requirements of present trade/business Cannot qualify you for new trade/business
In what income range do benefits phase out?	\$95,000 – \$110,000 \$190,000 – \$220,000 for joint returns	No phaseout	No phaseout	\$71,100 – \$86,100 \$106,650 – \$136,650 for joint and qualifying widow(er) with a dependent child returns	No phaseout	No phaseout

[†] Any nontaxable distribution is limited to the amount that does not exceed qualified education expenses.

NEW TAXPAYER NOTICES

Millions of IRS notices are mailed to taxpayers annually. Many are difficult to understand because of their technical nature and confusing language. Taxpayers may have to consult a CPA, EA, or attorney to help them understand the implications of the notice. To alleviate some of the confusion, the Plain Writing Act of 2010³⁰ (PWA) was signed into law on October 13, 2010. The PWA's purpose was to improve the effectiveness and accountability of federal agencies to the public by promoting clear government communication.

Specifically, the PWA requires the IRS to use plain language to provide the following.

- Information about any federal government benefit or service
- Instructions to obtain federal government benefits or services or to file taxes
- Instructions needed to comply with any requirement administered or enforced by the federal government

Documents covered by the PWA include paper and electronic versions of letters, publications, forms, notices, and instructions. These documents must include writing that is clear, well organized, concise, and that follows other practices appropriate to the subject or field and the intended audience.

Additional guidance to agencies that are responsible for promoting the use of plain language is provided at **www.plainlanguage.gov**. Included on this website is a list of departments and agencies affected by the PWA, their webpages, senior officials, and contact information.

The IRS serves both the general public and tax and legal professionals. Most IRS communications aimed at the general public are intended to inform them about new or updated tax laws, to facilitate the gathering of tax information, and to instruct them on how to be compliant with tax laws. The plain language for the general public should be clear, simple, and meaningful. IRS communications aimed at tax and legal professionals include interpretations of complex tax laws requiring the use of regulatory language for legal clarity. The plain language for this group should still be clear and meaningful but may include specialized terminology familiar to these professionals.³¹

The IRS publishes thousands of tax products. The IRS website has more than 44,000 html pages and nearly 79,000 PDF files. Additionally, the IRS averages 200 million notices mailed to taxpayers annually.³² Every year, some of these products undergo substantial revisions. The IRS established clearance processes at several levels in order to monitor the PWA activities, legislative updates, and new guidance. These levels include the following.

- PWA editorial board — for final review before release
- Correspondence review — for notices and letters
- Content management system (CMS) review — to be facilitated by the CMS in the new portal environment
- Tax forms and publications review — for tax forms, instructions, and publications

The IRS plans to conduct periodic reviews to gauge user comprehension as part of its new portal.

³⁰ PL 111-274.

³¹ *IRS Plain Writing Act Compliance Report*. Apr. 13, 2012. [www.irs.gov/pub/irs-utl/plain_language_compliance_report_2012.pdf] Accessed on Aug. 21, 2012.

³² *Ibid.*

APPEALS REQUEST

The mission of the IRS Appeals Office is to settle tax controversies, without litigation, in a fair and impartial manner for both the government and the taxpayer, and in a manner that enhances voluntary compliance and public confidence in the integrity and efficiency of the IRS. The Appeals Office resolves over 100,000 cases annually.³³

The following discussion includes descriptions of the appeals process for:

- Exam issues,
- Collection discussions, and
- OIC rejections.

4

PREPARING A REQUEST FOR APPEALS³⁴

When a taxpayer disagrees with an IRS decision, the letter and publication(s) that are sent by the IRS decision-making department should be reviewed. These documents contain the following information.

- How to prepare a request for an appeal (protest)
- Where to mail the request
- When the request must be received
- What information should be included in the request for an appeal

Note. Filing a request for an appeal does not stop interest and penalties from accruing.

APPEALING EXAMINATION ISSUES³⁵

There are two types of requests for appeals: a small case request and a formal written protest.

Small Case Request

When the total tax due for any single period is \$25,000 or less, a small case request can be used to disagree with the IRS instead of issuing a written protest. To prepare a small case request, a letter requesting appeals consideration should be prepared outlining the areas of disagreement and the reasons for the disagreement. For specific guidance in preparing a small case request/protest, taxpayers may refer to Form 12203, *Request for Appeals Review*.

Example 5. Bo and Ruby Ringe filed their 2010 Form 1040 Schedule A and claimed a charitable contribution of \$5,000 to North Church. The deduction was denied in audit because the receipt from the church did not indicate that no goods or services were provided in exchange for the donation. A second receipt was issued by the church saying that no goods or services were provided, but it was not allowed because it was issued after the tax return was filed. The Ringes file an appeal using Form 12203, which follows.

³³ *Appeals . . . Resolving Tax Disputes*. Aug. 22, 2012. [www.irs.gov/Individuals/Appeals...-Resolving-Tax-Disputes] Accessed on Sep. 5, 2012.

³⁴ IRS Pub. 5, *Your Appeal Rights and How to Prepare a Protest if You Don't Agree*.

³⁵ *Examination*. Aug. 14, 2012. [www.irs.gov/Individuals/Examination-1] Accessed on Sep. 5, 2012.

For Example 5

Bo and Ruby Ringe

111-22-3333

222-33-4444

Charitable Contribution

Our cash donation to North Church for \$5,000 was denied because the acknowledgment from the church did not indicate that no goods or services were provided in exchange for the donation. A second acknowledgment issued during the time of the audit stated that we received no goods or services. However, this was denied because it was not contemporaneous.

We believe we are entitled to the deduction. We substantially complied with the law. The value of the donation is not in question because it was cash. The donation was acknowledged by the church. They also acknowledged that no goods or services were provided. We base our appeal on *Samueli v. Comm’r*, 132 TC 336, 345 (2009). In *Samueli*, the court said “The substantial compliance doctrine is a narrow equitable doctrine that courts may apply to avoid hardship where a party establishes that the party intended to comply with a provision, did everything reasonably possible to comply with the provision, but did not comply with the provision because of a failure to meet the provision’s specific requirements.”

4

Formal Written Protest

A formal written protest should be used in the following situations.

- The disputed amounts are greater than \$25,000 for any one tax period.
- The dispute involves an employee plan or exempt organization case, regardless of the dollar amount at issue.
- The dispute involves a partnership or S corporation case, regardless of the dollar amount at issue.

A formal written request for appeals must include the following.

1. Name, address, social security number, and daytime telephone number
2. A statement that the taxpayer wants to appeal the IRS findings to the Appeals Office
3. A copy of the letter showing the proposed changes and findings that the taxpayer does not agree with (or the date and symbols from the letter)
4. The tax periods or years involved
5. A list of all the changes in which there is disagreement and the reasons for the disagreement
6. The facts supporting the taxpayer’s position on any issue of disagreement
7. Citation for the law or authority on which the taxpayer is relying
8. A signature under penalties of perjury

APPEALING A COLLECTION DECISION

The practitioner representing a client that is the subject of an IRS collection decision benefits from knowledge of three relevant areas.

- The Collection Appeals Program (CAP)
- Collection due process (CDP)
- Rules regarding the rejection of an OIC

Collection Appeals Program

In 1996, the IRS created the CAP to provide a fast way to resolve IRS disputes with taxpayers involving IRS collection activity. The CAP provides an administrative appeal option for taxpayers. Initially, the use of the CAP was limited to seizures, levies, and liens. In 1997, the termination of an installment agreement was added to the list of collection decisions for which the CAP could be used. In these limited situations involving IRS collection decisions, a taxpayer can use the CAP to avoid the expense of litigation with the IRS. However, a CAP decision is **final** and further appeal to the Tax Court or other court is not available. The IRS attempts to resolve a CAP appeal within five to 15 days, depending on the complexity of the collection issue. Therefore, the taxpayer may find that using the CAP brings a quick resolution.³⁶

If the taxpayer uses the CAP after receiving a seizure notice, the appeal must be made within 10 business days after the notice is sent.³⁷

The taxpayer makes a request for a CAP administrative appeal by completing and filing Form 9423, *Collection Appeal Request*.

³⁶ See IRM 8.24.1 for the various procedural rules and further details regarding the CAP.

³⁷ IRM 8.24.1.2.4 (2007).

2012 Workbook

Collection Appeal Request

(Instructions are on the reverse side of this form)

1. Taxpayer's name		2. Representative (Attach a copy of Form 2848, Power of Attorney)	
3. SSN/EIN	4. Taxpayer's business phone	5. Taxpayer's home phone	6. Representative's phone
7. Taxpayer's street address			
8. City		9. State	10. ZIP code
11. Type of tax (Tax form)		12. Tax periods being appealed	13. Tax due

Collection Action(s) Appealed

14. Check the Collection action(s) you are appealing

- ☐ Federal Tax Lien
 ☐ Levy or Proposed Levy
 ☐ Seizure
☐ Rejection of Installment Agreement
 ☐ Termination of Installment Agreement
 ☐ Modification of Installment Agreement

Explanation

15. Explain why you disagree with the collection action(s) you checked above and explain how you would resolve your tax problem. Attach additional pages if needed. Attach copies of any documents that you think will support your position.

Under penalties of perjury, I declare that I have examined this request and the attached documents, and to the best of my knowledge and belief, they are true, correct and complete. A submission by a representative, other than the taxpayer, is based on all information of which preparer has any knowledge.

16. <input type="checkbox"/> Taxpayer's or <input type="checkbox"/> Authorized Representative's signature (Only check one box)	17. Date signed
--	-----------------

IRS USE ONLY

18. Revenue Officer's name	19. Revenue Officer's signature	20. Date signed
21. Revenue Officer's phone	22. Revenue Officer's FAX	23. Date received
24. Collection Manager's name	25. Collection Manager's signature	26. Date signed
27. Collection Manager's phone	28. Collection Manager's FAX	29. Date received

Form **9423** (Rev. 5-2012) Catalog Number 141691

www.irs.gov

Department of the Treasury - Internal Revenue Service

Collection Due Process

The RRA created the following two Code sections.

- IRC §6320, *Notice and Opportunity for Hearing Upon Filing of Notice of Lien*
- IRC §6330, *Notice and Opportunity for Hearing Before Levy*

IRC §6320 requires the IRS to notify a taxpayer of any notice of federal tax lien (NFTL) that was filed and of the corresponding right to request a CDP hearing on the NFTL issue within five business days after the first NFTL is filed.

IRC §6330 requires the IRS to notify the taxpayer of an intent to levy not less than 30 days before the first levy is issued. The IRS must also inform the taxpayer of their right to request a CDP hearing on the levy issue.

A CDP hearing may also be requested by the taxpayer after a jeopardy levy. A jeopardy levy is used when the IRS concludes that collection efforts are in jeopardy for various reasons, including the following.

- The taxpayer is about to flee the United States or go into hiding.
- The taxpayer is about to place property beyond the reach of the IRS through removal, concealment, destruction, or transfer to another person.

Upon receipt of a jeopardy levy notice, the taxpayer has a right to a CDP hearing. If the taxpayer chooses to use the CDP hearing, they can contest the CDP determination in Tax Court.³⁸

Note. For additional details on the rules applicable to jeopardy assessments and levies, see IRC §7429 and the corresponding Treasury Regulations.

Note. For additional details on the CAP or CDP hearings, see IRS Pub. 1660, *Collection Appeal Rights*.

Offer in Compromise Rejection

When a taxpayer receives a letter indicating that their OIC was rejected, an appeal of the decision must be made within 30 days. The request can be made using Form 13711, *Request for Appeal of Offer in Compromise*, or a separate letter that contains the following information.

1. Name, address, social security number, and daytime telephone number
2. A statement that the taxpayer wants to appeal the IRS findings to the Appeals Office
3. A copy of the rejected offer letter
4. Tax period or years involved
5. A list of the specific items the taxpayer disagrees with and the reasons for the disagreement
6. Any additional information the taxpayer wants the Appeals Office to consider
7. The facts supporting the taxpayer's position on any issue of disagreement
8. The law or authority, if any, on which the taxpayer is relying
9. A signature under penalties of perjury

³⁸ *Collection Appeal Rights*. Aug. 14, 2012. [www.irs.gov/Individuals/Appealing-a-Collection-Decision] Accessed on Sep. 5, 2012.

ALTERNATIVE DISPUTE RESOLUTION³⁹

FAST TRACK SETTLEMENT

The fast track settlement (FTS) program for large business and international (LB&I) taxpayers provides a taxpayer-driven approach to resolving tax disputes with the IRS. The FTS provides the following benefits.

- Resolves tax disputes at the earliest possible stage in the examination process
- Provides an independent IRS Appeals review of the dispute
- Uses IRS Appeals mediation and other resolution services
- Seeks to reduce the length of time required to resolve the dispute

FTS offers LB&I taxpayers a way to resolve audit issues during the examination process in less than 120 days. Working with LB&I and the Appeals Office, taxpayers can use the settlement authority and mediation skills of the Appeals Office to shorten their overall experience with the IRS. FTS can reduce the combined LB&I/Appeals process by two years.

The small business/self-employed division (SB/SE) and the Appeals Office designed an alternative dispute resolution strategy for SB/SE taxpayers, called SB/SE Appeals Fast Track Settlement. This program offers a way to resolve audit issues during the examination process in less than 60 days by using the settlement authority and mediation skills of the Appeals Office. A test of the program began in Chicago, St. Paul, and Houston. It then expanded to include taxpayers in Philadelphia, three cities in California (San Diego, Laguna Niguel, and Riverside), and central New Jersey. SB/SE and the Appeals Office are continuing to offer FTS in the test cities. To apply for the SB/SE FTS program, the taxpayer and the examination group manager should submit Form 14107, *Application for Fast Track Settlement*.

On December 1, 2008, the tax exempt and government entities division (TE/GE) and the Appeals Office announced an FTS program for TE/GE taxpayers. The TE/GE division of the IRS was created in 1999 to serve the specific requirements of taxpayers such as employee plans, tax-exempt bonds, tax-exempt organizations, Indian tribal governments, and government entities at the federal, state, or local level. The program provides TE/GE taxpayers that are under examination by any of the five business units in TE/GE an opportunity to resolve their disputes within 60 days of acceptance into the program. An appeals officer trained in TE/GE issues mediates the issues and, when necessary, utilizes appeals settlement authority to resolve the issues.

IRS Announcement 2008-105⁴⁰ explains the eligibility requirements and types of cases excluded from the program. TE/GE FTS is available for issues involving income tax, estate and gift tax, excise tax, or other types of tax if all the following conditions are satisfied.

- The issues are fully developed.
- The taxpayer has stated a position in writing.
- There are a limited number of issues not agreed upon.

TE/GE FTS is not available in certain cases, including the following.

- Correspondence examination cases
- Cases involving potential for civil or criminal fraud
- Issues the IRS has designated or is considering designating for litigation
- Frivolous issues

Note. IRS Announcement 2008-105⁴¹ provides additional guidance on the TE/GE FTS initiative.

³⁹. *Alternative Dispute Resolution*. Aug. 2, 2012. [www.irs.gov/Individuals/Alternative-Dispute-Resolution] Accessed on Sep. 5, 2012.

⁴⁰. IRS Ann. 2008-105, 2008-48 IRB 1219.

⁴¹. Ibid.

FAST TRACK MEDIATION

Fast track mediation (FTM) gives small businesses, SB/SE taxpayers, and the IRS the opportunity to mediate disputes through an IRS appeals officer, who acts as a neutral party. In this program, most tax disputes are resolved within 40 days compared to several months through the regular appeal process. The IRS offers this new service designed to expedite case resolution on disputes that arise from examination or collection actions.

EARLY REFERRAL

Taxpayers whose returns are under the jurisdiction of the Examination or Collection Offices may request the transfer of a developed but unagreed issue to the Appeals Office. Examination or Collection Offices continue to develop those issues not referred to the Appeals Office. The early resolution of a key issue may encourage taxpayers and the IRS to agree on other issues in the case. Early referral can also be requested for issues regarding an involuntary change in method of accounting, employment tax, employee plans, and exempt organizations. Regular appeals procedures apply, including taxpayer conferences.

POST-APPEAL MEDIATION

Mediation is available for certain cases already in the appeals process only after appeals settlement discussions are unsuccessful and generally when all other issues are resolved except for those associated with the mediation request. Mediation is a nonbinding process that uses the services of a mediator, as a neutral third party, to help the Appeals Office and the taxpayer reach a negotiated settlement. To accomplish this goal, the mediator acts as a facilitator, assists in defining the issues, and promotes settlement negotiations between the Appeals Office and the taxpayer. The mediator does not have settlement authority in the mediation process and cannot render a decision regarding any issue in dispute.

ARBITRATION

Arbitration is available for certain cases within the Appeals Office's jurisdiction that meet the operational requirements of the program. Generally, arbitration is available for cases in which a limited number of factual issues remain unresolved following settlement discussions with the Appeals Office. The arbitration procedure uses the services of an arbitrator either from the Appeals Office or from an outside organization. The Appeals Office and the taxpayer are bound by the arbitrator's findings.

SIMULTANEOUS APPEALS/COMPETENT AUTHORITY

The United States presently has many tax treaties with other countries. A U.S. citizen or resident may request assistance from the U.S. competent authority if the taxpayer believes that the actions of the IRS, another treaty country, or both will cause a tax situation not intended by the terms of the treaty between the United States and the treaty country.

A taxpayer request for assistance from the U.S. competent authority can generally be filed at any time after an action results in taxes that are not in accordance with the terms of the relevant tax treaty. If the IRS initiated the adjustment, the taxpayer must generally wait until receiving written notice about the adjustment before requesting assistance. Otherwise, the U.S. competent authority may deem the request premature. If the treaty country initiated the adjustment, the taxpayer may submit the request for assistance as soon as the taxpayer believes the adjustment is warranted.

Note. Further details regarding the procedure used by taxpayers to request U.S. competent authority assistance may be found in Rev. Proc. 2006-54.⁴²

⁴² Rev. Proc. 2006-54, 2006-49 IRB 1035.

Under the rules for requesting the assistance of the U.S. competent authority, the taxpayer may make a simultaneous or later request for a consideration of the same issue by the IRS Appeals Office. In addition, the U.S. competent authority may also request the involvement of the IRS Appeals Office if it would facilitate negotiation with the treaty country or otherwise serve the interests of the United States.⁴³

The simultaneous appeals/competent authority procedure encourages taxpayers to request competent authority assistance and the participation of the IRS Appeals Office while a case is under the examination division's jurisdiction.

COLLECTIONS UPDATE⁴⁴

4

In March 2012, the IRS announced a major expansion of its Fresh Start initiative to help struggling taxpayers. The program provides help to struggling taxpayers in several collection and enforcement areas.

PENALTY RELIEF

The IRS announced new penalty relief provisions on failure-to-pay penalties for the unemployed. Failure-to-pay penalties are one of the most significant factors that a financially distressed taxpayer can face on a tax bill.

To assist those most in need, a 6-month grace period on failure-to-pay penalties was available to certain wage earners and self-employed individuals. The request for an extension of time to pay resulted in relief from the failure-to-pay penalty for tax year 2011 only if the tax, interest, and any other penalties were fully paid by October 15, 2012.

The penalty relief was available to two categories of taxpayers.

- Wage earners who were unemployed at least 30 consecutive days between January 1, 2011 and the April 17, 2012 tax return filing deadline
- Self-employed individuals who experienced a 25% or greater reduction in business income in 2011 due to the economy

The penalty relief was subject to income limits. A taxpayer's AGI could not exceed \$200,000 if they used the MFJ filing status, or \$100,000 if they filed as single or head of household. The penalty relief was also restricted to taxpayers whose calendar year 2011 balance due did not exceed \$50,000.

The failure-to-pay penalty is generally 0.5% per month with a maximum of 25%. Under the new relief provisions, taxpayers could avoid that penalty until October 15, 2012, six months beyond the filing deadline for 2011 returns. However, the IRS is still legally required to charge interest on unpaid back taxes and does not have the authority to waive this charge, which is currently 3% annually.

INSTALLMENT AGREEMENTS

The Fresh Start initiative also provides more taxpayers with the ability to use streamlined installment agreements to pay taxes. An installment agreement is an option for those who cannot pay their entire tax bills by the due date. Interest continues to accrue on the outstanding balance even with an installment agreement.

The IRS announced that the threshold for using an installment agreement without having to supply the IRS with a financial statement was raised from \$25,000 to \$50,000.

Taxpayers who owe up to \$50,000 in back taxes can enter into a **streamlined agreement** with the IRS that stretches payments over a series of months or years. The maximum term for streamlined installment agreements was raised to 72 months from the previous 60-month maximum. In order to qualify for the new expanded streamlined installment agreement, a taxpayer must agree to monthly direct debit payments.

⁴³ Ibid.

⁴⁴ *IRS Offers New Penalty Relief and Expanded Installment Agreements to Taxpayers under Expanded Fresh Start Initiative*. Aug. 2, 2012. [www.irs.gov/uac/IRS-Offers-New-Penalty-Relief-and-Expanded-Installment-Agreements-to-Taxpayers-under-Expanded-Fresh-Start-Initiative] Accessed on Sep. 5, 2012.

Taxpayers seeking installment agreements exceeding \$50,000 must furnish the IRS with a collection information statement (Form 433-A, *Collection Information Statement for Wage Earners and Self-Employed Individuals*, or Form 433-F, *Collection Information Statement*). Taxpayers may also pay down their balance due to \$50,000 or less in order to take advantage of the streamlined installment agreement.

Installment Agreements for Small Businesses⁴⁵

The IRS made streamlined installment agreements available to more small businesses. The payment program raises the dollar limit to allow additional small businesses to participate. Small businesses with \$25,000 or less in unpaid taxes can participate. Previously, only small businesses with under \$10,000 in liabilities could participate. Small businesses have 24 months to pay.

The streamlined installment agreements are available for small businesses that file either as an individual or as a business. Small businesses with an unpaid assessment balance greater than \$25,000 qualify for the streamlined installment agreement if they pay down the balance to \$25,000 or less. Small businesses must enroll in a direct debit installment agreement to participate.

OFFERS IN COMPROMISE⁴⁶

The IRS expanded a new streamlined OIC program to cover a larger group of struggling taxpayers. This streamlined OIC was expanded to allow taxpayers with adjusted gross incomes of up to \$100,000 to participate. In addition, participants must have a tax liability of less than \$50,000, doubling the previous limit of \$25,000 or less.

An OIC is an agreement between a taxpayer and the IRS that settles the taxpayer's tax liabilities for less than the full amount owed. Generally, an offer is not accepted if the IRS believes that the liability can be paid in full as a lump sum or through a payment agreement. The IRS looks at the taxpayer's income and net assets to make a determination regarding the taxpayer's ability to pay.

Eligible taxpayers must file Form 656, *Offer in Compromise*. Penalty and interest continue to accrue until all payment terms of the offer are met. Initial payments are required with the OIC application. If a lump sum is offered, the OIC application must be accompanied by a downpayment equal to at least 20% of the lump sum amount offered. If the taxpayer elects a periodic payment option, the first payment must accompany the offer, and the remaining balance must be paid in no more than 24 months in accordance with the terms of the offer. Payments must continue to be made while the IRS considers the offer.⁴⁷

⁴⁵ *IRS Announces New Effort to Help Struggling Taxpayers Get a Fresh Start; Major Changes Made to Lien Process*. Aug. 28, 2012. [www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Fresh-Start-Installment-Agreements] Accessed on Sep. 5, 2012.

⁴⁶ *Offer in Compromise*. Aug. 4, 2012. [www.irs.gov/Individuals/Offer-in-Compromise-1] Accessed on Sep. 5, 2012.

⁴⁷ See Form 656 Booklet, *Offer in Compromise* (2012).

TRANSCRIPT DELIVERY SYSTEM (TDS) CHANGES

4

Eligible tax professionals may use the transcript delivery system (TDS), which is part of e-Services, to request and receive the following types of information.

- **Account transcript.** This transcript shows the information posted on the account, including payments, adjustments, and so on. Account transcripts are available for any account that is active on the IRS master file.
- **Return transcript.** This transcript includes most lines from the original return, including attached forms and schedules. The transcript contains both the “per return” and “per computer” entries. Return transcripts are available for returns filed during the current and three prior tax years.
- **Record of account.** This transcript is a combination of the account and return transcripts. Record of account information is available for returns filed during the current and three prior tax years.
- **Wage and income documents.** This transcript shows income reported by payors on information returns such as Forms W-2 and 1099. Wage and income information is available for 10 years.
- **Verification of nonfiling.** This letter is generated when a taxpayer needs verification that a tax return was not filed, such as when applying for a state-backed mortgage subsidy bond. Taxpayers may need a letter from the IRS indicating that they did not file a return. Verification of nonfiling information is available for the current and three prior tax years.

To become a user of the TDS, tax professionals must register at <https://la2.www4.irs.gov/e-services/Registration/index.htm>. Tax professionals must have a power of attorney on file with the IRS before accessing a client’s account.

The TDS is being reengineered to:⁴⁸

- Eliminate system integration issues that tend to slow delivery,
- Increase capacity to compensate for the growing demand of the product, and
- Reduce maintenance issues and associated downtime.

Tax professionals using the TDS will notice the following changes.

1. The e-Services mailbox, currently called a “secure object repository,” will be called a “secure mailbox.”
2. A check box to generate a cover letter will only be present for fax and postal mail delivery options.

BENEFITS OF REENGINEERING

The reengineering of the TDS is expected to result in the following improvements.

- Screens defined more clearly
- Taxpayer and product information combined on one page
- Most commonly used forms set as default
- Ability to set tax year range (beginning and ending)
- Ability to submit multiple tax forms in one request
- Ability to add and submit more than one taxpayer within the same request
- Taxpayer identification number will default to SSN

⁴⁸ *Frequently Asked Questions for the New Transcript Delivery System.* Aug. 4, 2012. [www.irs.gov/Tax-Professionals/Frequently-Asked-Questions-for-the-New-Transcript-Delivery-System] Accessed on Sep. 5, 2012.

USING THE TRANSCRIPT DELIVERY SYSTEM

The following information is required to request products from the TDS.

- Centralized Authorization File (CAF) number
- Taxpayer's name
- Taxpayer's identification number (SSN or EIN)
- Taxpayer's type (individual, business, other)
- Tax period (year and month)
- Tax form
- TDS product needed
- Preferred primary and alternate delivery methods
- Purpose of the request

On the TDS menu page, there are two request options available for TDS products. The online transcript request option provides information for only one taxpayer at a time. When the online option is selected, the information requested is displayed on the computer screen. The bulk request option allows the practitioner to submit multiple transcript requests. These requests are delivered via the secure object repository (SOR) or secure mailbox.

On the product delivery option page, the default setting for the delivery method is online. Practitioners may request multiple products and/or multiple tax periods for an individual or business taxpayer when using this delivery method. The information may also be printed from the browser. The default setting for the alternative delivery method is the SOR. Transcripts may be viewed and stored in the secure mailbox using this method, which also allows the file to be downloaded onto a computer.

PRESCRIBED INTEREST RATES

Each month, the IRS provides various prescribed rates for federal income tax purposes. These rates, known as applicable federal rates (AFR), are based on the yield to maturity of outstanding marketable obligations of the United States during the 1-month period ending in the calendar month in which the determination is made.

The IRS publishes the short-term, mid-term, and long-term AFRs for each month in a revenue ruling. The published AFRs include the appropriate interest rates based on compounding for annual, semiannual, quarterly, and monthly payments.

Note. The AFRs for recent years can be found in the Reference Material supplement, which is available at www.TaxSchool.illinois.edu/reference.

INTEREST RATES ON OVERPAYMENTS AND UNDERPAYMENTS

The AFR is not the only type of interest rate utilized by the IRS. IRC §6621 sets forth the rates for interest on tax overpayments and underpayments. These rates differ from the AFR in that they are only calculated quarterly. The Secretary of the Treasury determines the federal short-term rate for the first month in each calendar quarter, at which time the rate is rounded to the nearest full percent.

The interest rates for the quarter are computed based on the federal short-term rate in effect two months before the quarter begins. For example, the interest rate for the quarter beginning January 1, 2012, is based on the federal short-term rate that took effect on November 1, 2011.

For the first three quarters of 2012, the interest rates have remained unchanged. For January 1, 2012, through September 30, 2012, the interest rates are as follows.⁴⁹

- 3% for overpayments (2% for corporations)
- 3% for underpayments
- 5% for large corporate underpayments
- 0.5% for the portion of a corporate overpayment exceeding \$10,000

Note. The underpayment and overpayment interest rates for recent years can be found in the Reference Material supplement, which is available at www.TaxSchool.illinois.edu/reference.

OTHER INTEREST RATE TABLES

The IRS also publishes other interest rate tables on a monthly basis. These may be found at www.irs.gov/Retirement-Plans/Interest-Rates-Tables.

- **Weighted Average Interest Rate Table.** This table provides the monthly weighted average interest rates and the monthly rates of 30-year Treasury securities.
- **Composite Corporate Bond Rate Table.** This table provides the monthly corporate bond weighted average interest rates and the monthly composite corporate bond interest rates.
- **Funding Yield Curve Segment Rate Table.** This table provides the monthly values for the 24-month average segment rates and the funding transitional segment rates used in connection with minimum funding requirements.
- **Minimum Present Value Segment Rate Table.** This table provides the monthly segment rates for purposes of determining minimum present values under IRC §417(e)(3)(D).
- **Monthly Yield Curve Tables.** These spreadsheets provide the monthly yield curves under IRC §430(h)(2).

IRS HOTLINES

PRACTITIONER PRIORITY SERVICE (866-860-4259)⁵⁰

The practitioner priority service (PPS) is a professional support line staffed by IRS customer service representatives specially trained to handle taxpayer account questions. The PPS is a nationwide toll-free service for all tax practitioners. It is the practitioners' first point of contact for assistance regarding taxpayers' account-related issues. The hours of service are weekdays, 7:00 a.m. until 7:00 p.m., in each local time zone.

Questions regarding an individual's tax accounts are handled by one of three campus sites: Brookhaven, New York; Memphis, Tennessee; and Philadelphia, Pennsylvania. Questions regarding business accounts are handled by two campus sites: Cincinnati, Ohio; and Ogden, Utah. Calls are routed based on an evaluation of the lowest expected wait time. Issues outside the scope of the IRS employee's authority are referred to the appropriate IRS office or function.

⁴⁹ Rev. Rul. 2012-16, 2012-26 IRB 1035.

⁵⁰ *Practitioner Priority Service*. Aug. 2, 2012. [www.irs.gov/Tax-Professionals/Practitioner-Priority-Service-%C2%AE] Accessed on Sep. 5, 2012.

Campus Correspondence Examinations⁵¹

Taxpayers responding to campus correspondence examination (CCE) telephone calls and/or correspondence can take advantage of a new service that started on April 2, 2012. Tax professionals can access the CCE PPS by calling the PPS toll-free number (866-860-4259) and selecting the correspondence examination option. Additional prompts direct the call to the SB/SE examination or wage and investment examination (W&I) line.

The hours of service for the SB/SE line are weekdays, 7:00 a.m. until 7:00 p.m., in each local time zone. The hours of service for the W&I line are weekdays, 8:00 a.m. until 8:00 p.m., in each local time zone.

CCE PPS can address up to five clients per call, and transfers or refers issues outside the CCE's scope to the appropriate IRS office or function.

ELECTRONIC PRODUCTS AND SERVICES SUPPORT E-HELP DESK (866-255-0654)⁵²

The e-help desk assists tax professionals such as EAs, CPAs, reporting agents, electronic return originators, software developers, and transmitters with nonaccount-related questions and issues concerning e-products.

The e-help desk is not for individual taxpayers, even those who electronically filed their returns using a tax preparer or online software. Taxpayers must call IRS customer service at 800-829-1040.

The e-help desk supports IRS e-file individual and business, electronic federal tax payment system (EFTPS), comprehensive case resolution (CCR), and e-services customers. The hours of operation are weekdays from 6:30 a.m. until 6:00 p.m., Central time.

TAX-EXEMPT AND GOVERNMENT ENTITIES (877-829-5500)⁵³

Telephone assistance for exempt organizations, retirement plan administrators, and government entities is available weekdays from 8:00 a.m. until 5:00 p.m., in each local time zone. The helpline staff can address the following issues.

- Employee plans and exempt organizations determination applications
- Affirmations of tax-exempt status
- Miscellaneous issues for exempt organizations, employee plans, and government entities
- Account or notice inquiries

SPECIFIC EMPLOYMENT TAX ISSUES (800-829-4933)

Assistance is available for businesses, corporations, partnerships, and trusts that need information and/or help regarding their business returns or business accounts. Services include assistance with the following issues.⁵⁴

- Employer identification numbers
- Payroll tax returns (Forms 940, 941, 944, and their respective schedules)
- Forms 1041, 1065, and 1120S
- Excise tax returns
- Estate and gift tax returns
- Federal tax deposits

The helpline is available weekdays from 6:30 a.m. until 6:00 p.m., Central time.

⁵¹ *New Practitioner Priority Service for Campus Correspondence Examinations*. Aug. 4, 2012. [www.irs.gov/Businesses/Small-Businesses-&Self-Employed/New-Practitioner-Priority-Service-for-Campus-Correspondence-Examinations] Accessed on Sep. 5, 2012.

⁵² *e-Help Desk Toll-Free Number*. Aug. 1, 2012. [www.irs.gov/uac/e-Help-Desk-Toll-Free-Number] Accessed on Sep. 5, 2012.

⁵³ *FLSG Customer Services*. Aug. 2, 2012. [www.irs.gov/Government-Entities/Federal,-State-&-Local-Governments] Accessed on Sep. 5, 2012.

⁵⁴ *Telephone Assistance Contacts for Business Customers*. Aug. 3, 2012. [www.irs.gov/Businesses/Telephone-Assistance-Contacts-for-Business-Customers] Accessed on Sep. 5, 2012.

FILING INFORMATION RETURNS ELECTRONICALLY (866-455-7438)⁵⁵

Information returns can be filed electronically, but software must be used that can properly format the file as required by IRS Pub. 1220, *Specifications for Filing Forms 1097, 1098, 1099, 3921, 3922, 5498, 8935, and W-2G Electronically*.

For more information, the IRS Information Returns Branch (IRS/IRB) customer service section may be contacted toll-free weekdays from 8:30 a.m. until 4:30 p.m., Eastern time.

IRS Hotlines and Toll-Free Numbers⁵⁶

IRS tax help line for individuals	800-829-1040	Monday–Friday 7:00 a.m.–7:00 p.m., caller’s local time
Business and specialty tax line	800-829-4933	Monday–Friday 7:00 a.m.–7:00 p.m., caller’s local time
Practitioner priority service (practitioners only)	866-860-4259	Monday–Friday 7:00 a.m.–7:00 p.m., caller’s local time
e-Help (practitioners only)	866-255-0654	Monday–Friday 6:30 a.m.–6:00 p.m., Central time
Refund hotline	800-829-1954	Automated service is available 24 hours per day, 7 days per week
Forms and publications	800-829-3676	Monday–Friday 7:00 a.m.–7:00 p.m., caller’s local time
National Taxpayer Advocate help line	877-777-4778	Monday–Friday 7:00 a.m.–7:00 p.m., caller’s local time
Telephone device for the deaf (TDD): forms, tax help, TAS	800-829-4059	Monday–Friday 7:00 a.m.–7:00 p.m., caller’s local time
EFTPS	800-555-4477	24 hours per day, 7 days per week
Tax-exempt and government entities (TEGE) help line	877-829-5500	Monday–Friday 8:00 a.m.–5:00 p.m., caller’s local time
TeleTax topics and refund status	800-829-4477	24 hours per day, 7 days per week
Forms 706 and 709 help line	866-699-4083	Monday–Friday 7:00 a.m.–7:00 p.m., caller’s local time
Employer identification number	800-829-4933	Monday–Friday 7:00 a.m.–7:00 p.m., caller’s local time
Excise tax and Form 2290 help line	866-699-4096	Monday–Friday 8:00 a.m.–6:00 p.m., Eastern time
Information return reporting	866-455-7438	Monday–Friday 8:30 a.m.–4:30 p.m., Eastern time
Disaster or combat zone special hotline	866-562-5227	Monday–Friday 7:00 a.m.–7:00 p.m., caller’s local time
FBAR and Title 31 help line	866-270-0733 or 313-234-6146 (not toll free)	Monday–Friday 8:00 a.m.–4:30 p.m., Eastern time

⁵⁵ *Helpful Information for FIRE*. Aug. 14, 2012. [www.irs.gov/uac/Helpful-Information-for-FIRE] Accessed on Sep. 5, 2012.

⁵⁶ *IRS Hotlines and Toll-Free Numbers*. Aug. 14, 2012. [www.irs.gov/Businesses/Small-Businesses-&Self-Employed/IRS-Hotlines-and-Toll-Free-Numbers] Accessed on Sep. 5, 2012.

AUDIT TECHNIQUE GUIDES

Audit techniques guides (ATGs) aid IRS examiners during audits by providing insight into issues and accounting methods unique to specific industries. Although ATGs are designed to provide guidance for IRS employees, they are also useful to small business owners and tax professionals who prepare returns.

ATGs support the development of examiners for a particular market segment. These guides contain examination techniques, common and unique industry issues, business practices, industry terminology, and other information to assist examiners in performing examinations.

All ATGs may be found at **[www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Audit-Techniques-Guides-\(ATGs\)](http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Audit-Techniques-Guides-(ATGs))**. ATGs are available in PDF format, as webpages, or both.

NEW AUDIT TECHNIQUE GUIDES

1. **Art Galleries** — developed to provide guidance on art galleries
2. **Continuation of Employee Healthcare Coverage** — developed to provide guidance on the Consolidated Omnibus Budget Reconciliation Act of 1985
3. **IC-DISC Audit Guide** — developed to provide guidance on audits of Form 1120 IC-DISC and/or its related shareholder(s)