

## Chapter 3: IRS Update

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**Please note.** Corrections were made to this workbook through January of 2019. No subsequent modifications were made. For clarification about acronyms used throughout this chapter, see the Acronym Glossary at the end of the Index.

For your convenience, in-text website links are also provided as short URLs. Anywhere you see **uofi.tax/xxx**, the link points to the address immediately following in brackets.

# 2018 Workbook

## About the Author

**Kelly Golish, CPA**, is a Tax Materials Specialist at the University of Illinois Tax School. She was previously a manager at Crowder, CPAs in Danville, IL and worked for both public and private accounting firms in Decatur, IL, Cleveland, OH, and San Jose, CA. Kelly earned a Masters in Accounting with an emphasis in Taxation and a Bachelors in Accounting at the University of Notre Dame.

Other chapter contributors and reviewers are listed at the front of this volume.

## NEW FORM 1040 AND OTHER SCHEDULES<sup>1</sup>

The IRS introduced a shorter and simpler Form 1040, *U.S. Individual Income Tax Return*. The new form is expected to be finalized in the latter part of 2018 and ready for the 2019 filing season. The revised Form 1040 is half the size of the old form. It serves to consolidate Form 1040, Form 1040A, *U.S. Individual Income Tax Return*, and Form 1040-EZ, *Income Tax Return for Single and Joint Filers With No Dependents*. The expectation is that all 150 million individual taxpayers will use the same form.

Form <b>1040</b>	Department of the Treasury—Internal Revenue Service (99)	<b>2018</b>	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.
<b>Filing status:</b> <input type="checkbox"/> Single <input type="checkbox"/> Married filing jointly <input type="checkbox"/> Married filing separately <input type="checkbox"/> Head of household <input type="checkbox"/> Qualifying widow(er)				
Your first name and initial		Last name		Your social security number
<b>Your standard deduction:</b> <input type="checkbox"/> Someone can claim you as a dependent <input type="checkbox"/> You were born before January 2, 1954 <input type="checkbox"/> You are blind				
If joint return, spouse's first name and initial		Last name		Spouse's social security number
Spouse standard deduction: <input type="checkbox"/> Someone can claim your spouse as a dependent <input type="checkbox"/> Spouse was born before January 2, 1954 <input type="checkbox"/> Full-year health care coverage or exempt (see inst.)				
<input type="checkbox"/> Spouse is blind <input type="checkbox"/> Spouse itemizes on a separate return or you were dual-status alien				
Home address (number and street). If you have a P.O. box, see instructions.			Apt. no.	Presidential Election Campaign (see inst.) <input type="checkbox"/> You <input type="checkbox"/> Spouse
City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule 6.				If more than four dependents, see inst. and <input checked="" type="checkbox"/> here <input type="checkbox"/>
<b>Dependents</b> (see instructions):		(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see inst.):
(1) First name	Last name			Child tax credit
				Credit for other dependents
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
<b>Sign Here</b> Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.				
Your signature		Date	Your occupation	
Spouse's signature. If a joint return, <b>both</b> must sign.		Date	Spouse's occupation	
If the IRS sent you an Identity Protection PIN, enter it here (see inst.)		If the IRS sent you an Identity Protection PIN, enter it here (see inst.)		
Preparer's name		Preparer's signature	PTIN	Firm's EIN
Firm's name ▶		Phone no.		Check if:
Firm's address ▶				<input type="checkbox"/> 3rd Party Designee
				<input type="checkbox"/> Self-employed

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B

Form **1040** (2018)

<sup>1</sup> IRS News Rel. IR-2018-146 (Jun. 29, 2018).

# 2018 Workbook

Form 1040 (2018)		Page <b>2</b>
<b>1</b> Wages, salaries, tips, etc. Attach Form(s) W-2		<b>1</b>
<b>2a</b> Tax-exempt interest	<b>2a</b>	<b>2b</b> Taxable interest
<b>3a</b> Qualified dividends	<b>3a</b>	<b>3b</b> Ordinary dividends
<b>4a</b> IRAs, pensions, and annuities	<b>4a</b>	<b>4b</b> Taxable amount
<b>5a</b> Social security benefits	<b>5a</b>	<b>5b</b> Taxable amount
<b>6</b> Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22		<b>6</b>
<b>7</b> Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6		<b>7</b>
<b>8</b> Standard deduction or itemized deductions (from Schedule A)		<b>8</b>
<b>9</b> Qualified business income deduction (see instructions)		<b>9</b>
<b>10</b> Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-		<b>10</b>
<b>11</b> a Tax (see inst.) (check if any from: <b>1</b> <input type="checkbox"/> Form(s) 8814 <b>2</b> <input type="checkbox"/> Form 4972 <b>3</b> <input type="checkbox"/> )		<b>11</b>
<b>b</b> Add any amount from Schedule 2 and check here <input type="checkbox"/>		<b>11</b>
<b>12</b> a Child tax credit/credit for other dependents <b>b</b> Add any amount from Schedule 3 and check here <input type="checkbox"/>		<b>12</b>
<b>13</b> Subtract line 12 from line 11. If zero or less, enter -0-		<b>13</b>
<b>14</b> Other taxes. Attach Schedule 4		<b>14</b>
<b>15</b> Total tax. Add lines 13 and 14		<b>15</b>
<b>16</b> Federal income tax withheld from Forms W-2 and 1099		<b>16</b>
<b>17</b> Refundable credits: a EIC (see inst.) b Sch 8812 c Form 8863		<b>17</b>
<b>18</b> Add lines 16 and 17. These are your total payments		<b>18</b>
<b>19</b> If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you <b>overpaid</b>		<b>19</b>
<b>20a</b> Amount of line 19 you want <b>refunded to you</b> . If Form 8888 is attached, check here <input type="checkbox"/>		<b>20a</b>
<b>20b</b> Routing number	<b>20c</b> Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
<b>21</b> Amount of line 19 you want <b>applied to your 2019 estimated tax</b>		<b>21</b>
<b>22</b> Amount you owe. Subtract line 18 from line 15. For details on how to pay, see instructions		<b>22</b>
<b>23</b> Estimated tax penalty (see instructions)		<b>23</b>

Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

Form **1040** (2018)

When needed, additional schedules will supplement the shorter form. No additional schedules are necessary for taxpayers with straightforward tax situations. The following draft schedules were posted as of September 6, 2018.<sup>2</sup> These schedules contain the various lines found on the 2017 Form 1040.

**Note.** There is a 30-day comment period for the draft forms. Although this period will have passed by the time this workbook is published, practitioners are encouraged to submit comments to the IRS regarding subsequent drafts of Form 1040 and related schedules. This is done by emailing the IRS at **WI.1040.Comments@IRS.gov**.

<sup>2</sup> Draft Tax Forms. IRS. [apps.irs.gov/app/picklist/list/draftTaxForms.html] Accessed on Sep. 6, 2018.

# 2018 Workbook

## Schedule 1, *Additional Income and Adjustments to Income.*

### SCHEDULE 1 (Form 1040)

Department of the Treasury  
Internal Revenue Service

### Additional Income and Adjustments to Income

► Attach to Form 1040.  
► Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

OMB No. 1545-0074

**2018**  
Attachment  
Sequence No. **01**

Name(s) shown on Form 1040

Your social security number

<b>Additional Income</b>	<b>1-9b</b>	Reserved	<b>1-9b</b>	
	<b>10</b>	Taxable refunds, credits, or offsets of state and local income taxes	<b>10</b>	
	<b>11</b>	Alimony received	<b>11</b>	
	<b>12</b>	Business income or (loss). Attach Schedule C or C-EZ	<b>12</b>	
	<b>13</b>	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	<b>13</b>	
	<b>14</b>	Other gains or (losses). Attach Form 4797	<b>14</b>	
	<b>15a</b>	Reserved	<b>15b</b>	
	<b>16a</b>	Reserved	<b>16b</b>	
	<b>17</b>	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	<b>17</b>	
	<b>18</b>	Farm income or (loss). Attach Schedule F	<b>18</b>	
	<b>19</b>	Unemployment compensation	<b>19</b>	
	<b>20a</b>	Reserved	<b>20b</b>	
	<b>21</b>	Other income. List type and amount	<b>21</b>	
	<b>22</b>	Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23	<b>22</b>	
<b>Adjustments to Income</b>	<b>23</b>	Educator expenses	<b>23</b>	
	<b>24</b>	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	<b>24</b>	
	<b>25</b>	Health savings account deduction. Attach Form 8889	<b>25</b>	
	<b>26</b>	Moving expenses for members of the Armed Forces. Attach Form 3903	<b>26</b>	
	<b>27</b>	Deductible part of self-employment tax. Attach Schedule SE	<b>27</b>	
	<b>28</b>	Self-employed SEP, SIMPLE, and qualified plans	<b>28</b>	
	<b>29</b>	Self-employed health insurance deduction	<b>29</b>	
	<b>30</b>	Penalty on early withdrawal of savings	<b>30</b>	
	<b>31a</b>	Alimony paid <b>b</b> Recipient's SSN	<b>31a</b>	
	<b>32</b>	IRA deduction	<b>32</b>	
	<b>33</b>	Student loan interest deduction	<b>33</b>	
	<b>34</b>	Reserved	<b>34</b>	
	<b>35</b>	Reserved	<b>35</b>	
	<b>36</b>	Add lines 23 through 35	<b>36</b>	

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71479F

Schedule 1 (Form 1040) 2018

## Schedule 2, *Tax.*

### SCHEDULE 2 (Form 1040)

Department of the Treasury  
Internal Revenue Service

### Tax

► Attach to Form 1040.  
► Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

OMB No. 1545-0074

**2018**  
Attachment  
Sequence No. **02**

Name(s) shown on Form 1040

Your social security number

<b>Tax</b>	<b>38-44</b>	Reserved	<b>38-44</b>	
	<b>45</b>	Alternative minimum tax. Attach Form 6251	<b>45</b>	
	<b>46</b>	Excess advance premium tax credit repayment. Attach Form 8962	<b>46</b>	
	<b>47</b>	Add the amounts in the far right column. Enter here and include on Form 1040, line 11	<b>47</b>	

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71478U

Schedule 2 (Form 1040) 2018

# 2018 Workbook

## Schedule 3, *Nonrefundable Credits.*

### SCHEDULE 3 (Form 1040)

Department of the Treasury  
Internal Revenue Service

### Nonrefundable Credits

► Attach to Form 1040.  
► Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

OMB No. 1545-0074

**2018**  
Attachment  
Sequence No. **03**

Name(s) shown on Form 1040

Your social security number

<b>Nonrefundable Credits</b>	<b>48</b>	Foreign tax credit. Attach Form 1116 if required . . . . .	<b>48</b>		
	<b>49</b>	Credit for child and dependent care expenses. Attach Form 2441 . . . . .	<b>49</b>		
	<b>50</b>	Education credits from Form 8863, line 19 . . . . .	<b>50</b>		
	<b>51</b>	Retirement savings contributions credit. Attach Form 8880 . . . . .	<b>51</b>		
	<b>52</b>	Reserved . . . . .	<b>52</b>		
	<b>53</b>	Residential energy credit. Attach Form 5695 . . . . .	<b>53</b>		
	<b>54</b>	Other credits from Form <b>a</b> <input type="checkbox"/> 3800 <b>b</b> <input type="checkbox"/> 8801 <b>c</b> <input type="checkbox"/> . . . . .	<b>54</b>		
<b>55</b>	Add the amounts in the far right column. Enter here and include on Form 1040, line 12		<b>55</b>		

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71480G

Schedule 3 (Form 1040) 2018

## Schedule 4, *Other Taxes.*

### SCHEDULE 4 (Form 1040)

Department of the Treasury  
Internal Revenue Service

### Other Taxes

► Attach to Form 1040.  
► Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

OMB No. 1545-0074

**2018**  
Attachment  
Sequence No. **04**

Name(s) shown on Form 1040

Your social security number

<b>Other Taxes</b>	<b>57</b>	Self-employment tax. Attach Schedule SE . . . . .	<b>57</b>		
	<b>58</b>	Unreported social security and Medicare tax from: Form <b>a</b> <input type="checkbox"/> 4137 <b>b</b> <input type="checkbox"/> 8919 . . . . .	<b>58</b>		
	<b>59</b>	Additional tax on IRAs, other qualified retirement plans, and other tax-favored accounts. Attach Form 5329 if required . . . . .	<b>59</b>		
	<b>60a</b>	Household employment taxes. Attach Schedule H . . . . .	<b>60a</b>		
	<b>b</b>	Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required . . . . .	<b>60b</b>		
	<b>61</b>	Health care: individual responsibility (see instructions) . . . . .	<b>61</b>		
	<b>62</b>	Taxes from: <b>a</b> <input type="checkbox"/> Form 8959 <b>b</b> <input type="checkbox"/> Form 8960 <b>c</b> <input type="checkbox"/> Instructions; enter code(s) . . . . .	<b>62</b>		
	<b>63</b>	Section 965 net tax liability installment from Form 965-A . . . . .	<b>63</b>		
	<b>64</b>	Add the amounts in the far right column. These are your <b>total other taxes</b> . Enter here and on Form 1040, line 14 . . . . .	<b>64</b>		

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71481R

Schedule 4 (Form 1040) 2018

# 2018 Workbook

## Schedule 5, Other Payments and Refundable Credits.

<b>SCHEDULE 5</b> (Form 1040)	<b>Other Payments and Refundable Credits</b>  ▶ Attach to Form 1040. ▶ Go to <a href="http://www.irs.gov/Form1040">www.irs.gov/Form1040</a> for instructions and the latest information.	OMB No. 1545-0074  <div style="text-align: center; font-size: 24pt; font-weight: bold;">2018</div> Attachment Sequence No. <b>05</b>																																												
Department of the Treasury Internal Revenue Service																																														
Name(s) shown on Form 1040		Your social security number																																												
<b>Other Payments and Refundable Credits</b>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%; text-align: right;"><b>65</b></td> <td style="width: 85%;">Reserved . . . . .</td> <td style="width: 10%; text-align: right;"><b>65</b></td> <td style="width: 10%;"></td> </tr> <tr> <td style="text-align: right;"><b>66</b></td> <td>2018 estimated tax payments and amount applied from 2017 return</td> <td style="text-align: right;"><b>66</b></td> <td></td> </tr> <tr> <td style="text-align: right;"><b>67a</b></td> <td>Reserved . . . . .</td> <td style="text-align: right;"><b>67a</b></td> <td></td> </tr> <tr> <td style="text-align: right;"><b>b</b></td> <td>Reserved . . . . .</td> <td style="text-align: right;"><b>67b</b></td> <td></td> </tr> <tr> <td style="text-align: right;"><b>68-69</b></td> <td>Reserved . . . . .</td> <td style="text-align: right;"><b>68-69</b></td> <td></td> </tr> <tr> <td style="text-align: right;"><b>70</b></td> <td>Net premium tax credit. Attach Form 8962 . . . . .</td> <td style="text-align: right;"><b>70</b></td> <td></td> </tr> <tr> <td style="text-align: right;"><b>71</b></td> <td>Amount paid with request for extension to file (see instructions) . . . . .</td> <td style="text-align: right;"><b>71</b></td> <td></td> </tr> <tr> <td style="text-align: right;"><b>72</b></td> <td>Excess social security and tier 1 RRTA tax withheld . . . . .</td> <td style="text-align: right;"><b>72</b></td> <td></td> </tr> <tr> <td style="text-align: right;"><b>73</b></td> <td>Credit for federal tax on fuels. Attach Form 4136 . . . . .</td> <td style="text-align: right;"><b>73</b></td> <td></td> </tr> <tr> <td style="text-align: right;"><b>74</b></td> <td>Credits from Form: <b>a</b> <input type="checkbox"/> 2439 <b>b</b> <input type="checkbox"/> Reserved <b>c</b> <input type="checkbox"/> 8885 <b>d</b> <input type="checkbox"/> . . . . .</td> <td style="text-align: right;"><b>74</b></td> <td></td> </tr> <tr> <td style="text-align: right;"><b>75</b></td> <td>Add the amounts in the far right column. These are your total <b>other payments and refundable credits</b>. Enter here and include on Form 1040, line 17. . . . .</td> <td style="text-align: right;"><b>75</b></td> <td></td> </tr> </table>	<b>65</b>	Reserved . . . . .	<b>65</b>		<b>66</b>	2018 estimated tax payments and amount applied from 2017 return	<b>66</b>		<b>67a</b>	Reserved . . . . .	<b>67a</b>		<b>b</b>	Reserved . . . . .	<b>67b</b>		<b>68-69</b>	Reserved . . . . .	<b>68-69</b>		<b>70</b>	Net premium tax credit. Attach Form 8962 . . . . .	<b>70</b>		<b>71</b>	Amount paid with request for extension to file (see instructions) . . . . .	<b>71</b>		<b>72</b>	Excess social security and tier 1 RRTA tax withheld . . . . .	<b>72</b>		<b>73</b>	Credit for federal tax on fuels. Attach Form 4136 . . . . .	<b>73</b>		<b>74</b>	Credits from Form: <b>a</b> <input type="checkbox"/> 2439 <b>b</b> <input type="checkbox"/> Reserved <b>c</b> <input type="checkbox"/> 8885 <b>d</b> <input type="checkbox"/> . . . . .	<b>74</b>		<b>75</b>	Add the amounts in the far right column. These are your total <b>other payments and refundable credits</b> . Enter here and include on Form 1040, line 17. . . . .	<b>75</b>		
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For Paperwork Reduction Act Notice, see your tax return instructions.		Cat. No. 71482C																																												

## Schedule 6, Foreign Address, Third Party Designee, and Other Information.

<b>SCHEDULE 6</b> (Form 1040)	<b>Foreign Address and Third Party Designee</b>  ▶ Attach to Form 1040. ▶ Go to <a href="http://www.irs.gov/Form1040">www.irs.gov/Form1040</a> for instructions and the latest information.	OMB No. 1545-0074  <div style="text-align: center; font-size: 24pt; font-weight: bold;">2018</div> Attachment Sequence No. <b>05A</b>			
Department of the Treasury Internal Revenue Service					
Name(s) shown on Form 1040		Your social security number			
<b>Foreign Address</b>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Foreign country name</td> <td style="width: 30%;">Foreign province/county</td> <td style="width: 30%;">Foreign postal code</td> </tr> </table>	Foreign country name	Foreign province/county	Foreign postal code	
Foreign country name	Foreign province/county	Foreign postal code			
<b>Third Party Designee</b>	Do you want to allow another person to discuss this return with the IRS (see instructions)? <input type="checkbox"/> <b>Yes</b> . Complete below. <input type="checkbox"/> <b>No</b> Designee's name ▶ Phone no. ▶ Personal identification number (PIN) ▶				
For Paperwork Reduction Act Notice, see your tax return instructions.		Cat. No. 71483N			



# 2018 Workbook

## Schedule A, Itemized Deductions.

### SCHEDULE A (Form 1040)

Department of the Treasury  
Internal Revenue Service (99)

Name(s) shown on Form 1040

### Itemized Deductions

► Go to [www.irs.gov/ScheduleA](http://www.irs.gov/ScheduleA) for instructions and the latest information.

► Attach to Form 1040.

**Caution:** If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.

OMB No. 1545-0074

**2018**

Attachment  
Sequence No. **07**

Your social security number

<b>Medical and Dental Expenses</b>	<b>Caution:</b> Do not include expenses reimbursed or paid by others.			
1	Medical and dental expenses (see instructions)	1		
2	Enter amount from Form 1040, line 7	2		
3	Multiply line 2 by 7.5% (0.075)	3		
4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4		
<b>Taxes You Paid</b>	5 State and local taxes			
	a State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box <input type="checkbox"/>	5a		
	b State and local real estate taxes (see instructions)	5b		
	c State and local personal property taxes	5c		
	d Add lines 5a through 5c	5d		
	e Enter the smaller of line 5d and \$10,000 (\$5,000 if married filing separately)	5e		
	6 Other taxes. List type and amount ►	6		
	7 Add lines 5e and 6	7		
<b>Interest You Paid</b>	8 Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box <input type="checkbox"/>			
<b>Caution:</b> Your mortgage interest deduction may be limited (see instructions).	a Home mortgage interest and points reported to you on Form 1098	8a		
	b Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ►	8b		
	c Points not reported to you on Form 1098. See instructions for special rules	8c		
	d Reserved	8d		
	e Add lines 8a through 8c	8e		
	9 Investment interest. Attach Form 4952 if required. See instructions	9		
	10 Add lines 8e and 9	10		
<b>Gifts to Charity</b>	11 Gifts by cash or check. If you made any gift of \$250 or more, see instructions	11		
If you made a gift and got a benefit for it, see instructions.	12 Other than by cash or check. If any gift of \$250 or more, see instructions. You <b>must</b> attach Form 8283 if over \$500	12		
	13 Carryover from prior year	13		
	14 Add lines 11 through 13	14		
<b>Casualty and Theft Losses</b>	15 Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions	15		
<b>Other Itemized Deductions</b>	16 Other—from list in instructions. List type and amount ►	16		
<b>Total Itemized Deductions</b>	17 Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040, line 8	17		
	18 If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/>			

For Paperwork Reduction Act Notice, see the Instructions for Form 1040.

Cat. No. 17145C

Schedule A (Form 1040) 2018

3

## SECURE MESSAGING FOR CORRESPONDENCE AUDITS<sup>3</sup>

To streamline correspondence audits, the IRS is testing the Taxpayer Digital Communications (TDC) Secure Messaging program. The TDC program currently focuses on audits involving Schedule A, *Itemized Deductions*, the child care credit, and education credits. Approximately 19,000 audits processed by the IRS Philadelphia campus are eligible for the **invitation-only** program. Taxpayers and their tax professionals with valid powers of attorney (POA) can communicate with the IRS using secure messaging.

Taxpayers under audit with the Philadelphia campus who receive an audit letter that indicates that the taxpayer can use secure messaging to reply to the IRS should be encouraged to sign up using the website provided in the letter. After the taxpayer registers via IRS Secure Access, the tax professional will be able to register under their own social security number (SSN) and complete the request-access verification process.

The tax professional must have a POA filed on the IRS Centralized Authorization File (CAF) system to participate in the program. After the POA is authenticated and the IRS verifies it, the tax professional will have access to their own secure messaging mailbox.

## DATA SECURITY

### E-SERVICES 2-FACTOR AUTHENTICATION PROCESS

Starting December 10, 2017, all e-Services users are required to register and validate their identities through an identity proofing process called Secure Access.<sup>4</sup> Secure Access strengthens the initial identity proofing process and implements a 2-factor authentication process for returning users. To access e-Services — which include Get Transcript Online, Get an IP Pin, and online tax account — users must have their username and password plus a security code sent to a mobile phone or generated by the IRS2Go app each time they log in.

Secure Access uses three codes as part of the authentication process.<sup>5</sup>

1. To begin the registration process, a 1-time confirmation code is sent to the user's email address. The confirmation code is valid for **15 minutes**.
2. To validate the user's mobile phone, a 1-time activation code is sent during the registration process. This code may be sent to the user's mobile phone and is valid for **10 minutes**. Alternatively, the code may be mailed to the user's address of record if the user does not have a mobile phone associated with their name; this code is valid for **30 days**.
3. Each time the user logs in to e-Services, a 6-digit security code is generated. The security code may be sent to the user's mobile phone (valid for **10 minutes**) or generated via the IRS2Go app (valid for **60 seconds**).

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<sup>3</sup> *Correspondence Audit May Be Available Through Secure Messaging*. May 10, 2018. NSTP. [nstp.org/blog/correspondence-audit-may-be-available-through-secure-messaging/] Accessed on Jul. 9, 2018.

<sup>4</sup> *Important Update about Your e-Services Account*. Dec. 29, 2017. IRS. [www.irs.gov/individuals/important-update-about-your-eservices-account] Accessed on Jul. 10, 2018.

<sup>5</sup> *FAQs about e-Services and Secure Access*. Jan. 30, 2018. IRS. [www.irs.gov/individuals/faqs-about-e-services-and-secure-access] Accessed on Jul. 10, 2018.



## New Users<sup>6</sup>

Users who have not previously registered through Secure Access must create an account. New users submit their name and email address to receive a confirmation code. The user enters the emailed code and provides their SSN, date of birth, filing status, and address on their last filed tax return. The user then must provide personal account information from any of the following.

- Credit card (cannot be American Express, a debit card, or a corporate card issued in the user's name by the user's company or organization)
- Home mortgage loan
- Home equity (second mortgage loan)
- Home equity line of credit
- Car loan

For immediate registration, the user must enter a mobile phone number to receive a 6-digit activation code via text message. The user then enters the activation code and creates a username and password. Finally, the user creates a site phrase and selects a site image.

Users without a mobile phone or who opt to receive the activation code via mail must enter an emailed confirmation code; provide their SSN, date of birth, filing status, and address; and provide some financial information. When the user reaches the mobile phone verification page, they instead select "Receive an activation code by postal mail." The user must also create a username, password, site phrase, and select a site image. Delivery of the activation code takes five to 10 business days.

After receiving the code, the user enters the username and password in the online service. When prompted, the user enters the activation code and the number for any type of text-enabled phone (this may include a pay-as-you-go mobile phone or a business/family plan mobile phone not associated with the user's name) or select the option to receive a security code via the IRS2Go mobile application. After completing the activation, the user enters the security code to complete the registration process.

## Returning Users

The authentication information for users who previously created an IRS account using a tool protected by Secure Access will automatically migrate to Secure Access. They will use their existing username. These users must change their e-Services password to meet new password standards. The username is permanent and may not be changed.<sup>7</sup>

To access e-Services through Secure Access, returning users must use the following steps.<sup>8</sup>

1. Log in with an existing username and password
2. Receive a security code via the mobile device used during account set up
3. Enter the security code into Secure Access

Users obtain a new security code each time they log into Secure Access.

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<sup>6</sup> *Secure Access: How to Register for Certain Online Self-Help Tools*. Apr. 26, 2018. IRS. [www.irs.gov/individuals/secure-access-how-to-register-for-certain-online-self-help-tools] Accessed on Jul. 10, 2018.

<sup>7</sup> *FAQs about e-Services and Secure Access*. Jan. 30, 2018. IRS. [www.irs.gov/individuals/faqs-about-e-services-and-secure-access] Accessed on Jul. 10, 2018.

<sup>8</sup> *Secure Access: How to Register for Certain Online Self-Help Tools*. Apr. 26, 2018. IRS. [www.irs.gov/individuals/secure-access-how-to-register-for-certain-online-self-help-tools] Accessed on Jul. 10, 2018.

**By Phone.**<sup>9</sup> Existing users who cannot successfully authenticate online can call the e-Help Desk and verify their identity over the phone. An IRS customer service representative from the e-Help Desk asks questions related to the user's current and prior year tax return information to establish identity. If the user answers all questions correctly, an assistor creates a Secure Access account, issues a temporary password, and issues an activation code by mail. The user can then return to e-Services registration and complete the process. The e-Help Desk can be reached at 1-888-841-4648 between 7:30 a.m. and 7:30 p.m. Eastern time.<sup>10</sup>

A user who does not answer all the questions accurately must make an appointment and visit a Taxpayer Assistance Center (TAC) to verify their identity in person. The user must provide two forms of government-issued identification. After the user's identity is verified, the user must call the e-Help Desk and a representative will establish an account and mail an activation code to allow the user to complete the process.

## IRS2Go App<sup>11</sup>

The IRS2Go app has a security feature that allows e-Service users to generate the second-factor security code to access accounts.<sup>12</sup> The app is available for free at the iTunes App Store, Google Play, and Amazon. It can be used on many types of mobile devices such as smart phones and tablets. **The app cannot be used on laptops or computers.**<sup>13</sup>

There is a 1-time registration process during which the app-enabled device must be connected to the Internet. The device does not need to be connected to the Internet to generate the security code. The time on the mobile device must be accurate in order to use the security code feature.

A user can opt to register the IRS2Go app either by mail or by adding the app to the profile page of a previously registered mobile phone linked to the user's name. Following receipt by postal mail of an activation code, the user returns to Secure Access and enters the code. The user then has the option of receiving the security code via text or via the IRS2Go app. To register the app, the user selects "set up a security code using IRS2Go mobile app." A user who previously registered with a mobile phone linked to their name can add the app via their profile page after logging in. In the security code section, the user clicks "set up IRS2Go mobile app authentication."

The IRS2Go app can only be connected to one account at a time. Users may remove and/or replace an IRS2Go device from the profile page on IRS.gov. When replacing a mobile device, the app should not be removed from the original device until the IRS2Go security code is set up on the new device.

## IDENTITY THEFT

The IRS continues to implement various filters, rules, and data mining models to combat identity theft. The Taxpayer Protection Program (TPP) freezes returns that the IRS flags as suspicious for identity theft until the taxpayer filing the return can verify their identity to the IRS's satisfaction.<sup>14</sup> The TPP sends the taxpayer a notice or Letter 4883C, *Potential Identity Theft during Original Processing*, after identifying a suspicious return. The taxpayer has 30 days to verify their identity per the instructions in the letter.<sup>15</sup>

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<sup>9</sup> *FAQs about e-Services and Secure Access*. Jan. 30, 2018. IRS. [www.irs.gov/individuals/faqs-about-e-services-and-secure-access] Accessed on Jul. 10, 2018.

<sup>10</sup> *e-Services – Online Tools for Tax Professionals*. Jul. 2, 2018. IRS. [www.irs.gov/tax-professionals/e-services-online-tools-for-tax-professionals] Accessed on Jul. 10, 2018.

<sup>11</sup> *Secure Access: How to Register for Certain Online Self-Help Tools*. Apr. 26, 2018. IRS. [www.irs.gov/individuals/secure-access-how-to-register-for-certain-online-self-help-tools] Accessed on Jul. 10, 2018.

<sup>12</sup> *Important Update about Your e-Services Account*. Dec. 29, 2017. IRS. [www.irs.gov/individuals/important-update-about-your-eservices-account] Accessed on Jul. 10, 2018.

<sup>13</sup> *FAQs about e-Services and Secure Access*. Jan. 30, 2018. IRS. [www.irs.gov/individuals/faqs-about-e-services-and-secure-access] Accessed on Jul. 10, 2018.

<sup>14</sup> *National Taxpayer Advocate Objectives Report to Congress, Volume 1, FY 2018*, p. 24. National Taxpayer Advocate. [taxpayeradvocate.irs.gov/reports/fy-2018-objectives-report-to-congress/full-report] Accessed on Jul. 5, 2018.

<sup>15</sup> *IRS Identity Theft Victim Assistance: How It Works*. May 31, 2018. IRS. [www.irs.gov/individuals/how-irs-id-theft-victim-assistance-works] Accessed on Jul. 5, 2018.

The taxpayer is instructed to do the following.

- Call the TPP at the toll-free number provided in the letter.
- Have a copy of the prior-year tax return (if filed).
- Visit a TAC in person if the taxpayer is unable to verify their identity with the customer service representative. The taxpayer should provide picture identification, Letter 4883C, and a copy of the tax return (if filed).

After the taxpayer verifies their identity, they can tell the IRS if they filed the tax return in question. An authenticated return will be released for processing, and barring other issues, the refund will be sent. If the taxpayer did not file the return, it will be removed from their record and they may need to file a paper return for the current filing season.<sup>16</sup>

The number of taxpayers who reported to the IRS that they were victims of identity theft declined 65% from calendar year 2015 to calendar year 2017. As of January 2018, the IRS had just over 19,000 unresolved identity theft cases, less than half the amount from three years prior.<sup>17</sup>

**Note.** According to the FY 2019 National Taxpayer Advocate (NTA) Annual Report to Congress, as of May 17, 2018, the TPP selected 1.66 million suspicious returns, up slightly from 1.64 million returns over the same period in 2017. However, the fraud detection system has high false positive rates. For the 2017 calendar year, the false positive rate for TPP identity theft filers was 62%, meaning that more than half of all returns flagged as potentially fraudulent were actually legitimate.<sup>18</sup> One IRS process for reviewing returns for identity theft had a 91% false positive rate in calendar year 2016. Legitimate taxpayers who are caught in the fraud detection process may experience refund delays while proving they are the true tax return filer.<sup>19</sup> During the 2018 filing season, 70% of taxpayers received refunds and the average refund amount was more than \$2,780.<sup>20</sup> According to the NTA, the delay of refunds places legitimate taxpayers in a financial hardship, creates unnecessary work for IRS employees, needlessly drains the IRS's limited resources and potentially damages taxpayers' willingness to voluntarily comply with their tax obligations.<sup>21</sup>

<sup>16</sup> Ibid.

<sup>17</sup> *National Taxpayer Advocate Objectives Report to Congress Fiscal Year 2019*, p. 56. National Taxpayer Advocate. [taxpayeradvocate.irs.gov/Media/Default/Documents/2019-JRC/JRC19\_Volume1.pdf] Accessed on Jul. 5, 2018.

<sup>18</sup> Ibid, pp. 53–56.

<sup>19</sup> *National Taxpayer Advocate Objectives Report to Congress Fiscal Year 2018*, p. 24. National Taxpayer Advocate. [taxpayeradvocate.irs.gov/reports/fy-2018-objectives-report-to-congress/full-report] Accessed on Jun. 4, 2018.

<sup>20</sup> *National Taxpayer Advocate Objectives Report to Congress Fiscal Year 2019*, p. 56. National Taxpayer Advocate. [taxpayeradvocate.irs.gov/Media/Default/Documents/2019-JRC/JRC19\_Volume1.pdf] Accessed on Jul. 5, 2018.

<sup>21</sup> *National Taxpayer Advocate Objectives Report to Congress Fiscal Year 2018*, p. 25. National Taxpayer Advocate. [taxpayeradvocate.irs.gov/reports/fy-2018-objectives-report-to-congress/full-report] Accessed on Jul. 5, 2018.

## TPP Online Authentication<sup>22</sup>

The IRS conducted risk assessments for the TPP online and phone options. The U.S. Government Accountability Office (GAO) recommended updates to the TPP authentication process. In December 2017, the IRS told the GAO that it plans to relaunch the TPP online authentication in two phases. The first phase was set to launch in March 2018 to allow taxpayers to inform the IRS that they did not file the return in question. The IRS plans to launch the second phase in late 2018 which will enable taxpayers who filed the returns in question to authenticate their identities and receive their refunds. Implementing improvements to strengthen TPP could help the IRS prevent fraudsters from passing authentication and potentially receiving refunds, as well as improve the IRS's return on investment for its fraud detection efforts.

## Criminal Investigation

The Criminal Investigation unit of the IRS is responsible for detecting and investigating tax fraud and other financial fraud, including fraud related to identity theft.<sup>23</sup> During the last three fiscal years, the unit released the following case information.<sup>24</sup>

	FY 2016	FY 2015	FY 2014
Investigations initiated	573	776	1,063
Prosecution recommendations	566	774	970
Indictments/informations	649	732	896
Sentenced	613	790	748
Incarceration rate <sup>a</sup>	87.8%	84.6%	87.7%
Average months to serve	40	38	43

<sup>a</sup> Actions on specific investigations may cross fiscal years. Therefore, data shown may not always represent the same grouping of cases within the same fiscal year.

## Social Security Administration (SSA) Assistance<sup>25</sup>

The IRS is considering a pilot program to have SSA employees assist with identity verification for taxpayers. Currently, taxpayers impacted by identity theft may need to visit a TAC to authenticate their identities before their tax refund can be released. Having taxpayers complete the verification process at the nearest SSA office may be more convenient than traveling to a TAC.

<sup>22</sup> *General Government: Identity Theft Refund Fraud*. Mar. 21, 2018. GAO. [[www.gao.gov/duplication/action\\_tracker/Identity\\_Theft\\_Refund\\_Fraud/action1#t=3](http://www.gao.gov/duplication/action_tracker/Identity_Theft_Refund_Fraud/action1#t=3)] Accessed on Jun. 5, 2018.

<sup>23</sup> *Identity Theft – Criminal Investigation*. Dec. 13, 2017. IRS. [[www.irs.gov/compliance/criminal-investigation/identity-theft-criminal-investigation](http://www.irs.gov/compliance/criminal-investigation/identity-theft-criminal-investigation)] Accessed on Jul. 5, 2018.

<sup>24</sup> *Statistical Data – Identity Theft Investigations*. Sep. 29, 2018. IRS. [[www.irs.gov/compliance/criminal-investigation/statistical-data-identity-theft-investigations](http://www.irs.gov/compliance/criminal-investigation/statistical-data-identity-theft-investigations)] Accessed on Jul. 5, 2018.

<sup>25</sup> *National Taxpayer Advocate Objectives Report to Congress Fiscal Year 2019*, p. 82. National Taxpayer Advocate. [[taxpayeradvocate.irs.gov/Media/Default/Documents/2019-JRC/JRC19\\_Volume1.pdf](http://taxpayeradvocate.irs.gov/Media/Default/Documents/2019-JRC/JRC19_Volume1.pdf)] Accessed on Jul. 5, 2018.

## Small Business Identity Theft<sup>26</sup>

Small businesses are also at risk for identity theft. Businesses and their employees can have their identities stolen and their personal information can be used to open credit card accounts or file fraudulent tax returns to obtain false refunds. In the past two years, the IRS noticed an increase in the number of fraudulent filings of Forms 1120, *U.S. Corporation Income Tax Return*, Forms 1120S, *U.S. Income Tax Return for an S Corporation*, and Forms 1041, *U.S. Income Tax Return for Estates and Trusts*, as well as Schedules K-1.

Identity thieves use stolen employer identification numbers (EINs) to create fake Forms W-2, *Wage and Tax Statement*, that they file with fraudulent individual income tax returns. Fraudsters also use EINs to open new lines of credit or obtain credit cards. Thieves have begun to use company names and EINs to file fraudulent returns.

Businesses, partnerships, and estates and trust filers should be alert to potential identity theft and contact the IRS if they experience any of the following issues.

- Extension to file requests are rejected because a return with the EIN or SSN is already on file.
- An e-filed return is rejected because a duplicate EIN or SSN is already on file with the IRS.
- A 5263C or 6042C Letter to verify identity is received.
- The taxpayer receives an unexpected receipt of a tax transcript or IRS notice that does not correspond to anything submitted by the filer.
- The taxpayer fails to receive expected and routine correspondence from the IRS because the thief has changed the address.

The IRS suggests the following steps to help protect businesses from identity theft.

- Respond to questions prompted by software to provide additional information to help verify the legitimacy of the tax return. These questions include the following.
  - ♦ Who signed the return, including name and SSN
  - ♦ Tax payment history of the company
  - ♦ Parent company information
  - ♦ Additional information based on deductions claimed
  - ♦ Tax filing history of the company
- Provide additional information such as a driver's license number for sole proprietorships that file Schedule C, *Profit or Loss From Business*, and partnerships filing Schedule K-1.
- Follow the standards established by the National Institute of Standards and Technology and the United States Computer Emergency Readiness Team to enhance small business security.

<sup>26</sup> *IRS urges small businesses: Protect IT systems from identity theft*. May 3, 2018. IRS. [[www.irs.gov/newsroom/irs-urges-small-businesses-protect-it-systems-from-identity-theft](http://www.irs.gov/newsroom/irs-urges-small-businesses-protect-it-systems-from-identity-theft)] Accessed on Jul. 5, 2018.

## OFFICE SECURITY

The Gramm-Leach-Bliley Act<sup>27</sup> requires any company defined as a “financial institution” to ensure the security and confidentiality of consumer information or risk penalties of up to \$1,000 and/or possible jail time.<sup>28</sup> The Federal Trade Commission (FTC) issued the Safeguards Rule, which requires financial institutions to have measures in place to keep customer information secure. The rule requires a written information security plan that describes how the company plans to protect its customers’ information. Tax practices are “financial institutions” under the Act. Written security plans required by the FTC must include and accomplish all of the following.<sup>29</sup>

- One or more employees is designated to coordinate the company’s/practice’s information security program.
- Risks to customer information are identified and assessed in each relevant area of the company’s/practice’s operation, and the effectiveness of the current safeguards for controlling these risks is evaluated.
- A safeguards program is designed, implemented, regularly monitored, and tested.
- When selecting service providers, the company/practice ensures the provider can maintain appropriate safeguards. Contract language includes obligating service providers to maintain safeguards, and provides for oversight of their handling of customer information.
- In light of relevant circumstances, including changes in the firm’s business or operations or the results of security testing and monitoring, the company/practice evaluates and adjusts the program.

The IRS recently revised IRS Pub. 4557, *Safeguarding Taxpayer Data: A Guide for Your Business*.<sup>30</sup> This publication identifies strategies for protecting taxpayer data, identifying signs of data theft, and steps to take when a data breach occurs. It explains the FTC rules with which tax preparers must comply. It also includes a useful Safeguards Rule checklist.

The IRS also created a new publication: IRS Pub. 5293, *Protect Your Clients; Protect Yourself*. This publication summarizes information contained in Pub. 4557 and identifies additional data security resources.

In January 2018, the IRS prepared six questions for tax preparers to use when assessing their office data security. Unsecured data is not always on a computer and securing office space is as important as securing computers.<sup>31</sup>

1. Are all the places where taxpayer information is located protected from **unauthorized access** and **potential danger** such as theft, flood, and tornado?
2. Are there **written procedures** that prevent unauthorized access and unauthorized processes?
3. Is taxpayer information left unsecured? This includes data stored electronically. Tax preparers need to consider access to desks, photocopiers, mailboxes, vehicles, and trashcans. They should also consider rooms in the office or at home where unauthorized access could occur.
4. Who authorizes or controls the **delivery and removal of taxpayer information**, including data stored electronically?
5. Are doors to file rooms and computer rooms locked?
6. Is **secure disposal** of taxpayer information available, such as shredders, burn boxes, or secure temporary file areas where information is stored until it can be properly disposed?

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<sup>27</sup> The Gramm-Leach-Bliley Act is also known as the Financial Services Modernization Act of 1999. PL 106-102 (Nov. 12, 1999).

<sup>28</sup> IRC §7216(a).

<sup>29</sup> IRS Pub. 4557, *Safeguarding Taxpayer Data: A Guide for Your Business*, p. 13. (2018).

<sup>30</sup> IRS News Rel. IR-2018-147 (Jul. 10, 2018).

<sup>31</sup> *Six Questions Preparers Should Ask Themselves About Office Security*. Jan. 3, 2018. IRS. [www.irs.gov/newsroom/six-questions-preparers-should-ask-themselves-about-office-security] Accessed on Jul. 5, 2018.



## DATA PROTECTION TIPS<sup>32</sup>

The IRS recommends the following tips to protect personal and financial data online from thieves who use the data to file fraudulent tax returns or commit other crimes while impersonating the victims.

- **Keep a secure computer.** Use security software that updates automatically. Essential tools for keeping a secure computer include a firewall, virus and malware protection, and file encryption for sensitive data. Do not leave personal information easily accessible. Use encrypted websites (“https” addresses) to provide any personal information. Use strong passwords and protect them.
- **Avoid phishing and malware.** Do not respond to phishing emails, texts, or calls that appear to be from the IRS, tax companies or other well-known businesses. Forward any IRS-related scam emails to **phishing@irs.gov** and report IRS-impersonation telephone calls at **www.tigta.com**. Verify contact information about a company or agency by going directly to their website. Be cautious about opening email attachments. Download and install software only from known and trusted websites. Use a pop-up blocker.
- **Protect personal information.** Do not routinely carry a social security card or other documents showing an SSN. Do not overshare personal information on social media such as details about past addresses, a new car, a new home, and children. Keep old tax returns locked and safeguard electronic files by encrypting them. Shred tax documents before putting them in the trash.

The IRS does not call someone with threats of jail or lawsuits. The IRS does not do any of the following.

- Send an unsolicited email suggesting someone has a refund.
- Send an email indicating that the taxpayer needs to update their account.
- Request any sensitive information online.

## TAX SCAMS

### DIRTY DOZEN<sup>33</sup>

The IRS annually releases a list of common scams that taxpayers and tax preparers may encounter during the year. For 2018, the following scams made the IRS’s list. Many of these peak during filing season, although they can happen at any time during the year.

1. **Phishing.** Taxpayers should be alert for potential fake emails or websites attempting to steal personal information. The IRS never initiates contact with taxpayers via email regarding a bill or tax refund. Taxpayers should not click on links claiming to be from the IRS and should be wary of emails and websites soliciting personal information.
2. **Phone scams.** The IRS has seen a surge of phone calls from criminals impersonating IRS agents in recent years as con artists threaten taxpayers with police arrest, deportation, and license revocation, among other threats.
3. **Identity theft.** Taxpayers should be alert to tactics aimed at stealing their identities. The IRS has made improvements in detecting tax return related identity theft during the last two years. Taxpayers can help prevent this crime by keeping personal information secure. The IRS continues to aggressively pursue criminals that file fraudulent tax returns using someone else’s SSN.

<sup>32</sup> *Following Simple Steps Helps People Protect Data from Thieves.* Jan. 8, 2018. IRS. [www.irs.gov/newsroom/following-simple-steps-helps-people-protect-data-from-thieves] Accessed on Jul. 5, 2018.

<sup>33</sup> *IRS wraps up “Dirty Dozen” list of tax scams for 2018; Encourages taxpayers to remain vigilant.* Mar. 21, 2018. IRS. [www.irs.gov/newsroom/irs-wraps-up-dirty-dozen-list-of-tax-scams-for-2018-encourages-taxpayers-to-remain-vigilant] Accessed on Jul. 5, 2018.

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4. **Return preparer fraud.** The majority of tax professionals provide honest, high-quality service. Unfortunately, there are unscrupulous return preparers who scam clients and perpetuate refund fraud, identity theft, and other scams that hurt taxpayers.
5. **Fake charities.** Groups masquerading as charitable organizations solicit donations from unsuspecting contributors. Contributors should take a few minutes to ensure their money goes to legitimate charities rather than charities with names that are similar to familiar or nationally-known organizations. Taxpayers can check the status of charitable organizations on IRS.gov.
6. **Inflated refund claims.** Taxpayers should be cautious of the promise of inflated tax refunds. Tax preparers who ask clients to sign a blank return, promise a big refund before looking at taxpayer records or charge fees based on a percentage of the refund may be acting unscrupulously. Fraudsters may use flyers, phony storefronts, or word-of-mouth advertising via trusted community groups to find victims.
7. **Excessive claims for business credits.** The **fuel tax credit** is generally unavailable to most taxpayers. The credit is usually limited to off-highway business use, such as in farming. Taxpayers should also avoid misuse of the **research credit**. Improper claims often involve failures to participate in or substantiate qualified research activities or satisfy the requirement related to qualified research expenses.

**Note.** See the 2018 *University of Illinois Federal Tax Workbook*, Volume A, Chapter 7: Agricultural and Rural Investments for a description of a court case involving fraudulent use of the alternative fuel tax credit.

8. **Falsely padding deductions on returns.** Taxpayers should avoid falsely inflating deductions or expenses on their tax returns to pay less than what they owe or potentially receive larger refunds. Taxpayers should also avoid improperly claiming credits, such as the earned income tax credit (EITC) or child tax credit (CTC).
9. **Falsifying income to claim credits.** Con artists may convince unsuspecting taxpayers to invent income to erroneously qualify for tax credits, such as the EITC. Taxpayers should file the most accurate tax return possible because they are legally responsible for what is on their return. This scam can result in taxpayers facing large bills to pay back taxes, interest, and penalties.
10. **Frivolous tax arguments.** Frivolous schemes encourage taxpayers to make unreasonable and outlandish claims about the legality of paying taxes despite being repeatedly dismissed in court. The penalty for filing a frivolous tax return is \$5,000.
11. **Abusive tax shelters.** The IRS is committed to stopping complex tax avoidance schemes and the people who create and sell them. Taxpayers need to be aware of people peddling tax shelters that sound “too good to be true.” Taxpayers should seek an independent opinion regarding complex products to ensure legitimacy.
12. **Offshore tax avoidance.** The IRS successfully enforces actions against offshore cheating. Since 2009, many thousands of individuals have complied with offshore tax filing obligations through the Offshore Voluntary Disclosure Program. This program closed effective September 28, 2018.<sup>34</sup>

<sup>34</sup> *Closing the 2014 Offshore Voluntary Disclosure Program Frequently Asked Questions and Answers*. Mar. 13, 2018. IRS. [www.irs.gov/individuals/international-taxpayers/closing-the-2014-offshore-voluntary-disclosure-program-frequently-asked-questions-and-answers] Accessed Jul. 5, 2018

## SCAM ALERTS

There was a nearly 60% increase in firms that reported data thefts in January and February 2018. Much of the increase was the result of the “erroneous refund scheme” that affected thousands of taxpayers and numerous tax practitioners (see IR-2018-27).<sup>35</sup>

### New Client Scam and Spear Phishing

The IRS issues Scam Alerts throughout the year to help tax preparers identify various risks. The IRS saw a steep upswing in the number of reported thefts of taxpayer data from tax practitioner offices.

**New Client Email.** The new client scam has targeted tax professionals for the last few years. A “new client” emails a tax professional about a tax issue and attaches documents to the email that they claim to be an IRS notice or prior year tax information. The document actually contains malware that infects the computer or network enabling criminals to steal taxpayer information. Examples of actual emails that tax practitioners received include the following.<sup>36</sup>

- “Happy new year to you and yours. I want you to help us file our tax return this year as our previous CPA/account passed away in October. How much will this cost us?...hope to hear from you soon.”
- “Please kindly look into this issue, A friend of mine introduced you to me, regarding the job you did for him on his 2017 tax. I tried to reach you by phone earlier today but it was not connecting, attach is my information needed for my tax to be filed if you need any more Details please feel free to contact me as soon as possible and also send me your direct Tel-number to rich (sic) you on.”
- “I got your details from the directory. I would like you to help me process my tax. Please get back to me asap so I can forward my details.”

**Spear Phishing.**<sup>37</sup> Spear phishing occurs when a criminal singles out one or more tax preparers in a firm and sends an email posing as a trusted source like the IRS, e-Services, tax software provider, or a cloud storage provider. The objective is to trick the tax professional into disclosing usernames and passwords, or to download a link or email attachment that contains malware. The malware allows the thief to track all keystrokes used by the tax preparer on their computer and thus obtain usernames and passwords.

### Phone Scams

Phone scams continue to thrive, especially during filing season. Scammers call taxpayers telling them that they owe taxes and face arrest if they do not pay. Sometimes, the first call is a recording, asking taxpayers to call back to clear up a tax matter or face arrest. When taxpayers call back, the scammers often use threatening or hostile language. The thief claims the taxpayer may pay their tax liability using a gift card, other prepaid cards, or wire transfers. Those taxpayers who comply with the scammers’ demands, unfortunately lose their money.<sup>38</sup>

<sup>35</sup> *Summit partners warn tax pros to be on alert; step up security measures.* Mar. 22, 2018. IRS. [www.irs.gov/newsroom/summit-partners-warn-tax-pros-to-be-on-alert-step-up-security-measures] Accessed on Jul. 5, 2018.

<sup>36</sup> *Security Summit Partners Warn Tax Pros of Heightened Fraud Activity as Filing Season Approaches.* Jan. 9, 2018. IRS. [www.irs.gov/newsroom/security-summit-partners-warn-tax-pros-of-heightened-fraud-activity-as-filing-season-approaches] Accessed on Jul. 5, 2018.

<sup>37</sup> *Summit partners warn tax pros to be on alert; step up security measures.* Mar. 22, 2018. IRS. [www.irs.gov/newsroom/irs-security-summit-partners-warn-of-new-twist-on-phone-scam-crooks-direct-taxpayers-to-irs-gov-to-verify-calls] Accessed on Jun. 7, 2018.

<sup>38</sup> *IRS Phone Scam Intensifies During Filing Season.* Mar. 22, 2018. IRS. [www.irs.gov/newsroom/irs-phone-scam-intensifies-during-filing-season] Accessed on Jul. 5, 2018.

**Mimic IRS Taxpayer Assistance Centers (TAC).**<sup>39</sup> In a phone scam variation, criminals program their computers to display a TAC telephone number. This number appears on the taxpayer's caller ID and they are tricked into paying a nonexistent tax bill. If the taxpayer questions the demand for payment, the criminal directs the taxpayer to IRS.gov to look up the local TAC office number to verify the phone number. The thief hangs up, waits a short time, and then calls back a second time with the fake TAC phone number appearing on the caller ID. After the taxpayer "verifies" the call number, the fraudsters resume their demands for money, generally demanding payment on a debit card.

The TAC offices do not initiate calls to taxpayers on delinquent tax bills. The IRS typically initiates most contact through postal mail. In special, limited circumstances the IRS will call or visit a home or business. It may call or visit when a taxpayer has an overdue tax bill, or to secure a delinquent tax return or delinquent employment tax payment, or to tour a business as part of an audit or during criminal investigations. Typically even in those situations, a taxpayer first receives several letters or notices from the IRS through postal mail.

**Note.** Fraudsters have also been spoofing local sheriff's offices, state departments of motor vehicles, federal agencies, and others to convince taxpayers that the call is legitimate.<sup>40</sup>

## Fraudulent Refunds

The IRS warns tax professionals to watch out for criminals who file fraudulent returns and use a taxpayer's real bank account for the deposit. A person posing as a debt collection agency official contacts the taxpayer to say a refund was deposited in error and asks the taxpayer to forward the money to them.<sup>41</sup>

It is more difficult to identify and halt fraudulent tax returns when thieves use real client data such as income, dependents, credits, and deductions. In calendar year 2016, refund fraud cost the government **\$1.6 billion**.<sup>42</sup>

The IRS can take steps to help protect taxpayers from tax-related identity theft when notified immediately. Taxpayers who receive a direct deposit refund that they did not request should take the following steps.<sup>43</sup>

1. Contact the automated clearing house department of the bank or financial institution where the direct deposit was received and have them return the refund to the IRS.
2. Call the IRS toll-free at 800-829-1040 (individual) or 800-829-4933 (business) to explain why the direct deposit is being returned.
3. Keep in mind that interest may accrue on the erroneous refund.

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<sup>39</sup> IRS, *Security Summit Partners warn of new twist on phone scam; crooks direct taxpayers to IRS.gov to "verify" calls*. Apr. 24, 2018. IRS. [www.irs.gov/newsroom/irs-security-summit-partners-warn-of-new-twist-on-phone-scam-crooks-direct-taxpayers-to-irsgov-to-verify-calls] Accessed on Jul. 5, 2018.

<sup>40</sup> Ibid.

<sup>41</sup> *Tax Pros Urged to Step Up Security as Filing Scheme Emerges, Reminded to Report Data Thefts*. Feb. 2, 2018. IRS. [www.irs.gov/newsroom/tax-pros-urged-to-step-up-security-as-filing-scheme-emerges-reminded-to-report-data-thefts] Accessed on Jul. 5, 2018.

<sup>42</sup> *National Taxpayer Advocate Objectives Report to Congress Fiscal Year 2019*, p. 52. National Taxpayer Advocate. [taxpayeradvocate.irs.gov/Media/Default/Documents/2019-JRC/JRC19\_Volume1.pdf] Accessed on Jul. 5, 2018.

<sup>43</sup> *Tax Pros Urged to Step Up Security as Filing Scheme Emerges, Reminded to Report Data Thefts*. Feb. 2, 2018. IRS. [www.irs.gov/newsroom/tax-pros-urged-to-step-up-security-as-filing-scheme-emerges-reminded-to-report-data-thefts] Accessed on Jul. 5, 2018.

## Protect Identification Numbers<sup>44</sup>

Cybercriminals post stolen electronic filing identification numbers (EFINs), preparer tax identification numbers (PTINs), and CAF numbers on the Dark Web as a crime kit for identity thieves who then file fraudulent tax returns. **Tax professionals should make a weekly check of their EFIN** to see how many returns were filed under their number by selecting “EFIN status” from their EFIN application within e-Services. If the number is too large, tax professionals should contact the IRS e-Help Desk to file a report.

Tax professionals should take the following steps to protect their EFIN.<sup>45</sup>

- Recognize and avoid phishing scams. Do not open links or attachments from suspicious emails; most data thefts begin with a phishing email.
- Secure devices with security software and have it automatically update.
- Use strong passwords of 10 or more mixed characters. Password protect all wireless devices.
- Encrypt all sensitive files and emails with strong password protections.
- Backup sensitive data to a safe and secure external source not connected full time to the network.
- Wipe clean or destroy old computer hard drives that contain sensitive data.
- Create a data security plan (see IRS Pub. 4557, *Safeguarding Taxpayer Data*).

Tax professionals who are attorneys, CPAs, enrolled agents, or participants in the Annual Filing Season Program and who file 50 or more returns can check the number of tax returns the IRS processed with their **PTIN** in the current year. The information is updated weekly and can be located by following these steps.<sup>46</sup>

1. Log into their e-Service account.
2. Select tax professional’s name.
3. In the left banner, select “Application.”
4. In the left banner, select “e-File Application.”
5. Select tax professional’s name again.
6. Select “EFIN Status” in the listing to see the number of returns filed by return type.

If the number of returns processed is significantly more than the number of returns prepared, there may be possible misuse of the tax professional’s PTIN. The tax preparer should complete Form 14157, *Complaint: Tax Return Preparer*, to report excessive use or misuse of a PTIN.<sup>47</sup>

<sup>44</sup> *Security Summit urges tax pros to protect their identification numbers: EFINs, PTINs and CAF Numbers*. Mar. 16, 2018. IRS. [www.irs.gov/newsroom/security-summit-urges-tax-pros-to-protect-their-identification-numbers-efins-ptins-and-caf-numbers] Accessed on Jul. 5, 2018.

<sup>45</sup> *How to Maintain, Monitor and Protect Your EFIN*. Mar. 13, 2018. IRS. [www.irs.gov/tax-professionals/how-to-maintain-monitor-and-protect-your-efin] Accessed on Jul. 9, 2018.

<sup>46</sup> *How to Maintain, Monitor and Protect Your EFIN*. Mar. 13, 2018. IRS. [www.irs.gov/tax-professionals/how-to-maintain-monitor-and-protect-your-efin] Accessed on Jul. 9, 2018.

<sup>47</sup> IRS Pub. 4557, *Safeguarding Taxpayer Data*.

## False Professional Tax Preparer Association<sup>48</sup>

The IRS warns tax professionals that scammers pose as state accounting and professional associations to lure them into volunteering sensitive information. Tax professionals in Iowa, Illinois, New Jersey, and North Carolina reported getting emails to trick them into disclosing their email usernames and passwords. The following is an example of such an email.

*We kindly request that you following this link HERE and sign in with your email to view this information from (name of accounting association) to all active members. This announcement has been updated for your kind information through our secure information sharing portal which is linked to your email server.*

Tax professionals who belong to professional associations should go directly to those association's websites. Do not open any links or attachments.

## SIGNS OF A COMPROMISED COMPUTER

The IRS issued additional signs that indicate tax preparers are victims of identity theft including the following.<sup>49</sup>

- Network computers running slower than normal
- Computer cursors moving or numbers on the screen changing without touching the keyboard
- Network computers locking out tax practitioners

## UPDATES TO POWER OF ATTORNEY<sup>50</sup>

In January 2018, the IRS released an update to Form 2848, *Power of Attorney and Declaration of Representative*, and its accompanying instructions.

## INTERMEDIATE SERVICE PROVIDERS

Form 2848 has a new checkbox on line 5a to allow a taxpayer to authorize their designated representative to access the taxpayer's IRS records using an intermediate service provider (ISP).

check this box ☐ NOT NECESSARY ☐

**5a Additional acts authorized.** In addition to the acts listed on line 3 above, I authorize my representative(s) to perform the following acts (see instructions for line 5a for more information): ☐ Access my IRS records via an Intermediate Service Provider;

☐ Authorize disclosure to third parties; ☐ Substitute or add representative(s); ☐ Sign a return; \_\_\_\_\_

\_\_\_\_\_

☐ Other acts authorized: \_\_\_\_\_

\_\_\_\_\_

For Privacy Act and Paperwork Reduction Act Notice, see the instructions. Cat. No. 11980J Form **2848** (Rev.1-2018)

<sup>48</sup> *IRS warns tax pros of new scam posing as professional associations.* May 24, 2018. IRS. [www.irs.gov/newsroom/irs-warns-tax-pros-of-new-scam-posing-as-professional-associations] Accessed on Jul. 9, 2018.

<sup>49</sup> *Summit partners warn tax pros to be on alert; step up security measures.* Mar. 22, 2018. IRS. [www.irs.gov/newsroom/irs-security-summit-partners-warn-of-new-twist-on-phone-scam-crooks-direct-taxpayers-to-irsgov-to-verify-calls] Accessed on Jul. 5, 2018.

<sup>50</sup> Instructions for Form 2848, *Power of Attorney and Declaration of Representative*.



An ISP is a privately owned company that offers subscriptions to their software and/or services that the authorized representative can use to retrieve, store, and display tax return data. This process is in lieu of going through the IRS e-Service Transcript Delivery System to obtain tax information. ISPs are independent of, and not affiliated in any way with, the IRS. A representative is not authorized to use an ISP to retrieve confidential tax information indirectly from the IRS unless the taxpayer checks the box on line 5a.<sup>51</sup>

## REPRESENTATIVE DESIGNATIONS

The designation of student attorney or CPA has been changed to qualifying student.

## AUTHENTICATION ALERT

When a representative with a POA calls the IRS, they must pass authentication procedures prior to the IRS speaking to them on the taxpayer's behalf. The representative must provide the following information.<sup>52</sup>

- Taxpayer's name
- Taxpayer identification number (TIN)
- Representative's name
- Representative's CAF number
- Tax period(s) in question
- Tax form(s) in question

For accessing information on a joint account, only the TIN of the taxpayer who authorized the representative on their behalf is necessary. The other spouse's TIN is not required for validation purposes.<sup>53</sup>

## PASSPORT REVOCATION OR DENIAL<sup>54</sup>

As part of the Fixing America's Surface Transportation Act (FAST) passed in 2015, the Department of State (DOS) is required to deny a passport (or passport renewal) to a seriously delinquent taxpayer and is permitted to revoke any passport previously issued to such a taxpayer.<sup>55</sup> Although passed in 2015, the penalty was not imposed until January 2018.

A **seriously delinquent taxpayer**<sup>56</sup> generally includes a taxpayer who owes an outstanding debt for federal taxes **exceeding \$51,000**, including interest and penalties, for which a notice of lien or levy was filed. The \$51,000 threshold is adjusted for inflation annually.<sup>57</sup> Taxpayers can avoid having the IRS notify the DOS if they do any of the following.<sup>58</sup>

- Pay the tax debt in full
- Pay the tax debt timely under an approved installment agreement (IA)

<sup>51</sup> Ibid.

<sup>52</sup> IRM 21.1.3.3 (2017).

<sup>53</sup> Ibid.

<sup>54</sup> IRC §7345.

<sup>55</sup> *The Fixing America's Surface Transportation Act or "FAST Act."* Apr. 8, 2016. U.S. Department of Transportation. [www.transportation.gov/fastact/] Accessed on Jul. 6, 2018.

<sup>56</sup> IRC §7345(b).

<sup>57</sup> IRC §7345(f).

<sup>58</sup> *IRS Urges Travelers Requiring Passports to Pay Their Back Taxes or Enter into Payment Agreements; People Owning \$51,000 or More Covered.* Jan. 16, 2018. IRS. [www.irs.gov/newsroom/irs-urges-travelers-requiring-passports-to-pay-their-back-taxes-or-enter-into-payment-agreements-people-owning-51000-or-more-covered] Accessed on Jul. 6, 2018.

- Pay the tax debt timely under an accepted offer in compromise
- Pay the tax debt timely under the terms of a settlement agreement with the Department of Justice
- Have requested or have a pending collection due process appeal with a levy
- Have collection suspended because a taxpayer has made an innocent spouse election or requested innocent spouse relief

A passport is not at risk for any of the following taxpayers.<sup>59</sup>

- Those in bankruptcy
- Those identified by the IRS as a victim of tax-related identity theft
- Those whose account the IRS has determined is currently not collectible due to hardship
- Those located within a federally declared disaster area
- Those having a request pending with the IRS for an IA
- Those with a pending offer in compromise with the IRS
- Those with an IRS-accepted adjustment that satisfies the debt in full

**Note.** According to IRS Notice 2018-1,<sup>60</sup> the Internal Revenue Manual (IRM) will be updated to include information about circumstances under which a tax debt is not subject to the certification process. The IRS continues to monitor the certification process and may update the IRM if necessary to meet the requirements of the program.

Before denying a passport, the DOS holds the passport application for 90 days to allow the taxpayer to address the following.<sup>61</sup>

- Resolve any erroneous certification issues
- Make full payment of the tax debt
- Enter into a satisfactory payment arrangement with the IRS

## TAXPAYER NOTIFICATION<sup>62</sup>

The IRS is required to notify a taxpayer in writing at the time it certifies seriously delinquent tax debt to the DOS and when it reverses certification with a Notice CP 508C, *Notice of certification of your seriously delinquent federal tax debt to the State Department*. The notice states:<sup>63</sup>

*The IRS has identified your tax debt as meeting the definition of “seriously delinquent” in Internal Revenue Code Section 7345, and provided that information to the State Department.*

*The State Department generally will not renew your passport or issue a new passport to you after receiving this certification from the IRS, and they may remove or place limitations on your current passport.*

<sup>59</sup> Ibid.

<sup>60</sup> IRS Notice 2018-1, 2018-3 IRB 299.

<sup>61</sup> *Revocation or Denial of Passport in Case of Certain Unpaid Taxes*. Mar. 5, 2018. IRS. [www.irs.gov/businesses/small-businesses-self-employed/revocation-or-denial-of-passport-in-case-of-certain-unpaid-taxes] Accessed on Jul. 6, 2018.

<sup>62</sup> Ibid; IRC §7345(d).

<sup>63</sup> *Understanding Your CP508C Notice*. Feb. 14, 2018. IRS. [www.irs.gov/individuals/understanding-your-cp508c-notice] Accessed on Jul. 6, 2018.

The IRS sends written notice by postal mail to the taxpayer's last known address.

According to the FY 2019 NTA Report to Congress, as of May 4, 2018, the IRS certified 9,356 seriously delinquent taxpayers. Although fluctuating over time, as of April 2018, approximately 436,400 taxpayers met the seriously delinquent certification criteria and did not meet a discretionary or statutory exclusion. The IRS plans to increase certification by 5–10% each week until it certifies all taxpayers who meet the seriously delinquent criteria. After that, certifications will systemically occur on a weekly basis.<sup>64</sup>

A taxpayer working unsuccessfully with the IRS or who suffers from a significant hardship can seek assistance from the Taxpayer Advocate Service (TAS). For taxpayers with cases already within the TAS system, TAS proactively identified taxpayers who owed greater than \$51,000 and informed them about the potential for passport revocation or denial. Approximately three months prior to the implementation of the passport revocation program, TAS identified roughly 750 taxpayers who met the criteria for seriously delinquent certification. TAS fully resolved 121 of these cases preemptively before the IRS began certifying taxpayers.<sup>65</sup>

## REVERSAL OF CERTIFICATION<sup>66</sup>

The IRS reverses a certification when the taxpayer meets any of the following criteria.

- The tax debt is fully satisfied or becomes legally unenforceable.
- The tax debt is no longer identified as seriously delinquent (such as when the taxpayer enters into a payment agreement plan).
- The certification is erroneous.

The IRS sends the taxpayer a Notice CP 508R which states:<sup>67</sup>

*The IRS has reversed the certification of your tax debt as seriously delinquent, and notified the State Department of that reversal. You do not need to respond to this notice.*

The IRS makes the reversal within 30 days and provides notification to the DOS as soon as practical. The IRS **does not reverse** certification in the following situations.<sup>68</sup>

- A taxpayer requests a collection due process hearing or innocent spouse relief on a debt that is not the basis of the certification.
- The taxpayer pays the debt resulting in a balance below \$51,000.

## PAYMENT OF TAXES<sup>69</sup>

A taxpayer can make alternative payment arrangement to have the certification reversed if they are unable to pay the full amount. Alternative payment arrangements include IAs or offers in compromise.

A taxpayer requesting an IA files a Form 9465, *Installment Agreement Request*. The form can be mailed along with a tax return, bill, or notice. A taxpayer who owes \$50,000 or less may be able to establish an IA online to obtain a monthly payment agreement for up to 72 months.<sup>70</sup>

<sup>64</sup> National Taxpayer Advocate Objectives Report to Congress Fiscal Year 2019, p. 80. National Taxpayer Advocate. [taxpayeradvocate.irs.gov/Media/Default/Documents/2019-JRC/JRC19\_Volume1.pdf] Accessed on Jul. 6, 2018.

<sup>65</sup> Ibid. p. 82.

<sup>66</sup> *Revocation or Denial of Passport in Case of Certain Unpaid Taxes*. Mar. 5, 2018. IRS. [www.irs.gov/businesses/small-businesses-self-employed/revocation-or-denial-of-passport-in-case-of-certain-unpaid-taxes] Accessed on Jul. 6, 2018.

<sup>67</sup> *Understanding Your CP508R Notice*. Mar. 6, 2018. IRS. [www.irs.gov/individuals/understanding-your-cp508r-notice] Accessed on Jul. 6, 2018.

<sup>68</sup> *Revocation or Denial of Passport in Case of Certain Unpaid Taxes*. Mar. 5, 2018. IRS. [www.irs.gov/businesses/small-businesses-self-employed/revocation-or-denial-of-passport-in-case-of-certain-unpaid-taxes] Accessed on Jul. 6, 2018.

<sup>69</sup> Ibid.

<sup>70</sup> See Form 9465, *Installment Agreement Request*; *IRS Urges Travelers Requiring Passports to Pay Their Back Taxes or Enter into Payment Agreements; People Owning \$51,000 or More Covered*. Jan. 16, 2018. IRS. [www.irs.gov/newsroom/irs-urges-travelers-requiring-passports-to-pay-their-back-taxes-or-enter-into-payment-agreements-people-owning-51000-or-more-covered] Accessed on Jul. 6, 2018.

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A taxpayer who disagrees with the tax amount or believes that the certification was made in error should contact the phone number listed on Notice CP 508C (1-866-519-4965). If a taxpayer previously paid the tax debt, proof of the payment should be sent to the address on the Notice CP 508C.

If the taxpayer recently filed their tax return for the current year and expects a refund, the IRS applies the refund to the debt. If the refund is sufficient to satisfy the seriously delinquent tax debt, the account is considered fully paid.

## PASSPORT STATUS<sup>71</sup>

The DOS notifies a taxpayer in writing if their U.S. passport application is denied or their passport is revoked. Generally, the DOS provides an applicant with 90 days to resolve their tax delinquency. A taxpayer who needs to travel during those 90 days must contact the IRS and resolve the matter within 45 days from the date of the application so that the IRS has adequate time to notify the DOS.<sup>72</sup>

A taxpayer who needs their passport to keep their job must fully pay the balance or make an alternative payment arrangement to have the seriously delinquent tax debt certification reversed.

A taxpayer traveling internationally who needs to resolve passport issues and has a pending application for a U.S. passport should call the phone number listed on Notice CP 508C. If the taxpayer already has a U.S. passport, they can use the passport until they are notified by the DOS that it was revoked.

The DOS may issue a limited validity passport to a taxpayer who is overseas when their passport application is denied or their passport is revoked. A limited validity passport is only good for direct return to the United States.

In late June 2018, IRS Deputy Commissioner of Small Business/Self Employed Division Mary Beth Murphy said that passports are currently being **denied** rather than revoked. According to Ms. Murphy, one tax debtor paid \$1 million to avoid having their passport denied. As of June 2018, **220 debtors paid over \$11.5 million** to completely satisfy their tax debts, and an additional 1,400 debtors have signed IAs.<sup>73</sup>

## IRS PAYMENT OPTIONS

Taxpayers have many options to pay the IRS the taxes they owe. Payment can be made through the taxpayer's bank account or through an approved payment processor to pay by credit or debit card. Fees may apply when using a credit or debit card. Taxpayers can also pay through the IRS2Go app.<sup>74</sup>

### DIRECT PAY WITH BANK ACCOUNT

Taxpayers can pay taxes for the Form 1040 series and estimated taxes directly from a checking or savings account at no cost through the IRS's secure online service known as Direct Pay.<sup>75</sup> The following table lists additional associated forms and types of payments that individual taxpayers can make using Direct Pay, along with usage tips.<sup>76</sup>

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<sup>71</sup> *Revocation or Denial of Passport in Case of Certain Unpaid Taxes*. Mar. 5, 2018. IRS. [www.irs.gov/businesses/small-businesses-self-employed/revocation-or-denial-of-passport-in-case-of-certain-unpaid-taxes] Accessed on Jul. 6, 2018.

<sup>72</sup> IRS Notice 2018-1, 2018-3 IRB 299.

<sup>73</sup> Saunders, Laura. Jul. 6, 2018. Thousands of Americans Will Be Denied a Passport Because of Unpaid Taxes. *The Wall Street Journal*.

<sup>74</sup> *Paying Your Taxes*. Apr. 20, 2018. IRS. [www.irs.gov/payments] Accessed on Jul. 5, 2018.

<sup>75</sup> *Direct Pay With Bank Account*. May 29, 2018. IRS. [www.irs.gov/payments/direct-pay] Accessed on Jul. 5, 2018.

<sup>76</sup> *Available Payment Types for IRS Direct Pay*. Apr. 12, 2018. IRS. [www.irs.gov/payments/available-payment-types-for-irs-direct-pay] Accessed on Jul. 5, 2018.

Payment Reason	Payment Applies to...	Time Periods Available	Direct Pay Tips
Installment agreement (IA)	<ul style="list-style-type: none"> <li>• 1040, 1040A, 1040EZ</li> <li>• Health care (Form 1040)</li> <li>• Civil penalty</li> </ul>	<ul style="list-style-type: none"> <li>• Current calendar year, or prior years, up to 20 years back</li> </ul>	<ul style="list-style-type: none"> <li>• Make a regularly scheduled payment, as shown on a CP521 or CP523 notice.</li> <li>• If the IA covers more than one tax period, select the earliest tax year for which a balance due was assessed.</li> </ul>
Tax return or notice	<ul style="list-style-type: none"> <li>• 1040, 1040A, 1040EZ</li> <li>• Health care (Form 1040)</li> <li>• Retirement plans (5329)</li> <li>• Tax-favored accounts (5329)</li> </ul>	<ul style="list-style-type: none"> <li>• Current calendar year, or prior years, going up to 20 years back</li> </ul>	<ul style="list-style-type: none"> <li>• Apply payment to a recently filed original (not amended) return.</li> <li>• Payment satisfies taxpayer's payment obligation only. Filing a return is a separate process that must be completed.</li> <li>• IRS Direct Pay only accepts individual tax payments.</li> <li>• If making a full or initial payment on a CP2000, CP2501 or CP3219A, choose the specific notice number as the reason for payment (see below).</li> </ul>
Extension	<ul style="list-style-type: none"> <li>• 4868 (for 1040, 1040A, 1040EZ)</li> </ul>	<ul style="list-style-type: none"> <li>• Jan. 1 to Apr. 20: Current calendar year or prior calendar years, up to 20 years back</li> <li>• After Apr. 20: Current calendar year only</li> </ul>	<ul style="list-style-type: none"> <li>• Use IRS Direct Pay to make a full or partial payment on taxes in order to receive an extension without having to file Form 4868.</li> <li>• This is an extension of time to file and not an extension of time to pay.</li> </ul>
Estimated tax	<ul style="list-style-type: none"> <li>• 1040ES (for 1040, 1040A, 1040EZ)</li> </ul>	<ul style="list-style-type: none"> <li>• January: Current calendar year or previous year</li> <li>• February to December: Current calendar year</li> </ul>	<ul style="list-style-type: none"> <li>• Make estimated tax payments in advance of the timely filing of the return.</li> <li>• The taxpayer does not have to indicate the month or quarter associated with each payment.</li> <li>• Depending on the taxpayer's income, payment may be due quarterly, or as calculated on Form 1040-ES.</li> </ul>

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Payment Reason	Payment Applies to...	Time Periods Available	Direct Pay Tips
Notices CP2000, CP2501, or CP3219A	<ul style="list-style-type: none"> <li>• 1040, 1040A, 1040EZ</li> <li>• Health care (Form 1040)</li> </ul>	<ul style="list-style-type: none"> <li>• Current calendar year, or prior years, up to 20 years back</li> </ul>	<ul style="list-style-type: none"> <li>• Make a full or initial payment related to a notice received, or other proposed changes to the return.</li> <li>• If the taxpayer has an IA, select Installment Agreement as the reason for payment.</li> </ul>
Proposed tax assessment (e.g. CP 2000 or a Notice of Deficiency)	<ul style="list-style-type: none"> <li>• 1040, 1040A, 1040EZ</li> <li>• Health care (Form 1040)</li> </ul>	<ul style="list-style-type: none"> <li>• Current calendar year, or prior years, up to 20 years back</li> </ul>	<ul style="list-style-type: none"> <li>• Make a full or initial payment for a proposed amount.</li> <li>• Payments of this type may post in advance of the actual tax assessment.</li> <li>• If the taxpayer has an IA, select Installment Agreement as the reason for payment.</li> </ul>
Amended return	<ul style="list-style-type: none"> <li>• 1040X</li> <li>• Health care (Form 1040)</li> </ul>	<ul style="list-style-type: none"> <li>• Current calendar year, or prior years, up to 20 years back</li> </ul>	<ul style="list-style-type: none"> <li>• Make a full or initial payment on a recently filed Form 1040X, or when an amendment to the return results in a balance due to Health Care Individual Responsibility (also known as Shared Responsibility).</li> <li>• If making additional payments for a previously filed 1040X, select "Installment Agreement" or "Tax Return or Notice" for 1040 payments or Health Care Individual Responsibility payments.</li> </ul>
Civil penalty	<ul style="list-style-type: none"> <li>• IA</li> <li>• Advance Payment</li> <li>• Other Amount Due</li> </ul>	<ul style="list-style-type: none"> <li>• Current calendar year, or prior years, up to 20 years back</li> </ul>	<ul style="list-style-type: none"> <li>• IRS assessment of a civil penalty on business or individual tax forms.</li> <li>• If there is another type of penalty, select the corresponding reason for payment (IA or tax return/notice; see previous).</li> <li>• If unsure whether the penalty is a civil penalty, please refer to last notice.</li> </ul>



Payment Reason	Payment Applies to...	Time Periods Available	Direct Pay Tips
Offshore voluntary disclosure	<ul style="list-style-type: none"> <li>• 1040, 1040A, 1040EZ</li> <li>• Civil penalty</li> </ul>	<ul style="list-style-type: none"> <li>• Current calendar year, or prior years, up to 20 years back</li> </ul>	<ul style="list-style-type: none"> <li>• For taxpayers with exposure to potential criminal liability and/or substantial civil penalties due to a willful failure to report foreign financial assets and pay all tax due in respect of those assets.</li> </ul>
Offshore streamlined filing compliance	<ul style="list-style-type: none"> <li>• 1040, 1040A, 1040EZ</li> <li>• Civil penalty</li> </ul>	<ul style="list-style-type: none"> <li>• Current calendar year, or prior years, up to 20 years back</li> </ul>	<ul style="list-style-type: none"> <li>• Available to taxpayers certifying that failure to report foreign financial assets and pay all tax due in respect of those assets did not result from willful conduct on their part.</li> </ul>

Taxpayers can monitor payments by signing up for email notifications. Email notifications contain the confirmation number at the end of each payment transaction. The confirmation number is used to access the “Look Up a Payment” feature at **uofi.tax/18a3x1** [directpay.irs.gov/directpay/paymentManager?execution=els1]. Scheduled payments can be modified or canceled until **two business days before** the payment date. Payment history is accessed through the taxpayer’s online account with the IRS. Direct Pay does not accept more than two payments within a 24-hour period and each payment must be less than \$10 million.<sup>77</sup>

Direct Pay is available Monday to Saturday from midnight to 11:45 p.m. Eastern time and Sunday from 7 a.m. to 11:45 p.m. Eastern time.<sup>78</sup>

## DEBIT OR CREDIT<sup>79</sup>

Taxpayers can pay securely with a credit or debit card by Internet, phone, or mobile device regardless of whether they e-file, paper file, or are responding to a bill or notice. The IRS uses standard service providers and business/commercial card networks. Payments are processed by a payment processor who charges a processing fee. The fees vary by service provider and can be found at **uofi.tax/18a3x2** [www.irs.gov/payments/pay-taxes-by-credit-or-debit-card]. No part of the service fee is sent to the IRS.

Generally, payments cannot be canceled and high balance payments of \$100,000 or more may require coordination with the debit or credit card provider. Paying via debit or credit card eliminates the need for a voucher. The card statement lists the payment as “United States Treasury Tax Payment.” The convenience fee paid to the provider is listed as “Tax Payment Convenience Fee” or something similar.

<sup>77</sup> *Direct Pay With Bank Account*. May 29, 2018. IRS. [www.irs.gov/payments/direct-pay] Accessed on Jul. 5, 2018.

<sup>78</sup> *Ibid.*

<sup>79</sup> *Pay Your Taxes by Debit or Credit Card*. May 2, 2018. IRS. [www.irs.gov/payments/pay-taxes-by-credit-or-debit-card] Accessed on Jul. 5, 2018.

## ELECTRONIC FEDERAL TAX PAYMENT SYSTEM (EFTPS)<sup>80</sup>

The EFTPS is a secure government website that allows users to make federal tax payments electronically. To log on to the system, an enrolled user must have an identification number (an EIN or SSN), EFTPS personal identification number, and a password. New enrollments for EFTPS can take up to five business days to process. A personal identification number is sent to the tax preparer via postal mail within five to seven business days at the address on record with the IRS.<sup>81</sup>

Payment can be made at any time via the Internet or phone. Taxpayers who opt in for email notifications can track up to 16 months of payments. Businesses and individuals can schedule payments up to 365 days in advance. Scheduled payments can be changed or canceled up to two business days in advance of the scheduled payment date. EFTPS accepts all federal tax payments, including income, employment, estimated, and excise taxes.

By 8 p.m. Eastern time at least one calendar day in advance of the due date, the user must submit payment instructions to EFTPS to move the funds from the user's account to the Treasury's account for payment. Funds are not moved until the date indicated. Users receive an immediate acknowledgement of their payment instructions and their bank statement confirms the payment was made.

## ELECTRONIC FUNDS WITHDRAWAL (EFW)<sup>82</sup>

EFW is an integrated e-file/e-pay option offered **only** when filing federal taxes using tax preparation software or through a tax professional. Users may submit one or more payment requests for direct debit from a designated bank account. The following chart shows the types of individual and business taxes that can be paid via EFW.

### Individual Taxpayer<sup>83</sup>

Tax Type	Tax Year	Additional Information
Form 1040 Series	Current year (2017) Prior year (2015–2016)	
Form 1040-ES estimated tax	Current Year 2018 (Quarters due Apr. 17, 2018, Jun. 15, 2018, Sep. 17, 2018, and Jan. 15, 2019)	Up to four quarters (one per quarter) may be submitted with a 1040 series return or extension (2350 or 4868), but not both.  <b>Example:</b> If the Jun. 15, 2017 quarter is submitted with Form 4868, it should not be resubmitted with the 1040 even if the one submitted with the Form 4868 was canceled.
Form 2350	Current Year (2017)	
Form 4868	Current Year (2017)	

<sup>80</sup> *EFTPS: The Electronic Federal Tax Payment System*. Oct. 18, 2017. IRS. [www.irs.gov/payments/eftps-the-electronic-federal-tax-payment-system] Accessed on Jul. 5, 2018.

<sup>81</sup> *Welcome to EFTPS*. [www.eftps.gov/eftps/] Accessed on Jul. 5, 2018.

<sup>82</sup> *Pay Taxes by Electronic Funds Withdrawal*. Nov. 28, 2017. IRS. [www.irs.gov/payments/pay-taxes-by-electronic-funds-withdrawal] Accessed on Jul. 5, 2018.

<sup>83</sup> *Electronic Funds Withdrawal for Individuals*. Dec. 21, 2017. IRS. [www.irs.gov/payments/electronic-funds-withdrawal-and-credit-or-debit-card-payment-options-for-individuals] Accessed on Jul. 5, 2018.

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## Business Taxpayer<sup>84</sup>

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Tax Type	Tax Year	Additional Information
Form 720	2016–2017 (Mar., Jun., Sep., Dec.) 2018 (Mar., Jun., Sep.)	
Form 940/940PR	Current Year (2017) Prior Year (2015–2016)	
Forms 941, 941PR, and 941SS	2015–2017 (Mar., Jun., Sep., Dec.) 2018 (Mar., Jun., Sep.)	
Form 943/943PR	Current Year (2017) Prior Year (2015–2016)	
Form 944	Current Year (2017) Prior Year (2015–2016)	
Form 945	Current Year (2017) Prior Year (2015–2016)	
Form 990PF balance due and amended returns	2018–2019 (Jan.–Dec.)	
Form 990PF estimated taxes	2018–2019 (Jan.–Dec.)	Up to four payments (one per month) may be submitted with the balance due return.
Form 1041 balance due and amended returns	2015–2018 (Jan.–Dec.)	
Form 1041-ES estimated taxes	2018–2019 (Jan.–Dec.)	Up to four payments (one per month) may be submitted with the balance due return.
Form 1065/1065B	2015–2018 (Jan.–Dec.)	
Form 1120 series balance due and amended returns	2015 (Dec.) 2018–2019 (Jan.–Dec.) 2018 (Jan.–Nov.)	Up to four payments (one per month) may be submitted with the balance due return.
Form 1120 series estimated taxes	2018–2019 (Jan.–Dec.)	Up to four payments (one per month) may be submitted with the balance due return.
Form 2290	2015 (Jul.–Dec.) 2016–2018 (Jan.–Dec.) 2019 (Jan.–Jul.)	
Form 7004 extension forms	2017–2018 (Jan.–Dec.)	
Form 8868 extension forms	2017–2018 (Jan.–Dec.)	

<sup>84</sup> *Electronic Funds Withdrawal for Business*. Dec. 21, 2017. IRS [[www.irs.gov/payments/electronic-funds-withdrawal-and-credit-or-debit-card-payment-options-for-businesses](http://www.irs.gov/payments/electronic-funds-withdrawal-and-credit-or-debit-card-payment-options-for-businesses)]. Accessed on Jul. 5, 2018.

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The IRS does not charge a fee to use EFW, but financial institutions may charge fees. Making an electronic payment eliminates the need to submit a voucher.

All individual and most business payments can be scheduled for a future date, up to the return due date. Payments that qualify for scheduling can be scheduled up to 365 days from the date the electronic return is filed. After the due date, the payment date must be the same as the date the return is transmitted, or be within the previous five days of that date. Payment dates on a weekend or bank holiday are withdrawn on the next business day.

Information pertaining to the payment, such as account information, payment date, or amount, cannot be changed after the return is accepted. If changes are needed, the only option is to cancel the payment and choose another payment method. Cancellation requests must be received no later than 11:59 p.m. Eastern time two business days prior to the scheduled payment date.

## **SAME-DAY WIRE<sup>85</sup>**

Same-day wire transfers may be available from the taxpayer's financial institution. Availability, cost, and cut-off times vary at different financial institutions. Taxpayers must complete the Same-Day Taxpayer Worksheet found at **uofi.tax/18a3x3** [[download.eftps.com/SameDayPaymentWorksheet.pdf](https://download.eftps.com/SameDayPaymentWorksheet.pdf)] and take it to their financial institution. A separate worksheet must be completed for each tax form or tax period.

## **CHECK OR MONEY ORDER<sup>86</sup>**

Checks, money orders, or cashier's checks should be made payable to U.S. Treasury. Staples or paper clips should not be used to affix the payment to the voucher or return. The check or money order should include the following information.

- Taxpayer's name and address
- Daytime phone number
- SSN or EIN
- Tax year
- Related tax form or notice number

Payment should be mailed to the address listed on the notice or instructions. The IRS cannot accept single check or money order amounts of \$100 million or more. Taxpayers can submit multiple payments or make a same-day wire payment.

The IRS encourages taxpayers to consider alternative methods of payment before mailing a check or money order.

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<sup>85</sup> *Same-Day Wire Federal Tax Payments*. Jun. 26, 2018. IRS. [[www.irs.gov/payments/same-day-wire-federal-tax-payments](http://www.irs.gov/payments/same-day-wire-federal-tax-payments)] Accessed on Jul. 6, 2018.

<sup>86</sup> *Pay by Check or Money Order*. Jun. 22, 2018. IRS. [[www.irs.gov/payments/pay-by-check-or-money-order](http://www.irs.gov/payments/pay-by-check-or-money-order)] Accessed on Jul. 6, 2018.

## CASH<sup>87</sup>

The IRS allows cash payments at select 7-Eleven locations in 34 states. Participating locations can be found at **uofi.tax/18a3x4** [paynearme.com/en/approved-payment-locations]. Generally, it takes five to seven business days to process cash payments. Taxpayer need to plan ahead to ensure payment is posted on or before the due date. Taxpayers can pay up to \$1,000 per day and there is a fee of \$3.99 per payment. To pay with cash, taxpayers must use the following steps.

1. Visit the official payment site at **uofi.tax/18a3x5** [www.officialpayments.com/fed/index.jsp] and follow the instructions to make a cash payment with PayNearMe.
2. The taxpayer receives an email from Official Payments confirming the information. The IRS then verifies the information. This process may take two to three days.
3. After the IRS verifies the information, PayNearMe sends the taxpayer an email with a link to the payment code and instructions. The payment code is printed or sent to a smart phone.
4. The taxpayer goes to the retail store listed in the PayNearMe email and asks the clerk to scan or enter the payment code. The store provides a receipt after the cash is accepted. The receipt is confirmation of payment and should be kept with the taxpayer's records. It usually take two business days for the payment to post to the taxpayer's account.

## INSTALLMENT AGREEMENT (IA)

Taxpayers who are **unable to pay** their tax liability on their tax return or IRS notice can request an IA by filing Form 9465. The IA is guaranteed to be accepted if the tax owed is not more than \$10,000 and all of the following apply.<sup>88</sup>

- During the past five years, the taxpayer (and their spouse if married filing jointly (MFJ)) have timely filed all income tax returns and paid any income tax due, and have not entered into an IA for the payment of income tax.
- The taxpayer agrees to pay the full amount owed within three years and to comply with the tax laws while the agreement is in effect.
- The taxpayer is financially unable to pay the liability in full when due.

## Online Payment Plan<sup>89</sup>

Qualified taxpayers and authorized representatives with a power of attorney can apply online for a payment plan, including an IA, to pay off tax balances over time. Applicants receive immediate notification of whether the payment plan is approved.

**Individual Payment Plan.** Payment options for individuals include full payment, a short-term payment plan (paid in 120 days or less) and a long-term payment plan (IA) (paid in more than 120 days). Individuals qualify to apply online for an IA if they owe \$50,000 or less in combined tax, penalties, and interest and have filed all required returns. Individuals qualify for a short-term payment plan if they owe less than \$100,000 in combined tax, penalties, and interest.

<sup>87</sup> *Pay with Cash at a Retail Partner*. Nov. 30, 2017. IRS. [www.irs.gov/payments/pay-with-cash-at-a-retail-partner] Accessed on Jul. 6, 2018.

<sup>88</sup> Instructions for Form 9465.

<sup>89</sup> *Apply Online for a Payment Plan*. Jul. 3, 2018. IRS. [www.irs.gov/payments/online-payment-agreement-application] Accessed on Jul. 5, 2018.

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To apply for a payment plan, the following information must be provided.

- Taxpayer name exactly as it appears on the most recently filed tax return
- Valid email address
- Address from most recently filed tax return
- Date of birth
- Filing status
- SSN for taxpayer and MFJ spouse, or ITIN

Taxpayers who previously registered for an online payment agreement, Get Transcript, or any Identity Protection PIN should log in with the same username and password.

Fees are added to the tax bill after the payment plan is approved. Balances over \$25,000 must be made via automatic payments from a checking account. Individuals paying the full amount in one payment have **no** setup fee and no future penalties or interest is added. Payment can be made by automatic payment from a checking account, or by check, money order, or debit/credit card. Short-term plans have **no** setup fee and accrue penalties and interest until the balance is paid in full. There is a service fee applied when paying with a debit/credit card.

An IA that is paid in more than 120 days **through automatic withdrawals** accrues penalties and interest until the balance is paid in full. It has a setup fee of \$31. There is a waiver of the setup fee for low-income individuals with adjusted gross income at or below 250% of the applicable federal poverty level who enter into an IA on or after April 10, 2018. To waive the fee, the taxpayer must agree to make electronic debit payments by entering into a direct debit installment agreement (DDIA). If the low-income taxpayer cannot make electronic debit payments by entering into a DDIA, the user fee will be reimbursed upon the completion of the IA. Payment is made through automatic debit payments from a checking account.

An IA that is paid in more than 120 days using a **non-direct debit** electronic payment method such as Direct Pay, debit/credit card, check or money order accrues penalties and interest until the balance is paid in full. It has a \$149 setup fee. Low-income taxpayers may be eligible for a reduced setup fee of \$43.

**Note.** Sole proprietors and independent contractors apply for a payment plan as individuals.

**Business Payment Plan.** There are two payment plan options available for a business. They are full payment and an IA paid in more than 120 days. A business qualifies to apply online for an IA if it has filed all required returns and owes less than \$25,000 in combined tax, penalties, and interest. To apply, a business must provide the following information.

- EIN
- Date the business was established (month and year)
- Address from the most recently filed tax return
- Caller ID from notice

Payments for balances over \$10,000 must be made from a checking account through direct debit. A business that pays immediately with automatic payments from a checking account or by check, money order, or debit/credit card has no setup fee and no future penalties or interest added. An IA paid in more than 120 days **through automatic withdrawals** has a setup fee of \$31 plus accrued penalties and interest until the balance is paid in full. An IA that is **not paid through direct debit** but by Direct Pay, debit/credit card, check, or money order has a setup fee of \$149 plus accrued penalties and interest until the balance is paid in full.



## Streamlined IA<sup>90</sup>

The IRS is testing expanded criteria for streamlined processing of taxpayer requests for IAs. The test was extended until **September 30, 2018** and may likely be extended further. During the test, more taxpayers qualify to have their IA request processed in a streamlined manner. The IRS wants to determine whether the expansion of streamlined processing criteria to taxpayer IA requests improves customer service, reduces taxpayer burden, and increases agency efficiency. Based on test results, the expanded criteria may become permanent.

Generally, taxpayers with a balance due of less than \$25,000 already meet criteria for streamlined processing of their IA request. IRS assistors can establish an IA without the completion of a Collection Information Statement or a determination to file a Notice of Federal Tax Lien. A Collection Information Statement is used to obtain current financial information necessary for determining how an individual can satisfy an outstanding tax liability.<sup>91</sup>

IRS testing included the following criteria for individual taxpayers who filed all required returns and have an assessed balance of tax, penalties, and interest of **\$50,000 or less**, all out-of-business debts up to \$25,000, all out-of-business sole-proprietorship debts up to \$50,000, and in-business tax debts up to \$25,000.<sup>92</sup>

	Current Streamlined Criteria	Test Criteria
Payment terms	Up to 72 months <b>or</b> the number of months necessary to satisfy the liability in full by the Collection Statute Expiration date, whichever is less	None. This criteria is unchanged.
Collection information statement	Verification of ability to pay required in event of an earlier default for assessed balances of \$25,001 to \$50,000	Not required.
Payment method	Direct debit payments or payroll deduction required for assessed balances of \$25,001 to \$50,000	Direct debit payments or payroll deduction is preferred, but not required.
Notice of Federal tax lien	<p>Determination not required for assessed balances up to \$25,000.</p> <p>Determination is not required for assessed balances of \$25,001–\$50,000 <b>with</b> mandatory use of direct debit or payroll deduction agreement.</p> <p><b>Note.</b> If taxpayer does not agree to direct debit or payroll deduction, then they do not qualify for Streamlined IA over \$25,000.</p>	<p>No change in criteria for assessed balances up to \$25,000.</p> <p>Determination is not required for assessed balances of \$25,001–\$50,000 <b>with</b> the use of direct debit or payroll deduction agreement.</p> <p><b>Note.</b> If taxpayer does not agree to direct debit or payroll deduction, then they do qualify for Streamlined IA over \$25,000, but a Notice of Federal Tax Lien determination will be made.</p>

<sup>90</sup> *Streamlined Processing of Installment Agreements*. Apr. 20, 2018. IRS. [www.irs.gov/businesses/small-businesses-self-employed/streamlined-processing-of-installment-agreements] Accessed on Jul. 6, 2018.

<sup>91</sup> Instructions for Form 433-F.

<sup>92</sup> *Streamlined Processing of Installment Agreements*. Apr. 20, 2018. IRS. [www.irs.gov/businesses/small-businesses-self-employed/streamlined-processing-of-installment-agreements]. Accessed on Jul. 6, 2018.

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The IRS tested the following criteria changes for individual taxpayers who filed all required returns and have an assessed balance of tax, penalties and interest between \$50,001 and \$100,000, as well as out-of-business sole-proprietorship debts between \$50,001 and \$100,000.

	Current Streamlined Criteria	Test Criteria
Payment terms	<b>None</b> — Streamlined processing criteria currently does not apply to assessed balances of tax between \$50,001 and \$100,000	Up to 84 months <b>or</b> the number of months necessary to satisfy the liability in full by the Collection Statute Expiration date, whichever is less
Collection information statement	See above	Not required if the taxpayer agrees to make payment by direct debit or payroll deduction
Payment method	See above	Direct debit payments or payroll deduction is not required; however, if one of these methods is not used, then a Collection Information Statement is required.
Notice of Federal tax lien	See above	Determination is required.

## TAXPAYER ADVOCATE SERVICE

### HISTORY<sup>93</sup>

The TAS is an independent organization within the IRS, headed by the NTA. With the passage of the Taxpayer Bill of Rights 2<sup>94</sup> (TBOR2) in 1996, Congress established the Office of the Taxpayer Advocate. TBOR2 established the functions of the TAS as follows.

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

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

Congress mandated in the RRA that the NTA could not be an officer or an employee of the IRS for two years preceding or five years following their appointment. The NTA is not considered an IRS employee under this provision. The NTA reports semi-annually to Congress. These reports are not reviewed by the IRS Commissioner, the Secretary of the Treasury, or the Office of Management and Budget prior to their submission to Congress.<sup>95</sup>

<sup>93</sup> *Evolution of the Office of the Taxpayer Advocate*. IRS. [www.irs.gov/pub/tas/evolution\_of\_the\_office\_of\_the\_taxpayer\_advocate.pdf] Accessed on Jul. 6, 2018.

<sup>94</sup> PL 104-168.

<sup>95</sup> IRC §7803(c)(2)(B)(iii).

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

The primary responsibility of the TAS is to assist taxpayers in resolving issues with the IRS. Most TAS cases fall into one of two general categories: **economic advocacy** and **systemic advocacy**.<sup>96</sup>

A taxpayer qualifies for TAS assistance under **economic advocacy** if they have one of the following **economic hardship** situations.<sup>97</sup>

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

A taxpayer qualifies for TAS assistance under **systemic advocacy** if they have one of the following **systemic burdens**.<sup>98</sup>

- Experiences a delay of more than 30 days to resolve a tax account problem
- Does not receive a response or resolution to the problem or inquiry by the date promised
- Suffers from a system or procedure that fails to operate as intended or fails to resolve the taxpayer's problem or dispute within the IRS

TAS also accepts cases in the **best interest of the taxpayer**. These cases ensure that taxpayers receive fair and equitable treatment and that their rights as taxpayers are protected. Additionally, TAS accepts cases of **public policy** that are determined by the NTA. These cases are generally based on a unique set of circumstances warranting assistance to certain taxpayers.<sup>99</sup>

## TAS PROCESS

Practitioners should first attempt to resolve a taxpayer's IRS problem through telephone contact or mail correspondence with the IRS. If resolution is not achieved and the taxpayer's circumstances meet the qualifications previously listed, then the TAS should be contacted.<sup>100</sup> The tax practitioner must have an active power of attorney and a CAF number in order to advocate for a client.

To request TAS assistance, a taxpayer should call the phone number for the TAS office nearest to them. A list of all the TAS offices is available on the IRS website at **uofi.tax/18a3x6** [www.irs.gov/advocate/local-taxpayer-advocate]. The toll-free phone number is 877-777-4778. The taxpayer should then complete Form 911, *Request for Taxpayer Advocate Service Assistance*. This completed form, and/or any other correspondence, should be faxed or mailed to the TAS office nearest to the city where the taxpayer resides.<sup>101</sup>

<sup>96</sup>. IRM 13.1.7.2 (2015).

<sup>97</sup>. Ibid.

<sup>98</sup>. Ibid.

<sup>99</sup>. Ibid.

<sup>100</sup>. Instructions for Form 911, *Request for Taxpayer Advocate Service Assistance*.

<sup>101</sup>. Ibid.

# 2018 Workbook

Form <b>911</b> (February 2015)	Department of the Treasury - Internal Revenue Service <b>Request for Taxpayer Advocate Service Assistance</b> (And Application for Taxpayer Assistance Order)	OMB Number 1545-1504
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**Section I – Taxpayer Information** (See Pages 3 and 4 for Form 911 Filing Requirements and Instructions for Completing this Form.)

1a. Your name as shown on tax return		1b. Taxpayer Identifying Number (SSN, ITIN, EIN)	
2a. Spouse's name as shown on tax return (if applicable)		2b. Spouse's Taxpayer Identifying Number (SSN, ITIN)	
3a. Your current street address (Number, Street, & Apt. Number)			
3b. City		3c. State (or Foreign Country)	3d. ZIP code
4. Fax number (if applicable)	5. Email address		
6. Tax form number (1040, 941, 720, etc.)		7. Tax year(s) or period(s)	
8. Person to contact if Section II is not being used		9a. Daytime phone number	9b. <input type="checkbox"/> Check here if you consent to have confidential information about your tax issue left on your answering machine or voice message at this number.
10. Best time to call		<input type="checkbox"/> Check if Cell Phone	
11. Preferred language (if applicable) <input type="checkbox"/> TTY/TDD Line <input type="checkbox"/> Interpreter needed - Specify language other than English (including sign language) _____ <input type="checkbox"/> Other (please specify) _____			
12a. Please describe the tax issue you are experiencing and any difficulties it may be creating (If more space is needed, attach additional sheets.) (See instructions for completing Lines 12a and 12b)			

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

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

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

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

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

Catalog Number 16965S

www.irs.gov

Form **911** (Rev. 2-2015)

Taxpayer rights and TAS locations are listed in IRS Pub. 1546, *Taxpayer Advocate Service We Are Here to Help You*. Taxpayers can find additional information to help answer questions they may have on the TAS website at [uofi.tax/18a3x7](https://www.irs.gov/advocate/who-may-use-the-taxpayer-advocate-service) [taxpayeradvocate.irs.gov/get-help].

If the taxpayer qualifies for assistance, a TAS case advocate is assigned to the case. This advocate becomes the single point of contact and works the case from inception to conclusion. The advocate acts as mediator between the taxpayer and the appropriate IRS business unit.<sup>102</sup>

TAS services are provided free of charge.<sup>103</sup> The TAS has limited power to stop or overturn IRS actions.<sup>104</sup> However, it can advocate the taxpayer's issue to key IRS personnel. The IRS will comply with an order from the TAS unless it is appealed and then modified or rescinded by the NTA, the IRS Commissioner, or the Deputy Commissioner.

## TAXPAYER ASSISTANCE ORDERS<sup>105</sup>

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

**Significant hardship** refers to a serious privation caused or about to be caused to the taxpayer as a result of the manner in which the tax laws are being administered by the IRS. A significant hardship includes, but is not limited to, the following. The examples are based on those found in Treas. Reg. §301.7811-1.

### 1. An immediate threat of adverse action

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

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

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

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

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

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

<sup>102</sup>. IRM 13.1.1.3.4.1 (2003).

<sup>103</sup>. *Who May Use the Taxpayer Advocate Service?* Apr. 17, 2018. IRS. [www.irs.gov/advocate/who-may-use-the-taxpayer-advocate-service] Accessed on Jul. 6, 2018.

<sup>104</sup>. Treas. Reg. §301.7811-1.

<sup>105</sup>. Ibid.

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

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

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

## OFFICE OF SYSTEMIC ADVOCACY

The Office of Systemic Advocacy studies, analyzes, and recommends action to produce a positive resolution to taxpayer problems. Systemic advocacy resolves problems by recommending administrative changes to IRS policy, procedures, and processes. Alternatively, depending on the issue, it can resolve problems by proposing legislative remedies.<sup>106</sup>

The TAS does not accept systemic advocacy cases that involve processing original returns, unpostable or rejected returns, processing amended returns, and injured spouse claims. The TAS focuses its limited resources on economic burden cases and only those systemic burden cases in which it plays a more direct role in affecting the outcome. Examples of systemic cases that the TAS accepts include those referred by a congressional office and those that could be resolved if a taxpayer files an amended return, original return, or claim for refund.<sup>107</sup>

The Office of Systemic Advocacy uses the Systemic Advocacy Management System (SAMS) database to receive, prioritize, and assign issues submitted by the public and IRS employees. Individuals, businesses, academic and research institutions, professional organizations, practitioners, and all other interested parties may submit issues.<sup>108</sup>

Issues are submitted to SAMS at **uofi.tax/18a3x8** [[www.irs.gov/advocate/systemic-advocacy-management-system-sams](http://www.irs.gov/advocate/systemic-advocacy-management-system-sams)]. The taxpayer describes the issue in 2,000 characters or less and includes the taxpayer's name, telephone number, and email address. The information is transmitted over a non-secure channel. Therefore, no personal taxpayer information like their SSN should be included.<sup>109</sup> An issue can also be submitted by completing Form 14411, *Systemic Advocacy Issue Submission Form*, which can be faxed to 855-813-7412 or emailed to **Systemic.Advocacy@irs.gov**.<sup>110</sup>

After the issue is submitted, an acknowledgement is sent to the taxpayer via email. Based on the facts presented, a decision is made about whether the issue merits development as an advocacy project. If so, it is assigned. As the issue is reviewed and the status updated, additional email correspondence may be sent.<sup>111</sup>

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<sup>106</sup>. IRM 13.2.2 (2009).

<sup>107</sup>. IRM 13.1.7.3 (2015).

<sup>108</sup>. IRM 13.2.2.2 (2009).

<sup>109</sup>. *Systemic Advocacy Management System (SAMS)*. Apr. 19, 2018. IRS. [[www.irs.gov/advocate/systemic-advocacy-management-system-sams](http://www.irs.gov/advocate/systemic-advocacy-management-system-sams)] Accessed on Jul. 9, 2018.

<sup>110</sup>. See Form 14411, *Systemic Advocacy Issue Submission Form*.

<sup>111</sup>. *TAS Systemic Advocacy FAQs*. Apr. 17, 2018. IRS. [[www.irs.gov/advocate/tas-systemic-advocacy-faq](http://www.irs.gov/advocate/tas-systemic-advocacy-faq)] Accessed on Jul. 9, 2018.



## TAS STATISTICS<sup>112</sup>

The following tables provide information on IRS Taxpayer Assistance and Education programs and TAS in 2017.

**Table 19. Selected Taxpayer Assistance and Education Programs, by Type of Assistance or Program, Fiscal Year 2017**

Type of assistance or program	Number or percentage
<b>Call and face-to-face assistance, total</b>	<b>55,674,596</b>
Toll-free telephone assistance calls [1]:	
Automated	29,195,567
Live	23,187,265
Taxpayer Assistance Center contacts [2]	3,291,764
<b>Telephone level of service (percentage) [3]</b>	<b>77.1</b>
<b>Average speed of answer (minutes)</b>	<b>8.4</b>
<b>Toll-free assistance customer satisfaction rate (percentage)</b>	<b>90.0</b>
<b>Accuracy of toll-free telephone assistance:</b>	
Tax law questions (percentage accurate)	96.7
Account questions (percentage accurate)	96.0
<b>Taxpayer correspondence:</b>	
Total correspondence and amended returns closed [4]	7,511,087
Correspondence customer satisfaction rate (percentage) [5]	67.0
<b>Forms and publications (paper products):</b>	
Orders for forms, publications, and other paper products	1,900,576
Number of non-IRS outlets stocking paper products [6]	8,173
<b>Assistance provided through the Internet (IRS.gov):</b>	
IRS Website usage [7]:	
Number of visits	495,592,962
Number of page views	2,199,097,860
Number of downloads	124,580,461
IRS Video Portal views [8]	15,141,389
Electronic transactions, total [9]	331,351,144
Direct Pay settlements [10]	10,236,504
Interactive tax assistant [11]	1,185,901
IRS2GO active users [12]	5,308,469
Online Employer Identification Number applications	4,692,629
Online Installment Agreements [13]	798,403
Transcript Delivery System requests fulfilled [14]	25,815,152
"Where's My Amended Return" inquiries	4,673,497
"Where's My Refund" inquiries	278,640,589
Enterprise Taxpayer Self-Assistance Participation Rate (percentage) [15]	79.0
<b>Disaster and emergency assistance:</b>	
Disaster incidents [16]:	
State incidents	23
County/city incidents	599
Taxpayers assisted:	
Number of toll-free disaster hotline calls	27,883
Number of taxpayers assisted at Disaster Recovery Centers [17]	3,292
<b>Taxpayer education and tax return preparation for individual taxpayers:</b>	
Federal returns prepared through Volunteer Income Tax Assistance and Tax Counseling for the Elderly programs	3,558,491
Volunteers assisting in taxpayer education and return preparation programs	87,214
Volunteer Tax Preparation Assistance sites	11,469
Volunteer Income Tax Assistance and Tax Counseling for the Elderly (percentage accurate) [18]	92.8
<b>Taxpayer outreach for small business and self-employed taxpayers:</b>	
Number of events [19, 20]	1,206
Number of participants [20]	126,196
Electronic newsletter subscriptions:	
Number targeted to small business owners	327,128
Number targeted to payroll providers	108,537
Number targeted to tax professionals	314,234

[1] Includes calls answered by Customer Account Services (CAS) and automated calls (including TeleTax and Tax-Exempt and Government Entities Division), but excludes calls answered by Automated Collection Services.

[2] Includes contacts at 371 IRS Taxpayer Assistance Centers and 31 Virtual Service Delivery sites. Excludes Volunteer Income Tax Assistance and Tax Counseling for the Elderly sites, which are shown separately in this table.

[3] Represents the relative success rate of taxpayers that call for CAS services seeking assistance from a customer service representative.

[4] Beginning with Fiscal Year (FY) 2016, includes all individual and business taxpayer correspondence for domestic and international taxpayers, injured spouse, penalties, Affordable Care Act, exempt organizations, and amended returns processed in Accounts Management, Wage and Investment Division. Due to the inclusion of additional categories, the FY 2016 and FY 2017 data cannot be compared to the FY 2015 correspondence processed.

[5] The percentage shown in this table represents the results from the Accounts Management Customer Satisfaction (Adjustments) survey and reflects the level of customer satisfaction with adjustment processing and handling of customer account correspondence, claims, and amended returns.

[6] Represents the number of organizations that distribute paper forms and publications or make reproducible forms and publications available. Some organizations may have multiple sites.

Footnotes continued on next page.

<sup>112</sup> 2017 Data Book. IRS. [www.irs.gov/pub/irs-soi/17datbk.pdf] Accessed on Jul. 6, 2018.

**Table 19. Selected Taxpayer Assistance and Education Programs, by Type of Assistance or Program, Fiscal Year 2017—Continued**

**Footnotes—Continued**

- [7] An increasing number of taxpayers receive assistance via IRS.gov. This online assistance is reported as visits, page views, and downloads. A Website visit is a session that begins when a user views his or her first Web page and ends when the user leaves the IRS.gov Website. Users may access multiple Web pages during a single visit to the IRS Website; these are counted as page views. A download is the process of copying a file, such as Form 1040, from the IRS.gov Website to the user's personal computer.
- [8] The IRS Video Portal provides information through audio and video presentations, as well as webinars (electronic seminars) on a variety of tax-related topics.
- [9] The Electronic Filing Personal Identification Numbers application was discontinued June 17, 2016, and is no longer included in this total.
- [10] Represents the total count of payment settlements plus payment reversals.
- [11] Represents the number of interactions completed using the Interactive Tax Assistant (ITA). The ITA is a tax law resource that takes taxpayers through a series of questions and provides answers to their tax law questions.
- [12] Includes the number of users who opened the IRS2GO mobile application at least once during the fiscal year.
- [13] Includes the number of individual and business installment agreements established or revised online. It also includes the number of short-term extensions (30, 60, and 120 days) and the number of agreements required to pay the balance now.
- [14] The Transcript Delivery System enables authorized tax practitioners to order tax account, tax return transcript, and other tax information for their business and individual clients. Requests are returned to the practitioner's computer through a secure online connection within minutes of the request. Beginning FY 2017, the methodology changed from counting requests received to actual requests delivered or resolved. The change was made for consistency with other transcript applications offered.
- [15] The percentage of taxpayers using self-assistance tools for their service needs. Beginning FY 2017, IRS replaced the current Taxpayer Self Assistance Rate with a new metric, Enterprise Taxpayer Self Assistance Participation Rate. The new metric includes established self-service channels such as Where's My Refund, modernized internet employer identification number (mod-IEIN), interactive tax assistant, Where's My Amended Return, get transcript online or by mail, Federal Student Aid verification, Transcript Delivery System, income verification express service, electronic payments, and online payment agreements. The metric also includes automated calls to the IRS. The metric demonstrates IRS's progress towards providing more service options, and taxpayer's adoption of self-assistance. As new self-assistance applications are provided to the public, they will be added to the methodology.
- [16] Reflects events for which the Federal Emergency Management Agency designated major disaster areas and the IRS granted administrative tax relief.
- [17] The number of taxpayers assisted at Disaster Recovery Centers increased from FY 2016 due to Hurricanes Harvey, Irma, and Maria.
- [18] Represents the accuracy of Federal returns prepared at Volunteer Income Tax Assistance and Tax Counseling for the Elderly sites.
- [19] Includes tax practitioner institutes, small business forums, small business tax workshops, tax practitioner and payroll provider meetings, governmental contacts, and miscellaneous stakeholder meetings and events. Includes virtual technology-based sessions.
- [20] Due to budget constraints, the number of events decreased, but more events were conducted virtually rather than face-to-face, thus allowing the IRS to reach a larger participating audience.

**SOURCES:**

Wage and Investment, Strategy and Finance, Program Management Office; Online Services, Online Engagement, Operations and Media; Small Business/Self-Employed, Communications, Outreach, Systems and Solutions; Communications and Liaison, National Public Liaison.

**Table 20. Taxpayer Advocate Service: Post-filing Taxpayer Assistance Program, by Type of Issue and Relief, Fiscal Year 2017**

Type of issue and relief	Number	Percentage of total
<b>Taxpayer Advocate Service cases received, top fifteen receipts by type of primary issue [1]:</b>		
<b>Total</b>	<b>167,336</b>	<b>100.0</b>
Identity Theft	23,248	13.9
Pre-Refund Wage Verification Hold	20,014	12.0
Earned Income Tax Credits	13,901	8.3
Processing Amended Return	7,713	4.6
Taxpayer Protection Program issue [2]	6,906	4.1
Other Refund Inquiries/Issues [3]	5,822	3.5
Processing Original Return	5,434	3.2
Affordable Care Act issues [4]	5,108	3.1
Unpostable and Rejected Return	4,942	3.0
Examination Reconsideration	4,596	2.7
Levies	4,500	2.7
Open Examination	3,959	2.4
Injured Spouse Claim	3,871	2.3
Installment Agreements	3,369	2.0
Returned and Stopped Refund	3,196	1.9
All others	50,757	30.3
<b>Taxpayer Advocate Service cases closed, by type of relief [1]:</b>		
<b>Total</b>	<b>167,687</b>	<b>100.0</b>
<b>Relief provided to taxpayer, total</b>	<b>132,300</b>	<b>78.9</b>
Taxpayer Assistance Order issued [5]	153	0.1
No Taxpayer Assistance Order issued [5]	132,147	78.8
Full relief	119,700	71.4
Individual taxpayer issue [6]	111,777	66.7
Systemic issue [7]	7,923	4.7
Partial relief	12,447	7.4
Individual taxpayer issue [6]	11,753	7.0
Systemic issue [7]	694	0.4
<b>No relief provided to taxpayer, total</b>	<b>35,387</b>	<b>21.1</b>
Taxpayer Assistance Order rescinded [5]	30	[8]
No Taxpayer Assistance Order issued [5]	35,357	21.1
No response from taxpayer	19,643	11.7
No relief provided by Taxpayer Advocate Service [9]	9,500	5.7
Taxpayer withdrew application for assistance	1,844	1.1
Tax law precluded relief	494	0.3
Hardship not related to revenue laws	379	0.2
Hardship not validated	347	0.2
All others	3,150	1.9

[1] The table displays the number of cases received for the top fifteen primary issues reported to the Taxpayer Advocate Service (TAS) in Fiscal Year 2017. TAS cases can have more than one issue but they are categorized by their primary issue. TAS generally receives cases from any of the following sources: IRS employee referrals based on IRS guidance; direct taxpayer requests for assistance (by phone, in person, outreach activities, or through correspondence); practitioners; and congressional office referrals. Of the 167,336 TAS case receipts, 10,605 receipts, or 6.3 percent of all receipts, were from congressional offices on behalf of their constituents. Cases may be received in one fiscal year and closed in another.

[2] Implemented in FY 2016 and includes cases detected through the Taxpayer Protection Program (TPP) process as potential stolen identity returns.

[3] Includes cases related to erroneous, decedent, and document-fee refunds along with reimbursement of bank charges due to IRS error.

[4] Affordable Care Act (ACA) issues include cases involving the ACA Premium Tax Credit, the ACA Individual Shared Responsibility Payment, and other ACA-related tax provisions.

[5] The National Taxpayer Advocate has the authority to issue a Taxpayer Assistance Order (TAO) when a taxpayer is suffering or about to suffer a significant hardship as a result of the manner in which the Internal Revenue laws are being administered if relief is not granted. A TAO directs an IRS organizational unit to take a specific action or to review, expedite consideration of, or reconsider a taxpayer's case. However, in the majority of cases, the Taxpayer Advocate Service can resolve taxpayers' issues without issuing TAOs. Taxpayer Assistance Orders may be issued in one fiscal year and closed in another.

[6] An individual taxpayer issue is a single issue (applicable to an individual, corporation, or other entity) that requires a change or modification to an account.

[7] A systemic issue requires a change or modification to an established IRS procedure, process, or operation (e.g., computer program) that potentially impacts more than one taxpayer.

[8] Less than 0.05 percent.

[9] Another IRS division provided relief before Taxpayer Advocate Service intervention.

**NOTE:**

The Taxpayer Advocate Service is an independent organization within the IRS that helps taxpayers resolve problems with the IRS, protects taxpayers' rights under the Taxpayer Bill of Rights, and recommends changes that will prevent the problems.

SOURCE: Taxpayer Advocate Service, Business Assessment.

## SIGNIFICANT ISSUES<sup>113</sup>

The NTA's **2017 Annual Report to Congress** details significant issues that the IRS continues to face. The following are the top 21 problems encountered by taxpayers during that year. These are categorized into the following areas: challenges in tax administration, right to quality service, right to a fair and just tax system, right to an independent administrative appeal and revenue protection.

### Challenges in Tax Administration

1. **Private Debt Collection.** The IRS's private debt collection program is not generating net revenues, appears to have been implemented inconsistently with the law, and burdens taxpayers experiencing economic hardship.
2. **Telephones.** The IRS needs to modernize how it serves taxpayers over the telephone.
3. **Online Accounts.** The IRS's focus on online service delivery does not adequately take into account the widely divergent needs and preferences of the U.S. taxpayer population.
4. **Audit Rates.** The IRS conducts significant types and amounts of compliance activities that it does not deem to be traditional audits; thereby underreporting the extent of compliance activity and return on investment, and circumventing taxpayer protections.
5. **Exempt Organizations.** The IRS adopted Form 1023-EZ, *Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, to reduce the processing times for Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*. However, Form 1023-EZ increasingly results in tax-exempt status for unqualified organizations, while the processing times for Forms 1023 increase.
6. **Passport Denial and Revocation.** The IRS's plans for certifying seriously delinquent tax debts leads to taxpayers being deprived of a passport without regard to taxpayer rights.

### Right to Quality Service

7. **Employee Training.** Changes to and reductions in employee training hinder the IRS's ability to provide top quality service to taxpayers.
8. **Taxpayer Rights.** The IRS does not effectively evaluate and measure its adherence to the taxpayer's right to a fair and just tax system.
9. **Outreach and Education.** The IRS made commendable strides to develop digitized taxpayer services but it must do more to maintain and improve traditional outreach and education initiatives to meet the needs of U.S. taxpayers.
10. **TAC.** Cuts to IRS walk-in sites have left the IRS with a substantially reduced community presence and have impaired the ability of taxpayers to receive in-person assistance.
11. **Volunteer Income Tax Assistance (VITA) and Taxpayer Counseling for the Elderly (TCE) Programs.** IRS restrictions on VITA and TCE programs increase taxpayer burden and adversely impact access to free tax preparation for low-income, disabled, rural, and elderly taxpayers.

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<sup>113</sup>. *National Taxpayer Advocate Annual Report to Congress 2017*, pp. iii–iv. National Taxpayer Advocate. [taxpayeradvocate.irs.gov/reports/2017-annual-report-to-congress/full-report] Accessed on Jul. 6, 2018.

## Right to a Fair and Just Tax System

12. **EITC.** The IRS continues to make progress to improve its administration of the EITC, but it has not adequately incorporated research findings that show positive impacts of taxpayer education on compliance.
13. **Military Assistance.** The IRS's customer service and information provided to military taxpayers falls short of meeting their needs and preferences.
14. **Sharing Economy.** Participants in the sharing economy lack adequate guidance from the IRS.
15. **International.** The IRS's approach to credit and refund claims of nonresident aliens wastes resources and burdens compliant taxpayers.
16. **Individual Taxpayer Identification Numbers (ITINs).** The IRS's failure to understand and effectively communicate with the ITIN population imposes unnecessary burden and hinders compliance.

## Right to an Independent Administrative Appeal

17. **Appeals.** The IRS Office of Appeals imposes unreasonable restrictions on in-person conferences for campus cases, even as it is making such conferences somewhat more available for field cases.
18. **Appeals.** The IRS's decision to expand the participation of counsel and compliance personnel in Appeals Conferences alters the nature of those conferences and likely reduces the number of agreed case resolutions.

## Revenue Protection

19. **Identity Theft.** As tax-related identity theft schemes evolve, the IRS must continually assess and modify its victim assistance procedures.
20. **Fraud Detection.** The IRS made improvements to its fraud detection systems, but a significant number of legitimate taxpayers are still improperly selected by these systems, resulting in refund delays.
21. **Refund Anticipation Loans.** Increased demand for refund anticipation loans coincides with delays in the issuance of refunds.

## THE PURPLE BOOK<sup>114</sup>

The NTA released a new publication in 2018, *The Purple Book*, that presents 50 legislative recommendations to strengthen taxpayer rights and improve tax administration. Some of the recommendations were made in previous NTA reports and some are presented in the Purple Book for the first time. The recommendations are broken down into eight areas.

1. Strengthen taxpayer rights
2. Improve the filing process
3. Improve assessment and collection procedures
4. Reform penalty and interest provisions
5. Strengthen taxpayer rights before the Office of Appeals
6. Enhance confidentiality and disclosure protections
7. Strengthen the Office of the Taxpayer Advocate
8. Miscellaneous provisions

<sup>114</sup>. *Purple Book: Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration*. Dec. 31, 2017. pp. i–ii. National Taxpayer Advocate. [taxpayeradvocate.irs.gov/Media/Default/Documents/2017-ARC/ARC17\_PurpleBook.pdf] Accessed on Jul. 10, 2018.

## MOST LITIGATED ISSUES<sup>115</sup>

In the NTA's FY 2017 Annual Report to Congress, the most litigated issues are listed. These were identified using commercial legal research databases. The term "litigated" means cases in which an opinion was issued by one of the following courts.

- The United States Tax Court
- United States District Court
- The United States Court of Federal Claims
- United States Bankruptcy Court

Between June 1, 2016, and May 31, 2017, the following issues were identified as the most litigated.

1. Accuracy-related penalty (IRC §§6662(b)(1) and (2))
2. Trade or business expenses (IRC §162(a) and related Code sections)
3. Summons enforcement (IRC §§7602(a), 7604(a), and 7609(a))
4. Collection due process hearings (IRC §§6320 and 6330)
5. Gross income (IRC §61 and related Code sections)
6. Failure to file penalty (IRC §6651(a)(1)), failure to pay penalty (IRC §6651(a)(2)), and failure to pay estimated tax penalty (IRC §6654)
7. Civil actions to enforce federal tax liens or to subject property to payment of tax (IRC §7403)
8. Charitable deductions (IRC §170)
9. Family status issues (IRC §§2, 24, 32, and 151)
10. Relief from joint and several liability (IRC §6015)

Although taxpayers appeared without representation (pro se) in 62% of the cases identified in the most litigated cases, taxpayers who used representation in their court cases experienced a **9% greater success rate** than pro se taxpayers.

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<sup>115</sup>. *National Taxpayer Advocate Annual Report to Congress 2017*, p. 365. National Taxpayer Advocate. [taxpayeradvocate.irs.gov/Media/Default/Documents/2017-ARC/ARC17\_Volume1.pdf] Accessed on Jul. 9, 2018.



## ITIN PROGRAMS<sup>116</sup>

An ITIN allows a taxpayer who is ineligible for an SSN to file returns and pay taxes that are required under the law. In 2015, Congress passed the Protecting Americans Against Tax Hikes (PATH) Act that codified elements of the ITIN program.<sup>117</sup>

**Note.** For more information on the ITIN program, see the 2016 *University of Illinois Federal Tax Workbook*, Volume A, Chapter 5: IRS Update. This can be found at [uofi.tax/arc](http://uofi.tax/arc) [[taxschool.illinois.edu/taxbookarchive](http://taxschool.illinois.edu/taxbookarchive)].

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## DEACTIVATION OF ACCOUNTS

Starting in 2016, the IRS began deactivating ITINs that were not used within the last three years and ITINs with the middle digits of 78 and 79, which were issued between 1996 and 2000. In 2016 and 2017, the IRS deactivated approximately 15.2 million ITINs (1.5 million solely due to the middle digits), of which an estimated 130,000 were in error.<sup>118</sup> The IRS corrected the programming error that caused the erroneous deactivations, but the risk of future errors remain.

More than 2 million ITINs are set to expire in 2018. ITINs with middle digits 73, 74, 75, 76, 77, 81, or 82 expire on December 31, 2018. Affected taxpayers who expect to file a tax return in 2019 must submit a renewal application as soon as possible.<sup>119</sup>

The IRS expected approximately 750,000 ITIN holders to renew their ITIN in 2017. That amount comprised the approximately 450,000 affected ITIN holders who filed a return within the last three years. It also included approximately 300,000 of the 11 million affected ITIN holders who had not filed recently. However, as of May 2017, the IRS received only approximately 196,000 renewal applications. Taxpayers may fail to renew their ITINs for many reasons, including the following.<sup>120</sup>

- Lack of awareness of the requirement to renew
- Lack of a tax filing requirement
- Inability to submit required identification documents
- Concerns about the immigration consequences of sharing information with the IRS

**Note.** Between January and the end of April 2017, the IRS found approximately 186,000 instances of returns filed with an expired ITIN. Approximately 21% of those returns were from taxpayers to whom the IRS sent Letter 5821 advising them to renew their ITINs before or during the 2017 filing season. The letter may have been ineffective due to taxpayer's not receiving the letter or because the letter did not specify which members of the household had expiring ITINs.<sup>121</sup>

<sup>116</sup> *The IRS Makes Needed Changes to the Individual Taxpayer Identification Number (ITIN) Program, But Barriers for ITIN Applicants Remain.* IRS. [[taxpayeradvocate.irs.gov/Media/Default/Documents/2018-JRC/JRC18\\_Volume1\\_AOF\\_07.pdf](http://taxpayeradvocate.irs.gov/Media/Default/Documents/2018-JRC/JRC18_Volume1_AOF_07.pdf)]; *ITIN Expiration Frequently Asked Questions.* Jun. 14, 2018. IRS. [[www.irs.gov/individuals/itin-expiration-faqs](http://www.irs.gov/individuals/itin-expiration-faqs)] Accessed on Jul. 10, 2018.

<sup>117</sup> PL 114-113; IRC §6109; *Some Legal Requirements to Deactivate Individual Taxpayer Identification Numbers Have Not Been Met.* Feb. 5, 2018. TIGTA. [[www.treasury.gov/tigta/press/press\\_tigta-2018-03.htm](http://www.treasury.gov/tigta/press/press_tigta-2018-03.htm)] Accessed on Jul. 10, 2018.

<sup>118</sup> *National Taxpayer Advocate Objectives Report to Congress Fiscal Year 2019*, p. 18. National Taxpayer Advocate. [[taxpayeradvocate.irs.gov/Media/Default/Documents/2019-JRC/JRC19\\_Volume1.pdf](http://taxpayeradvocate.irs.gov/Media/Default/Documents/2019-JRC/JRC19_Volume1.pdf)] Accessed on Jul. 10, 2018.

<sup>119</sup> *More than 2 million ITINs to expire this year; Renew soon to avoid refund delays.* Jun. 14, 2018. IRS. [[www.irs.gov/newsroom/more-than-2-million-itins-to-expire-this-year-renew-soon-to-avoid-refund-delays](http://www.irs.gov/newsroom/more-than-2-million-itins-to-expire-this-year-renew-soon-to-avoid-refund-delays)] Accessed on Jul. 6, 2018.

<sup>120</sup> *National Taxpayer Advocate Objectives Report to Congress Fiscal Year 2018*, p. 71. National Taxpayer Advocate. [[taxpayeradvocate.irs.gov/reports/fy-2018-objectives-report-to-congress/full-report](http://taxpayeradvocate.irs.gov/reports/fy-2018-objectives-report-to-congress/full-report)] Accessed on Jul. 10, 2018.

<sup>121</sup> Ibid.

## CERTIFIED ACCEPTANCE AGENT PROGRAM<sup>122</sup>

The IRS updated its procedures for the ITIN application process. Taxpayers can work with a certified acceptance agent (CAA) to help them apply for an ITIN.

A CAA is a person or entity who is authorized by the IRS to assist individuals and other foreign persons who do not qualify for an SSN but who need an ITIN. The CAA facilitates the application process by reviewing the necessary documents, authenticating the individual's identity when able, and forwarding the completed forms to the IRS.<sup>123</sup>

CAAs are allowed to use a Form W-7 (COA), *Certificate of Accuracy for IRS Individual Taxpayer Identification Number*, to certify that they have reviewed and verified the original documentation, or a certified copy from the issuing agency of those documents through face-to-face or video electronic interviews. CAAs must have the original identification documents in their possession during the interview in order to see the security features and authenticate the documents. CAAs are required to submit copies of the documents that they reviewed along with Form W-7 (COA). The IRS permits a CAA to certify birth certificates and passports for **dependent ITIN** applications.<sup>124</sup>

Instead of using a CAA, taxpayers may use a certified TAC to verify the following types of documents.<sup>125</sup>

1. Passports
2. National identity card
3. U.S. driver's license
4. Civil birth certificate
5. Foreign driver's license
6. U.S. state identification card
7. Foreign voter's registration card
8. Foreign military registration card
9. U.S. military registration card
10. U.S. visa
11. U.S. Citizens and Immigration Services photo identification

The IRS transitioned to an appointment-only policy for TACs. As of June 2018, 299 TAC locations certify ITIN documents.<sup>126</sup>

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<sup>122</sup> *More than 2 million ITINs to expire this year; renew soon to avoid refund delays.* Jun. 14, 2018. IRS. [www.irs.gov/individuals/new-itin-acceptance-agent-program-changes]. Accessed on Jul. 6, 2018.

<sup>123</sup> Ibid.

<sup>124</sup> *ITIN Updated Procedures Frequently Asked Questions.* Feb. 27, 2018. IRS. [www.irs.gov/individuals/international-taxpayers/itin-updated-procedures-frequently-asked-questions]. Access on Jul. 6, 2018.

<sup>125</sup> *Individual Taxpayer Identification Number (ITIN) Authenticating Taxpayer Assistance Centers (TACs).* Mar. 6, 2018. IRS. [www.irs.gov/help/itin-authenticating-tacs-link] Accessed on Jul. 6, 2018.

<sup>126</sup> *Taxpayer Assistance Center (TAC) Locations Where In-Person Document Review is Provided.* Jun. 12, 2018. IRS. [www.irs.gov/help/tac-locations-where-in-person-document-verification-is-provided] Accessed on Jul. 6, 2018.

## ELECTRONIC FRAUD DETECTION — EITC

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In processing year 2017, more than 27 million taxpayers received approximately \$65 billion in EITC benefits.<sup>127</sup> The EITC rules are complex and the credit is associated with a high rate of improper payment. To combat the high rate of improper payment, Congress mandated a delay of any refund that includes the EITC or the refundable portion of the CTC until February 15 of each filing year.<sup>128</sup>

For filing season 2018, the IRS added two new filters to detect improper reporting of wages on returns in which the EITC or CTC were claimed. One filter detects discrepancies between third-party data and the return. The other new filter identifies returns that have unverifiable data. Another filter, which has been in place for years, identifies potentially suspicious returns.<sup>129</sup> Returns flagged by one of the filters faced additional delays of 60 days or longer beyond the initial delay to February 15th.<sup>130</sup> As of February 15, 2018, approximately 300,000 accounts were flagged as potentially fraudulent. The IRS planned to have their electronic fraud detection system (EFDS) release returns after income on the return was verified with third-party information. However, the EFDS does not interact with the IRS's third-party wage information system. Consequently, IRS employees had to manually release the refunds after entering the wage information into the EFDS.<sup>131</sup>

The following figure illustrates the process a tax return with an EITC goes through after being submitted to the IRS (based on FY 2018).<sup>132</sup>

<sup>127</sup>. *National Taxpayer Advocate Objectives Report to Congress Fiscal Year 2019*, p. 16. National Taxpayer Advocate. [taxpayeradvocate.irs.gov/Media/Default/Documents/2019-JRC/JRC19\_Volume1.pdf] Accessed on Jul. 6, 2018.

<sup>128</sup>. *PATH Act Tax Related Provisions*. Mar. 13, 2018. IRS. [www.irs.gov/newsroom/path-act-tax-related-provisions]. Accessed on Jul. 10, 2018; PL 114-113; IRC §6402(m).

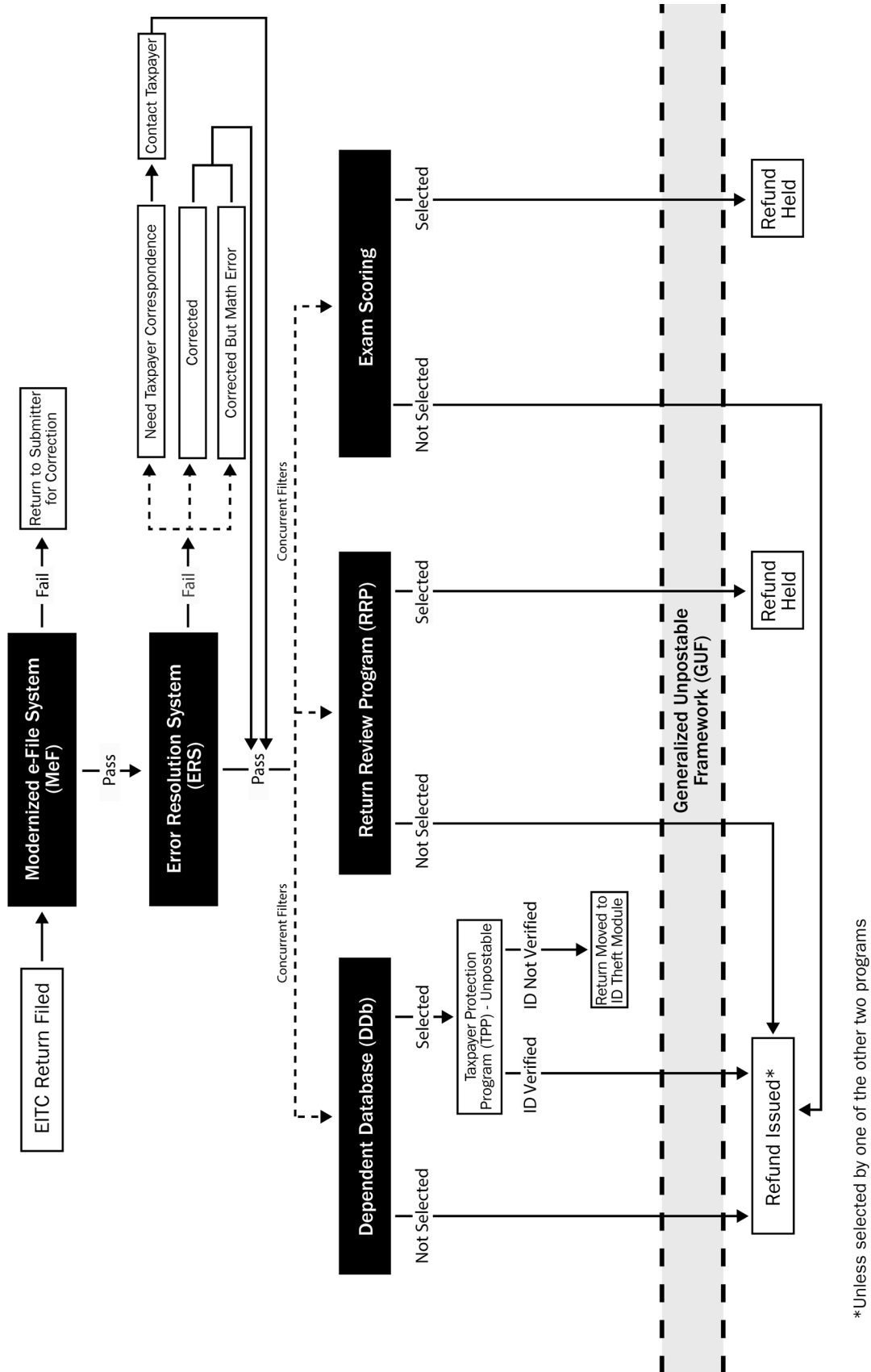
<sup>129</sup>. *Joint Hearing on Continued Oversight Over the Internal Revenue Service Before the Subcommittee on Health Care, Benefits, and Administrative Rules and Subcommittee on Government Operations Committee on Oversight and Government Reform U.S. House of Representatives*. Apr. 17, 2018. p. 27 National Taxpayer Advocate. [oversight.house.gov/wp-content/uploads/2018/04/Olson-National-Taxpayer-Advocate\_Testimony\_04172018.pdf] Accessed on Jul. 6, 2018.

<sup>130</sup>. *National Taxpayer Advocate Objectives Report to Congress Fiscal Year 2019*, p. 17. National Taxpayer Advocate. [taxpayeradvocate.irs.gov/Media/Default/Documents/2019-JRC/JRC19\_Volume1.pdf] Accessed on Jul. 10, 2018.

<sup>131</sup>. *Joint Hearing on Continued Oversight Over the Internal Revenue Service Before the Subcommittee on Health Care, Benefits, and Administrative Rules and Subcommittee on Government Operations Committee on Oversight and Government Reform U.S. House of Representatives*. Apr. 17, 2018. p. 29. National Taxpayer Advocate. [oversight.house.gov/wp-content/uploads/2018/04/Olson-National-Taxpayer-Advocate\_Testimony\_04172018.pdf]. Accessed on Jul. 6, 2018.

<sup>132</sup>. *National Taxpayer Advocate Objectives Report to Congress Fiscal Year 2018*, p. 63. National Taxpayer Advocate. [taxpayeradvocate.irs.gov/reports/fy-2018-objectives-report-to-congress/full-report] Accessed on Jul. 6, 2018.

## Processing of an Electronic Earned Income Tax Credit Refund Return



**Note.** For filing season 2016, approximately 239,000 taxpayers waited two weeks or more for the IRS to issue their refunds after their returns posted. In filing season 2017, more than 7 million taxpayers waited two weeks or more; an increase of 2,858%. The number of **frozen** EITC returns between filing season 2016 and 2017 increased by nearly 260% (from approximately 41,000 to 148,000). The EITC dollars frozen increased by about 225%, from \$147 million to \$479 million.<sup>133</sup>

In the 2018 filing season, the IRS selected approximately 369,300 returns claiming the EITC and the additional CTC as potentially fraudulent because it did not receive the third-party wage information needed for matching.<sup>134</sup> The following are reasons for the inability to verify all Form W-2 information.<sup>135</sup>

- The IRS receives electronic W-2 data from the SSA daily but because of older IRS technology, the information is loaded on a weekly basis.
- Some employers requested extensions beyond the January 31 deadline to submit payroll information or missed the deadline.
- Form W-2 information in paper form was not timely sent by the SSA.

## Documentation to Substantiate EITC

The IRS expanded the list of acceptable documentation to claim the EITC. This non-exclusive list adds documents which are particular to the circumstances of low-income taxpayers.<sup>136</sup>

### Examples of Acceptable Documentation for EITC claims (not all-inclusive)

Relationship (copies of documents/records or letters on official letterhead)

- Authorized adoption agency or authorized placement agency
- Birth certificate
- Child care provider
- Court document
- Custody order
- Government agency verification of benefits received for the year
- Marriage certificate
- Medical records
- Military records
- Parole office files
- Paternity DNA test report by an accredited DNA testing laboratory
- School records (may require two years because school years overlap)
- Separation agreement, decree of separate maintenance, divorce decree
- Social service records

<sup>133</sup>. Ibid, pp. 10–11.

<sup>134</sup>. *National Taxpayer Advocate Objectives Report to Congress Fiscal Year 2019*, p. 14. National Taxpayer Advocate. [taxpayeradvocate.irs.gov/Media/Default/Documents/2019-JRC/JRC19\_Volume1.pdf] Accessed on Jul. 6, 2018.

<sup>135</sup>. *National Taxpayer Advocate Objectives Report to Congress Fiscal Year 2018*, p. 65. National Taxpayer Advocate. [taxpayeradvocate.irs.gov/reports/fy-2018-objectives-report-to-congress/full-report] Accessed on Jul. 6, 2018.

<sup>136</sup>. IRM 4.19.14.13 (2017).

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## Examples of Acceptable Documentation for EITC claims (not all-inclusive), *continued*

Residency (copies of documents/records or letters on official letterhead)	<ul style="list-style-type: none"><li>• Bank statements</li><li>• Bills/canceled checks for mortgage payments, rent, utilities, insurance</li><li>• Driver's license</li><li>• Earning statement/check stub</li><li>• Eviction notice</li><li>• Indian tribal official</li><li>• Landlord or property manager (may include rental agreement or statement showing the fair rental value of residence)</li><li>• Medical provider</li><li>• Mortgage receipts</li><li>• Paperwork to obtain a post office box</li><li>• Parole office files</li><li>• Place of worship</li><li>• Placement agency official</li><li>• School (may require two years because school years overlap)</li><li>• Social service agency</li><li>• Statement or records from a homeless shelter</li></ul>
Citizenship (copies of documents/records or letters on official letterhead)	<ul style="list-style-type: none"><li>• Birth Certificate</li><li>• DHS, <i>Department of Homeland Security</i></li><li>• Driver's license if citizenship is a condition required by state law</li><li>• Green card</li><li>• Library card</li><li>• Parole office files</li><li>• School records</li><li>• Social security card</li></ul>
Age (age 19 or under age 24 unless permanently and totally disabled)	<ul style="list-style-type: none"><li>• School records</li></ul>
Age (permanently and totally disabled)	<ul style="list-style-type: none"><li>• Health care provider</li><li>• Medical doctor</li><li>• Social service program agency</li></ul>



## PRACTITIONER PRIORITY SERVICE<sup>®137</sup>

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The Practitioner Priority Service<sup>®</sup> (PPS) is a nationwide toll-free, account-related service for tax practitioners. The PPS is the first point of contact for assistance regarding account-related issues. The PPS is a professional support line staffed by IRS customer service representatives specially trained to handle practitioners' accounts questions. The PPS can be contacted at 866-860-4259 weekdays 7 a.m. to 7 p.m. local time (Alaska and Hawaii follow Pacific time) and 8 a.m. to 8 p.m. local time for Puerto Rico. Tax professionals must have a valid third-party authorization to use the PPS. The benefit to using the PPS is an improved overall consistency and quality of taxpayer service, accessibility into the IRS systems, and reduced wait time for service.

Various options are available for tax practitioner questions. These include questions pertaining to the following.

- General tax law, including filing a return or tax rules and regulations
- Individual accounts that are not in collection or examination status
- Business accounts that are not in collection or examination status
- Automated UnderReporter Notice (AUR) that a client received
- A client's account that is under Correspondence Examination

Issues outside the scope of a PPS employee's authority are transferred or referred to the appropriate IRS function. If the PPS assistor cannot transfer the call, the assistor provides the caller with the appropriate contact telephone number.

Tax professionals requesting transcripts for their clients may use other avenues.

- Submit paper Form 4506-T, *Request for Transcript of Tax Return*. Expected processing timeframe is 10 days from receipt. There is no charge associated with this service.
- Register with e-Services to enroll in the Income Verification Express Services (IVES) program. IVES provides expedited service for bulk requests. There is a \$2.00 fee for each transcript requested. IVES is a program that allows third- and fourth-party assistors to request transcripts and receive them electronically within two business days from receipt.
- Eligible tax professionals may use e-Services to access the transcript delivery system to request and receive account transcripts, wage and income documents, tax return transcripts, and verification of non-filing letters. Tax professionals can request the products for both individual and business taxpayers and must have a power of attorney authorization on file with the IRS before accessing a client's account.

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<sup>137</sup>. IRM 21.3.10 (2016); *Practitioner Priority Service*. Mar. 12, 2018. IRS. [[www.irs.gov/tax-professionals/practitioner-priority-service-r](http://www.irs.gov/tax-professionals/practitioner-priority-service-r)] Accessed on Jul. 6, 2018.

## COMMUNICATION WITH THE IRS

**Note.** Due to a shrinking IRS budget over many years, numerous services have been scaled back. The NTA annual report to Congress identifies this as problematic for serving taxpayers.<sup>138</sup>

Number of Locations, Employees, or Visitors	2011	2012	2013	2014	2015	2016	2017	% Change Since FY 2011
Appeals Officers (AOs)	1,129	1,058	958	881	795	739	744	-34%
Revenue Officers (ROs)	4,402	4,035	3,703	3,441	3,191	3,072	2,898	-34%
Revenue Agents (RAs)	11,849	11,160	10,413	9,688	9,009	8,789	8,138	-31%
Stakeholders Liaison Outreach Employees	137	123	119	110	105	98	105	-23%
Stakeholder Partnerships, Education and Communication Outreach Employees (SPEC)	522	475	444	405	386	365	311	-40%
Taxpayer Assistance Centers (TACs)	401	401	398	382	378	376	371	-7%
TAC Service Reps	1,639	1,515	1,484	1,520	1,423	1,267	1,140	-30%
Taxpayer Advocate Service, Case Advocates	996	945	919	862	784	726	683	-31%

The substantial decrease in IRS employees over the last several years makes it increasingly difficult for taxpayers and tax professionals to communicate with the IRS.<sup>139</sup>

### PHONE CALLS

**Note.** Information in this section is based on the 2019 NTA's report to Congress. It identifies the consequences of reduced IRS personnel due to budget reductions.

For taxpayers and tax professional who call an IRS toll-free telephone line, the IRS reports an 80% level of service during the 2018 filing season. This is widely understood to mean that the IRS telephone assistants answered 80% of taxpayer calls. However, the assistants **answered only 29% of the calls** that the IRS received. The 80% figure actually represents calls that were **both** answered and completed.

Similarly, the IRS reports a 90% customer satisfaction level on its toll-free lines during fiscal year 2017. Yet the IRS only surveys a subset of taxpayers whose calls were answered by telephone assistants and completed.<sup>140</sup> Callers who managed to get through on the compliance lines waited on hold for an average of 24 minutes.<sup>141</sup>

<sup>138</sup>. *National Taxpayer Advocate Objectives Report to Congress for FY 2019*, pp. 1–3. National Taxpayer Advocate. [taxpayeradvocate.irs.gov/Media/Default/Documents/2019-JRC/JRC19\_Volume1.pdf]. Accessed on Jul. 10, 2018.

<sup>139</sup>. *Ibid*, p. 2.

<sup>140</sup>. *Ibid*, p. 4.

<sup>141</sup>. *Ibid*, p. 10.

During the 2018 filing season,<sup>142</sup> the IRS received a total of 42.5 million calls and approximately 35.7 million were routed to the Accounts Management (AM) lines. Of the 35.7 million calls routed to the AM lines, over 13 million were routed to telephone assistors and approximately 10.4 million were answered by telephone assistors. The remaining 22.6 million AM calls were routed to automation or the caller hung up.<sup>143</sup> Of the AM calls answered, 55% were deemed “answered” by automated messages. Generally, the IRS call tree does not have an option to speak to a live assistor. Almost 40% of taxpayers calling the IRS felt that one call did not fully resolve their problem.<sup>144</sup>

There has been a decrease in calls to the IRS which may be partially due to the IRS making it more difficult for taxpayers to find the appropriate number to call for assistance. For example, **prior to fiscal year 2016**, the IRS sent out an average of 1.8 million Letter 16 notices annually, which request that a taxpayer call the IRS about unpaid taxes. In fiscal year 2016, the IRS reduced the number of notices sent to approximately 866,000. The intention was to reduce the number of calls to the backlogged Automated Collection System lines. The redesigned IRS notices were “engineered specifically to reduce inbound telephone calls.” Instead of explicitly instructing taxpayers to call the IRS, the redesigned letters “encouraged taxpayers to use self-service channels and reduced the visual prominence of the telephone contact number on the printed notice.” Ironically, the redesigned notices resulted in more telephone calls to incorrect numbers not printed on the notice.<sup>145</sup>

The NTA recommended that the IRS create a callback feature that would allow taxpayers the choice to have the next available customer service representative call them back instead of waiting on hold.

### **TAC<sup>146</sup>**

Fiscal year 2017 was the first full year the IRS required taxpayers to schedule appointments in advance of visiting any TAC to receive face-to-face service. Taxpayer visits to TACs decreased by 27% from the previous year. The general rule requiring advance appointment remains; however, the IRS grants TAC managers the discretion to make exceptions to the rule. Taxpayers receiving same-day appointments declined by 49% during the first half of fiscal year 2018 compared with the same period in fiscal year 2017.

Of the 371 TACs, 24 are not staffed and 87 have only one employee.

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<sup>142</sup> Ibid, p. 12.

<sup>143</sup> Ibid, p. 4.

<sup>144</sup> Ibid, p. 21.

<sup>145</sup> Ibid, pp. 133–135.

<sup>146</sup> Ibid, p. 12.

## CURRENT STATUS OF THE IRS<sup>147</sup>

### IMPLEMENTATION OF TAX REFORM LEGISLATION

To implement the changes from the Tax Cuts and Jobs Act (TCJA), the NTA estimates the IRS will need additional funding of \$495 million in fiscal years 2018 and 2019. The Treasury Inspector General for Tax Administration (TIGTA) estimates the amount at \$397 million, which includes hiring 1,734 full-time positions to implement the new law over the next two calendar years. The IRS estimates it must revise or create 450 forms, publications and instructions. It must modify 140 information technology systems for return processing and compliance activities. It also anticipates 4 million additional phone calls and taxpayer correspondence.<sup>148</sup> According to the NTA, the IRS must address the following challenges.<sup>149</sup>

- Programming and systems updates
- Answering taxpayer phone calls
- Drafting and publishing new forms and publications
- Revising regulations and issuing other guidance
- Training employees on the new law and guidance
- Developing the systems' capacity to verify compliance with new eligibility and documentation requirements

Listed below are TIGTA's resource estimates for implementing the TCJA.<sup>150</sup>

Funding Category	Full-Time Equivalents	Funding (in Millions)
Information technology systems	542	\$291
Taxpayer assistance, education, and outreach	1,000	75
Published guidance, notices, frequently asked questions	77	15
Tax and information returns processing	100	8
Program management	0	5
Tax forms, instructions, and publications	15	3
Total	1,734	\$397

**Note.** HR 6147<sup>151</sup> was passed by both the House and the Senate during summer of 2018 to approve IRS spending. At the time of publication, the separate bills needed to be reconciled and signed by President Trump. The bill authorizes \$2.49 billion for taxpayer services, \$4.86 billion for enforcement, \$3.99 billion for operations support, and \$200 million for business systems modernization. In addition to those amounts, an additional \$77 million is available until September 30, 2020, to implement TCJA.

<sup>147</sup>. *National Taxpayer Advocate Delivers Annual Report to Congress; Discusses Tax Reform Implementation and Unveils "Purple Book."* Jan. 10, 2018. IRS. [www.irs.gov/newsroom/national-taxpayer-advocate-delivers-annual-report-to-congress-discusses-tax-reform-implementation-and-unveils-purple-book] Accessed on Jul. 6, 2018.

<sup>148</sup>. *Tax Cuts and Jobs Act: Assessment of Implementation Planning Efforts.* Apr. 11, 2018. TIGTA. [www.treasury.gov/tigta/auditreports/2018reports/201844027fr.pdf] Accessed on Jul. 9, 2018.

<sup>149</sup>. *National Taxpayer Advocate Delivers Annual Report to Congress; Discusses Tax Reform Implementation and Unveils "Purple Book."* Jan. 10, 2018. IRS. [www.irs.gov/newsroom/national-taxpayer-advocate-delivers-annual-report-to-congress-discusses-tax-reform-implementation-and-unveils-purple-book] Accessed on Jul. 6, 2018.

<sup>150</sup>. *Tax Cuts and Jobs Act: Assessment of Implementation Planning Efforts.* Apr. 11, 2018. TIGTA. [www.treasury.gov/tigta/auditreports/2018reports/201844027fr.pdf] Accessed on Jul. 9, 2018.

<sup>151</sup>. *H.R. 6147 — Interior, Environment, Financial Services and General Government, Agriculture, Rural Development, Food and Drug Administration, and Transportation, Housing and Urban Development Appropriations Act, 2019.* Congress.gov. [www.congress.gov/bill/115th-congress/house-bill/6147/text] Accessed on Aug. 6, 2018.

The IRS believes approximately 40,000 hours of employee training is necessary in order to help IRS personnel answer questions about the TCJA.<sup>152</sup> The IRS plans to conduct hundreds of educational outreach events and sessions across the country to ensure that taxpayers and tax professionals understand the changes in the TCJA. The primary focus of the IRS Nationwide Tax Forums is the new tax legislation.<sup>153</sup>

As of May 29, 2018, the IRS's Tax Reform Implementation Office and Tax Reform Implementation Council developed a Tax Reform Enterprise Integrated Project Plan containing over 9,000 tasks. The IRS and the Treasury added 20 TCJA items of guidance that they have recently issued or planned to issue by June 30, 2018, to the 2017–2018 Priority Guidance Plan.<sup>154</sup> The Priority Guidance Plan is issued each year in quarterly installments to identify and prioritize the tax issues that should be addressed through regulations, revenue rulings, revenue procedures, notices, and other published administrative guidance.<sup>155</sup> The IRS and Treasury hope to release a total of 25–30 items by August 15, 2018.<sup>156</sup>

## PRIVATE DEBT COLLECTION PROGRAM<sup>157</sup>

In April 2017, the IRS began assigning taxpayer accounts to private collection agencies (PCA) under provisions established in the FAST Act. The program authorizes designated contractors to collect unpaid tax debts on the government's behalf. These debts are long uncollected by the IRS, and the IRS notifies taxpayers when their debt is transferred to a private debt collection agency. When a debt is transferred for private collection, taxpayers are provided a copy of IRS Pub. 4518, *What You Can Expect When the IRS Assigns Your Account to a Private Collection Agency*.<sup>158</sup>

**Note.** For more information on private debt collection, see the 2017 *University of Illinois Federal Tax Workbook*, Volume A, Chapter 4: IRS Update.

According to the NTA's **2017 report to Congress**, during the fiscal year 2017, the program cost \$20 million to run and collected \$6.7 million in tax payments.<sup>159</sup> The NTA says “the IRS has implemented the program in a manner that causes excessive financial harm to taxpayers and constitutes an end-run around taxpayer rights protections that Congress has enacted in connection with collection activities. Specifically, Congress requires the IRS to develop and publish schedules of national or local allowances that ensure taxpayers have an adequate means to provide for basic living expenses.”<sup>160</sup>

<sup>152</sup> Rubin, Richard. Jun. 1, 2018. IRS to Spend Nearly \$300 Million on IT in Tax Overhaul. *The Wall Street Journal*.

<sup>153</sup> *Tax Cuts and Jobs Act: Assessment of Implementation Planning Efforts*. Apr. 11, 2018. TIGTA. [www.treasury.gov/tigta/auditreports/2018reports/201844027r.pdf] Accessed on Jul. 9, 2018.

<sup>154</sup> *National Taxpayer Advocate Objectives Report to Congress Fiscal Year 2019*, p. 36. National Taxpayer Advocate. [taxpayeradvocate.irs.gov/Media/Default/Documents/2019-JRC/JRC19\_Volume1.pdf] Accessed on Jul. 6, 2018.

<sup>155</sup> *Priority Guidance Plan*. Jun. 2, 2018. IRS. [www.irs.gov/privacy-disclosure/priority-guidance-plan] Accessed on Jul. 6, 2018.

<sup>156</sup> *National Taxpayer Advocate Objectives Report to Congress Fiscal Year 2019*, p. 37. National Taxpayer Advocate. [taxpayeradvocate.irs.gov/Media/Default/Documents/2019-JRC/JRC19\_Volume1.pdf] Accessed on Jun. 28, 2018.

<sup>157</sup> PL 114-94; *Private Collection of Some Overdue Federal Taxes Starts in April; Those Affected Will Hear First from IRS; IRS Will Still Handle Most Tax Debts*. Apr. 18, 2018. [www.irs.gov/newsroom/private-collection-of-some-overdue-federal-taxes-starts-in-april-those-affected-will-hear-first-from-irs-irs-will-still-handle-most-tax-debts]. Accessed on Jul. 10, 2018.

<sup>158</sup> IRS News Rel. IR-2017-74 (Apr. 4, 2017).

<sup>159</sup> *National Taxpayer Advocate Annual Report to Congress 2017*, pp. 10–11. National Taxpayer Advocate. [taxpayeradvocate.irs.gov/reports/2017-annual-report-to-congress/MSP-PDC]. Accessed on Jul. 10, 2018.

<sup>160</sup> *National Taxpayer Advocate Delivers Annual Report to Congress; Discusses Tax Reform Implementation and Unveils “Purple Book.”* Jan. 10, 2018. [www.irs.gov/newsroom/national-taxpayer-advocate-delivers-annual-report-to-congress-discusses-tax-reform-implementation-and-unveils-purple-book]. Accessed on Jul. 10, 2018.

Allowable living expenses (ALE) are a key component of determining a taxpayer's ability to pay a tax debt. The IRS classifies taxpayers with income below the appropriate ALE amount as "currently not collectible – hardship" and generally does not levy or take enforced collection action. However, the IRS sends taxpayers with income below the ALE amount to PCAs, and the PCAs are collecting from those taxpayers. In an analysis of IAs, of the taxpayers who entered into these agreements while their debts were assigned to PCAs (and where PCAs earned a commission), more than 45% of the taxpayers had income below their ALE amount.

According to the FY 2019 NTA's report to Congress, as of June 2018, the IRS assigned the debts of 30,444 taxpayers to PCAs. The IRS plans to assign between 700,000 to 800,000 debts to PCAs in calendar year 2018. As of the second quarter of fiscal year 2018 (through March 29, 2018), The IRS reported that of taxpayers who made payments while their debts were assigned to PCAs, 46% had income below 250% of the federal poverty line and 43% of taxpayers who entered into an IA had income below their ALEs.<sup>161</sup>

**Note.** On April 18, 2018, the U.S. House of Representatives passed the Taxpayer First Act. The Act excludes taxpayers with income less than 250% of the federal poverty level from a referral to a PCA.<sup>162</sup> The Senate received the bill and referred it to the Finance Committee.<sup>163</sup>

## ONLINE TAXPAYER ACCOUNTS<sup>164</sup>

As part of the IRS's ongoing Future State Initiative, the IRS is attempting to transition taxpayers toward digital communication. The NTA report expresses concern that the migration strategy does not consider taxpayer needs and preference for telephone and other methods of receiving service for several reasons.

1. Some taxpayers do not have the ability to effectively interact digitally with the IRS. Approximately 41 million taxpayers do not have broadband service and almost 14 million have no Internet access in their homes.
2. Many taxpayers with the ability to interact digitally with the IRS do not want to do so. About half of the respondents to a TAS survey indicated they do not feel comfortable sharing personal financial information over the Internet.
3. Even among taxpayers with the ability and interest to interact digitally with the IRS, many cannot do so because of the stringent authentication requirements the IRS imposes. Only about 30% of taxpayers seeking to create an online account have been able to successfully do so. Through May 2018, approximately 6.7 million attempts to establish online accounts were made.
4. An extremely low number of taxpayers elected to participate in two small pilot programs in which IRS divisions offered taxpayers the opportunity to interact through secure electronic communication.

The NTA report recommends that the IRS undertake a comprehensive study of taxpayer needs and preferences and develop a multi-faceted omni-channel service strategy based on the survey results.

**Note.** For more information on the IRS Future State Initiative, see the 2016 *University of Illinois Federal Tax Workbook*, Volume A, Chapter 5: IRS Update.

<sup>161</sup>. *National Taxpayer Advocate Objectives Report to Congress Fiscal Year 2019*, p. 59. National Taxpayer Advocate. [taxpayeradvocate.irs.gov/Media/Default/Documents/2019-JRC/JRC19\_Volume1.pdf] Accessed on Jul. 6, 2018.

<sup>162</sup>. Ibid.

<sup>163</sup>. H.R.5444, Taxpayer First Act (Apr. 18, 2018).

<sup>164</sup>. *National Taxpayer Advocate Delivers Annual Report to Congress; Discusses Tax Reform Implementation and Unveils "Purple Book."* Jan. 10, 2018. IRS. [www.irs.gov/newsroom/national-taxpayer-advocate-delivers-annual-report-to-congress-discusses-tax-reform-implementation-and-unveils-purple-book] Accessed on Jul. 9, 2018.



## IRS DATA BOOK STATISTICS

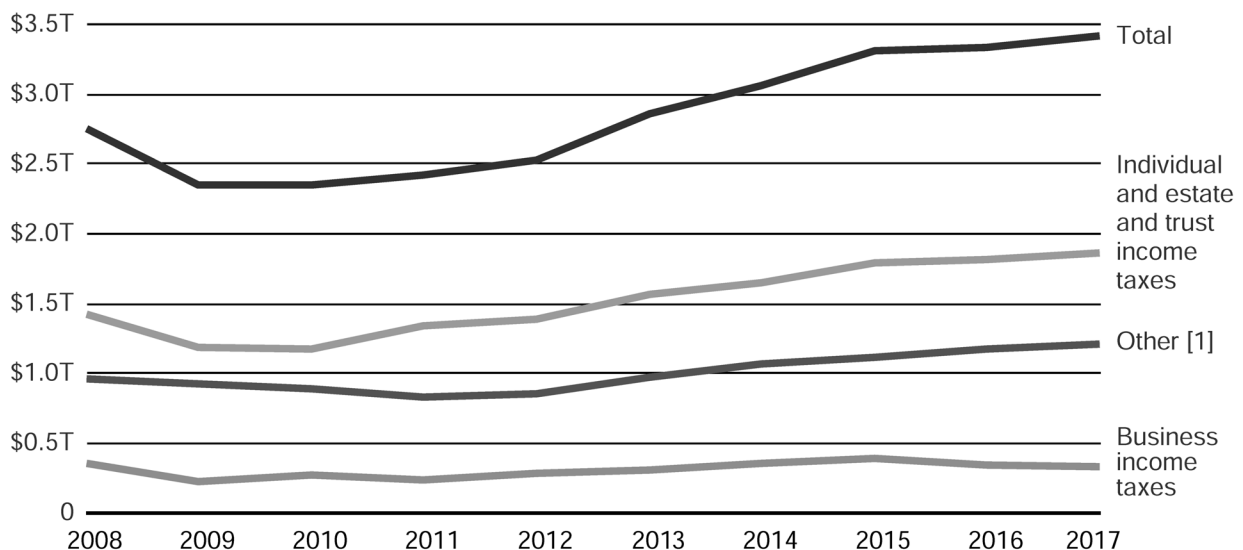
Each year in the spring, the IRS issues its data book containing statistical tables and organizational information for the most recent fiscal year (FY) (October 1 to September 30). The 2017 IRS data book is available at [uofi.tax/18a3x9](https://www.irs.gov/pub/irs-soi/17databk.pdf) [www.irs.gov/pub/irs-soi/17databk.pdf] and the 2016 IRS data book is available at [uofi.tax/18a3x10](https://www.irs.gov/pub/irs-soi/16databk.pdf) [www.irs.gov/pub/irs-soi/16databk.pdf].

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### REVENUE COLLECTION AND RETURNS PROCESSING

During FY 2017, the IRS collected more than \$3.4 trillion (Figure 1, Figure 2), processed more than 245 million tax returns and other forms, and issued more than 121 million individual income tax refunds totaling almost \$437 billion (Figure 3, Table 1).<sup>165</sup> In FY 2017, the cost of collecting \$100 was \$0.34, the lowest cost in more than 70 years.

**Figure 1. Gross Collections by Type of Tax, Fiscal Years 2008-2017**



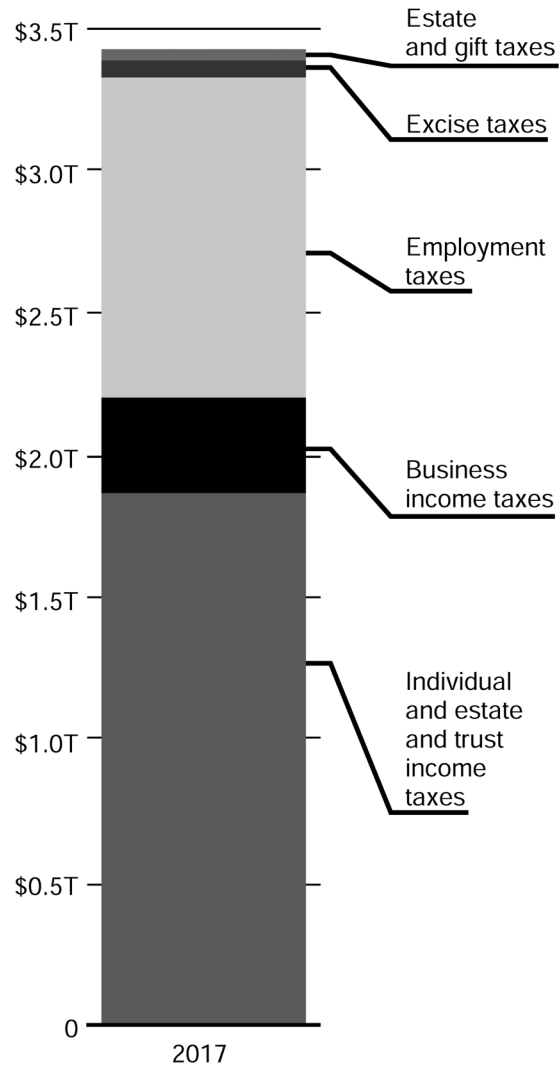
[1] Includes employment, estate and gift, and excise tax forms.

SOURCE: IRS Data Book Table 1

<sup>165</sup> IRS releases Data Book for 2017 showing range of tax data, including audits, collection actions and taxpayer service. Mar. 29, 2018. [www.irs.gov/newsroom/irs-releases-data-book-for-2017-showing-range-of-tax-data-including-audits-collection-actions-and-taxpayer-service]. Accessed on Jul. 6, 2018.

# 2018 Workbook

**Figure 2. Gross Collections by Type of Tax, Fiscal Year 2017**



SOURCE: 2017 *IRS Data Book* Table 1

# 2018 Workbook

**Table 1. Collections and Refunds, by Type of Tax, Fiscal Years 2016 and 2017**

[Money amounts are in thousands of dollars]

Type of tax	Gross collections [1]			Refunds [2]	Net collections	
	2016	2017	Percentage of 2017 total	2017	2017	Percentage of 2017 total
	(1)	(2)	(3)	(4)	(5)	(6)
<b>United States, total</b>	<b>3,333,449,083</b>	<b>3,416,714,139</b>	<b>100.0</b>	<b>436,971,873</b>	<b>2,979,742,266</b>	<b>100.0</b>
<b>Business income taxes</b>	<b>345,552,427</b>	<b>338,529,154</b>	<b>9.9</b>	<b>44,894,839</b>	<b>293,634,315</b>	<b>9.9</b>
Corporation income tax	344,670,501	337,562,706	9.9	n.a.	n.a.	n.a.
Tax-exempt organization unrelated business income tax	881,926	966,448	[3]	n.a.	n.a.	n.a.
<b>Individual and estate and trust income taxes [4]</b>	<b>1,815,819,135</b>	<b>1,867,427,797</b>	<b>54.7</b>	<b>385,959,123</b>	<b>1,481,468,674</b>	<b>49.7</b>
Individual income tax withheld	1,267,429,873	1,331,412,678	39.0	n.a.	n.a.	n.a.
Individual income tax payments [5]	518,693,865	506,990,811	14.8	n.a.	n.a.	n.a.
Estate and trust income tax [6]	29,695,397	29,024,308	0.8	3,093,823	25,930,485	0.9
<b>Employment taxes</b>	<b>1,073,907,715</b>	<b>1,123,473,137</b>	<b>32.9</b>	<b>3,423,559</b>	<b>1,120,049,578</b>	<b>37.6</b>
Old-Age, Survivors, Disability, and Hospital Insurance (OASDHI), total [4]	1,059,526,038	1,109,231,696	32.5	3,262,049	1,105,969,647	37.1
Federal Insurance Contributions Act (FICA)	1,000,491,731	1,047,371,143	30.7	n.a.	n.a.	n.a.
Self-Employment Insurance Contributions Act (SECA)	59,034,307	61,860,553	1.8	n.a.	n.a.	n.a.
Unemployment insurance	8,440,229	8,284,270	0.2	159,384	8,124,886	0.3
Railroad retirement	5,941,448	5,957,171	0.2	2,126	5,955,045	0.2
<b>Estate and gift taxes</b>	<b>22,337,137</b>	<b>23,780,443</b>	<b>0.7</b>	<b>1,047,455</b>	<b>22,732,988</b>	<b>0.8</b>
Estate	19,879,671	21,831,660	0.6	999,569	20,832,091	0.7
Gift	2,457,466	1,948,783	0.1	47,886	1,900,897	0.1
<b>Excise taxes [7]</b>	<b>75,832,669</b>	<b>63,503,608</b>	<b>1.9</b>	<b>1,646,897</b>	<b>61,856,711</b>	<b>2.1</b>

n.a.—Not available.

[1] Gross collections include penalties and interest in addition to taxes.

[2] Includes overpayment refunds, refunds resulting from examination activity, refundable tax credits, and other refunds required by law. Also includes \$1.1 billion in interest, of which \$0.4 billion was paid to corporations and \$0.7 billion was paid to all others (related to individual, employment, estate, gift, and excise tax returns). Excludes refunds credited to taxpayer accounts for tax liability in a subsequent year.

[3] Less than 0.05 percent.

[4] Collections of withheld individual income tax are not reported by taxpayers separately from Old-Age, Survivors, Disability, and Hospital Insurance (OASDHI) taxes on salaries and wages (under the Federal Insurance Contributions Act or FICA) and on self-employment income (under the Self-Employment Insurance Contributions Act or SECA). The OASDHI tax collections and refunds shown in this table are based on estimates made by the Secretary of the Treasury pursuant to the provisions of Section 201(a) of the Social Security Act as amended and include all OASDHI taxes. Amounts shown for individual income tax withheld and individual income tax payments were derived by subtracting the FICA and SECA tax estimates from total individual income tax withheld and individual income tax payments. Refund estimates, and, therefore, net collection estimates, were not made for the components of income and OASDHI taxes.

[5] Includes collections of estimated income tax and payments made in conjunction with individual income tax return filings.

[6] Includes collections of estimated estate and trust taxes and payments made in conjunction with estate and trust tax return filings.

[7] Excludes excise taxes collected by U.S. Customs and Border Protection and the Alcohol and Tobacco Tax and Trade Bureau. The Internal Revenue Service collected taxes on alcohol and tobacco until Fiscal Year 1988, and taxes on firearms until Fiscal Year 1991. Beginning with Fiscal Year 2015, some refunds, which had been classified as excise tax refunds in prior years, were reclassified as corporate tax refunds.

## NOTES:

Detail may not add to totals because of rounding.

Collection and refund data may not be comparable for a given fiscal year because payments made in prior years may be refunded in the current fiscal year.

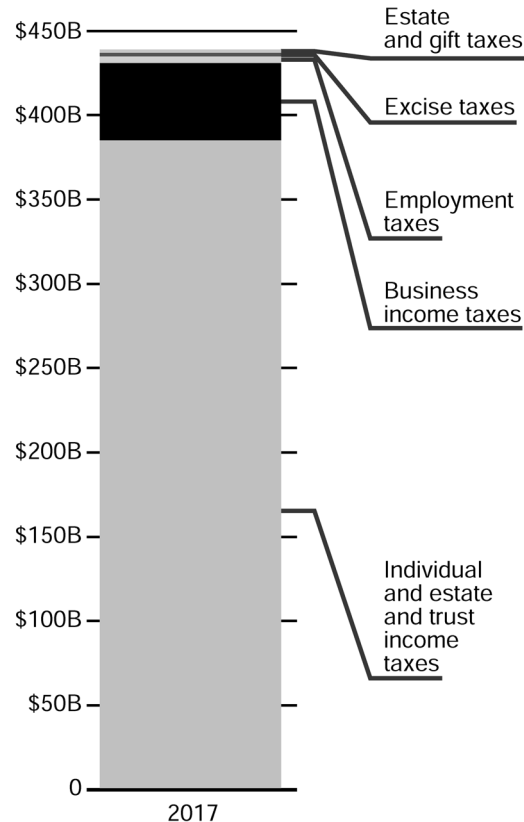
Partnership, S corporation, regulated investment company, and real estate investment trust data are not shown in this table since these entities generally do not have a tax liability. Instead, they pass any profits or losses to the underlying owners, who include these profits or losses on their income tax returns.

SOURCE: Chief Financial Officer, Financial Management.

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# 2018 Workbook

**Figure 3. Refunds by Type of Tax, Fiscal Year 2017**



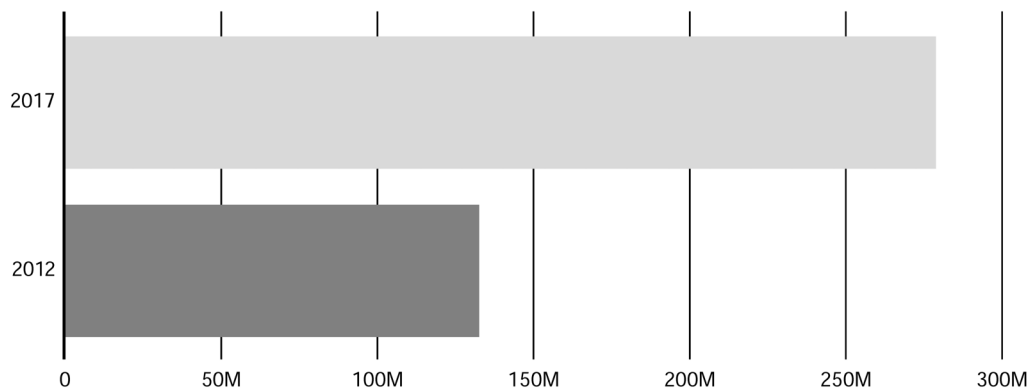
SOURCE: 2017 *IRS Data Book* Table 1

In FY 2017, more than 15.5 million tax refunds included a refundable CTC and more than 23.3 million included a refundable EITC.

## TAXPAYER SERVICE AND ENFORCEMENT ACTIONS

The IRS provided taxpayer assistance through almost a half billion visits to IRS.gov and helped more than 63 million taxpayers through correspondence, toll-free telephone helplines, and walk-in sites. Taxpayers made more than 278 million inquiries to the “Where’s My Refund?” application.

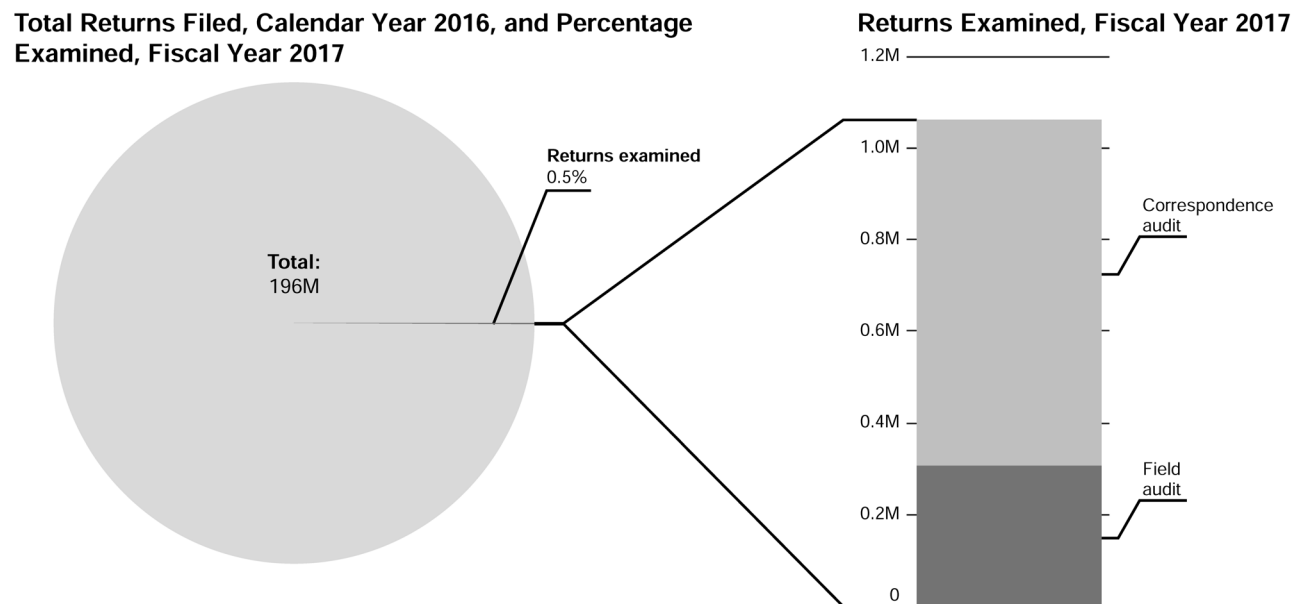
**Figure 4. “Where’s My Refund” Inquiries, Fiscal Years 2012 and 2017.**



SOURCE: *IRS Data Book* Table 19

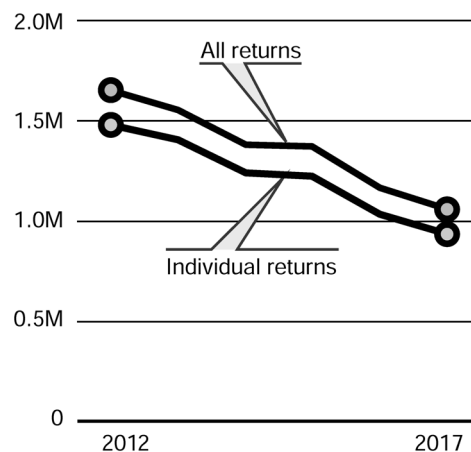
There were fewer audits and collection actions during FY 2017 than the prior year. The IRS audited almost 934,000 individual income tax returns during FY 2017 (Figure 6), the lowest number of audits since 2003. The chance of being audited fell to 0.6% (Figure 5), the lowest coverage rate since 2002.

**Figure 5. Total Returns Filed, Calendar Year 2016, and Percentage Examined, Fiscal Year 2017**



SOURCE: 2017 IRS Data Book Table 9a

**Figure 6. Number of Returns Examined, Fiscal Years 2012-2017**



SOURCE: IRS Data Book Table 9a

In FY 2017, IRS levies were down 32% compared to FY 2016. The agency filed approximately 5% fewer liens than the prior year.

Almost 173 million returns and other forms were filed electronically, which represented almost 70.5% of all filings. This was an increase of 1.4% over the share of electronic filing in FY 2016.

The IRS completed 524 criminal investigations on tax-related identity theft (Figure 7).

**Figure 7. Criminal Investigations, by Status or Disposition, Fiscal Year 2017**



SOURCE: 2017 IRS Data Book Table 18

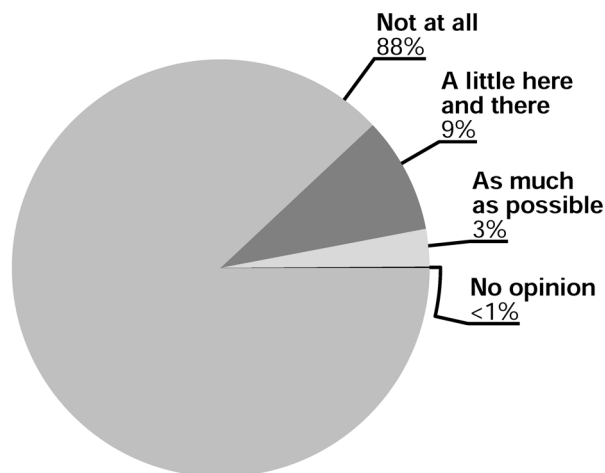
## TAXPAYER ATTITUDES AND SERVICE CHANNEL PREFERENCES

New in the 2017 data book is a section on taxpayer attitudes from a long-running opinion survey. The comprehensive taxpayer attitude survey (CTAS) began in 1999 and provides important information about taxpayers' attitudes and service channel preferences. In 2017, more than 2,000 taxpayers provided feedback to the IRS to help improve taxpayer service.

Most taxpayers surveyed (79% of respondents) replied that they were satisfied with their personal interactions with the IRS. Nearly all taxpayers (95% of respondents) said it is their civic duty to pay their fair share of taxes. In 2017, most taxpayers continue to view cheating on their income taxes as not at all acceptable.

**Figure 8. What Is an Acceptable Amount to Cheat on Income Taxes?**

### 2017 All Responses



NOTES: All Responses include both phone and online survey responses. Blended phone and online responses are not available prior to 2017. No opinion includes: Don't know/Not applicable/No response. Pie charts do not total 100% due to rounding.