

IRS/Practitioner Liaison – Pennsylvania
May 21, 2009

In attendance:

Richard Furlong, Acting Area Manager, Stakeholder Liaison (SL), Philadelphia
Andrea Escher, SL, Pittsburgh
Sue Hough, Examination
Dennis Brown, Examination
Bob Misinkavitch, Collection
Tom Rath, Associate Counsel
Nancy Romano, Area Counsel
Lois Lombardo, Local Taxpayer Advocate, Philadelphia
Ed Jenkins, PA Institute of Certified Public Accountants
Sean Brennan, PA National Association of Tax Professionals
Jean Rigney, American Society of Women Accountants
Marv Huttman, PA Society of Public Accountants
Ron Wiener, PA Bar Association
Bill Matesevac, PA Society of Enrolled Agents

Richard opened the meeting and provided the background of PA Liaison for the newer members and first time attendees. PA Liaison is an IRS initiative, allowing the opportunity for selected liaisons from each of the major practitioner organizations to meet with IRS representatives and discuss IRS policy, procedure & navigation issues. Issues & resolutions are captured and shared with the liaisons' memberships.

Current and recently closed issues:

Issue #1 (Ron): Issue 05-0000006 regards IRS returning the entire tax return if a W-2 or return schedule is missing. When would a return be considered legally valid, initiating the statute period? **Update:** There have been many updates over the past 4 years. Counsel provided Wage with their response Sept'08 recommending a change of process. The latest: Submission Processing is developing procedures and tentatively will begin to correspond with taxpayers for missing information and supporting statements in July '09. Ed initially stated that guidelines for processible returns are in the statute, but subsequently corrected his statement. The guidelines are actually in the regs, TR 1.6011-1 and Ed feels that the Service should follow suit accordingly. **Status: Open**

Issue #2 (George/Bill): Forms 4549, Tax Adjustment Reports, are being issued to clients who have not been audited nor received a 30 day notice. Tina researched IMRS and found open Issue # 07-0000621. There is much discussion around correspondence audits in general, including the 30 day turnaround time on notices, association of responses with case files, system indicators, timing of follow up notices, premature audit closures, appropriate contact information for caseworkers, etc. Practitioner concerns have been heard

and the issue is being worked by an IMRS team. **Update:** IMRS worked extensively with Campus Compliance on this. They conducted campus by campus reviews of their processes, spoke at our National Phone Forums on correspondence Examination, initiated research studies, etc. A related IMRS issue #09-0001023 stemmed from Mid-Atlantic Area in that when practitioners requested an extension of time to provide information in response to a correspondence exam, they were told there were no procedures. There are now procedures in the IRM for the granting of extensions of time to provide information. **Status: Closed**

Issue #3 (Melaney Partner, SL HQ): Practitioners would like campus responsibilities posted on irs.gov. IMRS 08-0000733 was initiated by HQ to determine the best way to share information regarding campus responsibilities. **Update:** By working with a PA practitioner, campus activities have been centralized and posted to the Tax Pro page on irs.gov: <http://www.irs.gov/taxpros/article/0,,id=118004,00.html> . The campus video is now available on irs.gov – feedback indicates it is too basic for issue resolution but provides a nice overview of campus activities. You can find the video from the link posted above. **Status: Closed (agreed by Melaney)**

Issue #4 (Ed): PICPA reports that IRS is taking too long to process payments to taxpayer accounts, generally 4-6 weeks. This was entered onto IMRS, issue 08-0000928. The bulk of the examples were the result of e-filed returns with paper checks mailed to IRS. **Update:** A complete response appeared on the February '09 issue of IMRS Hot Topics. This response was shared with PLM and all members are satisfied with actions. **Status: Closed**

Issue #5 (Marv): PSPA reports that it is taking over 3 months to process Form 9465 (request for installment agreement sent in with tax returns). This is IRS' processing timetable: Beginning April 15th, our priority goes to refund returns. Balance due returns filed electronically start getting processed the end of May and those paper returns start the end of July. Taxpayers should continue to make payments as if their agreement was approved when filed. **Update:** Marv provided two examples of late processing and an IMRS issue was opened: 08-0000972. The business unit replied back indicating that the two cases were oddities rather than systemic. Updates were provided to the practitioner who agreed to close for now. **New:** TAS recommends that practitioners staple Form 9465 to front of return. **Status: Closed**

Issue #6 (Jean): Realizing that 8109 deposit coupons are being phased out, there is still an issue regarding the use of these coupons for Form 990. There is no "year" listed on the coupon and users are advised to select "4th quarter" for annual returns. Since the 990 isn't due until May, the payment appears late and applied to the wrong year. Each year adjustments are necessary. **Update:** Tina emailed Forms & Pubs on Sept 9th & Oct 2nd but no response – elevated to IMRS on 12/22/08, issue #09-0001025. Upon further research, it appears that the coupons were not prepared correctly. A complete response was provided to the

practitioner on 3/12 – she agreed to close. **Update:** Jean has not had the opportunity to check the 8109 coupons and the issue will remain open until her research is completed. **Status: Open**

Issue #7 (?): 501c3 applications are taking a year to process. **Update:** See EO Determinations on irs.gov page titled "Where is My Exemption Application?" - It explains the reasons for delays (<http://www.irs.gov/charities/article/0,,id=156733,00.html>). If your request for exemption goes beyond these parameters, you may contact the Taxpayer Advocate's Office, or Stakeholder Liaison, and we will follow up with the local business unit. **Status: Closed**

Issue #8 (Paul/Marv): Letter is too harsh when informing taxpayers that their POA has partially withdrawn their authority (e.g. when dropping a tax period to clean up their CAF77). **Update:** A request was sent to Forms & Pubs on 11/18/08 with no response. SL elevated thru IMRS to reach letter originator/publisher to consider suggestion, issue 09-0001024, on 12/22/08. It has been forwarded to Submission Processing by the IMRS team. We received an interim reply indicating that the letter clearly identifies which tax types and periods are involved, however, SL does not feel it addresses this issue completely. It was returned to the business unit on 5/27/09. **Status: Open**

Issue #9 (?): CP2100 is confusing in how to respond. **Update:** This is the backup withholding letter, previously addressed in 2007. At that time we were advised that both the CP2100 & CP2100A were thoroughly redesigned by a task force in April 2006. The task force was composed of campus employees, payer organizations and MITS programmers. Input was sought from several payer orgs and overwhelmingly, they thought the notice did not provide enough specifics. Therefore, the goal focused on clarifying the notice, as opposed to simplifying since simplification for some payers translated into "not enough info". **Latest:** Marv feels that this issue should be reopened since practitioners still do not know procedure/process for having backup withholding STOPPED or RELEASED. **Status: Closed, but will create new issue on releasing backup withholding.**

Issue #10 (?): Estate & Gift audits are taking too long. **Update:** "Per IRM 4.25.1.1.4, processing time for the examination of Estate & Gift Tax returns is within 18 months of filing. All returns are reviewed at a central location and those selected for examination are sent to PA or NY estate tax attorneys (ETAs). Returns generally arrive at the local office six months after the date of filing. Staffing issues have affected the timeliness of examinations. In Pittsburgh, two attorneys and secretarial vacancies have not been backfilled; and in Philadelphia, four attorneys have left the Service backfilled by 2 recent selections.

To help improve processing, it is imperative that representatives refrain from dilatory actions which result in summons activity, further delaying the examination. Taxpayers or their representatives should inform an IRS

manager if they believe that a mutual commitment date could not be accomplished due to delayed activity by the ETA". **Status: Closed**

Issue #11 (Patty/Sean): First time homebuyers' credit – suggest a research tool similar to what is being used for ESP that taxpayers can check on irs.gov to find out what they were credited and how much was paid back. **Update:** SL opened an IMRS issue 09-0001052 to elevate suggestion to business owner. They did not adapt the suggestion, but recommend e-filing Form 5405 and to save tax records for future years. Response shared with practitioner/org 3/5/09. **Status: Closed**

Issue #12 (Jean): interim issue dtd 12/2/08 - CP259 - Foreign corps which file the check the box 8832 election to be treated as disregarded entities for US income tax purposes are getting CP259 or CP575 requesting that prior year returns be filed. This is a new and repeated problem according to practitioner and PPS. **Update:** This was elevated thru IMRS, issue# 09-0001018. The campus analyst researched and resolved specific cases - does not appear to be systemic. **Status: Closed**

Issue #13 (George): interim issue dtd 1/14/09 - POA withdrawals rejected for missing date. George says that the regs do not require a date, so why does CAF? **Update:** Issue was placed in IMRS 09-0001044. Their response is: The date requirement is IRS policy. The date requirement policy ensures that a representative is not accidentally or erroneously removed from the CAF data base. The date requirement is the Service's way to determine whether the request for a revocation or withdrawal is justified. For example, if a revocation or withdrawal request is received at the same time as another power of attorney request for the same representative and taxpayer, we may not be able to determine which one should override the other without a date on the document. Without the date, we have no way to determine the taxpayer's or representative's intent. If the date is not present, we would need to return the document(s) for clarification which would result in delay and increase customer burden. This response was shared with George 2/24/09. **Status: Closed**

New Issues:

- Marvin – How do we get backup withholding stopped or released? Richard recommends inputting request into IMRS for outreach material on IRM5.19.3: Mid-Atlantic SL staff will request outreach materials be developed.
- Marvin – Section 6694 referrals to OPR: are they or are they not mandatory? IRS is modifying the IRM to make a distinction between Sections 6694(a) and 6694(b), but the timeline is uncertain. Dennis Brown stated that this is a work in progress and he would have to defer comment to the Return Preparer Coordinator (RPC). Much depends on the type of deficiency assessed. Mid-Atlantic SL staff will input request

into IMRS requesting clarification on Examination procedures for 6694 penalty referrals to OPR.

- Ed – Energy credit is problematic because you need to submit the manufacturer's certification which is difficult, if not impossible, to obtain.
- Sean – Approximately three weeks ago, he e-filed 11 tax returns but received an error code (ERC 029) stating that his EFIN was not valid. He contacted the e-Help desk; assistant reviewed the information on file; and Sean was advised to re-transmit the returns. Sean had the paperwork (reject code information, etc.) faxed to the PLM and gave it to Richard for further research. Richard will follow up to find reason why Sean was temporarily unable to e-file.
- Sean – Processing payroll issue: Taxpayer (Sean's client) operated as a sole proprietor for two quarters of '08. Incorporated effective 1/1/09. Was trying to set up payroll, but was told that he had to amend the previous quarters. Sean provided a summary and issue will be researched to determine cause. Richard will follow up to insure that payroll account information has been merged into new corporation's EIN.
- Ed – Still dealing with Forms 1040 ES not being mailed out. IRS will not send ES vouchers if return is prepared by practitioner. Will send the vouchers if a taxpayer self files either by paper or electronically.

Ed commented on the following items which he defined as PICPA "Horizon Issues":

- 1) International Financial Reporting Standards (IFRS): Conversion to IFRS and "Fair Value" reporting on financial statements.
- 2) Ed has seen significant PICPA listserv traffic regarding retirement plan issues (including rollover requirements) which may indicate an educational need within the organization.
- 3) "Choice of entity" issues: with increased number of new business formations by individuals who have lost jobs due to economy, CPAs will be advising clients on entity selections and this may be an area for outreach.
- 4) Loss and basis issues of pass through entities
- 5) Charitable contributions: Ed commented that Gomez Tax Court Case (T.C. Summ. Op. 2008-93) has generated interest among CPAs. In this case, the Tax Court sustained IRS determination that taxpayers were not entitled to charitable deductions for contributions not supported by contemporaneous written acknowledgement from donee organization.
- 6) Up tick in bankruptcy (personal and business) may necessitate increased outreach and education to practitioners.

New Business:

- **IRC 7216 Update & other emerging legislation** - Marvin said the new regulations have generated a number of questions and concerns that IRS needs to address. In January, PSPA leaders had conference call with Richard and PSPA issues/questions were forwarded thru IMRS staff to

Chief Counsel for review. Marvin stated that the wording in the regs requiring a specific consent from the taxpayer **before** the return is completed should be changed as it may be impractical. For example, if a taxpayer wants a copy of his tax return sent to a mortgage lender then a letter stating that at the time of the request should be sufficient. Richard asked that practitioner organizations continue to provide specific “real world” examples/scenarios that practitioners have experienced in their practices and for which they remain uncertain as to whether or not authorized disclosure or use is permitted under the new regulations. Richard confirmed that 7216 will be ongoing outreach topic to practitioners in 2009 and that any new guidance issued by Counsel will be shared immediately with PLM members.

- **PA Working Together Events** - Richard recapped the Eastern PA Working Together event that took place on 5/20/09. Tom Rath, a first time attendee, stated that he learned a lot from the practitioner’s perspective. Over 200 tax professionals attended and initial feedback has been very positive. Andrea noted that the Western PA session is scheduled on September 25th and that the keynote speaker will be an economist from PNC.

Rotation of Liaison Members: It’s that time again to send out letters to the organizations. The procedure actually calls for a 2 year rotation, but since we developed the procedure, we can really do what’s best for us. Sean recommends a 3 year rotation & the option of a second 3 year term. Ron recommends that the incoming person shadow the incumbent through 3 meetings. He also stated that he is considering rotating off PLM, the Working Together Steering Committee, or both within the next 3-4 months. Phyllis Epstein has indicated interest in participating. Tom Ostrander is also a significant contributor to our events, but his schedule may not be as flexible as Phyllis’s is. **We will send out the letters this summer.**

Mark Your Calendars:

May 29th – IRPAC submissions due

June 16th – IRSAC submissions due

June 17th – IRS Webinar on Disaster and Emergency Relief

July 15th – National Phone Forum on Offers in Compromise, Automated Collection Services, Issues with LLCs

Aug 4th – Next regular liaison meeting via videoconferencing & teleconferencing

Sept 25th – Western PA Working Together Conference

Oct 20th – Next expanded liaison meeting in Pittsburgh

Expanded Liaison Meeting:

Andrea and Bill will look for space in the Monroeville area. That location would be convenient to those exiting the PA Turnpike or coming in from the Erie area. Ed also offered to check the local Penn State campuses.

Roundtable:

Jean would like to have #9 from the Frequently Asked Questions (FAQs) re: Voluntary Disclosure also posted to the F-Bar FAQs.

Thanks to everyone for your participation and continued enthusiasm. See you in August.