

Chapter 4: IRS Update

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Corrections were made to this workbook through January of 2014. No subsequent modifications were made.

REGISTERED TAX RETURN PREPARER PROGRAM

CURRENT STATUS

The registered tax return preparer (RTRP) program was **suspended** as of January 18, 2013. The IRS suspended the program in response to a ruling by Judge James E. Boasberg of the U.S. District Court for the District of Columbia.¹ Judge Boasberg issued an order prohibiting the IRS from enforcing the regulatory requirements for RTRPs.

Consequently, unenrolled tax return preparers are not currently required to pass a competency test or to maintain a minimum level of continuing education, but they **are** required to have a preparer tax identification number (PTIN). CPAs, enrolled agents, enrolled actuaries, attorneys, and other professionals previously covered under Circular 230, *Regulations Governing Practice before the Internal Revenue Service*, must continue to meet the testing and education requirements of their professional organizations and licensing bodies.

The IRS is appealing the court decision. In addition, bills have been submitted in Congress to allow the IRS to regulate unenrolled tax return preparers. As of August 8, 2013, neither the appeal nor the legislative proposals have yielded any results.

Note. Oral arguments in connection with the IRS appeal of the district court's decision have been scheduled in the D.C. Court of Appeals for **September 24, 2013**.

HISTORY²

The Treasury Department has the authority to regulate the conduct of persons representing others before any office or agency of the Secretary.³ The original grant of this authority was added to an 1884 appropriations measure to address concerns that potentially fraudulent compensation claims were being presented to and approved by the Secretary. The claims in question related to compensation for property lost in military services during the Civil War.

¹ *Loving v. IRS*, 2013 U.S. Dist. LEXIS 7980 (D.D.C. 2013) (*Loving I*), modified by 2013 U.S. Dist. LEXIS 13878 (D.D.C. 2013), (*Loving II*) appeal pending, D.C.C. Dkt. No. 13-0561 (Feb. 20, 2013).

² *Present Law and Background Information Related to Selected Tax Procedure and Administration Issues*. Apr. 15, 2013. Joint Committee on Taxation. [www.jct.gov/publications.html?func=startdown&id=4515] Accessed on Jul. 16, 2013.

³ 31 USC §330 et seq.

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The claims had been presented to the War Department for review, reviewed by an auditor, and then forwarded to Congress to determine whether to fund payment of the claims. Under the General Deficiency Act of July 7, 1884, Congress authorized appropriation of \$125,787 for “horses and other property lost in military service prior to July 1, 1881,” with the following provision.

Provided, That the Secretary of the Treasury may prescribe rules and regulations governing the recognition of agents, attorneys, or other persons representing claimants before his Department, and may require of such persons, agents and attorneys, before being recognized as representatives of claimants, that they shall show that they are of good character and in good repute, possessed of the necessary qualifications to enable them to render claimants valuable service, and otherwise competent to advise such claimants in the presentation of their cases. And such Secretary may after due notice and opportunity for hearing, suspend and disbar from further practice before his Department any such person, agent, or attorney shown to be incompetent, disreputable, or who refuses to comply with the said rules and regulations, or who shall with intent to defraud, in any manner willfully and knowingly deceive, mislead, or threaten any claimant or prospective claimant, by word, circular, letter, or by advertisement.

The provision was included to address concerns that military veterans were being cheated by disreputable agents who charged unfair contingency fees or misled their clients. Before this, the Treasury lacked the authority to declare an agent ineligible to represent a soldier. It is now codified in Title 31 USC §330(a) and (b).

RTRP REFUND POLICY

Due to the injunction, the IRS announced a refund policy for those individuals who were scheduled to take the RTRP test and had already paid the fee before the test was canceled. If the test was scheduled on or after January 18, 2013, the refund should have been automatically processed by the vendor by July 19, 2013.⁴

USE OF RTRP DESIGNATION

Individuals who successfully passed the RTRP examination before the injunction can continue to use the RTRP designation. However, these individuals are still considered to be unenrolled preparers for purposes of Circular 230. They must include the following disclaimer in any paid advertising involving print, television, or radio in which they represent themselves as RTRPs.

*The IRS does **not** endorse any particular individual tax return preparer. For more information on tax return preparers, go to IRS.gov.*

VOLUNTARY CLASSIFICATION SETTLEMENT PROGRAM EXTENDED

Some businesses treat certain workers as independent contractors when the workers should actually be classified as employees. This results in an underpayment of employment taxes. Unless a worker files a complaint or the business is audited by the IRS or a state employment agency, it is difficult for the IRS to determine which businesses are violating the rules. However, if the IRS finds that a business has failed to classify workers correctly, the business is subject to penalties on the unpaid taxes in addition to liability for the underwithheld taxes. In order to encourage more businesses to correctly classify workers, the IRS announced the voluntary classification settlement program (VCSP) on September 21, 2011.

⁴ *Registered Tax Return Preparer Test Refunds*. May 16, 2013. [www.irs.gov/uac/Newsroom/IRS-Statement-on-Court-Ruling-Related-to-Return-Preparers] Accessed on Aug. 8, 2013.

Under the VCSP, employers file Form 8952, *Application for Voluntary Classification Settlement Program (VCSP)*, to voluntarily reclassify their workers as employees. The business taxpayer then pays approximately 10% of the employment tax liability that would have been due on the compensation paid to the reclassified workers for the most recent tax year if those workers had been classified as employees for that year.⁵ This reduced rate is determined under IRC §3509(a).⁶ The employer will **not** be liable for any interest and penalties on the liability and will not be subject to an employment tax audit with respect to the worker classification of the class or classes of workers for prior years.

The program was expanded in February 2013. The eligibility requirements were modified to allow more taxpayers to take advantage of the program. The revision allows employers that are under an IRS audit, other than an employment tax audit, to qualify for the VCSP. Furthermore, employers accepted into the program are no longer subject to an extended 6-year statute of limitations for IRS examination of employment taxes; they are now subject to the 3-year period that normally applies to payroll taxes.⁷

Note. The VCSP and Form 8952 were discussed in detail in the 2012 *University of Illinois Federal Tax Workbook*, Volume C, Chapter 4: Schedule C.

ITIN PROGRAM CHANGES

The individual taxpayer identification number (ITIN) is a 9-digit number issued by the IRS to individuals who require an identification number but do not qualify for a social security number (SSN) or an employer identification number (EIN).

ITINs play a key role in the tax administration process and assist with the collection of taxes from foreign nationals, nonresident aliens, and resident aliens who have filing or payment obligations under U.S. law. ITINs are designed specifically for tax administration purposes and are only issued to people who are not eligible for SSNs. An ITIN cannot be used for identification purposes outside the federal tax system.⁸

Individuals who may need an ITIN include the following.

- Dependent or spouse of a nonresident alien visa holder
- Dependent or spouse of a U.S. citizen/resident alien
- U.S. resident alien (based on days present in the United States) filing a U.S. tax return who is **not** eligible for an SSN
- Nonresident alien filing a U.S. tax return who is **not** eligible for an SSN

⁵ *Voluntary Classification Settlement Program (VCSP) Frequently Asked Questions*. Jun. 27, 2013. [[www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Voluntary-Classification-Settlement-Program-\(VCSP\)-Frequently-Asked-Questions](http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Voluntary-Classification-Settlement-Program-(VCSP)-Frequently-Asked-Questions)] Accessed on Jul. 6, 2013.

⁶ *Voluntary Classification Settlement Program (VCSP)*. Jun. 26, 2013. [www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Voluntary-Classification-Settlement-Program] Accessed on Jul. 6, 2013.

⁷ IR-2013-23 (Feb. 27, 2013).

⁸ *Additional ITIN Information*. [www.irs.gov/Individuals/Additional-ITIN-Information] Accessed on Jul. 19, 2013.

OBTAINING AN ITIN

To obtain an ITIN, the individual must file Form W-7, *Application for IRS Individual Taxpayer Identification Number*. The completed form must be submitted via one of the following methods.

1. By mail, to the following address:

**Internal Revenue Service
Austin Service Center
ITIN Operation
P.O. Box 149342
Austin, TX 78714-9342**

2. In person at an IRS Taxpayer Assistance Center where in-person document verification is provided (A list of these locations can be found at www.irs.gov/uac/TAC-Locations-Where-In-Person-Document-Verification-is-Provided.)
3. Using the services of a certifying acceptance agent (A list of acceptance agents and addresses can be found at www.irs.gov/Individuals/Acceptance-Agent-Program. This list is updated quarterly.) There are several acceptance agent offices within and outside the United States.

Example 1. Annette, a resident of France, inherited an apartment building in Urbana, Illinois, from her aunt. After inheriting the apartment, Annette rents the apartment out to a tenant. Consequently, she is required to file a U.S. tax return to report the rental income and expenses. Because Annette is not a U.S. citizen and is not a noncitizen who is authorized to work in the United States, she does not qualify for an SSN; therefore, she must apply for an ITIN. She presents the completed Form W-7 that follows and the required documentation to a certifying acceptance agent.

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For Example 1

Form **W-7**
(Rev. January 2012)
Department of the Treasury
Internal Revenue Service

Application for IRS Individual Taxpayer Identification Number

► For use by individuals who are not U.S. citizens or permanent residents.
► See instructions.

OMB No. 1545-0074

An IRS individual taxpayer identification number (ITIN) is for federal tax purposes only.

Before you begin:

- **Do not submit this form** if you have, or are eligible to get, a U.S. social security number (SSN).
- Getting an ITIN does not change your immigration status or your right to work in the United States and does not make you eligible for the earned income credit.

Reason you are submitting Form W-7. Read the instructions for the box you check. **Caution:** If you check box **b, c, d, e, f, or g, you must file a tax return with Form W-7 unless you meet one of the exceptions** (see instructions).

- a Nonresident alien required to get ITIN to claim tax treaty benefit
- b Nonresident alien filing a U.S. tax return
- c U.S. resident alien (**based on days present in the United States**) filing a U.S. tax return
- d Dependent of U.S. citizen/resident alien } Enter name and SSN/ITIN of U.S. citizen/resident alien (see instructions) ►
- e Spouse of U.S. citizen/resident alien } _____
- f Nonresident alien student, professor, or researcher filing a U.S. tax return or claiming an exception
- g Dependent/spouse of a nonresident alien holding a U.S. visa
- h Other (see instructions) ► _____
- Additional information for **a** and **f**: Enter treaty country ► _____ and treaty article number ► _____

Name (see instructions) Name at birth if different . . . ►	1a First name Annette	Middle name	Last name Dubois
	1b First name	Middle name	Last name
Applicant's mailing address	2 Street address, apartment number, or rural route number. If you have a P.O. box, see separate instructions. 21 Rue Pasteur		
	City or town, state or province, and country. Include ZIP code or postal code where appropriate. 14390 Cabourg France		
Foreign (non-U.S.) address (if different from above) (see instructions)	3 Street address, apartment number, or rural route number. Do not use a P.O. box number. 21 Rue Pasteur		
	City or town, state or province, and country. Include ZIP code or postal code where appropriate. 14390 Cabourg France		
Birth information	4 Date of birth (month / day / year) 07/25/1956	Country of birth France	City and state or province (optional) 5 <input type="checkbox"/> Male <input checked="" type="checkbox"/> Female
	6a Country(ies) of citizenship France	6b Foreign tax I.D. number (if any)	6c Type of U.S. visa (if any), number, and expiration date None
Other information	6d Identification document(s) submitted (see instructions) <input checked="" type="checkbox"/> Passport <input type="checkbox"/> Driver's license/State I.D. <input type="checkbox"/> USCIS documentation <input type="checkbox"/> Other _____ Issued by: France No.: 12345 Exp. date: 09/01/2015 (MM/DD/YYYY) / /		
	6e Have you previously received a U.S. temporary taxpayer identification number (TIN) or employer identification number (EIN)? <input checked="" type="checkbox"/> No/Do not know. Skip line 6f. <input type="checkbox"/> Yes. Complete line 6f. If more than one, list on a sheet and attach to this form (see instructions).		
	6f Enter: TIN or EIN ► _____ and Name under which it was issued ► _____		
	6g Name of college/university or company (see instructions) _____ City and state _____ Length of stay _____		
Sign Here	Under penalties of perjury, I (applicant/delegate/acceptance agent) declare that I have examined this application, including accompanying documentation and statements, and to the best of my knowledge and belief, it is true, correct, and complete. I authorize the IRS to disclose to my acceptance agent returns or return information necessary to resolve matters regarding the assignment of my IRS individual taxpayer identification number (ITIN), including any previously assigned taxpayer identifying number.		
	Signature of applicant (if delegate, see instructions) 	Date (month / day / year) 10 / 01 / 2013	Phone number 309-555-5555
Keep a copy for your records.	Name of delegate, if applicable (type or print) Trisha Saal	Delegate's relationship to applicant <input type="checkbox"/> Parent <input type="checkbox"/> Court-appointed guardian <input checked="" type="checkbox"/> Power of Attorney	
	Signature Name and title (type or print)	Date (month / day / year) / / Name of company	Phone Fax EIN Office Code

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 10229L

Form **W-7** (Rev. 1-2012)

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The IRS has implemented new procedures that affect the ITIN application process. These ITIN policy changes are effective January 1, 2013, and supersede previous guidance. The new modifications and documentation standards are designed to further protect the integrity of the ITIN application and refund processes while helping minimize the burden for applicants.⁹

ITIN applications continue to require original documentation or copies **certified** by the issuing agency. The IRS no longer accepts notarized copies of documents for ITINs. Acceptable documentation includes the following.¹⁰

- Passports
- National identification cards
- Visas issued by the U.S. Department of State
- U.S. or foreign military identification cards
- Civil birth certificates
- Medical records (valid only for dependents under age 6)
- School records (valid only for dependents under age 14 and students under age 18)
- U.S. state or foreign driver's licenses
- U.S. state identification cards
- Foreign voter's registration cards
- U.S. Citizenship and Immigration Services photo identification

A key change provided by the updated procedures is that new ITINs will **expire after five years**. Taxpayers who still need an ITIN **must reapply at the end of the expiration period**. The IRS is exploring options, and seeking input from interested groups, for deactivating or refreshing the information relating to previously issued ITINs.¹¹

Some categories of applicants are not affected by these documentation changes. These include spouses and dependents of U.S. military personnel who need ITINs and nonresident aliens applying for ITINs in order to claim tax treaty benefits.

Student and Exchange Visitor Program (SEVP) participants already are required to provide documentation to the Department of Homeland Security. Individuals studying under the SEVP are required to apply through a university, college, or other SEVP-approved institution. These are individuals admitted to the United States under an F, J, or M visa who receive taxable scholarship, fellowship, or other grants reportable by the school on Form W-2, *Wage and Tax Statement*, or Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*. These procedures cover applications for the primary applicant, their spouse, and their dependents.

In addition to the changes in the ITIN application process, the IRS enhanced compliance activities relating to certain credits, including the child tax credit. The changes improve the IRS's ability to review returns claiming this credit. Accordingly, additional residency information is required on Schedule 8812, *Child Tax Credit*, to ensure compliance with the eligibility criteria for the credit.

In addition, new prerefund screening filters were used for filing year 2013 to flag returns for audit that claimed questionable refundable credits. As part of these overall efforts, ITIN holders may be asked to revalidate their ITIN status in conjunction with certain audits to help ensure that the numbers are used appropriately.¹²

⁹ *ITIN Policy Change Summary for 2013*. Apr. 17, 2013. [www.irs.gov/Individuals/ITIN-Policy-Change-Summary-for-2013.] Accessed on Jul. 6, 2013.

¹⁰ Instructions for Form W-7.

¹¹ IR-2012-98 (Nov. 29, 2012).

¹² *Updated ITIN Procedure Changes Announced*. Nov. 2012. [www.irs.gov/uac/Newsroom/Updated-ITIN-Procedure-Changes-Announced] Accessed on Jul. 6, 2013.

NEW ITIN ACCEPTANCE AGENT PROGRAM CHANGES¹³

Certifying acceptance agents (CAA) play an important role in the ITIN process by ensuring accurate documents are used for ITIN applications while allowing taxpayers to retain those documents. CAAs are allowed to certify to the IRS that they have verified the authenticity of the documents supporting the ITIN application. CAAs must meet new requirements, and they face stronger due diligence standards to verify the accuracy of supporting documentation.

Under the new rules, only persons **covered under Circular 230** are eligible to serve as CAAs. Exceptions are made for CAA applicants from financial institutions, gaming facilities, low-income taxpayer clinics, and volunteer income tax assistance (VITA) centers. CAAs cannot be under suspension or disbarment from practice before the IRS.

Changes to the Certification Process for CAAs

For primary and secondary applicants, CAAs can use Form 14194, *Certificate of Accuracy*, to certify that they have reviewed either the original documentation or a certified copy from the issuing agency. They must attach and submit copies of all documentation reviewed. For dependents, however, CAAs are required to submit the original documents or copies certified by the issuing agency.

New Training Requirement

CAAs are required to successfully complete a forensic document identification training course. This helps them review and assess legitimate identification documents to safeguard the ITIN application process.

Note. For more information on the requirements and training necessary to become a CAA, see www.irs.gov/Individuals/International-Taxpayers/Domestic-and-or-International-Tax-Professional---How-to-Become-an-Acceptance-Agent-for-IRS-ITIN-Numbers.

RESPONDING TO IRS NOTICES¹⁴

CP2000 NOTICES

In its attempt to increase the accuracy of income reporting, the IRS has shifted many of its audit functions to the automated underreporter (AUR) system. Many taxpayers with underreported income receive a CP2000 notice letter from the IRS. These notices are sent to taxpayers when income and payment information that the IRS has on file does not match the information reported by the taxpayer on Form 1040. These notices typically give taxpayers a 30-day period in which to submit documentation to support their entries on their Forms 1040. In the event of a taxpayer omission or error, the taxpayers may agree in full or in part with the proposed adjustment in the CP2000 notice.

CP2000 notices show proposed changes to the taxpayer's income tax return. The proposed changes are based on a comparison of the income, payments, credits, and deductions reported on the tax return with information on these items reported to the IRS by employers, banks, businesses, and other payers. Tax years generally end on December 31, but the IRS does not receive the information from employers, banks, businesses, and other payers until much later. Once it receives the income tax returns and payer information, the IRS's computer system compares the information reported with the information the payers provided. The CP2000 notice also reflects any corrections the IRS made to the original return when it was processed.

¹³ Ibid.

¹⁴ *CP 2000 Frequently Asked Questions (FAQs)*. [www.irs.gov/Individuals/CP-2000-Frequently-Asked-Questions-(FAQs)] Accessed on Jul. 7, 2013. See also *Understanding Your CP2000 Notice*. [www.irs.gov/Individuals/Understanding-Your-CP2000-Notice] Accessed on Jul. 7, 2013.

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The CP2000 notice is not a bill. The notice asks the taxpayer to verify the income, credits, and/or deductions reported on the tax return because the amounts are different from the information the IRS received from other sources. The IRS may even be proposing a decrease to the tax reported. The CP2000 is only a proposal that offers the taxpayer an opportunity to disagree, partially agree, or agree with the proposed changes.

The taxpayer (or the return preparer) should review the information in the column on the CP2000 notice marked “shown on return” and compare it with the information shown in the column marked “reported to IRS” (or “proposed by IRS”). If the taxpayer received the income, they should verify that it was reported on the tax return. Before sending out CP2000 notices, IRS employees search the tax return and try to locate all income items. Sometimes, however, several income items are combined and the IRS cannot determine the source. If it **was not reported** on the tax return, an amended return should **not** be filed to report the income. Instead, box “A” on the CP2000 response page should be checked. The response should be sent to the IRS in the envelope provided with a check or money order made payable to the “United States Treasury.”

Note. A sample of a CP2000 notice is shown later in this section.

If the taxpayer agrees with the increase proposed by the IRS but cannot pay the entire balance due, they may be able to request an installment agreement. The request can be made by taking one of the following steps.¹⁵

1. Calling the IRS at the number on the top right corner of the notice
2. Completing the online application at www.irs.gov/Individuals/Online-Payment-Agreement-Application
3. Mailing Form 9465, *Installment Agreement Request* (If more than \$50,000 is owed, the taxpayer also must complete Form 433-F, *Collection Information Statement*.)

Note. Practitioners should advise their clients to contact them immediately if they receive a notice or letter from the IRS. The notice may be incorrect or the IRS may be missing important information such as the basis related to a stock sale.

Some firms have their clients sign a Form 2848, *Power of Attorney and Declaration of Representative*, at the time the return is prepared. There is a checkbox on the form directing the IRS to send the practitioner copies of any correspondence mailed to the clients. Having the authorization already on file allows the practitioner to be proactive in addressing any problems with the filed return. In addition, being informed of any issues with the filed return may help protect practitioners from preparer penalties.

If there is additional income, credits, or expenses to report that were not addressed by the CP2000 notice, the taxpayer should file Form 1040X, *Amended U.S. Individual Income Tax Return*. The amended return should have “CP2000” written along the top. It should be attached behind the response form page and sent to the address shown on the notice.

If the taxpayer disagrees with some of the information on the CP2000 notice, the appropriate response may be as simple as directing the IRS to the line on the original return where the income was reported. If this is the case, the problem may be corrected with a phone call. If the notice was generated from Brookhaven, Ogden, or Philadelphia, the number is **800-829-8310**. If the notice was from Andover, Atlanta, Austin, or Fresno, the number is **800-829-3009**. However, it may be more efficient to call the phone number indicated on the notice.

It may be necessary to write to the IRS if the issue is more complicated and the taxpayer disagrees with some or all of the proposed changes. The response should include a complete explanation of the reasons that the IRS’s proposed changes are incorrect. Any relevant documents and a copy of the notice should be attached to the response. The notice response form has additional instructions on what to do if the information is wrong.

¹⁵ *Payment Plans, Installment Agreements*. [www.irs.gov/Individuals/Payment-Plans,-Installment-Agreements] Accessed on Jul. 7, 2013.

In some cases, the taxpayer may believe the information on the CP2000 notice is wrong because someone else is using their name and SSN. In this situation, the taxpayer should inform the IRS immediately by calling the number on the notice. Taxpayers may also go to the identity theft information webpage at www.irs.gov/uac/Identity-Protection for more information.

Note. If the taxpayer becomes the victim of identity theft outside of the tax system or if they believe they are at risk due to a lost or stolen purse or wallet, questionable credit card activity or credit report, etc., they should contact the IRS Identity Protection Specialized Unit at 800-908-4490. In addition, the taxpayer should complete Form 14039, *Identity Theft Affidavit*. This allows the IRS to take steps to help secure the taxpayer's account.¹⁶

If the taxpayer needs a copy of the original return, they may request that a **transcript** be mailed to them in one of the following ways.

1. Ordering the transcript at www.irs.gov/Individuals/Order-a-Transcript
2. Filing Form 4506-T, *Request for Transcript of Tax Return*

Note. Practitioners who are registered users of e-services may obtain transcripts immediately through the e-services transcript delivery system. However, taxpayers must first authorize the practitioner to receive such information either by filing Form 2848, *Power of Attorney and Declaration of Representative*, or Form 8821, *Tax Information Authorization*.¹⁷

It is important that the IRS receive a response by the due date shown on the notice. If the taxpayer does not respond, the IRS will assume the proposed changes are correct and continue processing the proposed changes. If additional time is needed to obtain documentation, the IRS may be notified by calling the number at the top of the notice. The IRS will update its records to show that the taxpayer requested an extension.

Generally, the IRS allows an additional 30 days beyond the response date shown on the notice. It may provide additional time to respond if there are unusual circumstances. However, interest and any applicable penalties continue to accrue during the period of the extension if additional tax is due.

Interest accrues on the unpaid balance until it is paid in full. The law requires the IRS to charge interest on any tax that is not paid by the return due date.¹⁸ The IRS Restructuring and Reform Act of 1998, however, requires the IRS to notify taxpayers of the proposed discrepancies within 36 months of the original filing date in order to charge normal interest.

The IRS is allowed to reduce or remove interest on tax increases attributable to errors or delays it made in the performance of ministerial acts. A ministerial act is a procedural, mechanical, or processing act that does not involve the exercise of judgment and occurs even though the taxpayer did everything the IRS required them to do. If the taxpayer believes they qualify for abatement of interest based on this provision, they should include the reasons in their response.

¹⁶ *Indications your identity may have been stolen and how to report it to us.* [www.irs.gov/uac/Indications-your-identity-may-have-been-stolen-and-how-to-report-it-to-us] Accessed on Jul. 7, 2013.

¹⁷ *e-services — Online Tools for Tax Professionals.* [www.irs.gov/Tax-Professionals/e-services---Online-Tools-for-Tax-Professionals] Accessed on Jul. 7, 2013.

¹⁸ IRC §6601.

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The law does **not** permit the IRS to reduce or remove interest for reasonable cause. Reasonable cause **only** applies to penalties and refers to an acceptable explanation of circumstances that prevented the taxpayer from paying the tax when it was due.

Observation. The upper right-hand corner of each notice from the IRS contains a wealth of information. It is suggested that the preparer review the tax period referenced, the notice date, and the tax form in question on the notice.

Note. In the following example, the sample CP2000 is from the IRS website, www.irs.gov/Individuals/Understanding-Your-CP2000-Notice. Although the notice is dated in 2008, the content of the CP2000 is substantially the same as the notices issued in February 2013.

Example 2. Sue Schatzie received the following CP2000 in June of 2008 for changes proposed by the IRS on her 2006 Form 1040. According to the notice, the IRS believes that she omitted Form W-2 income from her return. If the income from Form W-2, *Wage and Tax Statement*, should have been included, Sue owes an additional \$2,519 in taxes, less the withholding on the Form W-2 of \$410.

However, Sue's return was correct as filed. The omitted Form W-2 was issued in error by a former employer. It was subsequently corrected, but the IRS had not received the corrected information at the time the CP2000 was issued.

Sue's tax advisor, Gene Hull, responds to the notice. He marks the box on page 6 indicating that they do not agree with the proposed changes. His response to the CP2000 follows the notice. Copies of the Form W-2c, *Corrected Wage and Tax Statement*, and Form 2848 are not shown.

For Example 2: Notice CP2000, Page 1



Department of Treasury
Internal Revenue Service

[Redacted]

[Redacted]

Notice CP2000
Tax Year 2006
Notice date June 19, 2008
Social Security number [Redacted]
AUR control number [Redacted]
To contact us [Redacted]

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4

Proposed changes to your 2006 Form 1040

Amount due: \$2,289.00

The income and payment information we have on file from sources such as employers or financial institutions doesn't match the information you reported on your tax return. If our information is correct, you will owe \$2,289.00 (including interest), which you need to pay by July 16, 2008.

Summary of proposed changes

Tax you owe	\$2,519.00
Payments	-410.00
Interest charges	180.00
Amount due by July 16, 2008	\$2,289.00

What you need to do immediately

Review this notice, and compare our changes to the information on your 2006 tax return.

If you agree with the changes we made

- Complete, sign and date the Response form on Page 5, and mail it to us along with your payment of \$2,289.00 so we receive it by July 16, 2008.
- If you can't pay the amount due, pay as much as you can now, and make payment arrangements that allow you to pay off the rest over time. If you want to apply for an installment plan, send in your Response form AND a completed Installment Agreement Request (Form 9465). Download Form 9465 from www.irs.gov, or call [Redacted] to request a copy. You can also save time and money by applying online if you qualify. Visit www.irs.gov and search for keyword: "tax payment options" for more information about:
 - Installment and payment agreements
 - Payroll deductions
 - Credit card payments

Or, call us at [Redacted] to discuss your options.

If you don't agree with the changes

- Complete the Response form on Page 5, and send it to us along with a signed statement and any documentation that supports your claim so we receive it by July 16, 2008.

If we don't hear from you

If we don't receive your response by July 16, 2008, we will send you a Statutory Notice of Deficiency followed by a final bill for the proposed amount due. During this time, interest will increase and penalties may apply.

Continued on back...

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For Example 2: CP2000, Page 2

2D Bar Code	
Notice	CP2000
Tax Year	2006
Notice date	June 19, 2008
Social Security number	[REDACTED]

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Changes to your 2006 tax return

Your income and deductions	Shown on return	As corrected by IRS	Difference
Wages	\$18,000	\$30,075	\$12,075
Other income	0	592	592
Nonemployee compensation	0	1,875	1,875
Income net difference			\$14,542
Miscellaneous deductions	12,000	11,709	291
Self-employment tax deduction	0	-132	-132
Deduction net difference			159
Change to taxable income			\$14,701
Your tax computations	Shown on return	As corrected by IRS	Difference
Taxable income, line 43	\$32,000	\$46,701	\$14,701
Tax, line 44	4,000	6,254	2,254
Self-employment tax, line 58	0	265	265
Total tax, line 63	\$4,000	\$6,519	\$2,519
Tax you owe			\$2,519
Payments	Shown on return	As corrected by IRS	Difference
Income tax withheld, line 64	\$8,745	\$9,155	-\$410
Total payments			-\$410

Explanation of changes to your 2006 Form 1040

This section tells you specifically what income information the IRS received about you from others (including your employers, banks, mortgage holders, etc.). This information doesn't match the information you reported on your tax return.

Use the table to compare the data the IRS received from others to the information you reported on your tax return to understand where the difference(s) occurred. To assist you in reviewing your income amounts, the table may include both reported and unreported amounts.

Tax withheld

Received from	Address	Account information	Shown on return	Reported to IRS by others	Difference
Employer A	[REDACTED] Hanson, CT 99999	SSN [REDACTED] Form W-2		\$8,745	
Employer B	[REDACTED] Hanson, CT 99999	SSN [REDACTED] Form W-2		\$410	
Total tax withheld			\$8,745	\$9,155	\$410

Wages

Received from	Address	Account information	Shown on return	Reported to IRS by others	Difference
Employer A	[REDACTED] Hanson, CT 99999	SSN [REDACTED] Form W-2	\$18,000		
Employer B	[REDACTED] Hanson, CT 99999	SSN [REDACTED] Form W-2		\$12,075	

2013 Workbook

For Example 2: Notice CP2000, Page 3

Total wages	\$18,000	\$30,075	\$12,075
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2013 Workbook

For Example 2: Notice CP2000, Page 4

Notice CP2000
Tax Year 2006
Notice date June 19, 2008
Social Security number [REDACTED]
Page 3 of 6

Nonemployee compensation

Received from	Address	Account information	Shown on return	Reported to IRS by others	Difference
Payer & Partners	[REDACTED] Chambers, CT 00000	SSN [REDACTED] Form 1099-MISC	\$0	\$1,875	\$1,875

Other income

Received from	Address	Account information	Shown on return	Reported to IRS by others	Difference
Payer Casino	[REDACTED] Chambers, CT 00000	SSN [REDACTED] Form W-2G	\$0	\$592	\$592

Misidentified income

If any of the income shown on this notice is not yours, send us the name, address, and social security number of the person who received the income. Please notify the payers to correct their records to show the name and social security number of the person who actually received the income, so that future reports to us are accurate.

Form W-2 or 1099 not received

The law requires you to report your income correctly. If your payers did not send you a yearly income statement (Form W-2, Form 1099, etc.), you must use the information you have (pay stubs, monthly income statements, deposit slips, etc.) to estimate the total amount of income you received during the year.

Schedule A miscellaneous deductions percentage limitation

Miscellaneous deductions are reduced by 2% of your adjusted gross income (Form 1040, line 37). Since we refigured your adjusted gross income, we also refigured your miscellaneous deduction.

Self-employment tax on self-employment (SE) income

Self-Employment (SE) generally includes nonemployee compensation and other income from part-time or full-time work and is subject to Self-Employment Tax. We figured the Self-Employment Tax on the net SE income reported on your return and/or on the underreported SE income. Self-Employment Tax consists of Social Security Tax of 12.4% and Medicare Tax of 2.9%. (Even if you have paid the maximum amount of Social Security Tax, you are still liable for additional Medicare Tax.) The deduction for one-half of the Self-Employment Tax is based on the change we made to your Self-Employment Tax. If you were an employee, you will be liable for income tax and the employee's share of Social Security (6.2%) and Medicare taxes (1.45%). Your social security account will be credited with the amount of Self-Employment income shown on this notice.

Overclaimed withholding

Our records indicate you are entitled to a lesser amount of withholding than the amount claimed on your tax return. Please send us a copy of Form(s) W-2, 1099, and/or over withholding documentation from the payer(s) to verify the additional withholding claimed on your tax return.

Continued on back...

Notice	CP2000
Tax Year	2006
Notice date	June 19, 2008
Social Security number	[REDACTED]
Page 4 of 6	

Next steps

- You don't need to file an amended tax return for 2006. We will make the correction when we receive your response. However, if you choose to file an amended tax return (Form 1040X), write "CP2000" on the top of your amended federal tax return (Form 1040X) and attach it behind your completed Response form. Go to www.irs.gov to download Form 1040X or call 1-800-TAX-FORM ([REDACTED]).
- Please file an amended tax return (Form 1040X) for any other tax years in which the same error occurred.
- We send information about these changes to state and local tax agencies, so if the changes we made apply, file an amended state or local tax return as soon as possible.

Interest charges

We are required by law to charge interest on unpaid tax from the date the tax return was due to the date the tax is paid in full. The interest is charged as long as there is an unpaid amount due, including penalties, if applicable. (Internal Revenue Code section 6601)

Description	Amount
Total interest	\$180.00

The table below shows the rates used to calculate the interest on your unpaid amount due. For a detailed calculation of your interest, call [REDACTED].

Period	Interest rate
July 1, 2006–December 31, 2007	8%
January 1, 2008–March 31, 2008	7%
April 1, 2008–June 30, 2008	6%
July 1, 2008–September 30, 2008	5%
October 1, 2008–December 31, 2008	6%
Beginning January 1, 2009	5%

Additional information

- Call TeleTax at [REDACTED], and select topic [REDACTED].
- Visit www.irs.gov/cp2000. You can also find the following online: Amended U.S. Individual Tax Return (Form 1040X).
- For tax forms, instructions, and publications, visit www.irs.gov or call 1-800-TAX-FORM ([REDACTED]).
- Review the enclosed Publication 3498-A, The Examination Process.
- Keep this notice for your records.

If you need assistance, please don't hesitate to contact us.

2013 Workbook

For Example 2: Notice CP2000, Page 6



Department of Treasury
Internal Revenue Service

Notice CP2000

Tax year 2006

Notice date June 19, 2008

Social Security number

AUR control number

Page 5 of 6

Fold here

Response form

Complete both sides of this form, and send it to us in the enclosed envelope so we receive it by July 16, 2008. Be sure our address shows through the window.

To request more time to respond, call us at [redacted]. Remember: Additional interest will be charged during this period if the information in this notice is correct.

Provide your contact information

If your address has changed, please make the changes below.

[redacted]

a.m. a.m.
 p.m. p.m.

Primary phone Best time to call Secondary phone Best time to call

1. Indicate your agreement or disagreement

€ I agree with all changes

I agree with the changes to my 2006 tax return, and understand that:

- I owe \$2,289.00 in additional tax, payment adjustments, and interest.
- The IRS is required by law to charge interest on taxes that weren't paid in full by April 15, 2007.
- The IRS will continue to charge interest until I've paid the tax in full. Certain penalties may also apply.
- I can challenge these changes in the U.S. Tax Court only if the IRS determines after the date I sign this form that I owe additional taxes for 2006.
- I can file for a refund at a later date.

Please sign and return this form with your payment.

Signature _____ Date _____

Spouse's signature _____ Date _____

Continued on back...

2013 Workbook

For Example 2: Notice CP2000, Page 7

Notice CP2000
Tax year 2006
Notice date June 19, 2008
Social Security number _____
Page 6 of 6

Indicate your agreement or disagreement--
Continued

€ **I don't agree with some or all of the changes**
Please return this form and include a statement signed by you that explains what you don't agree with. Also include copies of any documents, such as corrected W-2, 1099, or missing forms that support your statement.

Note: You can fax documentation to _____

Signature Date

Spouse's signature Date

2. Indicate your payment option

I am enclosing (check all that apply):

- € Full payment of \$2,289.00
- € Partial payment of \$
- € No payment
- € A completed Installment Agreement Request (Form 9465)
 - Write your Social Security number _____, the tax year (2006), and the notice number (CP2000) on your payment and any correspondence.
 - Make your check or money order payable to the United States Treasury.

3. Authorization optional

If you would like to authorize someone, in addition to you, to contact the IRS concerning this notice, please include the person's information, your signature, and the date.

The authority granted is limited as indicated by the statement above the signature line. The contact may not sign returns, enter into agreements, or otherwise represent you before the IRS. If you want to have a designee with expanded authorization, see IRS Publication 947, Practice Before the IRS and Power of Attorney.

Full name of authorized person

Address

City State Country Zip code

 a.m. a.m.
 p.m. p.m.
Primary phone Best time to call Secondary phone Best time to call

I authorize the person listed above to discuss and provide information to the IRS about this notice.

Signature Date

Spouse's signature Date

2013 Workbook

For Example 2

HULL TAX SERVICES

GENE HULL, EA

June 30, 2008

Internal Revenue Service

RE: Sue Schatzie
TAX ID: XXX-XX-XXXX
TAX YEAR: 2006 TAX FORM: 1040

Dear Sir/Madam:

We are writing to respond to Notice CP2000 dated June 18, 2008 for the above taxpayer. We respectfully disagree with your proposed changes.

The W-2 for \$12,075 from Employer B shown on your notice was issued in error. Employer B has prepared Form W-2c showing that the actual amounts of wages and withholding for the taxpayer were zero in 2006. A copy of the W-2c is attached.

Please contact me if you need any additional information or documentation. Form 2848 authorizing me to represent the taxpayer is also attached.

Sincerely,

Gene Hull

Gene Hull

CAF# 4005-99999R

293 EAST STREET
HANSON, CT 99999
(555) 999-9999

CP11 NOTICES¹⁹

When the IRS makes changes to a return because they believe there is a miscalculation, they **will issue a CP11 notice**. The IRS has the authority to adjust tax returns to correct math errors **without performing an audit**.²⁰ Math or clerical errors include the following.²¹

- Arithmetic errors
- Missing or incorrect SSNs
- Missing documentation
- Claims for tax credits above the allowable amounts

The scope of these adjustments is extensive. For example, for the 2010 processing year, there were more than 400 math error conditions that could result in the IRS making an adjustment to a taxpayer's tax return.²²

If the CP11 notice is correct, the taxpayer should pay the amount owed by the date indicated on the notice or request an installment agreement.

Note. The steps to take to request an installment agreement were discussed earlier in this chapter.

If the notice is **not** correct, the taxpayer should contact the IRS within 60 days of the date of the notice. If the taxpayer does not contact the IRS within the 60-day period, they lose the right to appeal the IRS decision before payment of the tax. The additional taxes will be assessed based on the IRS calculation. However, once the tax is paid, the taxpayer may file a claim for refund if the IRS calculation was not correct. The claim must be submitted within three years of the date the tax return was filed, or within two years of the date of the last payment for the return.

If the taxpayer contacts the IRS but is unable to provide additional information that proves the notice is incorrect, the IRS may forward the case for audit. This step gives the taxpayer formal appeal rights before they have to pay the additional tax. After the case is forwarded to audit, the examiner contacts the taxpayer within five to six weeks to fully explain the audit process and the appeal rights.

Example 3. James and Karen Q. Hinds received a CP11 notice in February 2011 for changes proposed by the IRS on their 2009 Form 1040. Their return was self-prepared and mailed in September 2010.

According to the notice, the IRS believes that the filing status was incorrect and that the social security number for one or more of their dependents did not match IRS records. Because of this mismatch, the dependency exemptions and the earned income credit (EIC) were disallowed. James and Karen had not filed for an extension, so in addition to the corrections, the IRS added a penalty for failure to file.

The taxpayers take the letter to their friend, Gene Hull. Gene asks to see the social security cards for both of the taxpayers and all of their dependents. When he compares the cards to the return, he quickly realizes that Karen did not change her name with the Social Security Administration after the taxpayers got married in 2009. He also learns that Karen's children's last names are not Hinds.

The CP11 notice and Gene's response follow. Copies of the supporting documents and Form 2848 are not shown.

¹⁹ *Understanding Your CP11 Notice*. [www.irs.gov/Individuals/Understanding-your-CP11-Notice] Accessed on Jun. 30, 2013.

²⁰ *Some Taxpayer Responses to Math Error Adjustments Were Not Worked Timely and Accurately*. Treasury Inspector General for Tax Administration. Jul. 7, 2011. [www.treasury.gov/tigta/auditreports/2011reports/201140059fr.pdf] Accessed on Jul. 19, 2013.

²¹ IRC §6213(b)(1).

²² *Ibid.*

2013 Workbook

For Example 3: Notice CP11, Page 1



Department of Treasury
Internal Revenue Service
Kansas City, MO 64999-0010

Notice	CP11
Tax year	2009
Notice date	February 9, 2011
Social Security number	999-99-9999
To contact us	Phone 1-999-999-9999
Your Caller ID	1234

Page 1 of 5

s018999546711s
JAMES & KAREN Q. HINDS
22 BOULDER STREET
HANSON, CT 00000-7253

Changes to your 2009 Form 1040

Amount due: \$986.46

We believe there are miscalculations on your 2009 Form 1040, which affect the following areas of your return:

- Filing Status
- Dependents
- Earned Income Tax Credit

We made changes to your return that correct these errors. As a result, you owe \$986.46.

Billing Summary

Tax you owed	\$2,894.00
Payments you made	- 2,140.00
Failure-to-file penalty	188.50
Interest charges	43.96
Amount due by March 2, 2011	\$986.46

What you need to do immediately

Review this notice, and compare our changes to the information on your tax return.

If you agree with the changes we made

- Pay the amount due of \$986.46 by March 2, 2011 to avoid additional penalty and interest charges.

Continued on back...



James & Karen Q. Hinds
22 Boulder Street
Hanson, CT 00000-7253

Notice	CP11
Notice date	February 9, 2011
Social Security Number	999-99-9999

Payment

Make your check or money order payable to the United States Treasury.

- Write your Social Security number (999-99-9999), the tax year (2009), and the form number (1040) on your payment and any correspondence.

**Amount due by
March 2, 2011**

\$986.46

INTERNAL REVENUE SERVICE
KANSAS CITY, MMO 64999-0010
s018999546711s

0000 0000000 0000000000 0000000 0000

2013 Workbook

For Example 3: Notice CP11, Page 3



Notice	CP11
Tax Year	2009
Notice date	February 9, 2011
Social Security number	999-99-9999
Page 3 of 5	

What you need to do immediately—
continued

If you don't agree with the changes—**continued**

- If you do not contact us within 60 days, the change will not be reversed and you must pay the additional tax. You may then file a claim for refund. You must submit the claim within three years of the date you filed the tax return, or within two years of the date of your last payment for this tax.
- If we don't hear from you, we'll assume you agree with the information in this notice.

If you've already paid your balance in full within the past 14 days or made payment arrangements, please disregard this notice.

If we don't hear from you

If you don't pay \$986.46 by March 2, 2011, interest will increase and additional penalties may apply.

Changes to your 2009 tax return

Information was changed because of the following:

- We changed your filing status. We refigured your tax using the Single filing status based on the information on your tax return.
- Each dependent listed on your tax return must have a valid Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN). For one or more of your dependents the last name doesn't match our records or the records provided by the Social Security Administration.

As a result, we didn't allow one or more of your exemptions. This change may affect your taxable income, tax, or any of the following credits:

- Credit for Child & Dependent Care Expenses
- Education Credits
- Child Tax Credit
- Additional Child Tax Credit

If you, your spouse, or any of your dependents do not qualify for an SSN, you may obtain an Individual Taxpayer Identification Number (ITIN) issued by the Internal Revenue Service by filing Form W-7, Application for IRS Individual Taxpayer Identification Number. This number will allow you to file your return and to claim an exemption but you will be ineligible to claim the Earned Income Credit. You may call 1-800-829-3676 to get Form W-7 or download it from our website at www.irs.gov.

- We disallowed all or part of your earned income credit (EIC). The information provided shows that one or more of the children on Schedule EIC, Earned Income Credit, did not meet the eligibility requirements for the credit.

Your tax calculations

Description	Your calculations	IRS calculations
Adjusted gross income, line 37	\$31,405.00	\$31,405.00
Taxable income, line 43	12,105.00	22,055.00
Total tax, line 60	\$1,221.00	\$2,894.00

Continued on back...

2013 Workbook

For Example 3: Notice CP11, Page 4

Notice	CP11
Tax Year	2009
Notice date	February 9, 2011
Social Security number	999-99-9999
Page 4 of 5	

Your payments and credits	Description	IRS calculations
	Income tax withheld, line 61	\$2,140.00
	Estimated tax payments, line 62	0.00
	Other credits, lines 63-67, 69, 70	0.00
	Total payments and credits	\$2,140.00

Penalties We are required by law to charge any applicable penalties.

Failure-to-file

Date	Months late	Unpaid amount	Penalty rate	Amount
9/15/2010	5	\$754.00	5.0%	\$188.50

When you file your tax return after the due date, we charge a penalty of up to 5.0% of the unpaid tax per month for no more than 5 months or up to 25% of the unpaid amount. If the return is more than 60 days late, we may charge the minimum of \$135 or 100% of the unpaid tax, whichever is less, for tax returns due after December 31, 2008. We count part of a month as a full month. (Internal Revenue Code Section 6651)

Removal or reduction of penalties

We understand that circumstances—such as economic hardship, a family member's death, or loss of financial records due to natural disaster—may make it difficult for you to meet your taxpayer responsibility in a timely manner.

If you would like us to consider removing or reducing any of your penalty charges, please do the following:

- Identify which penalty charges you would like us to reconsider • (e.g., 2005 late filing penalty).
- For each penalty charge, explain why you believe it should be reconsidered.
- Sign your statement, and mail it to us.

We'll review your statement and let you know whether we accept your explanation as reasonable cause to reduce or remove the penalty charge(s).

Removal of penalties due to erroneous written advice from the IRS

If you were penalized based on written advice from the IRS, we will remove the penalty if you meet the following criteria:

- If you asked the IRS for written advice on a specific issue
- You gave us complete and accurate information
- You received written advice from us
- You relied on our written advice and were penalized based on that advice

To request removal of penalties based on erroneous written advice from us, submit a completed Claim for Refund and Request for Abatement (Form 843) to the IRS service center where you filed your tax return. For a copy of the form or to find your IRS service center, go to www.irs.gov or call 1-999-999-9999.

Continued on back...

2013 Workbook

For Example 3: Notice CP11, Page 5

Notice	CP11
Tax Year	2009
Notice date	February 9, 2011
Social Security number	999-99-9999
Page 5 of 5	

Interest charges

We are required by law to charge interest on unpaid tax from the date the tax return was due to the date the tax is paid in full. The interest is charged as long as there is an unpaid amount due, including penalties, if applicable. (Internal Revenue Code section 6601).

Period	Days	Interest rate	Interest rate factor	Amount due	Interest charge
04/15/2010–06/30/2010	76	6.0	0.012535919	\$942.50	\$11.82
06/30/2010–09/30/2010	92	5.0	0.012646750	954.32	12.07
09/30/2010–12/31/2010	92	6.0	0.015195019	966.39	14.68
12/31/2010-02/09/2011	40	5.0	0.005494114	981.07	5.39
Total interest					\$43.96

We multiply your unpaid tax, penalties, and interest (the amount due) by the interest rate factor to determine the interest due each quarter.

Additional Information

- Visit www.irs.gov/cp11.
- For tax forms, instructions, and publications, visit www.irs.gov or call 1-800-TAX-FORM (1-800-829-3676).
- Did you e-file your tax return? Electronically filed returns are less likely to have math errors resulting in notices such as this one. It's free to file your taxes electronically. Go to www.irs.gov/efile for information and instructions.
- Keep this notice for your records.

We're required to send a copy of this notice to both you and your spouse. Each copy contains the same information about your joint account. Please note: Only pay the amount due once.

If you need assistance, please don't hesitate to contact us.

For Example 3

HULL TAX SERVICES

GENE HULL, EA

February 24, 2011

Internal Revenue Service

RE: JAMES & KAREN Q HINDS
TAX ID: 999-99-9999 & 999-99-9998
TAX YEAR: 2009 TAX FORM: 1040

Dear Sir/Madam:

We are writing to respond to the CP11 notice dated February 9, 2011, for the above taxpayers. We respectfully disagree with your calculation.

The last names of the spouse and dependent children were reported incorrectly on the original return. The correct name according to their social security cards is Monarch. Copies of their cards are attached.

Please contact me if you need any additional information or documentation. Form 2848 authorizing me to represent the taxpayer is also attached.

Sincerely,

Gene Hull

Gene Hull

CAF# 4005-99999R

293 EAST STREET
HANSON, CT 99999
(555) 999-9999

Observations.

1. If the 2009 return had been electronically filed, the mismatch of names and SSNs would have caused the return to be rejected by the IRS.
2. Practitioners are advised to keep copies of the social security cards for all individuals listed on the returns that they prepare. The copies can be useful when a return is rejected and having the copies on file provides evidence that the preparer used due diligence in preparing the return.

FORM 2848

INTRODUCTION²³

Form 2848, *Power of Attorney and Declaration of Representative*, is used by taxpayers to appoint someone to represent them before the IRS. A separate Form 2848 must be completed by each taxpayer on a joint return. However, more than one representative may be appointed on the same form.

The form is for the sole purpose of authorizing a person to represent the taxpayer before the IRS. However, some states accept the federal form as evidence that a practitioner has the authority to handle tax matters for the taxpayer. Having the authority to act on a taxpayer's behalf is a powerful tool for practitioners.

Although tax returns include an option to give the IRS permission to interact with a **third-party designee**,²⁴ this "check-the-box" option is significantly less useful than the powers granted by filing Form 2848. The third-party designee checkbox is intended to facilitate the processing of tax returns and does **not** cover compliance issues such as the AUR program. In addition, the authority granted by the checkbox automatically expires one year from the due date (without regard to extensions) for filing the tax return.

With the third-party designee option, the taxpayer is only authorizing the designee to:

1. Exchange information concerning the return with the IRS;
2. Call the IRS for information about the processing of the return or status of the refund or payments;
3. Request and receive written information relating to the tax return, including copies of notices, correspondence, and account transcripts; and
4. Respond to certain IRS notices about math errors, offsets, and return preparation.

The third-party designee cannot receive refund checks, bind the taxpayer to anything (including additional tax liability), or otherwise represent the taxpayer before the IRS. If the taxpayer wants to expand the designee's authority, a Form 2848 must be filed.

Form 2848 authorizes the listed representative or representatives to receive and inspect confidential tax information and to perform almost all acts that the taxpayer can perform with respect to tax matters.

Authorized acts include signing agreements, consents, waivers, and other documents. However, certain acts, such as allowing the representative to receive refund checks, are **not** allowed.

Note. The IRS has created a webpage specifically related to Form 2848 and its instructions. Notice of any changes in the processes for submitting the form can be found at www.irs.gov/form2848.

²³ Instructions for Form 2848, *Power of Attorney and Declaration of Representative*.

²⁴ Instructions for Form 1040, *Individual Income Tax Return*.

Either a taxpayer or a representative may rescind a power of attorney (POA) that has been filed with the IRS. **A taxpayer revokes an existing POA by one of three methods.**

1. The taxpayer appoints a new representative and does **not** check the box on line 6 of the new Form 2848, which would indicate that they want to retain the previous representative.
2. The taxpayer writes “REVOKE” across the top of the first page of the previously filed Form 2848 and signs and dates below the annotation. The form is then mailed or faxed to the IRS. (Addresses and fax numbers are provided later in this section.)
3. The taxpayer sends a statement to the IRS indicating that the POA is revoked. If the taxpayer is completely revoking authority, the statement may specify “remove all years/periods.” If not, the taxpayer must list the matters and periods that are being rescinded. In addition, the taxpayer must list the name and address of the previous representative, sign and date the statement, and mail or fax it to the appropriate centralized authorization file (CAF) center.

A representative rescinds an existing POA using one of two methods.

1. The practitioner writes “WITHDRAW” across the top of the first page of the previously filed Form 2848 and signs and dates below the annotation. The form is then mailed or faxed to the IRS. (Addresses and fax numbers are provided later in this section.)
2. The practitioner sends a statement to the IRS indicating that they are withdrawing their representation from the taxpayer. If the practitioner is completely withdrawing from all representation, the statement may specify “remove all years/periods.” If not, they must list the matters and periods that are being withdrawn. In addition, they must list the tax identification number, name, and address of the taxpayer (if known), sign and date the statement, and mail or fax it to the appropriate CAF center.

2013 Workbook

Form **2848**
 (Rev. March 2012)
 Department of the Treasury
 Internal Revenue Service

Power of Attorney and Declaration of Representative

OMB No. 1545-0150

For IRS Use Only

Received by: _____
 Name _____
 Telephone _____
 Function _____
 Date / /

▶ Type or print. ▶ See the separate instructions.

Part I Power of Attorney

Caution: A separate Form 2848 should be completed for each taxpayer. Form 2848 will not be honored for any purpose other than representation before the IRS.

1 Taxpayer information. Taxpayer must sign and date this form on page 2, line 7.

Taxpayer name and address	Taxpayer identification number(s)
Daytime telephone number	Plan number (if applicable)

hereby appoints the following representative(s) as attorney(s)-in-fact:

2 Representative(s) must sign and date this form on page 2, Part II.

Name and address	CAF No. _____ PTIN _____ Telephone No. _____ Fax No. _____
Check if to be sent notices and communications <input type="checkbox"/>	Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
Name and address	CAF No. _____ PTIN _____ Telephone No. _____ Fax No. _____
Check if to be sent notices and communications <input type="checkbox"/>	Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
Name and address	CAF No. _____ PTIN _____ Telephone No. _____ Fax No. _____
	Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>

to represent the taxpayer before the Internal Revenue Service for the following matters:

3 Matters

Description of Matter (Income, Employment, Payroll, Excise, Estate, Gift, Whistleblower, Practitioner Discipline, PLR, FOIA, Civil Penalty, etc.) (see instructions for line 3)	Tax Form Number (1040, 941, 720, etc.) (if applicable)	Year(s) or Period(s) (if applicable) (see instructions for line 3)

4 Specific use not recorded on Centralized Authorization File (CAF). If the power of attorney is for a specific use not recorded on CAF, check this box. See the instructions for Line 4. **Specific Uses Not Recorded on CAF**

5 Acts authorized. Unless otherwise provided below, the representatives generally are authorized to receive and inspect confidential tax information and to perform any and all acts that I can perform with respect to the tax matters described on line 3, for example, the authority to sign any agreements, consents, or other documents. The representative(s), however, is (are) not authorized to receive or negotiate any amounts paid to the client in connection with this representation (including refunds by either electronic means or paper checks). Additionally, unless the appropriate box(es) below are checked, the representative(s) is (are) not authorized to execute a request for disclosure of tax returns or return information to a third party, substitute another representative or add additional representatives, or sign certain tax returns.

Disclosure to third parties; Substitute or add representative(s); Signing a return; _____

Other acts authorized: _____ (see instructions for more information)

Exceptions. An unenrolled return preparer cannot sign any document for a taxpayer and may only represent taxpayers in limited situations. An enrolled actuary may only represent taxpayers to the extent provided in section 10.3(d) of Treasury Department Circular No. 230 (Circular 230). An enrolled retirement plan agent may only represent taxpayers to the extent provided in section 10.3(e) of Circular 230. A registered tax return preparer may only represent taxpayers to the extent provided in section 10.3(f) of Circular 230. See the line 5 instructions for restrictions on tax matters partners. In most cases, the student practitioner's (level k) authority is limited (for example, they may only practice under the supervision of another practitioner).

List any specific deletions to the acts otherwise authorized in this power of attorney: _____

For Privacy Act and Paperwork Reduction Act Notice, see the instructions.

Cat. No. 11980J

Form **2848** (Rev. 3-2012)

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6 Retention/revocation of prior power(s) of attorney. The filing of this power of attorney automatically revokes all earlier power(s) of attorney on file with the Internal Revenue Service for the same matters and years or periods covered by this document. If you **do not** want to revoke a prior power of attorney, check here **YOU MUST ATTACH A COPY OF ANY POWER OF ATTORNEY YOU WANT TO REMAIN IN EFFECT.**

7 Signature of taxpayer. If a tax matter concerns a year in which a joint return was filed, the husband and wife must each file a separate power of attorney even if the same representative(s) is (are) being appointed. If signed by a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, or trustee on behalf of the taxpayer, I certify that I have the authority to execute this form on behalf of the taxpayer.

▶ IF NOT SIGNED AND DATED, THIS POWER OF ATTORNEY WILL BE RETURNED TO THE TAXPAYER.

Signature	Date	Title (if applicable)
Print Name	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> PIN Number	Print name of taxpayer from line 1 if other than individual



Part II Declaration of Representative

Under penalties of perjury, I declare that:

- I am not currently under suspension or disbarment from practice before the Internal Revenue Service;
- I am aware of regulations contained in Circular 230 (31 CFR, Part 10), as amended, concerning practice before the Internal Revenue Service;
- I am authorized to represent the taxpayer identified in Part I for the matter(s) specified there; and
- I am one of the following:
 - a Attorney—a member in good standing of the bar of the highest court of the jurisdiction shown below.
 - b Certified Public Accountant—duly qualified to practice as a certified public accountant in the jurisdiction shown below.
 - c Enrolled Agent—enrolled as an agent under the requirements of Circular 230.
 - d Officer—a bona fide officer of the taxpayer’s organization.
 - e Full-Time Employee—a full-time employee of the taxpayer.
 - f Family Member—a member of the taxpayer’s immediate family (for example, spouse, parent, child, grandparent, grandchild, step-parent, step-child, brother, or sister).
 - g Enrolled Actuary—enrolled as an actuary by the Joint Board for the Enrollment of Actuaries under 29 U.S.C. 1242 (the authority to practice before the Internal Revenue Service is limited by section 10.3(d) of Circular 230).
 - h Unenrolled Return Preparer—Your authority to practice before the Internal Revenue Service is limited. You must have been eligible to sign the return under examination and have signed the return. **See Notice 2011-6 and Special rules for registered tax return preparers and unenrolled return preparers in the instructions.**
 - i Registered Tax Return Preparer—registered as a tax return preparer under the requirements of section 10.4 of Circular 230. Your authority to practice before the Internal Revenue Service is limited. You must have been eligible to sign the return under examination and have signed the return. **See Notice 2011-6 and Special rules for registered tax return preparers and unenrolled return preparers in the instructions.**
 - k Student Attorney or CPA—receives permission to practice before the IRS by virtue of his/her status as a law, business, or accounting student working in LITC or STCP under section 10.7(d) of Circular 230. See instructions for Part II for additional information and requirements.
 - r Enrolled Retirement Plan Agent—enrolled as a retirement plan agent under the requirements of Circular 230 (the authority to practice before the Internal Revenue Service is limited by section 10.3(e)).

▶ IF THIS DECLARATION OF REPRESENTATIVE IS NOT SIGNED AND DATED, THE POWER OF ATTORNEY WILL BE RETURNED. REPRESENTATIVES MUST SIGN IN THE ORDER LISTED IN LINE 2 ABOVE. See the instructions for Part II.

Note: For designations d-f, enter your title, position, or relationship to the taxpayer in the "Licensing jurisdiction" column. See the instructions for Part II for more information.

Designation— Insert above letter (a–r)	Licensing jurisdiction (state) or other licensing authority (if applicable)	Bar, license, certification, registration, or enrollment number (if applicable). See instructions for Part II for more information.	Signature	Date

TIPS FOR COMPLETING PART I OF FORM 2848²⁵

Line 2: Representative(s)

- **If the representative does not have a CAF number, “none” should be entered in the box for the CAF number.** A 9-digit CAF number will be assigned and sent directly to the representative. This number should be used on all future POAs.
- **The checkbox next to the representative’s name and address must be marked to authorize the IRS to send copies of all notices and communications to the representative.** Previously, this authority was granted on an opt-out basis instead of the current opt-in method. Many practitioners find this authority to be extremely helpful in proactively addressing problems with client’s filed returns. If the box is **not** checked, the IRS will only send notices to the taxpayers.

Line 3: Description of Matters

- It is acceptable to list multiple years or a series of inclusive periods by entering a dash or “through” between the dates. It is acceptable to write the time period in the form of “2008 thru 2010” or “2nd 2009 – 3rd 2010,” or “2008 through 2010.” It is **not** acceptable to use general references such as “all years.”
- The years or dates may include any periods that have already ended. However, the authorization **cannot** be made for any dates **later** than three years after the date the POA is received by the IRS. The three future periods are determined starting after December 31 of the year Form 2848 is received by the IRS.
- Representation for return-related penalties and interest is presumed to be included with the authorization of any related matter. However, some penalties are not related to specific forms. For example, a trust fund recovery penalty assessed against a taxpayer for unpaid withholding taxes of a related entity does not relate to a specific form. In this case, “civil penalties” should be shown in the tax matters column, and “not applicable” should be entered in the tax form number column. If the taxpayer is subject to penalties related to an IRA, “IRA civil penalty” is used to describe the tax matter.

²⁵ Instructions for Form 2848, *Power of Attorney and Declaration of Representative*.

Line 4: Specific Uses Not Recorded on CAF

- The IRS generally records POAs on the CAF system. The CAF system is a computer system that contains information regarding the authority of individuals appointed under POAs. A specific-use POA is a one-time or specific-issue grant of authority to a representative or is a POA that does not relate to a specific tax period (except for civil penalties) that is not recorded in the CAF. Examples of specific issues include but are **not** limited to the following.
 - ♦ Requests for a private letter ruling or technical advice
 - ♦ Applications for an EIN
 - ♦ Claims filed on Form 843, *Claim for Refund and Request for Abatement*
 - ♦ Corporate dissolutions
 - ♦ Circular 230 disciplinary investigations and proceedings
 - ♦ Requests to change accounting methods or periods
 - ♦ Applications for recognition of exemption under IRC §§501(c)(3), 501(a), or 521 (Forms 1023, 1024, or 1028)
 - ♦ Request for a determination of the qualified status of an employee benefit plan (Forms 5300, 5307, 5316, or 5310)
 - ♦ Application for award for original information under IRC §7623
 - ♦ Voluntary submissions under the employee plans compliance resolution system (EPCRS)
 - ♦ Freedom of information act requests
- If the box on line 4 is checked, the representative should mail or fax the POA to the IRS office handling the matter. Otherwise, the representative should bring a copy of the POA to each meeting with the IRS.

Line 5: Acts Authorized

- Line 5 is used to specify the acts that the named representative(s) can perform.
- If signature authority is given, in addition to checking the box on line 5, the following statement must be included on the line provided:

This power of attorney is being filed pursuant to Treas. Reg. §1.602-1(a)(5), which requires a power of attorney to be attached to a return if a return is signed by an agent by reason of [enter specific reason]. No other acts on behalf of the taxpayer are authorized.

Treas. Reg. §1.602-1(a)(5) only permits another person to sign a return for a taxpayer in the following circumstances.

- ♦ Disease or injury
- ♦ Continuous absence from the United States for a period of at least 60 days prior to the date required by the law for filing the return
- ♦ Other good cause for which specific permission is requested and the IRS grants permission

Caution. If the required explanation and statement are **not** included on Form 2848, the IRS will return the form to the taxpayer asking for more information. This will delay the representative's ability to resolve any problems with the taxpayer's accounts.

Note. The CAF system no longer records authorizations allowing the representative to **receive** but not endorse a refund check. The checkbox authorizing this act has been eliminated.

Line 7: Signature of Taxpayer

- If the taxpayer is a dissolved corporation, a dissolved partnership, insolvent, or a person for whom or by whom a fiduciary has been appointed, see Treas. Reg. §601.503.
- If the taxpayer is deceased, Form 56, *Notice Concerning Fiduciary Relationship*, should be filed by the person handling the deceased's business matters. The IRS may require additional evidence that the person submitting the form is the one with whom legal authority rests for tax matters.
- Generally, **the taxpayer signs first**, granting the authority; then the representative signs, accepting the authority granted. The period between when the taxpayer signs and when the representative subsequently signs must be no more than 45 days for domestic authorizations and no more than 60 days for authorization from taxpayers residing abroad. According to the form's instructions, if the taxpayer signs after the representative signs, there is no time requirement.

Caution. If the signature dates do not fall within the required ranges, the IRS will reject the form. This will delay the representative's ability to resolve any problems with the taxpayer's accounts.

PART II: DECLARATION OF REPRESENTATIVE

A new designation code (i) has been added for RTRPs. The RTRP has limited authority to practice before the IRS. They must have signed the return.

Note. With an injunction precluding the IRS from enforcing RTRP regulations — including the continuing education requirement — the RTRP classification on Form 2848 may change.

Also, the designations for student attorneys and student CPAs have been combined into one designation code (k). Student attorneys and CPAs receive permission to practice before the IRS by virtue of their status as a law, business, or accounting student working in certain programs.

WHEN IS A POWER OF ATTORNEY NOT REQUIRED?

A POA is not required in all situations. The following situations do **not** require a POA.

- Providing information to the IRS
- Authorizing the disclosure of tax return information through Form 8821, *Tax Information Authorization*
- Allowing the IRS to disclose return information to a third-party designee
- Allowing a tax matters partner or person to perform acts for the partnership
- Allowing the IRS to discuss return information with a fiduciary
- Representing a taxpayer through a nonwritten consent

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WHERE TO FILE

Form 2848 may be mailed or faxed to the IRS. **The fax numbers in the instructions for Form 2848 are no longer current.**²⁶ The following chart includes the **new** fax numbers.

Form 2848 fax numbers have changed -- 15-Oct-2012

The following is an update to the Instructions for Form 2848 (Rev. March 2012)

The Fax numbers for filing Form 2848 changed. Please note the new fax number in the third column of the following table.

Where To File Chart		
IF you live In...	THEN use this address..	Fax number*
Alabama, Arkansas, Connecticut, Delaware, District of Columbia, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, or West Virginia	Internal Revenue Service P.O. Box 268, Stop 8423 Memphis, TN 38101-0268	855-214-7519
Alaska, Arizona, California, Colorado, Hawaii, Idaho, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wisconsin, or Wyoming	Internal Revenue Service 1973 N. Rulon White Blvd. MS 6737 Ogden, UT 84404	855-214-7522
All APO and FPO addresses, American Samoa, nonpermanent residents of Guam or the U.S. Virgin Islands**, Puerto Rico (or if excluding income under Internal Revenue Code section 933), a foreign country: U.S. citizens and those filing Form 2555, 2555-EZ, or 4563	Internal Revenue Service International CAF Team 2970 Market Street MS:3-E08.123. Philadelphia, PA 19104	855-772-3156
* These numbers may change without notice. For updates to these fax numbers, go to www.irs.gov/form2848		
**Permanent residents of Guam should use Department of Taxation, Government of Guam, P.O. Box 23607, GMF, GU 96921; permanent residents of the U.S. Virgin Islands should use: V.I. Bureau of Internal Revenue, 6115 Estate Smith Bay, Suite 225, St. Thomas, V.I. 00802.		

In addition, the second bullet under "Where To File" at the top of page 2 should begin, "Your representative may be able to file Form 2848 electronically via the IRS website. For more information, go to IRS.gov. Under the *for Tax Pros* tab, go to *Other Tools & Information* and click on *Use e-Services for Tax Pros.*"

Page Last Reviewed or Updated: 04-Dec-2012

²⁶ *Form 2848 Fax Numbers Have Changed.* [www.irs.gov/uac/Recent-Development-2011-I2848-15-Oct-2012] Accessed on Jul. 20, 2013.

CORRECTING WAGE STATEMENTS (FORM W-2c)²⁷

Form W-2c, *Corrected Wage and Tax Statements*, is used to correct errors on Form W-2, *Wage and Tax Statement*, and the similar forms used by employers in American Samoa, Northern Mariana Islands, Guam, and U.S. Virgin Islands.

After the Forms W-2c are prepared, Form W-3c, *Transmittal of Corrected Wage and Tax Statements*, is used to transmit Copy A of Forms W-2c to the Social Security Administration (SSA). The Form W-3c must be signed by the responsible party under penalties of perjury. Therefore, this form is required to be filed with any and all Forms W-2c that are issued. This is true even if any of the following apply.

1. Only one Form W-2c is being filed.
2. The Form W-2c is being filed only to correct an employee's name.
3. The Form W-2c is being filed only to correct an employee's SSN.
4. The Form W-2c is being filed only to correct the EIN.

Corrections reported on the Form W-2c may also affect previously filed employment tax returns. These returns are amended using the corresponding "X" form, such as Form 941-X, *Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund*.

WHEN FORM W-2c IS NOT REQUIRED

If an error is discovered on a Form W-2 after it is issued to the employee but **before it is sent to the SSA**, the "void" box should be checked on copy A of the incorrect Form W-2. A new copy A of the Form W-2 must be prepared with the correct information. "CORRECTED" should be written on the employee's new copies (B, C, and 2). However, "CORRECTED" should **not** be written on the copy A.

If the Form W-2 filed with the SSA reported an incorrect address for the employee but all other information on the W-2 was correct, a Form W-2c is **not** required. However, the employer should take one of the three following actions.

1. Issue a new, corrected Form W-2 to the employee that includes the new address. "REISSUED STATEMENT" should be written on the new copies.
2. Issue a Form W-2c to the employee that shows the correct address in box i and all the other correct information.
3. Reissue the Form W-2 with the incorrect address to the employee in an envelope showing the correct address or otherwise deliver it to the employee.

UNDELIVERABLE FORMS W-2 AND W-2c

Undeliverable forms should be kept for four years. The employer must try to deliver the forms. However, if the undelivered Form W-2 can be reproduced electronically, the employer does not need to keep the undelivered employee copies. The electronic reproduction must remain a viable alternative through April 15th of the fourth year after the attempted delivery.

²⁷ 2013 General Instructions for Forms W-2 and W-3.

CORRECTING AN EMPLOYEE'S NAME OR SSN

If only the employee's name and/or SSN must be corrected, the employer should complete only **boxes a through i** on Form W-2c. Boxes 1 through 20 should be left blank. The employee should be advised to correct the SSN or name on the original Form W-2.

Note. A practitioner who receives a hand-corrected Form W-2 from a taxpayer must enter the “nonstandard form” code in the electronic record of any individual income tax returns that will be e-filed. This code must be marked on any Forms W-2; W-2G, *Certain Gambling Winnings*; or 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*, that are altered, handwritten, or typed. An alteration includes any pen-and-ink change.²⁸

The employer should file a Form W-2c for only the most recent year if an employee is given a new social security card that shows a different name or SSN following:

1. A name change,
2. An adjustment to their alien work status, or
3. A change in their resident status.

If the employer needs to correct a Form W-2 because the employee name or SSN was left blank, a Form W-2c should not be used to report the corrections. The employer must contact the SSA at 800-772-6270 for instructions.

CORRECTING AN INCORRECT TAX YEAR OR EIN

If an employer submits a Form W-2 or a Form W-3, *Transmittal of Wage and Tax Statements*, to the SSA that has an incorrect tax year and/or EIN, two steps are required to correct the SSA records.

1. The employer should file one Form W-3c along with Forms W-2c for each affected employee. The tax year and the EIN **originally reported** must be used. The amounts that were on the original Form W-2 should be entered in the “previously reported” boxes. Zeros should be entered in the “corrected information” boxes.
2. The employer should prepare one Form W-3c along with Forms W-2c for each affected employee using the **correct** tax year and/or correct EIN. Zeros should be entered in the “previously reported” boxes, and the correct amounts entered in the “correct information” boxes.

CORRECTING TWO FORMS W-2 FILED UNDER THE SAME EIN

An employer has two options for correcting information when they accidentally file two Forms W-2 for the same taxpayer when only one should have been filed.

1. File a Form W-2c with the total of the two original Forms W-2 in the “previously reported” boxes and the correct total for the year in the “correct information” boxes.
2. File a Form W-2c with only the mistakenly issued amounts in the “previously reported” boxes, and zeros in the “correct information” boxes.

Under either option, the employer should also file a Form W-3c to transmit the corrections.

Note. Only boxes corresponding to original entries that need to be corrected should be used. All other boxes should be left blank.

²⁸ *Obtaining, Handling and Processing Return Information from Taxpayers*. Jul. 28, 2011. [[www.irs.gov/uac/Obtaining,-Handling-and-Processing-Return-Information-from-Taxpayers-\(updated-7-28-2011\)](http://www.irs.gov/uac/Obtaining,-Handling-and-Processing-Return-Information-from-Taxpayers-(updated-7-28-2011))] Accessed on Jul. 2, 2013.

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Example 4. Two 2012 Forms W-2 were submitted for Duane Phillips under the same EIN. One Form W-2 correctly reported social security wages of \$50,000. The other Form W-2 incorrectly reported social security wages of \$30,000.

Duane's employer chooses to use the first option shown above to correct the Forms W-2.

The calculations of the amounts reported are shown below. The original Forms W-2 and the corrected Forms W-2c and W-3c follow.

	W-2 Control # 6RIGHT (Correct W-2)	W-2 Control # 6WRONG (W-2 Issued in Error)	W-2c: Total Previously Reported
Box 1	\$50,000	\$30,000	\$80,000
Box 2	6,000	3,000	9,000
Box 3	50,000	30,000	80,000
Box 4	2,100	1,260	3,360
Box 5	50,000	30,000	80,000
Box 6	725	435	1,160
Box 16	50,000	30,000	80,000
Box 17	2,500	1,500	4,000

		a Employee's social security number 206-66-6669	This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.			
b Employer identification number (EIN) 20-6666666		1 Wages, tips, other compensation 50000.00		2 Federal income tax withheld 6000.00		
c Employer's name, address, and ZIP code A1 Interiors Inc 293 Excellence St Galva IL 61434		3 Social security wages 50000.00		4 Social security tax withheld 2100.00		
		5 Medicare wages and tips 50000.00		6 Medicare tax withheld 725.00		
		7 Social security tips		8 Allocated tips		
d Control number 6RIGHT		9		10 Dependent care benefits		
e Employee's first name and initial Last name Suff. Duane Phillips 1504 Protein Ct Galva IL 61434		11 Nonqualified plans		12a See instructions for box 12		
		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b		
		14 Other		12c		
				12d		
f Employee's address and ZIP code						
15 State Employer's state ID number IL 20-6666666 000	16 State wages, tips, etc. 50000.00	17 State income tax 2500.00	18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

Form W-2 Wage and Tax Statement
2012
 Copy C—For EMPLOYEE'S RECORDS (See Notice to Employee on the back of Copy B.)

Department of the Treasury—Internal Revenue Service

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For Example 4

		a Employee's social security number 206-66-6669		OMB No. 1545-0008		This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.	
b Employer identification number (EIN) 20-6666666				1 Wages, tips, other compensation 30000.00		2 Federal income tax withheld 3000.00	
c Employer's name, address, and ZIP code A1 Interiors Inc 293 Excellence St Galva IL 61434				3 Social security wages 30000.00		4 Social security tax withheld 1260.00	
				5 Medicare wages and tips 30000.00		6 Medicare tax withheld 435.00	
				7 Social security tips		8 Allocated tips	
d Control number 6WRONG				9		10 Dependent care benefits	
e Employee's first name and initial Duane		Last name Phillips		Suff.		11 Nonqualified plans	
f Employee's address and ZIP code 1504 Protein Ct Galva IL 61434				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12	
				14 Other		12b	
						12c	
15 State Employer's state ID number IL 20-6666666 000				16 State wages, tips, etc. 30000.00		17 State income tax 1500.00	
				18 Local wages, tips, etc.		19 Local income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement
 Copy C—For EMPLOYEE'S RECORDS (See Notice to Employee on the back of Copy B.)

2012

Department of the Treasury—Internal Revenue Service

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For Example 4

4 4 4 4 4	For Official Use Only ▶ OMB No. 1545-0008		
a Employer's name, address, and ZIP code A1 Interiors Inc 293 Excellence St Galva IL 61434		c Tax year/Form corrected 2012 / W-2	d Employee's correct SSN 206-66-6669
		e Corrected SSN and/or name (Check this box and complete boxes f and/or g if incorrect on form previously filed.) <input type="checkbox"/>	
		Complete boxes f and/or g only if incorrect on form previously filed ▶	
		f Employee's previously reported SSN	
b Employer's Federal EIN 20-6666666		g Employee's previously reported name	
Note: Only complete money fields that are being corrected (exception: for corrections involving MQGE, see the Instructions for Forms W-2c and W-3c, boxes 5 and 6).		h Employee's first name and initial Duane	Last name Phillips
		i Employee's address and ZIP code 1504 Protein Ct Galva IL 61434	
Previously reported		Correct information	
1 Wages, tips, other compensation 80000.00	1 Wages, tips, other compensation 50000.00	2 Federal income tax withheld 9000.00	2 Federal income tax withheld 6000.00
3 Social security wages 80000.00	3 Social security wages 50000.00	4 Social security tax withheld 3360.00	4 Social security tax withheld 2100.00
5 Medicare wages and tips 80000.00	5 Medicare wages and tips 50000.00	6 Medicare tax withheld 1160.00	6 Medicare tax withheld 725.00
7 Social security tips	7 Social security tips	8 Allocated tips	8 Allocated tips
9 Advance EIC payment	9 Advance EIC payment	10 Dependent care benefits	10 Dependent care benefits
11 Nonqualified plans	11 Nonqualified plans	12a See instructions for box 12	12a See instructions for box 12
13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b	12b
14 Other (see instructions)	14 Other (see instructions)	12c	12c
		12d	12d
State Correction Information			
Previously reported		Correct information	
15 State IL Employer's state ID number 20-6666666 000	15 State IL Employer's state ID number 20-6666666 000	15 State Employer's state ID number	15 State Employer's state ID number
16 State wages, tips, etc. 80000.00	16 State wages, tips, etc. 50000.00	16 State wages, tips, etc.	16 State wages, tips, etc.
17 State income tax 4000.00	17 State income tax 2500.00	17 State income tax	17 State income tax
Locality Correction Information			
Previously reported		Correct information	
18 Local wages, tips, etc.	18 Local wages, tips, etc.	18 Local wages, tips, etc.	18 Local wages, tips, etc.
19 Local income tax	19 Local income tax	19 Local income tax	19 Local income tax
20 Locality name	20 Locality name	20 Locality name	20 Locality name

Copy 1—State, City, or Local Tax Department

Form **W-2c** (Rev. 2-2009)

Corrected Wage and Tax Statement

Department of the Treasury
Internal Revenue Service

2013 Workbook

For Example 4

DO NOT CUT, FOLD, OR STAPLE

55555		a Tax year/Form corrected 2012 / W-2		For Official Use Only ▶ OMB No. 1545-0008			
b Employer's name, address, and ZIP code A1 Interiors Inc 293 Excellence St Galva IL 61434			c Kind of Payer (Check one) 941/941-SS Military 943 944/944-SS <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> CT-1 Hshld. Medicare <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> emp. gov. emp.		Kind of Employer (Check one) None apply 501c non-govt. <input checked="" type="checkbox"/> <input type="checkbox"/> State/local State/local Federal non-501c 501c govt. <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		Third-party sick pay <input type="checkbox"/> (Check if applicable)
d Number of Forms W-2c 1		e Employer's Federal EIN 20-6666666		f Establishment number		g Employer's state ID number	
Complete boxes h, i, or j only if incorrect on last form filed.		h Employer's incorrect Federal EIN		i Incorrect establishment number		j Employer's incorrect state ID number	
Total of amounts previously reported as shown on enclosed Forms W-2c.		Total of corrected amounts as shown on enclosed Forms W-2c.		Total of amounts previously reported as shown on enclosed Forms W-2c.		Total of corrected amounts as shown on enclosed Forms W-2c.	
1 Wages, tips, other compensation 80000.00		1 Wages, tips, other compensation 50000.00		2 Federal income tax withheld 9000.00		2 Federal income tax withheld 6000.00	
3 Social security wages 80000.00		3 Social security wages 50000.00		4 Social security tax withheld 3360.00		4 Social security tax withheld 2100.00	
5 Medicare wages and tips 80000.00		5 Medicare wages and tips 50000.00		6 Medicare tax withheld 1160.00		6 Medicare tax withheld 725.00	
7 Social security tips		7 Social security tips		8 Allocated tips		8 Allocated tips	
9 Advance EIC payments		9 Advance EIC payments		10 Dependent care benefits		10 Dependent care benefits	
11 Nonqualified plans		11 Nonqualified plans		12a Deferred compensation		12a Deferred compensation	
14 Inc. tax w/h by third-party sick pay payer		14 Inc. tax w/h by third-party sick pay payer		12b HIRE exempt wages and tips		12b HIRE exempt wages and tips	
16 State wages, tips, etc. 80000.00		16 State wages, tips, etc. 50000.00		17 State income tax 4000.00		17 State income tax 2500.00	
18 Local wages, tips, etc.		18 Local wages, tips, etc.		19 Local income tax		19 Local income tax	
Explain decreases here: Issued two W-2s to employee in error. Only 1 was correct.							
Has an adjustment been made on an employment tax return filed with the Internal Revenue Service? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No							
If "Yes," give date the return was filed ▶							
Under penalties of perjury, I declare that I have examined this return, including accompanying documents, and, to the best of my knowledge and belief, it is true, correct, and complete.							
Signature ▶ <i>W.T. Fum</i>		Title ▶ Pres		Date ▶ 03/31/2013			
Contact person W.T. Fum		Telephone number 555-666-6666		For Official Use Only			
Email address		Fax number 555-666-6667					

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Form **W-3c** (Rev. 12-2011)

Transmittal of Corrected Wage and Tax Statements

Department of the Treasury
Internal Revenue Service

Purpose of Form

Use this form to transmit Copy A of Form(s) W-2c, Corrected Wage and Tax Statement (Rev. 2-2009). Make a copy of Form W-3c and keep it with Copy D (For Employer) of Forms W-2c for your records. File Form W-3c even if only one Form W-2c is being filed or if those Forms W-2c are being filed only to correct an employee's name and social security number (SSN) or the employer identification number (EIN). See the 2012 General Instructions for Forms W-2 and W-3 for information on completing this form.

When To File

File this form and Copy A of Form(s) W-2c with the Social Security Administration as soon as possible after you discover an error on Forms W-2, W-2AS, W-2GU, W-2CM, W-2VI, or W-2c. Provide Copies B, C, and 2 of Form W-2c to your employees as soon as possible.

For Paperwork Reduction Act Notice, see separate instructions.

Where To File

If you use the U.S. Postal Service, send Forms W-2c and W-3c to the following address:

Social Security Administration
Data Operations Center
P.O. Box 3333
Wilkes-Barre, PA 18767-3333

If you use a carrier other than the U.S. Postal Service, send Forms W-2c and W-3c to the following address:

Social Security Administration
Data Operations Center
Attn: W-2c Process
1150 E. Mountain Drive
Wilkes-Barre, PA 18702-7997

Cat. No. 10164R

ONLINE TOOLS AND SERVICES

E-SERVICES²⁹

E-services is a suite of web-based products that allows tax professionals and payers to conduct business with the IRS electronically. These services are only available to approved IRS business partners and are not available to the general public. Tax professionals must be active participants in the IRS e-file program to use the online tools described in this section.³⁰ Active participation is defined as being an electronic return originator (ERO) who e-files five or more accepted individual or business returns in a season. Practitioners may also register if they are not EROs but work for an ERO.

E-services is available via the Internet 24 hours a day, 7 days a week. Authorized business partners needing assistance after using the online resources can contact the e-help desk at 866-255-0654.

All tax professionals who wish to use e-services products must register online to create an individual electronic account. The registration process is a one-time automated process in which the user selects a user name, password, and PIN. After the registration information is validated, the registrant receives an on-screen acknowledgement. For security purposes, a confirmation code is sent via postal mail to the tax professional to complete the registration process.

Once the confirmation code is received, the registrant must go to the website and enter the confirmation code that they received from the IRS. **This must be done within 28 days of the registration submission.**³¹ Registrants only have to complete this process once, unless they forget their password or PIN, in which case they will need to repeat the process.

If the applicant is not an ERO, they must notify their employer after they have received and submitted the confirmation code. The employer must then verify that the registrant is affiliated with the registered ERO.

Note. During August and September 2013, the IRS will be completing the transition to a new platform for its website. E-services such as the Electronic Account Resolution system and the Disclosure Authorization system will be discontinued. The planned retirement of these two E-service systems has been delayed from August 11 to September 2, 2013.

Transcript Delivery Service

The transcript delivery system (TDS) allows practitioners to immediately access and download taxpayer information that is on file with the IRS. **Tax professionals must have a POA authorization on file with the IRS before accessing a client's account.**

TDS can be used to request and receive the following information for individual taxpayers.

1. Account transcripts
2. Wage and income documents
3. Tax return transcripts
4. Verification of nonfiled returns

²⁹ *e-services — Online Tools for Tax Professionals.* [www.irs.gov/Tax-Professionals/e-services---Online-Tools-for-Tax-Professionals] Accessed on Jul. 3, 2013.

³⁰ *What Are the e-services Products?* [www.irs.gov/Tax-Professionals/What-are-the-e-services-products%3F] Accessed on Jul. 3, 2013.

³¹ *Register for e-services.* [www.irs.gov/Tax-Professionals/e-File-Providers-&-Partners/Register-for-e-services] Accessed on Jul. 3, 2013.

TDS can be used to request and receive the following information for business taxpayers.

1. Account transcripts (for income taxes, employment taxes, and other taxes)
2. Income tax return transcripts
3. Verification of nonfiled income tax returns

In addition, for both individuals and businesses, the practitioner may request a record of account, which combines the information from the tax return transcript and the account transcript into one downloadable document.

Taxpayer Identification Number Matching³²

Taxpayer identification number (TIN) matching enables a user to verify a TIN and name combination. The user can accomplish this interactively and receive an instant response for requests of up to 25 TIN/name combinations. A bulk file upload can be used for requests of up to 10,000 records. The bulk file requests are returned to the user within 24 hours.

In order to ensure that only authorized users can verify a TIN/name combination, a TIN matching application must be completed before using the product. TIN matching is only available through e-services to authorized payers and firms who withhold and make specified payments to the IRS.

When completing an application to use TIN matching, the firm is identified by its EIN. If the firm is not listed on the IRS payer account file, the TIN matching application cannot be completed.

Note. The IRS retired the disclosure authorization (DA) and electronic account resolution (EAR) products in August 2013. The IRS is exploring an improved electronic solution for DA and EAR.³³

Income Verification Express Service

The income verification express service (IVES) is an income verification program used by mortgage lenders and other creditors to confirm the income of a borrower in the course of approving a loan application. With the consent of the taxpayer, the IRS provides the lender with a return transcript, a Form W-2 transcript, and a Form 1099 transcript.

To use this service, the lender must enroll and register for IVES. Form 13803, *IVES Application Form*, is used to **enroll** in the IVES program. This form asks for basic information about the business, relevant contact information, and the name of a responsible official who will manage IVES program use for that business.

Each employee of the enrolling company must **register** individually to use the program and obtain a secure electronic mailbox to which the requesting taxpayer's transcript information will be sent. The registration process provides the ability to select a user name, password, and PIN to use the IVES program through e-services.

The cost to the company is \$2 per transcript request. The IRS sends a monthly invoice to companies that use the IVES system.

Note. For further information on the IVES program, see the IRS IVES webpage at www.irs.gov/Individuals/Income-Verification-Express-Service.

³² *Taxpayer Identification Number (TIN) On-Line Matching*. [www.irs.gov/Government-Entities/Federal,-State-&-Local-Governments/Taxpayer-Identification-Number-TIN-On-Line-Matching] Accessed on Jul. 3, 2013.

³³ *Disclosure Authorization and Electronic Account Resolution Retire This August*. [www.irs.gov/Tax-Professionals/DisclosureAuthorizationandElectronicAccountResolutionretirethisAugust] Accessed on Jul. 22, 2013.

OTHER ONLINE SERVICES³⁴

In addition to the IRS e-services products, there are other online tools available to the general public that do not require a registration.

IRS Subscription Services

The IRS offers a number of tax-related news bulletins that are delivered via e-mail. Anyone can sign up for one or more of these electronic subscription services. Available news briefings include the following.

1. **E-News for Tax Professionals.** Provides the latest national news for the tax professional community, as well as links to resources on the IRS website and local news and events by state
2. **E-News for Payroll Professionals.** Provides information specifically affecting federal payroll tax returns
3. **Quick Alerts.** Provides information specifically relating to e-file issues; designed to inform practitioners about e-file events almost instantly

For the complete list of subscription services, go to www.irs.gov/uac/e-News-Subscriptions-2.

Where's My Refund?³⁵

Using this tool, a **practitioner or taxpayer** can check the status of a refund online. The refund status is usually available within 24 hours after the IRS has received the e-filed return or four weeks after a paper return is mailed. The system is updated once every 24 hours.

Where's My Amended Return?³⁶

Using this tool, a practitioner or taxpayer can check the status of an amended return. Only the statuses of amended returns for the current year and up to three prior years are available.

Order a Transcript³⁷

This tool allows a practitioner or taxpayer to order a transcript of a tax return or tax account. The transcript is mailed to the taxpayer's address on record within 5 to 10 business days. Tax return transcripts provide most line items from an original return and other basic information such as marital status, type of return filed, AGI, taxable income, and later adjustments.

Online Payment Agreement Application³⁸

The online payment agreement application allows the taxpayer or their authorized representative to apply for an installment agreement if the taxpayer cannot pay their taxes in full. This tool determines eligibility, gathers the required information, and submits the application.

Allowable Expense Charts³⁹

Collection financial standards (CFS) are used to help determine a taxpayer's ability to pay a delinquent tax liability. Allowable living expenses are excluded from the taxpayer's income in determining their available income. The CFS webpage lists categories of expenses, linked to charts in which the allowable living expenses are broken down by family size and/or geographical location.

³⁴ *Tools.* [www.irs.gov/uac/Tools] Accessed on Jul. 5, 2013.

³⁵ *Where's My Refund — It's Quick, Easy and Secure.* [www.irs.gov/Refunds] Accessed on Jul. 5, 2013.

³⁶ *Where's My Amended Return?* [www.irs.gov/Filing/Individuals/Amended>Returns-(Form-1040-X)/Wheres-My-Amended-Return-1] Accessed on Jul. 3, 2013.

³⁷ *Order a Transcript.* [www.irs.gov/Individuals/Order-a-Transcript] Accessed on Jul. 3, 2013.

³⁸ *Online Payment Agreement Application.* [www.irs.gov/Individuals/Online-Payment-Agreement-Application] Accessed on Jul. 3, 2013.

³⁹ *Collection Financial Standards.* [www.irs.gov/Individuals/Collection-Financial-Standards] Accessed on Jul. 3, 2013.

Offer In Compromise Pre-Qualifier Tool⁴⁰

This tool can be used to determine whether the taxpayer may be eligible for an offer in compromise. The tool asks a series of questions, including financial information and tax filing status, that are used to calculate a preliminary offer amount.

Online Employer Identification Number⁴¹

A user can obtain an EIN within minutes using this online tool. The application validates the user's entries and provides an EIN confirmation notice immediately upon completion.

First-Time Homebuyer Credit Account Lookup⁴²

Taxpayers can check the status of their first-time homebuyer credit online for information about their repayments and account balance.

Earned Income Tax Credit Assistant⁴³

This tool is used to determine whether a taxpayer is eligible for the earned income credit and to estimate the amount of the credit.

Alternative Minimum Tax Assistant⁴⁴

This tool is used to determine whether a taxpayer may be subject to the alternative minimum tax.

Sales Tax Deduction Calculator⁴⁵

This tool is used to determine the amount of optional state and local sales tax the taxpayer can claim on Schedule A, *Itemized Deductions*.

Exempt Organizations Select Check⁴⁶

This tool allows the user to select an exempt organization, find out whether the organization is eligible to receive tax-deductible charitable contributions, and look up other information about an organization's federal tax status and filings.

IRS Withholding Calculator⁴⁷

Taxpayers may use this tool to help determine whether they should give their employers a new Form W-4, *Employee's Withholding Allowance Certificate*, to avoid having too much or too little federal income tax withheld from their pay.

⁴⁰ *Offer in Compromise Pre-Qualifier*. [http://irs.treasury.gov/oic_pre_qualifier] Accessed on Jul. 3, 2013.

⁴¹ *Apply for an Employer Identification Number (EIN) Online*. [[www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Apply-for-an-Employer-Identification-Number-\(EIN\)-Online](http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Apply-for-an-Employer-Identification-Number-(EIN)-Online)] Accessed on Jul. 3, 2013.

⁴² *First Time Homebuyer Credit Account Look-Up*. [www.irs.gov/Individuals/First-Time-Homebuyer-Credit-Account-Look-up] Accessed on Jul. 3, 2013.

⁴³ *Earned Income Tax Credit (EITC) — Use the EITC Assistant to Find Out if You Should Claim It*. [[www.irs.gov/Individuals/Earned-Income-Tax-Credit-\(EITC\)---Use-the-EITC-Assistant-to-Find-Out-if-You-Should-Claim-it](http://www.irs.gov/Individuals/Earned-Income-Tax-Credit-(EITC)---Use-the-EITC-Assistant-to-Find-Out-if-You-Should-Claim-it)] Accessed on Jul. 3, 2013.

⁴⁴ *Alternative Minimum Tax (AMT) Assistant for Individuals*. [[www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Alternative-Minimum-Tax-\(AMT\)-Assistant-for-Individuals](http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Alternative-Minimum-Tax-(AMT)-Assistant-for-Individuals)] Accessed on Jul. 3, 2013.

⁴⁵ *Sales Tax Deduction Calculator*. [www.irs.gov/Individuals/Sales-Tax-Deduction-Calculator] Accessed on Jul. 3, 2013.

⁴⁶ *EO Select Check*. [www.irs.gov/Charities-&Non-Profits/Exempt-Organizations-Select-Check] Accessed on Jul. 3, 2013.

⁴⁷ *IRS Withholding Calculator*. [www.irs.gov/Individuals/IRS-Withholding-Calculator] Accessed on Jul. 3, 2013.

IRS Video Portal⁴⁸

This tool contains video and audio presentations on topics of interest to tax professionals, small businesses, and individuals. The portal contains video clips of tax topics, archived versions of live panel discussions and webinars, and archives of tax practitioner phone forums. There is also a small business virtual workshop that has instructional, interactive lessons that are designed to help new small business owners learn their tax rights and responsibilities.

Identity Theft⁴⁹

The IRS identity protection page has links to information on a variety of scenarios involving identity theft. These scenarios range from contacting the IRS with a case of identity theft to providing tips to help taxpayers keep their records safe.

Affordable Care Act Tax Provisions⁵⁰

This page is where the IRS provides brief descriptions and updates related to the tax provisions in the Patient Protection and Affordable Care Act (ACA). Topics include the following.

1. Disclosure or use of information by tax return preparers
2. Reporting on health insurance coverage
3. The small business healthcare tax credit
4. The additional Medicare tax
5. Health flexible spending arrangements
6. The health insurance premium tax credit
7. Group health plan requirements
8. The net investment income tax

Questions and Answers for the Additional Medicare Tax⁵¹

This page provides information about the additional Medicare tax that went into effect on January 1, 2013. The 0.9% tax applies to an individual's wages, Railroad Retirement Tax Act compensation, and SE income that exceeds certain threshold amounts, which are based on the individual's filing status.

Note. For more information about the additional Medicare tax, see the 2013 *University of Illinois Federal Tax Workbook*, Volume A, Chapter 2: Affordable Care Act Update.

⁴⁸ *The IRS Video Portal — Small Business Video and Audio Presentations.* [www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Small-Business-Video-and-Audio-Presentations] Accessed on Jul. 3, 2013.

⁴⁹ *Identity Protection.* [www.irs.gov/uac/Identity-Protection] Accessed on Jul. 3, 2013.

⁵⁰ *Affordable Care Act Tax Provisions.* [www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions] Accessed on Jul. 3, 2013.

⁵¹ *Questions and Answers for the Additional Medicare Tax.* [www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Questions-and-Answers-for-the-Additional-Medicare-Tax] Accessed on Jul. 3, 2013.

Net Investment Income Tax FAQs⁵²

This page is designed for tax professionals and taxpayers to provide information about the net investment income tax (NIIT) that went into effect on January 1, 2013. The NIIT is an additional 3.8% tax on certain investment income of individuals, estates, and trusts that have income above certain threshold amounts.

Note. For more information about the NIIT, see the 2013 *University of Illinois Federal Tax Workbook*, Volume A, Chapter 2: Affordable Care Act Update.

Tax Information for International Businesses⁵³

This page contains brief summaries and links to guidance on a variety of issues pertaining to international transactions, including the following.

1. The foreign account tax compliance act (FATCA)
2. Requirements to report foreign bank and financial accounts (FBAR)
3. The offshore voluntary disclosure program
4. Taxation of resident and nonresident aliens
5. Tax treaties
6. Tax withholding on foreign persons
7. New developments in international taxation
8. Frequently asked questions
9. How to get help with questions on international issues

Simplified Option for Home Office Deduction⁵⁴

This webpage provides information about the new simplified option for calculating the home office deduction. In addition to giving the highlights of the new method, the page compares the simplified method to the regular method.

Note. For more information about the simplified option, see the 2013 *University of Illinois Federal Tax Workbook*, Volume B, Chapter 2: Small Business Issues.

⁵² *Net Investment Income Tax FAQs*. [www.irs.gov/uac/Newsroom/Net-Investment-Income-Tax-FAQs] Accessed on Jul. 3, 2013.

⁵³ *Tax Information for International Businesses*. [www.irs.gov/Businesses/International-Businesses] Accessed on Jul. 3, 2013.

⁵⁴ *Simplified Option for Home Office Deduction*. [www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Simplified-Option-for-Home-Office-Deduction] Accessed on Jul. 3, 2013.

IDENTITY THEFT NATIONAL CRACKDOWN

Stopping identity theft and refund fraud is a top priority for the IRS. The IRS's work on identity theft and refund fraud continues to grow, touching nearly every part of the organization. For the 2013 filing season, the IRS expanded these efforts in an attempt to better protect taxpayers and help victims.⁵⁵

REFUND FRAUD DETECTION AND PREVENTION

For 2013, there is a significant increase in the number and quality of identity theft screening filters that spot fraudulent tax returns before refunds are issued. The IRS now has dozens of identity theft filters in place. It also expanded a pilot program nationwide that gives local law enforcement agencies access to tax return data to aid in their investigations and pursuit of identity thieves.

The IRS is collaborating with more than 130 financial institutions to identify identity theft fraud schemes and block refunds from reaching the hands of identity thieves. This effort has protected hundreds of millions of dollars thus far.

More information on refund fraud can be found in the following articles on the IRS website.

1. FS-2013-2, *IRS Combats Identity Theft and Refund Fraud on Many Fronts*⁵⁶
2. FS-2013-4, *IRS Criminal Investigation Targets Identity Theft Refund Fraud*⁵⁷
3. IR-2013-33, *IRS Releases the Dirty Dozen Tax Scams for 2013*⁵⁸
4. *IRS — Identity Theft and Fraudulently Obtained Tax Refund Checks*⁵⁹
5. IRS Tax Tip 2013-19, *Beware of Bogus IRS Emails*⁶⁰
6. IRS Tax Tip 2012-08, *Don't Be Scammed by Cyber Criminals*⁶¹
7. *Suspicious e-Mails and Identity Theft*⁶²
8. IRS Pub. 4535, *Identity Theft Prevention and Victim Assistance*

INCREASING EFFORTS TO HELP VICTIMS

In the first three months of 2013, the IRS worked with victims to resolve and close more than 200,000 identity theft cases. This is in addition to the expanded identity protection PIN (IP PIN) pilot program, an initiative to protect victims with previously confirmed cases of identity theft by creating an additional layer of security on these accounts.

As of March 2013, the IRS had issued IP PINs to more than 770,000 taxpayers who were victimized by identity theft, which is more than twice as many as the previous year. The IP PIN helps these individuals to avoid delays in filing returns and receiving refunds.

⁵⁵ *IRS Combats Identity Theft and Refund Fraud on Many Fronts*. [www.irs.gov/uac/Newsroom/IRS-Combats-Identity-Theft-and-Refund-Fraud-on-Many-Fronts] Accessed on Jul. 3, 2013.

⁵⁶ Ibid.

⁵⁷ *IRS Criminal Investigation Targets Identity Theft Refund Fraud*. [www.irs.gov/uac/Newsroom/IRS-Criminal-Investigation-Targets-Identity-Theft-Refund-Fraud-2013] Accessed on Jul. 3, 2013.

⁵⁸ *IRS Releases the Dirty Dozen Tax Scams for 2013*. [www.irs.gov/uac/Newsroom/IRS-Releases-the-Dirty-Dozen-Tax-Scams-for-2013] Accessed on Jul. 3, 2013.

⁵⁹ *IRS — Identity Theft and Fraudulently Obtained Tax Refund Checks*. [www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/IRS---Identity-Theft-and-Fraudulently-Obtained-Tax-Refund-Checks] Accessed on Jul. 22, 2013.

⁶⁰ *Beware of Bogus IRS Emails*. [www.irs.gov/uac/Newsroom/Beware-of-Bogus-IRS-Emails] Accessed on Jul. 22, 2013.

⁶¹ *Don't Be Scammed by Cyber Criminals*. [www.irs.gov/uac/Don't-be-Scammed-by-Cyber-Criminals] Accessed on Jul. 22, 2013.

⁶² *Suspicious e-Mails and Identity Theft*. [www.irs.gov/uac/Suspicious-e-Mails-and-Identity-Theft] Accessed on Jul. 3, 2013.

More information on efforts to help identity theft victims can be found in the following articles on the IRS website.

1. FS-2013-3, *Tips for Taxpayers, Victims about Identity Theft and Tax Returns*⁶³
2. *Have You Become the Victim of Identity Theft “Outside” the Tax Administration System?*⁶⁴
3. *Identity Protection*⁶⁵
4. *Identity Protection Tips*⁶⁶
5. IRS Special Edition Tax Tip 2013-05, *What Taxpayers Should Know about Identity Theft and Taxes*⁶⁷
6. *Suspicious e-Mails and Identity Theft*⁶⁸
7. *Taxpayer Guide to Identity Theft*⁶⁹
8. *Report Phishing*⁷⁰
9. *The IRS Is Taking Action to Protect Taxpayers from Identity Theft and Helping Victims of Tax-Related Identity Theft*⁷¹
10. IRM 10.5.3, *Identity Protection Program*
11. IRS Form 14039, *Identity Theft Affidavit*

IRS CRIMINAL INVESTIGATION⁷²

In January 2013, the IRS conducted a coordinated and highly successful identity theft enforcement sweep. The coast-to-coast effort against identity theft suspects led to 734 enforcement actions, including indictments, complaints, and arrests.

In April 2012, the IRS established a pilot program in Florida, allowing identity theft victims to authorize the IRS to share information with local law enforcement, removing a hurdle previously exploited by identity thieves. The IRS expanded the program nationwide in March 2013.⁷³

More actions are underway in 2013, with efforts in states across the nation. The IRS continuously updates a page on its website that lists people sentenced for identity theft.⁷⁴

⁶³ *Tips for Taxpayers, Victims about Identity Theft and Tax Returns*. [www.irs.gov/uac/Newsroom/Tips-for-Taxpayers,-Victims-about-Identity-Theft-and-Tax>Returns] Accessed on Jul. 3, 2013.

⁶⁴ *Have You Become the Victim of Identity Theft “Outside” the Tax Administration System?* [www.irs.gov/uac/Have-you-become-the-victim-of-identity-theft-outside-the-tax-administration-system%3F] Accessed on Jul. 3, 2013.

⁶⁵ *Identity Protection*. [www.irs.gov/uac/Identity-Protection] Accessed on Jul. 3, 2013.

⁶⁶ *Identity Protection Tips*. [www.irs.gov/uac/Identity-Protection-Tips] Accessed on Jul. 3, 2013.

⁶⁷ *What Taxpayers Should Know about Identity Theft and Taxes*. [www.irs.gov/uac/Newsroom/What-Taxpayers-Should-Know-about-Identity-Theft-and-Taxes] Accessed on Jul. 3, 2013.

⁶⁸ *Suspicious e-Mails and Identity Theft*. [www.irs.gov/uac/Suspicious-e-Mails-and-Identity-Theft] Accessed on Jul. 3, 2013.

⁶⁹ *Taxpayer Guide to Identity Theft*. [www.irs.gov/uac/Taxpayer-Guide-to-Identity-Theft] Accessed on Jul. 3, 2013.

⁷⁰ *Report Phishing* [www.irs.gov/uac/Report-Phishing] Accessed on Jul. 3, 2013.

⁷¹ *The IRS Is Taking Action to Protect Taxpayers from Identity Theft and Helping Victims of Tax-Related Identity Theft*. [www.irs.gov/uac/The-IRS-is-taking-action-to-protect-taxpayers-from-identity-theft-and-helping-victims-of-tax-related-identity-theft] Accessed on Jul. 3, 2013.

⁷² IR-2013-17 (Feb. 17, 2013).

⁷³ IR-2013-34 (Mar. 28, 2013).

⁷⁴ *Examples of Identity Theft Schemes — Fiscal Year 2013*. [www.irs.gov/uac/Examples-of-Identity-Theft-Schemes-Fiscal-Year-2013] Accessed on Jul. 3, 2013.

IRS DIVISIONS AND SPECIAL OPERATIONS

RETURN FILING CENTERS

As part of the IRS modernization process, the geographic alignment of states to IRS processing campuses started to change in the 2001 fiscal year. Since then, the IRS has continued to streamline the individual returns processed in the IRS submission processing campuses.

IRS Pub. 6187, *Calendar Year Projections of Individual Returns by Major Processing Categories*, provides tables that show the configuration of IRS campuses for paper individual returns and for electronic individual returns.

SMALL BUSINESS/SELF-EMPLOYED DIVISION

The small business/self-employed (SB/SE) division's mission is to help small business and self-employed taxpayers understand and meet their tax obligations, while applying the tax law with integrity and fairness. The SB/SE division serves this taxpayer segment through five organizations.⁷⁵

- **Collection.** The mission of the collection unit is to collect delinquent taxes and secure delinquent tax returns.
- **Compliance Services Campus Operations.** This group oversees operations of the Brookhaven, Philadelphia, Cincinnati, Memphis, and Ogden campuses.
- **Examination.** It is the function of the examination unit to help taxpayers understand and meet tax responsibilities and apply the tax law through field and office audit examinations.
- **Specialty Taxes.** Currently this unit has responsibility for four market segments: employment tax, excise tax, estate and gift tax, and international tax.
- **Communications and Stakeholder Outreach (CSO).** CSO's mission is to develop and deliver integrated strategic communications and educational products to employees, taxpayers, and the key partners in tax administration, including practitioners and industry groups.

⁷⁵ *Small Business/Self-Employed Division At-a-Glance*. [www.irs.gov/uac/Small-Business-Self-Employed-Division-At-a-Glance] Accessed on Jul. 3, 2013.

STAKEHOLDER LIAISON DIVISION

The stakeholder liaison division establishes relationships with practitioner and industry organizations representing small business and self-employed taxpayers. It provides information about the policies, practices, and procedures the IRS uses to ensure compliance with the tax laws. It also evaluates issues that affect tax administration. Practitioners can report issues to the contacts listed in the following table.⁷⁶

Stakeholder Liaison Area	Phone	E-Mail
Mid-Atlantic: PA, NJ, DE, WV, CT, ME, VT, RI	412-395-5243	cassandra.l.hellmann@irs.gov
New York: NY, MA, NH	212-436-1638	sbse.sl.newyork@irs.gov
Great Lakes: IN, MI, OH	216-522-2563	sbse.sl.great.lakes@irs.gov
Midwest: MN, MT, WI, ND, SD, IA	651-312-7836	betty.l.mueller@irs.gov
Southwest: AZ, TX, NM	212-436-1386	sl.southwest@irs.gov
Central: IL, MO, KS, NE, OK	412-395-5243	cassandra.l.hellmann@irs.gov
Mid-South: KY, TN, AL, MS, AR, LA	405-297-4045	patricia.y.wright@irs.gov
Southeast: FL, GA, PR	954-423-7686	cheri.kirsch@irs.gov
South Atlantic: MD, VA, NC, SC, DC	336-574-6311	terza.d.lowdermilk@irs.gov
Northwest: AK, CO, WA, OR, UT, ID, WY	206-220-5300	sl.northwest@irs.gov
Western: CA, HI, NV	510-637-4541	sbse.sl.western.area@irs.gov

THE WAGE & INVESTMENT (W&I) DIVISION

The wage & investment (W&I) division⁷⁷ supports the IRS's strategic goals and objectives through various initiatives. There are four key W&I offices.

1. **Customer Assistance, Relationships, and Education (CARE)** provides customers with the information, support, and assistance they need to understand and fulfill their tax obligations. CARE is focused on educating and assisting taxpayers before they file their returns, assisting in filing returns, and offering face-to-face assistance after filing through a 3-pronged strategic approach.
 - a. **Media and Publications.** This office focuses on meeting customer needs through the development of plain language notices, forms, and publications that facilitate tax administration and ease of compliance by taxpayers. The office also supplies media production services to customers.
 - b. **Stakeholder Partnerships, Education, and Communication (SPEC).** This office provides assistance to W&I customers by building and maintaining partnerships with key stakeholder groups. This unit also is responsible for developing educational materials for use in pre-filing, filing, and post-filing customer interactions. It is also responsible for developing products for use in marketing and working with local and national media to ensure that customers are aware of tax law changes and IRS services.
 - c. **Field Assistance.** This office owns and manages the Taxpayer Assistance Centers located throughout the country. Field Assistance provides comprehensive face-to-face assistance to taxpayers as well as assistance through telephone and written correspondence.

⁷⁶ *Stakeholder Liaison Local Contacts.* [www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Stakeholder-Liaison-Local-Contacts-1] Accessed on Jul. 3, 2013).

⁷⁷ *Wage & Investment Division At-a-Glance.* [www.irs.gov/uac/Wage-&Investment-Division-At-a-Glance] Accessed on Jul. 3, 2013.

2013 Workbook

2. **Customer Account Services (CAS)** is responsible for taxpayer relationships through filing, including processing submissions and payments; providing taxpayers with information on the status of their returns; and resolving the majority of problems and inconsistencies. CAS tries to provide trouble-free filing, faster refunds, and efficient resolution of inquiries and issues. It is composed of the following offices.
 - a. **Submission Processing** processes tax returns, related documents, and payments at seven processing centers: Andover, Atlanta, Austin, Cincinnati, Fresno, Kansas City, and Ogden.
 - b. **Accounts Management** responds to taxpayer inquiries and communications. It provides advice on a variety of tax law and procedural questions, responds to account inquiries and adjustments, and processes taxpayer responses to notices.
 - c. **Joint Operations Center (JOC)** provides service, support, and technology for operating divisions and functional organizations to achieve their desired service levels for all telephone inquiries, correspondence, and electronic media inquiries within agreed resource and staffing parameters.
3. **Compliance** assists taxpayers in the determination and fulfillment of their tax obligations by providing accurate and consistent application of the tax law and by using a risk-based approach to exam and collection. It is supported by the following functions.
 - a. **Filing and Payment Compliance** carries out strategies relating to collection programs. It works in coordination with the filing process, education, outreach, and assistance efforts.
 - b. **Reporting Compliance** carries out strategies pertaining to examination programs. Its goal is to make sure that the appropriate integrated mechanisms are in place to implement and deliver programs.
4. **Return Integrity and Correspondence Services (RICS)** is comprised of organizations that strengthen revenue protection and pre-refund compliance, administer refundable credits, and provide oversight of content for all notices and letters sent to taxpayers. The organizations of RICS include the following.
 - a. **Accounts Management Taxpayer Assurance Program (AMTAP)** works in partnership with the pre-refund program (PRP) to develop and carry out strategies on detection, resolution, and prevention to resolve account concerns before the issuance of improper refunds.
 - b. **Earned Income Credit (EIC)** improves the administration of the EIC through an approach that encourages eligible taxpayers to apply for the credit and reduces the number of claims paid in error. The office also includes PRP, which provides strategic and operational direction to pre-refund compliance functions across the IRS.
 - c. **Health Coverage Tax Credit (HCTC)** helps eligible taxpayers pay their health insurance premiums by informing potentially eligible taxpayers about the HCTC, enrolling eligible applicants into the program, and making payments to health plan administrators on their behalf.
 - d. **Office of Taxpayer Correspondence (OTC)** is the centralized hub for comprehensive correspondence services providing consistency, quality, and plain language for notices and letters with the goal of helping taxpayers take the appropriate action to resolve their tax issues.

PRACTITIONER PRIORITY SERVICE⁷⁸

The Practitioner Priority Service (PPS) is the tax professional's first point of contact for account-related issues. PPS provides a professional support line at **866-860-4259**. The line is staffed by IRS customer service representatives specially trained to handle practitioners' account questions. PPS is available to all practitioners who have valid third party authorizations, including those authorized by Forms 2848, 8821, and 8655.

Depending on the tax professional's response to the initial prompt, the call is routed to one of five PPS locations. Routing is based on an evaluation of the lowest expected wait time.

- Questions regarding individual 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.

Services provided by PPS representatives include the following.

1. Locating and applying payments
2. Resolving taxpayer account problems on active accounts
3. Explaining IRS communications such as notices and letters
4. Providing general procedural guidance and timeframes
5. Providing one of the self-help methods to obtain forms and publications
6. Providing transcripts of taxpayer accounts
7. Providing information about Forms 1099 and W-2
8. Securing taxpayer income verification

Issues outside the scope of the PPS employees' authority are transferred or referred to the appropriate IRS functions. If the PPS customer service representative cannot transfer the call, they provide the caller with the appropriate contact telephone number.

CENTRALIZED LIEN PROCESSING OPERATION⁷⁹

Centralized lien processing is located at the Cincinnati campus. This department is responsible for the following.

1. Sending notices of federal tax liens to recording offices for filing
2. Processing requests for all notices of liens and releases
3. Handling telephone inquiries and correspondence from taxpayers, their representatives, and recording offices

The contact information for the lien processing operation follows.

**Internal Revenue Service
Centralized Lien Processing Operation
Stop 8420G
P.O. Box 145595
Cincinnati, OH 45250-5595**

Toll free phone number for taxpayers: 800-913-6050

Toll free phone number for recording offices: 800-913-4170

⁷⁸ *Practitioner Priority Service*®. [www.irs.gov/Tax-Professionals/Practitioner-Priority-Service-®] Accessed on Jul. 3, 2013.

⁷⁹ IRS Pub. 1468, *Guidelines for Notices of Federal Tax Liens and Centralized Lien Processing*.

IRS REVIEW OF TAX-EXEMPT STATUS AND IRS REPORT

On May 14, 2013, the Treasury Inspector General for Tax Administration (TIGTA) issued its report regarding its audit of IRS activities used to review the tax-exempt status of organizations.⁸⁰ In response to congressional concerns about selective enforcement of the tax-exempt status rules and review process, TIGTA initiated an audit of IRS activity in this area. The focus of the TIGTA audit was on IRS review and processing of certain tax-exempt status applications. The audit found that the words “tea party” and other specific terms were used to identify applications and that this may have led to inconsistent treatment of organizations that applied for tax-exempt status. TIGTA noted that “although the IRS has taken some action, it will need to do more so that the public has reasonable assurance that applications are processed without unreasonable delay in a fair and impartial manner in the future.”⁸¹

Note. The focal point of the TIGTA audit was the IRS review of applications for §501(c)(4) tax-exempt status. Unlike §501(c)(3) charitable organizations, a §501(c)(4) organization may not receive tax-deductible contributions but may engage in political campaign and lobbying activities.

In response to the TIGTA report, IRS Principal Deputy Commissioner Danny Werfel issued a report on June 24, 2013, which outlines new actions and steps to resolve problems in the tax-exempt review area and to improve other IRS processes and operations.⁸² Some of the steps the IRS has taken include the following.

- Installation of new leadership in the executive management levels involved with the tax-exempt application review area
- Creation of an accountability review board to provide additional recommendations on changes that may be required with personnel
- Development of a new “fast-track” process for §501(c)(4) applicants if they are being reviewed for advocacy questions or if they have been in the application process for more than 120 days and agree to operate within certain limits of activity
- Addition of new technical and program staff to assist with §501(c)(4) application reviews
- Suspension of any labeling of §501(c)(4) applications that may be the basis of inequitable review or treatment
- Implementation of risk management procedures to improve information timeliness to IRS leaders and key stakeholders to help prevent inappropriate treatment or mismanagement in IRS processes

In addition, the report emphasizes that the investigations and fact-finding efforts are ongoing. The IRS will provide monthly progress updates on further developments in the course of its investigatory efforts.⁸³

⁸⁰ *Inappropriate Criteria Were Used to Identify Tax-Exempt Applications for Review*. Treasury Inspector General for Tax Administration. May 14, 2013. [www.treasury.gov/tigta/auditreports/2013reports/201310053fr.html] Accessed on Jul. 22, 2013.

⁸¹ Ibid.

⁸² *Charting a Path Forward at the IRS: Initial Assessment and Plan of Action*. June 24, 2013. [www.irs.gov/pub/newsroom/Initial%20Assessment%20and%20Plan%20of%20Action.pdf] Accessed on Jul. 16, 2013.

⁸³ *Report Outlines Changes for IRS to Ensure Accountability, Chart a Path Forward; Immediate Actions, Next Steps Outlined*. Jun. 24, 2013. [www.irs.gov/uac/Newsroom/Report-Outlines-Changes-for-IRS-To-Ensure-Accountability,-Chart-a-Path-Forward;-Immediate-Actions,-Next-Steps-Outlined] Accessed on Jul. 16, 2013.