

2007

TAXhints

PRACTITIONER'S GUIDE TO THE FILING SEASON

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Welcome to this year's

Tax Hints—Practitioner's Guide to the Filing Season

As in past years, this electronic publication collects links to vital information and data from the *irs.gov* website, and presents them all here, in one convenient sourcebook for tax professionals.

The first three *Tax Hints* items are particularly important—they address legislative changes that greatly affect this filing season. The lead article covers the telephone excise tax refund (TETR); the next two cover the split refund initiative. The Service's early filing season experience shows that too few filers are availing themselves of the TETR. Please make sure your clients are taking advantage of this refund when they file. The split refund options offer more flexibility and should encourage filers to put tax refunds into savings accounts.

National Public Liaison (NPL) publishes *Tax Hints* primarily for our stakeholders in the tax preparation field. You are the key authors of this publication: you told NPL what information you need for filing season reference and how you'd like it presented. Your input continues to guide and shape this document and is always welcome.

Tax Hints points of contacts throughout the Service also play a key role in this publication: they send NPL information and data for inclusion that will make filing season easier and more efficient for the IRS. This material is usually specifically geared to our audience of tax professionals. Please send any comments, or suggestions for additional inclusions, by email to the program manager at gerard.j.ruelle@irs.gov. ■

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FAQS ON TETR

What is the Telephone Excise Tax Refund?

The telephone excise tax refund (TETR) is a one-time payment available on the 2006 income tax return, designed to refund the previously collected federal excise tax on long distance or bundled service.

Who is eligible for the refund?

In general, any individual, business, or tax-exempt organization that paid federal excise tax on long distance or bundled service billed after February 28, 2003 and before August 1, 2006 may be eligible to request the refund on the 2006 tax return. Taxes paid on local-only service are not eligible for the refund.

How do taxpayers request a refund?

Individual taxpayers can request a standard amount from \$30 to \$60 based on the number of exemptions claimed on their tax returns. Individual taxpayers who choose the standard amount need only fill out one line on their tax returns. The standard amount is based on actual telephone usage data and the amount applicable to a family or other household reflects the long distance phone tax paid by similarly-sized families or households.

Requesting the standard amount may be the easiest way for taxpayers to get their refunds and avoid gathering 41 months' worth of old phone records. For some taxpayers, requesting a refund based on the actual amount of tax paid may be more beneficial.

These taxpayers should review their phone bills since Feb. 28, 2003. Taxpayers who choose this option can fill out Form 8913 and attach it to their regular 2006 income tax returns (Forms 1040, 1040A, 1040NR or 1040EZ).

For those who do not otherwise have to file a tax return, the new Form 1040EZ-T can be used to request this refund. If filers request the standard amount, they can simply fill out form 1040EZ-T using the eligible number of exemptions. If filers request the actual amount of tax paid, they must fill out Form 8913, *Credit*

for Federal Telephone Excise Tax Paid, and attach it to Form 1040EZ-T.

How do businesses and tax-exempt organizations request a refund?

Businesses, tax-exempt organizations and sole proprietors can request the actual amount of tax paid using the Form 8913. Businesses and sole proprietors attach this form to their regular income tax returns for 2006. Tax-exempt organizations should attach it to Form 990-T.

The IRS has developed a formula that most businesses, tax-exempt organizations and eligible sole proprietors can use to calculate their refund. To use the formula, eligible taxpayers need only review their phone bills for 2 months, instead of all 41 months included in the refund period. In addition, eligible taxpayers need to know their total telephone expenses for the 41-month period and the number of employees reported on their federal withholding tax return (Form 941) for the second quarter of 2006. The formula is an alternative to using monthly phone bills to determine the amount of refund to request.

In general, businesses and tax-exempt organizations that were operating at any time during the period from March 1, 2003, through July 31, 2006, and continued to incur phone expenses from April 2006 through September 2006, may use the formula. This includes corporations, S corporations, partnerships, trusts and estates. (Trusts and estates are treated as businesses in applying the formula.) Nonprofit, tax-exempt organizations, including churches and charities, can also use the formula. In addition, individual owners of rental property and self-employed people, including independent contractors, sole proprietors and farmers, can use the formula, but only if they report gross rental and business income totaling more than \$25,000 on their 2006 federal income tax returns.

For more details on the Telephone Excise Tax Refund, go to irs.gov. ■

Splitting 2006 Federal Income Tax Refunds

Taxpayers have more direct deposit options for their 2006 refunds

Taxpayers have more choice and flexibility for direct deposits of their 2006 federal income tax refunds. Now they can split their refunds among up to three checking or savings accounts, with up to three different U.S. financial institutions. This new option is available regardless of whether taxpayers file the following original returns on paper or electronically:

Form 1040
Form 1040A
Form 1040EZ
Form 1040-PR
Form 1040NR
Form 1040NR-EZ
Form 1040-SS

(Taxpayers filing Form 1040EZ-T, *Request for Refund of Federal Telephone Excise Tax*, or Form 8379, *Injured Spouse Allocation*, cannot opt to split their refunds.)

Taxpayers can continue to use the direct deposit line on Form 1040 to electronically send their refunds to one checking or savings account, or use IRS's new Form 8888, *Direct Deposit of Refund*, to split their refunds among two or three different accounts or financial institutions.

This change gives taxpayers more options for managing their refunds, teamed with the speed and safety of direct deposit. IRS estimates taxpayers will choose to split their refunds on approximately 3.8 million returns this year.

Two requirements for direct deposits:

IRS will electronically deposit refunds to any of a taxpayer's checking or savings accounts with U.S. financial institutions, providing:

- The taxpayer supplies accurate account and routing numbers; and
- The financial institutions accept direct deposits for the type of accounts designated.

Taxpayers cannot direct their refunds into accounts of others. However, in the case of joint refunds, taxpayers can designate deposits to joint accounts or accounts of either spouse. For example: IRS will deposit a joint refund into an individual retirement arrangement (IRA) owned by one spouse, providing the financial institution accepts direct deposits for IRAs and will accept a joint refund to an account of only one spouse.

These are the same guidelines IRS applies to direct deposits when a taxpayer directs his or her refund to one account. The only change is taxpayers now have more convenient options for receiving their refunds.

Examples of savings accounts taxpayers can choose to direct their refunds to include, but are not limited to:

- Regular passbook savings accounts;
- Individual retirement arrangements (IRAs);
- Health savings accounts (HSAs);
- Archer MSAs;
- Coverdell education savings accounts; and
- Individual development accounts (IDAs).

Direct deposit acceptance varies among financial institutions and taxpayers first should verify that their financial institutions will accept direct deposits for the types of accounts they are designating. For example, a financial institution may accept direct deposits for regular savings accounts, but not for education savings accounts.

Note of caution on direct deposits to IRAs

Taxpayers wanting to deposit all or part of their refunds to their IRA accounts should first ensure their financial institutions will accept direct deposits to IRA accounts.

As with all IRA deposits, the account owner is responsible for informing their IRA trustee of the year for which the deposit is intended and for ensuring their contributions do not exceed their annual contribution limitations. IRS direct deposits of federal income tax refunds will not

indicate a contribution year for IRA accounts.

If taxpayers fail to notify their IRA trustees of the intended year for the deposit, their trustees can assume the deposits are for 2007.

IRS is not responsible for the timeliness or contribution amounts related to IRA direct deposits. Since errors on returns or refund offsets could change the amount of refunds available for deposit, taxpayers who want to apply their refunds to 2006 IRA contributions should confirm the amount of the deposit and deposit date and make any necessary corrections to their 2006 contributions before their filing deadlines. If the deposit is not made into the account by the due date of the return (without regard to extensions), the deposit is not a contribution for 2006. Taxpayers must file amended 2006 returns and reduce any IRA deductions and any retirement savings contributions credits they claimed.

Accurate account and routing numbers imperative

Taxpayers should verify routing and account numbers with their financial institutions. Although taxpayers can usually discern the routing number for their checking account from the face of their checks, routing numbers for some savings accounts are not always apparent.

IRS assumes no responsibility for taxpayer or preparer error and taxpayers should ensure their account and routing information is accurately entered. Errors could result in different scenarios. For example:

- If taxpayers omit a digit in the account or routing number of one account and the number does not pass IRS's validation check, IRS will mail taxpayers a check for the entire amounts of their refunds;
- If taxpayers incorrectly enter account or routing numbers and the designated financial institutions reject and return the deposits to IRS, IRS will issue checks for that portion of the refunds; or

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■ If taxpayers incorrectly enter account or routing numbers belonging to others and the designated financial institutions accept the deposits, taxpayers must work directly with the respective financial institutions to recover their funds.

Opportunity for asset building

Split refunds offer taxpayers the opportunity to build assets by sending part of their refunds to checking for immediate needs and part to savings for future needs. A recent study conducted by Harvard Business School and other interested parties, "Refunds to Assets: Splitting Refunds and Building Assets," found one in three lower income taxpayers who were offered a choice opted to direct a portion of their refunds into savings accounts. For many, it was their first savings experience with a financial institution.

Regardless of taxpayers' filing methods—electronic or paper—direct deposit gives them faster access to their funds than paper checks.

Filing Method	Direct Deposit Refund Received	Paper Check Refund Received
e-file	Within 2 weeks	Within 3 weeks
paper	Within 5 weeks	Within 6 weeks

Adjusting deposits for errors, offsets, etc.

Several factors could change the amount of a taxpayer's refund. Math errors—one of the top mistakes on returns—can increase or decrease a taxpayer's refund and the amount available for deposit. Refund offsets for delinquent federal or state taxes, child support, student loans, etc., and freezes on the Earned Income Tax Credit (EITC) portion of a refund until IRS can verify the taxpayer's eligibility can decrease the refund amount available for deposit.

Adjustments resulting in larger refunds

If a taxpayer splits his or her refund among multiple accounts and the mistake results in a larger refund than expected, IRS will add the difference to the last account designated.

Example of an adjustment for an increased refund: A taxpayer's return shows a refund

of \$300 and the taxpayer asks IRS to split the refund among three accounts, depositing \$100 to each account. Due to an error, the refund is increased by \$150. IRS will adjust the direct deposits as follows:

	Requested	Actual Direct Deposits
Account 1	\$100	\$100
Account 2	\$100	\$100
Account 3	\$100	\$250 (\$100 taxpayer requested plus \$150 adjustment)

Math error and delinquent tax adjustments resulting in reduced refunds

If IRS must reduce the amount of a taxpayer's refund due to a math error or offset for delinquent federal taxes and the taxpayer has allocated his or her refund among two or three accounts, IRS will adjust the deposits using a bottom-up approach and first deduct the difference from the amount designated for the last account. If the difference exceeds the amount designated for the last account, IRS will deduct the remainder from the amount designated to the next account, etc.

Example of a math error/delinquent federal tax offset adjustment resulting in a reduced refund: A taxpayer's return shows a refund of \$300 and the taxpayer asks IRS to split the refund among three accounts with \$100 to each account. Due to a math error, the refund is decreased by \$150. IRS will adjust the direct deposits as follows:

	Requested	Actual Direct Deposits
Account 1	\$100	\$100
Account 2	\$100	\$50 (\$100 taxpayer requested minus \$50 adjustment)
Account 3	\$100	\$0 (\$100 taxpayer requested minus \$100 adjustment)

Taxpayers will receive letters from IRS explaining any adjustments to their returns, refund amounts, and direct deposits. Taxpayers can get information about refund adjustments also through *Where's My Refund?* on www.irs.gov or by calling (800) 829-1954.

IRS recommends taxpayers use electronic filing to avoid math errors and other common problems that can result in adjustments to their returns and change the expected amount of their refunds.

Adjusting deposits for EITC freezes

If IRS withholds or freezes the EITC portion of a taxpayer's refund pending additional information to verify eligibility, IRS will deposit the refund, less the amount withheld, according to the bottom-up approach discussed above. If IRS later determines the taxpayer is eligible to receive the credit, the agency will deposit the amount withheld into the first account designated.

Offsets for delinquent state taxes, child support, etc., resulting in reduced refunds

If a taxpayer owes delinquent state income taxes, back child support, or delinquent non-tax federal debts such as student loans, etc., the Department of Treasury's Financial Management Service (FMS), which disburses IRS refunds, may offset the refund for the delinquent amount. (These offsets could occur whether taxpayers opt to receive their refunds via paper checks or direct deposits to one or several accounts.)

FMS will deduct past-due amounts from the payment that appears first on the payment file received from IRS (the IRS payment file orders accounts from the lowest to the highest routing number). If the debt exceeds the payment designated for the account that appears first on the payment file, FMS will reduce the payment designated for the account that appears next, etc.

Taxpayers will receive letters from FMS explaining any offset amounts, the agencies receiving the payments, the address and telephone number of the agencies, and amounts of their refunds or direct deposits offset. Taxpayers who dispute the debts should contact the agencies shown on the notice, not IRS,

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since IRS has no information about the validity of the debt. Information about refund offsets also will be available through *Where's My Refund?*

Where's My Refund?

The most convenient source for refund information

Whether taxpayers direct deposit their refunds into several accounts, into one account, or opt to receive paper checks, they can use IRS's popular *Where's My Refund?* feature to track their refunds.

Where's My Refund? will include a message confirming the refund was split and the expected deposit date. It will not specify the amount of the individual deposits or the accounts to which the deposits were made but, if IRS or FMS adjusted the refund amount for math errors, offsets, etc., it will inform taxpayers about the amount of the adjustment. Taxpayers can access *Where's My Refund?* online at irs.gov or by calling (800) 829-1954.

Inviting stakeholder input

IRS invites stakeholders and partners to tell us about their experience with 2006 split refunds— what worked, and what can be improved. We welcome feedback from stakeholders about their experiences assisting their customers and clients during the filing season, and will use this feedback to modify and improve the process for 2007 refunds.

Stakeholders can comment through their IRS stakeholder relationship manager in National Public Liaison (NPL) or via e-mail to splitrefundcomments@irs.gov. Although we will read and consider every experience or suggestion, we can not respond to individual e-mail messages.

Speed, safety and choice— with direct deposit you can have it all!

Split your refund among as many as three accounts. ■

FREQUENTLY ASKED QUESTIONS ABOUT SPLITTING 2006 FEDERAL INCOME TAX REFUNDS

Q. What is a split refund?

A. A split refund lets you divide your refund, in any proportion you want, and direct deposit your funds among two or three different accounts with U.S. financial institutions.

Q. What are the benefits of splitting my refund?

A. Instead of choosing between depositing your refund into a checking or savings account and later moving part of your refund to another account, you can allocate your refund among up to three different accounts and send your money where you want it the first time.

By splitting your refund, you get the convenience of directing some of your refund to your checking account for immediate needs and sending some to savings for future use. Plus, you get the safety and speed of direct deposit, meaning you will have access to your refund faster than if you opt to receive a paper check.

Q. How do I split my refund?

A. Simply complete and attach Form 8888, *Direct Deposit of Refund*, to your federal income tax return to tell IRS how much and to which of your accounts you want your refund deposited.

Q. Can I still send my refund to just one account?

A. Yes, you can ask IRS to direct deposit your 2006 refund into just one account, or split it among two or three different accounts. The choice is yours.

If you want your refund deposited into one account, use the special direct deposit lines on your tax return (Forms 1040, 1040A, etc.). If you want your refund deposited to two or three accounts, use Form 8888, *Direct Deposit of Refund*.

Q. Does my refund have to exceed a certain amount to split it into different accounts?

A. Your deposit to each account must be at least \$1.00.

Q. If I want to split my refund among different accounts, can those accounts be with different financial institutions?

A. Yes, you can split your refund among up to three different U.S. financial institutions as long as they will accept a direct deposit to your account.

Q. Must I file electronically to split my refund?

A. No, you can split your refund whether you file electronically or on paper. However, IRS recommends using e-file to avoid simple mistakes that could change the amount of your refund, and therefore the amount available for deposit.

Q. Can I split my refund if I file a 1040-EZ?

A. Yes, you can split your refund on an original return filed on any of the following returns: Form 1040, 1040A, 1040EZ, 1040NR, 1040NR-EZ, 1040-SS, or 1040-PR. However, you cannot split your refund if you file Form 1040EZ-T, *Request for Refund of Federal Telephone Excise Tax*, or Form 8379, *Injured Spouse Allocation*.

Q. Will splitting my refund cause a delay in depositing my refund?

A. No, splitting your refund will not cause a delay. Because it uses direct deposit technology, your funds will be in your accounts more quickly than if you opt to receive your refund in a paper check.

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Q. Can I split my refund between a direct deposit and a paper check?

A. No, you cannot split your refund between a direct deposit and paper check. You can either opt for the safety, security and speed of direct deposit to one, two, or three different accounts or request your refund via a paper check.

Q. Can I split my refund if I have only two accounts?

A. Yes, you can electronically direct your refund to one, two or three separate accounts at your discretion. This change gives you more convenience, flexibility and options in managing your finances.

You can designate a direct deposit to one account directly on the Form 1040 series of forms or you can use Form 8888, *Direct Deposit of Refund*, to split your refund among two or three different accounts.

Q. Must I split my refund equally?

A. No, you have the flexibility of dividing and directing your refund any way you want. There is no requirement to make the deposits equal.

Q. Can I direct IRS to deposit all or part of my refund to any of my accounts with any financial institution?

A. IRS will direct deposit refunds to any of your checking or savings accounts with any U.S. financial institution that accepts electronic deposits. However, you should verify that your financial institution accepts direct deposits for the type of account you want to direct your deposit to and verify the account and routing numbers.

Q. If I am filing a joint return with my spouse, must our refund be deposited to a jointly-held account?

A. You can ask IRS to direct deposit a refund on a joint return into your account, your spouse's account, or a joint account. However, state and financial institution rules can vary and you should first verify your financial institution will accept a joint refund into an individual account.

Q. What types of accounts are eligible to receive my refund via direct deposit?

A. You can direct your refund to any of your checking or savings accounts with a U.S. financial institution as long as your financial institution accepts direct deposits for that type of account and you provide valid routing and account numbers. Examples of savings accounts include: passbook savings, individual development accounts (IDAs), individual retirement arrangements (IRAs), health savings accounts (HSAs), Archer MSAs, and Coverdell education savings accounts.

However, some financial institutions will accept direct deposits for some types of accounts, but not others. Contact your financial institution to ensure they will accept your direct deposit and verify your account and routing number.

IRS also encourages taxpayers and their preparers to ensure account and routing numbers are accurately entered on returns so your funds can be deposited as intended.

Q. Can I direct part or all of my refund to my prior year individual retirement account (IRA)?

A. You should ensure your financial institution accepts direct deposits to prior year IRA accounts.

As with all IRA deposits, the account owner is responsible for informing their IRA trustee of the year for which the deposit is intended and for ensuring their contributions do not exceed their annual contribution limitations. IRS direct deposits of federal tax refunds will not indicate a contribution year for IRA accounts.

If you fail to notify your IRA trustee of the intended year for the deposit, your trustee can assume the deposit is for 2007.

IRS is not responsible for the timeliness or contribution amounts related to an IRA direct deposit. Since an error on your return or an offset to your refund could change the amount of refund available for deposit (for more information, see "Are there conditions that could change the amount of my direct deposits?") you must verify the deposit was actually made to the account by the due date of the return

(without regard to extensions) and the deposit amount. If the deposit is not made into your account by the due date of the return (without regard to extensions), the deposit is a contribution for 2007, rather than 2006. You must file an amended 2006 return and reduce any IRA deduction and any retirement savings contributions credit you claimed.

Q. Can I direct part of my refund to pay a loan?

A. No, you can direct your refund to either a checking or savings account; you cannot opt for a direct deposit into a loan account.

Q. If I use a tax professional to prepare my return, will it cost me more to split my refund?

Tax preparation fees could vary. Ask your tax professional about his or her fees up front.

Q. Can I direct part of my refund into my tax professional's checking or savings account to pay my tax preparation fee?

A. No, you can direct your refund to any of your checking or savings accounts; you cannot direct your refund to someone else's account (except for your spouse's account on a joint refund).

Q. Are there conditions that could change the amount of my direct deposits?

A. There are several factors that could change the amount of your tax refund—resulting in either a larger or smaller refund than expected. Examples that could increase your refund are math errors and other mistakes. Examples that could decrease your refund include math errors, mistakes, owing delinquent federal taxes, state taxes, child support, student loans, or other delinquent federal obligations or if the Earned Income Tax Credit (EITC) portion of your refund is withheld pending further review.

For additional information, see "What if a mistake on my return increases the amount of my refund?," "What if a mistake on my return decreases the amount of my refund?," "What if I owe back taxes to IRS?," "How will IRS

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handle my split refund deposits if the Earned Income Tax Credit (EITC) portion of my refund is withheld pending further review?," "Are there other conditions that could reduce the amount of my refund and change the amount I want deposited to each account?" and "What will happen if I owe both back taxes to IRS and back child support, state taxes, student loans, etc?"

Q. What if a mistake on my return increases the amount of my refund?

A. If you split your refund among multiple accounts and the mistake results in a larger refund than you expected, IRS will add the difference to the last account you designated. Example: Your return shows a refund of \$300 and you ask IRS to split the refund among three accounts, depositing \$100 to each account. Due to an error, your refund is increased by \$150. IRS will adjust your direct deposits as follows:

	Requested	Actual Direct Deposits
Account 1	\$100	\$100
Account 2	\$100	\$100
Account 3	\$100	\$250 (\$100 taxpayer requested plus \$150 adjustment)

You will receive a letter from IRS explaining any errors resulting in adjustments to your return, refund amount, and direct deposits.

IRS recommends using electronic filing to avoid math errors and other common problems that can result in adjustments to your return and change the amount of your refund.

Q. What if a mistake on my return decreases the amount of my refund?

A. If the mistake results in a smaller refund, IRS will use a bottom-up rule and deduct the difference from the amount you designated for the last account shown on Form 8888. If the difference exceeds the amount designated for the last account, IRS will deduct the remainder from the amount designated to the next account, etc.

Example: Your return shows a refund of \$300 and you ask IRS to split your refund among three accounts with \$100 to each account. Due to an error, your refund is decreased by \$150. IRS will adjust your direct deposits as follows:

	Requested	Actual Direct Deposits
Account 1	\$100	\$100
Account 2	\$100	\$50 (\$100 taxpayer requested minus \$50 adjustment)
Account 3	\$100	\$0 (\$100 taxpayer requested minus \$100 adjustment)

IRS will apply this same bottom-up rule to adjust direct deposits for refund offsets for unpaid federal taxes or if the Earned Income Tax Credit (EITC) portion of your refund is withheld pending further review.

You will receive a letter from IRS explaining any errors resulting in adjustments to your return, your refund amount, and direct deposits.

IRS recommends using electronic filing to avoid math errors and other common problems that can result in adjustments to your return and change the amount of your refund.

Q. What if I owe back taxes to IRS?

A. If you owe delinquent federal taxes, IRS will withhold the balance due from your refund and adjust your split refund direct deposits under the bottom-up rule (see "What if a mistake on my return decreases the amount of my refund?"). You will receive a letter from IRS explaining any adjustments to your refund amount and direct deposits.

Q. How will IRS handle my split refund deposits if the Earned Income Tax Credit (EITC) portion of my refund is withheld pending further review?

A. IRS will deposit your refund, less the amount withheld according to the bottom-up rule— see "What if a mistake on my return decreases the amount of my refund?"

You will receive a letter from IRS explaining why a portion of your refund was withheld, the effect on your direct deposits, and what information you need to provide to verify your EITC eligibility. If IRS later determines you are eligible to receive the credit, the agency will deposit the amount withheld into the first account you designated on Form 8888.

Q. Are there other conditions that could reduce the amount of my refund and change the amount I want deposited to each account?

A. If you owe delinquent state income taxes, back child support, or delinquent non-tax federal debts such as student loans, etc., the Department of Treasury's Financial Management Service (FMS), which disburses IRS refunds, may offset your refund for the delinquent amount.

FMS will deduct the past-due amounts from the payment that appears first on the payment file received from IRS (the IRS payment file orders accounts from the lowest to the highest routing number). If the debt exceeds the payment designated for the account that appears first on the payment file, FMS will reduce the payment designated for the account that appears next, etc.

You will receive a letter from FMS explaining any offset amount, the agency receiving the payment, the address and telephone number of the agency, and amount of your refund/direct deposit offset. If you dispute the debt, you should contact the agency shown on the notice, not IRS, since IRS has no information about the validity of the debt.

You can get information about refund offsets through *Where's My Refund?* on irs.gov.

Q. What will happen if I owe both back taxes to IRS and back child support, state taxes, student loans, etc?

A. If you owe delinquent federal taxes, IRS will withhold the balance due from your refund. If your refund exceeds the amount of your delinquent federal taxes, IRS will adjust your split refund direct deposits under the bottom-up rule discussed earlier (see "What if a

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mistake on my return decreases the amount of my refund?”).

If you also owe delinquent state income taxes, back child support, or delinquent non-tax federal debts such as student loans etc., the Department of Treasury's Financial Management Service (FMS) will deduct the past-due amounts from the payment that appears first on the payment file received from IRS (the IRS payment file orders accounts from the lowest to the highest routing number). If the debt exceeds the payment designated for the account that appears first on the payment file, FMS will reduce the payment designated for the account that appears next etc.

You will receive a letter explaining any adjustments IRS made to your refund amount and direct deposits. You will receive a separate letter from FMS explaining any offset amount, the agency receiving the payment, the address and telephone number of the agency, and amount of your refund or direct deposit that was offset. If you dispute the debt on the letter you receive from FMS, you should contact the agency shown on the notice, not IRS, since IRS has no information about the validity of the debt.

You can get information about your refund offsets available through *Where's My Refund?* on *irs.gov*.

Q. What will happen if I enter an incorrect routing or account number?

A. Be very careful entering your account and routing numbers. IRS will handle account or routing number errors on split refunds the same as for regular direct deposits and mistakes can result in several different scenarios. For example, if:

- You omit a digit in the account or routing number of an account and the number does not pass IRS's validation check, IRS will send you a paper check for the entire refund;
- You incorrectly enter an account or routing number and your designated financial institution rejects and returns the deposit to IRS, IRS will issue a paper check for that portion of your refund; or

■ You incorrectly enter an account or routing number that belongs to someone else and your designated financial institution accepts the deposit, you must work directly with the respective financial institution to recover your funds.

IRS assumes no responsibility for taxpayer error. Please verify your account and routing numbers with your financial institution and double-check the accuracy of the numbers you enter on your return.

Q. How can I ensure my refund is deposited as I designate?

A. First, check with your financial institution to ensure they will accept a direct deposit for the type of account you are designating. Some financial institutions will accept direct deposits for some types of accounts, but not others.

Second, ensure you have the correct account and routing numbers for the account—ask your financial institution if you are unsure—and double-check the accuracy of the numbers you enter on your tax return. An incorrect or transposed number could result in your financial institution rejecting the deposit, or worse, depositing your refund into someone else's account.

Third, double-check your return to ensure you have not made math or other errors that could increase or decrease the actual amount of your refund. IRS recommends electronic filing for the most error-free return.

Q. What if I entered the correct account and routing numbers, but IRS made an error in depositing my refund?

A. IRS will correct any agency errors. Contact an IRS customer service representative by calling (800) 829-1040.

Q. If I split my refund, can I still use *Where's My Refund?* to check my refund status?

A. Yes, you can check the status of a split refund using the *Where's My Refund?* feature available on *irs.gov* or by calling IRS's Refund Hotline at (800) 829-1954. *Where's My Refund?* will include a message confirming that your

refund was split. It will not specify the amount deposited into each account, but it will tell you the estimated date of the deposits and, if IRS adjusted the amount of your refund for math errors, etc., will tell you the amount of the adjustment.

Q. I forgot a deduction on my original return and am filing an amended return for an additional refund. Can I split this additional refund?

A. No, you cannot split a refund on an amended return. At this time, IRS does not offer a direct deposit option for refunds on amended returns. IRS will mail you a check for the amount of your additional refund to the address shown on your amended return.

Q. I'm requesting an extension of additional time to file my 2006 return. Can I still split my refund?

Yes, you can split your refund on any original return, even if you have an extension of time to file your 2006 return.

Q. I have not filed my 2005 return yet. Can I also split my 2005 refund?

A. No, refund splitting is not available for tax years before 2006. You can opt to direct deposit your 2005 refund into either your checking or savings account, but you cannot split this refund among two or three accounts. ■

Standards of Practice for Tax Professionals

The Office of Professional Responsibility (OPR) has put together a one-stop resource for tax professionals. You can review vital information all tax pros need to know at <http://www.irs.gov/taxpros/agents/article0,,id=123812,00.html>.

Preparers Can Use PTINs to Help Prevent Identity Theft

Tax professionals can use a Preparer Tax Identification Number (PTIN) instead of their Social Security Number (SSN) on returns they prepare for clients so they do not have to disclose their SSNs on those returns.

Only paid tax return preparers may apply for a PTIN. Using a PTIN meets the requirement under IRC Section 6109(a) (4) for preparers to furnish an identifying number on returns they have prepared. The PTIN cannot be used in place of the Employer Identification Number (EIN) of the tax preparation firm.

Preparers can get PTINs online at <http://www.irs.gov/taxpros/article0,,id=109646,00.html>, the IRS e-services page, or visit www.irs.gov, click on "Tax Professionals" then on the link for e-services. After registering, preparers should follow the online instructions to have a PTIN assigned, or go to <http://www.irs.gov/pub/irs-pdf/fw7p.pdf> to get a Form W-7P, *Application for Preparer Tax Identification Number*. More information about Identity Theft can be found at irs.gov, keyword "Identity Theft." ■

What's New for 2006— A Summary of Important Changes

Most of these changes are discussed in more detail in Publication 17, Publication 553, *Highlights of 2006 Tax Changes*, and elsewhere in this issue of Tax Hints. Be sure to review the final paragraph of this article for other changes that could result from legislative changes still underway as this revision was posted.

Standard mileage rates

The standard mileage rate for the cost of operating your car is 44.5 cents a mile for all business miles driven in 2006. The standard mileage rate allowed for use of your car for medical reasons is 18 cents a mile for 2006.

The standard mileage rate allowed for use of your car for determining moving expenses is 18 cents a mile for 2006. See also Publication 521.

Retirement savings plans

The following paragraphs highlight changes that affect individual retirement arrangements (IRAs) and pension plans.

■ **Traditional IRA income limits.** You may be able to take an IRA deduction if you were covered by a retirement plan, your modified adjusted gross income is less than \$85,000, and you are married filing jointly or a qualifying widow or widower.

■ **IRA contribution.** If you are age 50 or older at the end of 2006, the amount you may be able to deduct as an IRA contribution is increased to \$5,000.

■ **Combat pay.** For purposes of taking an IRA deduction, earned income includes any non-taxable combat pay received by a member of the U.S. Armed Forces.

■ **Qualified charitable distributions.** If you have reached age 70½, you can make a qualified charitable distribution directly from your IRA to a qualified organization. You do not include the distribution in your income. See Publication 590 for more information.

■ **Limit on elective deferrals.** Generally, the maximum amount of elective deferrals under a salary reduction agreement that could be contributed to a qualified plan increased to \$15,000 (\$20,000 if you were age 50 or older). However, for SIMPLE plans, the amount is \$10,000 (\$12,500 if you were age 50 or older).

■ **Designated Roth accounts.** A 401(k) or 403(b) plan can include a qualified Roth contribution program. Under the program, designated Roth contributions are treated as elective deferrals, except that the contributions are included in income. A qualified distribution from a Roth account is not included in income. For more information on contributions, see Publication 525, and for distributions, see Publication 575.

■ **Qualified reservist distributions.** If you were a qualified reservist called to active duty for more than 179 days, the additional 10% tax on early distributions does not apply to distributions to you after September 11, 2001.

■ **Public safety employees.** If you were a public safety employee who separated from service after you reached age 50, the additional 10% tax on early distributions does not apply to distributions to you from qualified governmental plans after August 17, 2006. See Publication 575 for more information.

Certain amounts increased

Some tax items that are indexed for inflation increased for 2006.

■ **Earned income tax credit (EITC).** The maximum amount of income you can earn and still get EITC increased. The amount depends on your filing status and number of children. The maximum amount of investment income you can have and still be eligible for the credit has increased to \$2,800.

continued on page 10

What's New for 2006

continued from page 9

- **Standard deduction.** The standard deduction for taxpayers who do not itemize deductions on Schedule A (Form 1040) has increased. The amount depends on your filing status.
- **Exemption amount.** You are allowed a \$3,300 deduction for each exemption to which you are entitled. However, your exemption amount could be phased out if you have high income.
- **Limit on itemized deductions.** Some of your itemized deductions may be limited if your adjusted gross income (AGI) is more than \$150,500 (\$75,250 if you are married, filing separately).
- **Tax benefits for adoption.** The adoption credit and the maximum exclusion from income of benefits under an employer's adoption assistance program are increased to \$10,960.
- **Hope or lifetime learning credit income limits increased.** The amount of income you can have and still receive a Hope or lifetime learning credit has increased. The Hope credit is increased.
- **Social Security and Medicare taxes.** The maximum wages subject to Social Security tax (6.2%) increased to \$94,200. All wages are subject to Medicare tax (1.45%).

Clothing and household items

If you donate clothing and household items to a qualified organization, the items must be in good used condition or better for you to claim a charitable contribution deduction.

Child under age 18

You must use Form 8615 to figure the tax of a child under age 18 (increased from age 14) with investment income of more than \$1,700. The election to report a child's investment income on a parent's return and the special rule for when a child must file Form 6251 also now apply to children under age 18.

Alternative minimum tax (AMT)

The AMT exemption amount is increased to \$42,500 (\$62,550 if married filing jointly or qualifying widow or widower; \$31,275 if married, filing separately).

Energy credits

You may be able to claim a new tax credit for the purchase of qualified energy efficiency improvements to your existing home. You may be able to claim a tax credit for the purchase of residential solar water heating, photovoltaic equipment, or fuel cell property.

Alternative motor vehicles

You may be able to take a credit if you place an alternative motor vehicle in service during the year. You no longer can take a deduction for clean-fuel vehicles.

Phase-outs reduced

- **Personal exemptions.** The phase-out of the limit on personal exemptions is reduced by 1/3.
- **Itemized deductions.** The phase-out of the limit on itemized deductions is reduced by 1/3.

Credit for clean renewable energy bonds or Gulf tax credit bonds

You may be able to claim a credit if you held any clean renewable energy bond or Gulf tax credit bond during the year.

Credit for federal telephone excise tax paid

If you paid the federal excise tax on your long distance or bundled telephone service, you may be able to claim a credit.

Split refunds

If you choose direct deposit of your refund, you may be able to split the refund into two or three accounts. (See article on page 3.) ■

Electronic Signatures

The IRS will continue to offer two electronic signature (PIN) methods for individual taxpayers to sign their e-filed tax returns—the Self-Select PIN method and the Practitioner PIN method. We strongly recommend using the PIN because it eliminates the requirement to submit Form 8453, *U.S. Individual Income Tax Declaration for an IRS e-file Return*.

As in the past, taxpayers are still required to use two pieces of information to verify their identity when using the Self-Select PIN method. However, beginning in Tax Year 2006, taxpayers will have the ability to provide their prior year PIN as one of the authenticators.

When using the Practitioner PIN method, completion of Form 8879 is still a requirement.

We encourage a thorough and attentive review of the ACK file to ensure the PIN was received successfully by IRS. Submission of a signature document, Form 8453, is only required when the return was not signed using an electronic signature method. The Electronic Return Originator must mail Form 8453 to the IRS within 3 business days after receiving acknowledgment that the IRS has accepted the electronically filed return.

More information on electronic signatures can be found in various Hot Links listed in the back of this publication. ■

Important Reminders on Depreciation

FROM IRS FACT SHEET FS-2006-27, NOVEMBER 2006

IRS encourages taxpayers to understand the rules surrounding depreciation before attempting to deduct business-related depreciation expenses. Overstated adjustments, deductions, exemptions and credits comprise up to \$30 billion per year in unpaid taxes, according to IRS estimates. To educate preparers and taxpayers on their filing obligations, this fact sheet explains the general rules for depreciating assets.

Depreciation Basics

In general, if property is acquired for use in a business or another income-producing activity and is expected to last more than one year, taxpayers cannot deduct the entire cost as a business expense in the year it was acquired. They must depreciate the cost over the property's useful life (as defined by the Internal Revenue Code) and deduct part of the cost each year on Form 4562, *Depreciation and Amortization*. (Refer to IRC Section 179 Deduction below for an exception.)

Correctly computing depreciation deductions can be a challenging process which cannot be covered thoroughly here. You and your clients with depreciable business or income-producing assets should study the resources listed at the end of this article for further information.

In order to be depreciated, property must:

- Be property the taxpayer owns
- Be used in the taxpayer's business or income-producing (investment) activity
- Have a determinable useful life
- Be expected to last more than one year

Certain property can not be depreciated, including:

- Land
- Property placed in service and disposed of in the same year
- Certain types of intangible assets, such as franchises, agreements not to compete, and goodwill

Property used only for personal activities cannot be depreciated. If an asset such as a home or motor vehicle has both personal and business use, only the business portion of its cost may be depreciated. Depreciation rules regarding partial business or investment use are discussed in Publication 946, *How to Depreciate Property*.

Computing Depreciation

In order to compute depreciation correctly a taxpayer must know the following:

- When the asset was placed in service for use
- a business or income-producing activity
- The basis of the depreciable asset, and
- The depreciation methods available

Generally property is considered placed in service when it is ready and available for a specific use, regardless of whether or not it is actually used at the time. For example, a house purchased for use as rental property is placed in service when it is ready and available to rent, even if it is not actually rented at that time.

The basis is the amount that will be recovered (deducted) once the asset is fully depreciated. It may be the cost of the asset or another amount, depending on how and when it was acquired. Information on determining basis is available in Publication 946, *How to Depreciate Property*, and Publication 551, *Basis of Assets*.

Most assets are depreciated according to the Modified Accelerated Cost Recovery System (MACRS). However, there are situations when

MACRS cannot be used. Preparers and taxpayers should fully understand the information in Publication 946 to be certain they are using the correct method.

IRC Section 179 Deduction

Some taxpayers can elect to recover all or part of the cost of certain qualifying property, up to a certain dollar limit each year, by claiming a Section 179 deduction. By taking the Section 179 deduction a taxpayer chooses to deduct depreciation up front rather than over the life of the asset. It is especially important to remember that the Section 179 deduction may be taken only on assets acquired for use in trade or business, not on property used for other income-producing activities, such as rental activities. See Publication 946, *How to Depreciate Property*, for detailed rules applicable to the Section 179 deduction.

Disposing of Depreciable Assets

Depreciation reduces the owner's basis in the property. When depreciable property is sold or disposed of, depreciation that was allowed or allowable on that property must be taken into consideration. In other words, even if no depreciation deduction was taken, the net profit or loss on the disposition of the property must be computed as if depreciation was actually taken. Taxpayers must also follow recapture rules to determine the amount of gain to be treated as ordinary income rather than capital gain. More information on the disposition of assets can be found in Publication 544, *Sales and Other Dispositions of Assets*.

Also see:

- IRS Publication 946, *How to Depreciate Property*
- IRS Publication 551, *Basis of Assets*
- IRS Publication 544, *Sales and Other Dispositions of Assets* ■

ITIN (Individual Taxpayer Identification Number) Authorized Acceptance Agents

An Acceptance Agent (AA) is a person (an individual or an entity) who, pursuant to a written agreement with IRS, is authorized to assist alien individuals and other foreign persons who are ineligible or unable to receive a Social Security Number to get an ITIN. Revenue Procedure 2006-10 describes the application process for acceptance into the AA Program and the requisite agreement that must be executed with IRS.

Any eligible person can apply to become an Acceptance Agent. An eligible person may be a U.S. or foreign person, at least twenty-one years of age (as of the date of the AA Application) and must be involved in the tax profession. Examples of eligible persons include tax practitioners, CPAs, colleges and universities, financial institutions, partnerships, corporations or any other person or categories of persons who are involved in the tax profession and who may be authorized under IRS regulations or procedures.

There is no fee associated with becoming an IRS AA. The application process begins with completion of Form 13551 (*Application to Participate in the IRS Acceptance Agent Program*). Applicants will also be required to submit to a suitability background check before being authorized to act as an Acceptance Agent. A suitability background check includes an IRS review of the applicant's tax filing history to determine if the applicant is in full compliance with filing and payment responsibilities under the Internal Revenue Code (IRC) and its regulations.

The applicant or applicant's representative who has the authority to sign the Acceptance Agent Agreement will also be subject to an FBI background check, including fingerprinting. However, there are exceptions to this rule. Any individual who is authorized to practice before the IRS under Circular 230 and provides evidence of current professional status will not be subject to the requirements of the FBI background check. The IRS, however, may consider the tax filing history of the entity and the individual in evaluating their application.

The category of excepted applicants includes: a financial institution within the meaning of IRC section 265(b)(5) or Treasury Regulations 1.165-12(c)(1)(iv); a college or university that qualifies as an educational organization under Treasury Regulations 1.501(c)(3)-1(d)(3)(i); casinos; applicants who have passed the suitability check for Electronic Return Originator (ERO) status and who remain in good standing with the IRS, along with Federal Agencies as defined in IRC section 6402(g). The fingerprint card used for the Acceptance Agent Program is unique, and should be obtained by calling the IRS Andover Campus at (866) 255-0654. Individuals can not take their own fingerprints. Additional information can be found in the Instructions for Form 13551.

Once the application process has been completed, if you have been accepted into the AA Program you will enter into an agreement with the IRS outlining the terms and conditions to ensure proper administration of the process by which the IRS issues ITINs. An agreement stays in effect for four years, after which time it must be renewed. The current processing time is 120 days from the date the application is received by IRS.

Completed applications with required attachments, should be sent to the Internal Revenue Service, Mail Stop 983, Andover, MA 05501. ■

New Address For Filing Form W-7

Effective January 1, 2007, all Forms W-7 (*Application for IRS Individual Taxpayer Identification Number*) will be processed in the IRS Service Center in Austin, Texas. Applications will no longer be processed in Philadelphia due to a reorganization of Service Center functions. The new address for mailing ITIN applications is:

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

WHERE TO SEND AUTHORIZATION REQUESTS

Power of Attorney or Tax Information Authorization requests should be directed wto Memphis or Ogden.

If your principal business, office or agency or legal residence in the case of an individual, is located in:

Alabama	Kentucky	North Carolina
Arkansas	Louisiana	Ohio
Connecticut	Maine	Pennsylvania
Delaware	Maryland	Rhode Island
District of Columbia	Massachusetts	South Carolina
Florida	Michigan	Tennessee
Georgia	Mississippi	Vermont
Illinois	New Hampshire	Virginia
Indiana	New Jersey	West Virginia
	New York	

Write, call or fax:

Memphis Accounts Management Center,
CAF Unit
5333 Getwell Road, Stop 8423
Memphis, TN 38118
Fax: (901) 546-4115 Phone: (901) 546-4176

If your principal business, office or agency or legal residence in the case of an individual, is located in:

Alaska	Minnesota	Oregon
Arizona	Missouri	South Dakota
California	Montana	Texas
Colorado	Nebraska	Utah
Hawaii	Nevada	Washington
Idaho	New Mexico	Wisconsin
Iowa	North Dakota	Wyoming
Kansas	Oklahoma	

Write, call or fax:

Ogden Accounts Management Center,
CAF Unit
1973 North Rulon White Blvd., Stop 6737
Ogden, UT 84404
Fax: (801) 620-4249 Phone: (801) 620-4254

International requests will continue to be processed at:

Philadelphia Accounts Management Center,
CAF Unit
11601 Roosevelt Blvd. DPSW 312
Philadelphia, PA 19255
Fax: (215) 516-1017 Phone: (215) 516-5996

We are processing faxed requests in 48 hours and paper requests in five business days. ■

EITC Resources Online 24/7

This year, go online for your Earned Income Tax Credit (EITC) needs. Whether you need to qualify clients, market your EITC services or ensure your tax practice complies with the EITC due diligence requirements, you'll find toolkits, interactive web features and resources online at your fingertips 24/7 at www.irs.gov/eitc.

Qualifying clients online

Bookmark the *EITC Assistant* as your definitive resource to determine client eligibility. The EITC Assistant will guide you through simple steps and questions to determine whether your client qualifies for EITC, even tackling the tough issues of filing status and qualifying children in a straightforward manner. The EITC Assistant will then compute the amount of EITC after the eligibility issues are addressed.

With the EITC Assistant, you can walk your clients through the EITC qualifications on-screen, in either English or Spanish, and show them whether or not they qualify. Using the EITC also can help you avoid two of the most common practitioner errors in computing the credit: claiming a child who is not a qualifying child, and filing as "single" or "head of household" when the taxpayer is actually married. The two other most prevalent errors are reporting incorrect income amounts and entering incorrect Social Security numbers for either taxpayers or their qualifying children.

Specialized tools just for you

Bookmark the *EITC Electronic Toolkit for Tax Professionals* as your one-stop information resource, including special EITC rules for military, clergy, and people with disabilities. Embedded links make navigating EITC information easy, including links to forms, checklists, and the latest news about EITC initiatives. Criteria for 2006 claims, compliance initiatives, and qualifying child tie-breaker rules are just a few of the subject categories.

Under the Tools section, you'll find free educational products to help market your EITC service, including letter templates, newsletter copy and flyers. The Resources section includes links to the EITC Assistant, IRS publications,

irs.gov and information about IRS's Taxpayer Advocate Service.

Meeting due diligence requirements

As a tax professional, you must exercise the same due diligence in preparing returns claiming EITC as with any other deductions and credits. However, unlike other tax credits, the Income Tax Regulations impose four due diligence requirements to ensure EITC accuracy. These include:

1. Completing Form 8867, *Paid Preparer's Earned Income Credit Checklist*, or an equivalent form, based on information either provided by the taxpayer or reasonably obtained by you. This Checklist ensures you consider all aspects which may qualify or disqualify a client for EITC;
2. Completing the EIC worksheet in the Form 1040/1040a/1040EZ instructions, or an equivalent form. Your records must reflect the information and computation method used in your EITC calculation;
3. Retaining these records for 3 years after June 30th following the date the return was presented to the taxpayer for signature; and
4. Having no knowledge as well as no reason to know that any information used in determining the taxpayer's eligibility or computing the EITC is incorrect. You cannot ignore the implication of information furnished to, or known by, you and must make reasonable inquiries whether the information appears to be incorrect, inconsistent or incomplete.

Tax professionals who fail to follow due diligence requirements may be assessed a \$100 penalty for each failure. For additional information on these regulations, see Treas. Reg. §1.6695-2.

Alert your small business clients who claim EITC that they also must follow the due diligence procedures. Internal Revenue Code (IRC) Section 6001 requires, for example, Schedule C filers (small business owners and self-employed individuals) to keep books and records to substantiate items on their tax returns. They must provide this information to the IRS if requested. ■

PROPER PAYMENT VOUCHER FOR GIFT TAXES

Form 8892 (*Payment of Gift/GST Tax and/or Application for Extension of Time to File Form 709*) should always be used as a payment voucher for gift taxes owed. File this form at the Cincinnati Campus (Internal Revenue Service Center, Cincinnati, OH 45999.) Form 8892 should also be used when requesting an extension to file a Gift Tax return. If the donor is requesting extensions to file BOTH Form 1040 and Form 709 (gift tax), then Form 4868 should continue to be used.

The annual exclusion for Gift Taxes (Form 709) has been increased to \$12,000 per donee, per year for a present interest gift in 2006. (This replaces the former annual exclusion of \$11,000.)

The Estate Tax exemption equivalent will increase to \$2,000,000 for decedents dying in 2006 and the maximum tax rate for 2006 drops to 46%.

A State Death Tax Deduction replaces the State Death Tax Credit for decedents dying after 12/31/04 on the estate tax form (Form 706). Line 13 on the old version of Form 706 has been deleted. A new line 3b allows a deduction for state death taxes paid.

For more information on estate and gift tax, including Forms and Publications, go to www.irs.gov and click on Businesses (on the left side of the page under information) and then scroll down to Estate and Gift Taxes. ■

Assisting Non-English-speaking Taxpayers

The IRS offers a suite of multilingual products and services in Spanish and a limited number of products in Chinese (Mandarin), Korean, French, Vietnamese and Russian. These multilingual products come in various formats and are designed to educate non-English-speaking taxpayers about their tax responsibilities.

irs.gov

IRS's Spanish web page (<https://www.irs.gov/Español>) offers tax information for individuals and small businesses. For individual taxpayers, the web page contains many forms, publications and brochures that provide detailed tax information. Interactive applications are also available to assist you and your client determine eligibility for the Earned Income Tax Credit and calculate withholding.

The EITC Assistant (Crédito por Ingreso del Trabajo (EITC) - ¿Debo Solicitarlo?), helps you and your client accurately determine eligibility for EITC by answering some basic questions.

The Withholding Calculator (Calculadora Para La Retención de Impuestos) is available to help taxpayers ensure that they do not have too much or too little income tax withheld from their pay. It is not a replacement for Form W-4, but most people will find it more accurate and easier to use than the worksheets that accompany Form W-4. The results of this program can be used to help your client complete a new Form W-4.

New this filing season: links to Where's My Refund? (Donde esta Mi Reembolso?) application. This interactive application lets you learn when the IRS processed your client's tax return and when their refund will be sent.

For business customers, the web page provides access to the most recent forms, publications and other tax information. This information can be found on <https://www.irs.gov/Español> by clicking on the Small Business link (**Recursos Para Pequeñas Impresas**).

Spanish tax publications are available on the web at <https://www.irs.gov/Español>. You can also get Spanish forms and publications by calling toll-free (800) TAX-FORM, or (800) 829-3676.

Toll-free Services

Recorded tax information. The TeleTax line at (800) 829-4477 has recorded messages in Spanish around the clock, covering more than 100 tax topics.

Check refund status. The Refund Hotline provides information in Spanish at (800) 829-1954. You will need to know your client's filing status and the exact whole-dollar amount of the expected refund.

For further assistance you can also talk with a Spanish-speaking IRS representative by calling the toll-free customer service line at (800) 829-1040.

More new Spanish-language tax products for this filing season

Publication 4445, *Spanish Practitioner Toolkit* is now available online. The toolkit contains brochures that guide you through the tax filing process. The toolkit also:

- Identifies bilingual resources available to you;
- Explains different types of income and how to report and pay tax for each type;
- Explains employment statuses and how to report and pay taxes on income earned under these categories;
- Explains the benefits of participating in the tax process such as establishing residency, qualifying for tax credits and complying with tax laws; and
- Illustrates important information that Spanish-language clients need to know when selecting a tax preparer.

Publication 4636 is available online in Spanish, Chinese, Vietnamese, Korean, and Russian. The Spanish version is titled *Opening the Door to the Spanish-speaking Customer, Abriéndole la Puerta al Cliente de Habla Hispana* and includes these tax information brochures:

- Publication 4346A, *Basics of Tax Processing, Lo Básico en el Procesamiento de Declaraciones*
- Publication 4346B, *Why Should I Pay Taxes, Por que debo pagar Impuestos*
- Publication 4346C, *IRS Toll Free Telephone Service, Servicio Telefónico Gratuito del IRS*
- Publication 4346D, *EITC 2005—Don't Guess. Know., EITC 2005 No Advine. Infórmese*
- Publication 4346E, *Understanding Your IRS Notice, Entendiendo su Aviso del IRS*
- Publication 4346F, *Getting Help With Your Unresolved Tax Problems, Recibiendo Ayuda Con Problemas de Impuesto No Resueltos*

The **Spanish language DVD *Novela de los Impuestos Federales*** is a realistic portrayal of an immigrant's journey to understand their tax responsibility. For more information check the web at <https://www.irs.gov/Español>.

Audio CDs in Chinese, Vietnamese, Korean, Russian and Spanish explain basic taxpayer rights and responsibilities. For more information check the web at <https://www.irs.gov/Español>.

Our most popular publications are now available in Spanish

- Publication 1(SP), *Your Rights as a Taxpayer, Derechos del Contribuyente*, and
- Publication 579(SP), *Cómo Preparar su Declaración de Impuesto Federal*, explains who must file a federal tax return and other important topics, such as which forms to file, who are dependents, what income is taxable and nontaxable, and what some of the more common credits are. ■

IRS e-file Marketing Tool Kit The IRS e-file Marketing Tool Kit contains IRS e-file promotional products and informational publications designed to help Authorized IRS e-file Providers get the word out to current and prospective clients about the benefits of e-file and e-pay. IRS e-file is a method of filing tax returns that is proven to increase the satisfaction of tax professionals and taxpayers. Use the elements in the IRS e-file Marketing Tool Kit that work best for you. <http://www.irs.gov/taxpros/providers/article/0,,id=97538,00.html> ■

Learn All About IRS e-file in Publication 3452

Presented in an easy to follow Question and Answer format and geared precisely for tax professionals, Publication 3452 is a comprehensive guide to e-file featuring a front page summary of key dates coming up for the 2006 tax year. The 6-page guide can be explored online or downloaded for later reference if you prefer. Check it out at: <http://www.irs.gov/pub/irs-utlp3452taxpronl.pdf>. ■

Most Common Reasons for Power of Attorney (POA) and Tax Information Authorization (TIA) Rejection

Form 2848 Power of Attorney

The most common reasons for a Form 2848 Power of Attorney rejection are:

- Form 2848 is missing Representative or Taxpayer signatures or both, or signature dates. The requirement for the signature and date are found on Page 4 of Form 2848 Instructions.
- Non-specific identification of tax periods (tax matters) on line 3 is a major reason for rejection of the Form 2848. Avoid generalizations such as "all years" or "all future periods." Page 2 of the Form 2848 Instructions outlines several acceptable entries for the tax matters field, such as "2000 through 2002" or "2000 - 2002" or "2000, 2001, 2002."
- If Box 4 is checked, Specific Use Not Recorded on CAF. We will attempt contact with the taxpayer to verify specific use intent. If we are unable to make phone contact, the form will be rejected for clarification.
- Line 6. Receipt of Refund Checks. The name of the person authorized to receive refund checks is listed and the initials of the taxpayer(s) are not present.

- If Box 8 is checked, Retention/Revocation of Prior Power(s) of Attorney Forms are submitted with Box 8 checked, however, no copy of the power of attorney is attached to identify the representative that is being retained. The revocation has the same years, periods and tax matters as authorized on CAF.
- No designation shown.
- No jurisdiction shown, applicable for designations A, B, C or G.
- Title of employee of company being authorized not indicated.

Form 8821 Tax Information Authorization

The most common reasons for a Form 8821 Tax Information Authorization rejection are:

- Missing taxpayer signature, date or both. The requirement for the signature and date are found on Page 4 of the instructions.
 - Non-specific identification of tax periods (tax matters), as in second point above.
 - Incorrect EIN/SSN for taxpayer or business (and IRS is unable to identify and verify it through our records).
- For more information, visit www.irs.gov/caf. ■

KEY IRS PERSONNEL CHANGES IN 2006

During the last year IRS has announced several top echelon leadership changes. If you missed any of these key personnel announcements, you can review the news releases containing the announcements on the News Release Archive page of the Newsroom link from www.irs.gov or use these links:

IRS Announces Kathy Petronchak Appointed Chief of Staff

IR-2006-65, April 17, 2006 — Petronchak will assist the Commissioner in overseeing IRS operations and planning the direction of IRS programs.

Wagner Named Deputy Commissioner of the IRS Tax Exempt and Government Entities Division

IR 2006-100, June 21, 2006—The Internal Revenue Service today announced the appointment of Christopher Wagner as Deputy Commissioner of the Tax Exempt and Government Entities (TE/GE) Division.

IRS Selects Ng as LMSB's Deputy Commissioner, International

IR-2006-99, June 21, 2006—The Internal Revenue Service selected Frank Y. Ng to fill the new position of Deputy Commissioner, Large and Mid-Size Business (International).

New Top Leadership Team Selected

IR-2006-174, Nov. 9, 2006—Internal Revenue Service Commissioner Mark W. Everson today announced the appointment of Kevin Brown and Linda Stiff as the agency's two new deputy commissioners, effective December 1. ■

SCHEDULE K-1, TWO-DIMENSIONAL BARCODES

If your firm or your client's firm is creating barcoded Schedules K-1, certification for both the printed K-1, as well as the barcode itself is mandatory. The IRS has created procedures for the testing process. Review these procedures at <http://www.irs.gov/efile/article/0,,id=129860,00.html> Following these procedures as closely as possible will help speed the approval and testing process. ■

Guidelines for Faxed Submissions

Based on requests from practitioners and other stakeholders, IRS has adopted the following guidance on the acceptance of faxes by taxpayers and the practitioner community.

General

These general guidelines apply to all divisions and cover operations related to income tax, employment tax, excise tax, estate tax, gift tax, generation-skipping tax and tax exempt and employee plans determinations.

- Filing of original tax returns via fax will only be allowed as part of a return perfection process (e.g., securing a missing schedule or missing signature) initiated by IRS or in post-filing or non-filing activities described in the next bullet. Tax returns can be received via fax as part of return perfection even if a taxpayer signature is required, provided that the IRS contact with the taxpayer has been made and documented.
- Submission of documentation, forms, letters and returns related to post-filing or non-filing inquiries and interactions can be allowed via fax based on taxpayer or IRS request unless there is a specific prohibition. This allowance applies to inquiries and interactions conducted by Field Assistance, Accounts Management, Compliance Services, Field Examination, Field Collection, Determinations Units, Appeals and the Taxpayer Advocate Service, or related to post-submission inquiries and interactions conducted by Employee Plans or Exempt Organizations in connection with an application for a determination or a request for a ruling. Documentation, forms, letters and returns can be received via fax in these circumstances even if a taxpayer signature is required, provided that IRS contact with the taxpayer has been made and documented.
- The IRS will not acknowledge faxes received from taxpayers in the course of tax administration activities by a return fax. Exceptions can be made in unusual circumstances as determined by IRS management.

Specific guidance on use of faxes in tax administration processes (Lists not all-inclusive)

1. The following specific documents, forms or letters will continue to be accepted by fax in routine operations:

- EIN Requests (Form SS-4)
- Power-of-Attorney (Form 2848)
- Taxpayer Authorization (Form 8821)
- 1120S Election (Form 2553)
- Return/Transcript Requests (Form 4506)
- Request for Public Inspection or Copy of Exempt or Political Organization IRS Form (Form 4506-A)
- Foreign Certification Requests
- Appeals Conference Requests
- Responses or documentation needed to resolve filing or post-filing questions or correspondence.

2. The following specific documents, forms or letters can be accepted by fax if contact has been made with the taxpayer by phone or in person and the taxpayer history file is documented with the date of contact and notation is made that the taxpayer wishes to send the document, form or letter by fax:

- Requests for Innocent Spouse Relief (Form 8857)
- Taxpayer Statement About a Refund (Form 3911)
- Injured Spouse Claim (Form 8379)
- Installment Agreements (Form 433-D)
- Collection Information Statement – Wage Earner (Form 433-A)
- Collection Information Statement – Business (Form 433-B)
- Early Referral Requests
- Fast Track Mediation Requests
- Request for Collection Due Process Hearing (Form 12153)

- Letter to designate a payment
- Letter to request non-filing of lien
- Letter to request lien release
- Letter to request lien withdrawal
- Letter to request non-assertion of penalty
- Letter to provide reasonable cause statement
- Supporting Statement to Correct Information (Form 941C)
- Election by a Small Business Corporation (Form 2553).

3. Consents to assess additional tax (Forms 4549, 870 and others) of \$25,000 or less can be accepted by fax if taxpayer contact has been made and the case history documents the date of contact and the desire of the taxpayer to submit the consent by fax. Consents to assess tax in excess of \$25,000 should be secured with original signatures that are delivered in person or by mail.

4. Taxpayer closing agreements involving tax amounts of \$25,000 or less can be accepted by fax if taxpayer contact has been made and the case history documents the date of contact and the desire of the taxpayer to submit the consent by fax. Closing agreements for tax amounts in excess of \$25,000 should be secured with original signatures that are delivered in person or by mail.

5. Employee Plan and Exempt Organization determination letter applications **will not** be accepted via fax.

6. Determination Letter Requests related to income tax, gift tax, estate tax, generation-skipping transfer tax, employment tax and excise tax matters **will not** be accepted via fax.

7. Consents to extend the statute of limitations for assessing tax (Form 872, SS-10 and other consent forms) **will not** be accepted via fax in normal operations. ■

USE THESE SIMPLE SOLUTIONS FOR AN ERROR-FREE TAX RETURN

This checklist is primarily aimed at individual taxpayers preparing their own returns manually. Even so, it contains valuable tips and advice for any preparer. If you take a few minutes to double-check the return, you can help clients ensure that it will sail through the IRS processing center error-free:

- ✓ Use the peel-off label. You may line through and make necessary corrections right on the label. Be sure to fill in Social Security Numbers in the box provided on the return. *It is not on the label.*
- ✓ If you do not have a peel-off label, fill in all requested information clearly, including the Social Security Numbers.
- ✓ Check only one filing status on the tax return and check the appropriate exemption boxes. Enter the correct Social Security Number for each of those exemptions. Write legibly. Remember that incorrect, missing or illegible SSNs will cause a processing delay of your refund if you are due one.
- ✓ Use the worksheet in the instructions for Forms 1040 or 1040A or in IRS Publication 972, *Child Tax Credit*. Miscalculated child tax credits cause the majority of common errors.
- ✓ Use the correct Tax Table column for the filing status. Use a ruler; double check.
- ✓ Check and double check all figures on the return. Math errors are common.
- ✓ Check the accuracy of financial institution routing and account numbers entered on the return for a direct deposit of a refund. Incorrect numbers can cause delay or misdirection of the refund.
- ✓ Sign and date the return. If filing a joint return, both spouses must sign and date the return.
- ✓ Attach all Forms W-2, 1099R and others that reflect taxes withheld to the front of the return. If you are filing a Form 9465, *Installment Agreement Request*, attach that to the front also. Attach all other necessary forms and schedules in the order as listed in the attachment sequence order in the upper right corner of each form or schedule.
- ✓ If you owe tax, enclose a check or money order made payable to the *United States Treasury*, along with the Form 1040-V, *Payment Voucher*, with the return. You may choose to pay by credit card by contacting one of the credit card service providers. If you file electronically, you may authorize the U.S. Treasury to withdraw the payment directly from your bank account.
- ✓ For a complete checklist and listing of some of the most common errors, see Tax Topic 303 at *irs.gov* or call the toll-free TeleTax number, (800) 829-4477. ■

The Information Reporting Program Advisory Committee (IRPAC)

The IRPAC was created in 1991 to advise the IRS on information reporting issues of mutual concern to the private sector and the federal government. The [members](http://www.irs.gov/taxpros/article/0,,id=120326,00.html) (<http://www.irs.gov/taxpros/article/0,,id=120326,00.html>) have a broad spectrum of experience with information reporting, representing the payroll community, banks, mutual funds, the insurance industry, state tax administration, colleges and universities and their peers in the tax professional community. Each year IRPAC prepares a [report](http://www.irs.gov/taxpros/article/0,,id=120326,00.html) (<http://www.irs.gov/taxpros/article/0,,id=120326,00.html>) on issues they have studied, making recommendations to the IRS Commissioner.

The members are selected for a three-year term and meet in Washington, DC five times a year. In the Spring the IRS solicits IRPAC nominations for new members through a notice in the Federal Register and information on the Tax Professionals' page of *irs.gov*. More information and copies of the annual reports can be found at <http://www.irs.gov/taxpros/article/0,,id=107753,00.html>. ■

New Links Added this Year

The Information Reporting Program Advisory Committee (IRPAC) requested during their 2006 meetings that the Service consider development of a practitioner reference guide to serve as a substitute for Package X, which was quite costly to print and mail, and was discontinued.

At the same time, IRPAC was reviewing the findings of a survey taken among 2005 Nationwide Tax Forums attendees. The findings suggested that those surveyed would value a practitioner reference guide too.

Accordingly, NPL is adding a list of hot-links to topic areas on the Tax Pros Tool Kit website that incorporates what was most sought after in the practitioner reference guide: <http://www.irs.gov/taxpros/article/0,,id=118004,00.html>.

If you do not find reference materials you are seeking, please notify the Tax Hints editor so they can be included next year. Please note, Tax Hints can only link you to documents and information that are already posted on the www.irs.gov website. ■

Federal Tax Deposit Requirements for Employment Taxes

Do employment tax requirements confuse you? You're not alone. The rules are not one-size-fits-all and can be difficult to navigate. This summary will help clear up some of the mystery.

Employers must file Form 941, *Employer's Quarterly Federal Tax Return*, and make regular federal tax deposits (FTDs) of employment taxes, which include employees' withheld federal income tax, Social Security tax, Medicare tax and the employer's share of Social Security and Medicare taxes.

The deposit schedule may be either monthly or semi-weekly, depending on the amount owed during a four-quarter look-back period. The look-back period for calendar year 2006 covers the four calendar quarters from July 1, 2004 through June 30, 2005.

Note: Notification of FTD Deposit Requirements are issued yearly to filers of Form 941 and 941SS to advise employers of which deposit method to use for the upcoming calendar year. It is your responsibility to verify the look-back period information with your records to ensure that the notice you receive is correct.

New employers who have never filed Form 941 before follow the monthly schedule depositor's rules for the first calendar year of

If total taxes reported in the look-back period were:	then employer is a:
\$50,000 or less	Monthly Schedule Depositor
More than \$50,000	Semi-weekly Schedule Depositor.

their business. If, however, a new employer accumulates a tax liability (reduced by any advance Earned Income Credit (EIC) payments) of \$100,000 or more on any day during a deposit period, they must deposit the tax by the next banking day. FTD payments are based on when wages are paid, not earned, and must be deposited as follows:

Monthly Schedule Depositors:

- Deposit each month's taxes by the 15th day of the following month (e.g., taxes from pay-days during August are deposited by Sept. 15).

Semi-weekly Schedule Depositors:

- For wages paid Saturday, Sunday, Monday or Tuesday, deposit by Friday of that week.
- For wages paid Wednesday, Thursday or Friday, deposit by the following Wednesday.

If the due date for a deposit falls on a federal or state bank holiday or on a Saturday or Sunday, the deposit is considered timely if it is made by the close of the next banking day.

Reminder: If you are a Semi-weekly Depositor, you must attach Form 941, Schedule B, to your Form 941. Note: No monthly or semi-weekly FTD payments are required if the total tax liability for the quarter is less than \$2,500. Employers may mail in payments with their quarterly Form 941.

If employers have a deposit requirement, they may choose one of two deposit methods:

- FTDs can be made the preferred way through the Electronic Federal Tax Payment System (EFTPS). You can make tax deposit payments through the Internet at www.eftps.gov or call EFTPS Customer Service at (800) 555-4477.
- Mail or deliver Form 8109, *Federal Tax Deposit Coupon*, with their payment to an authorized financial institution or Federal Reserve Bank or branch. Make the check or money order payable to the financial institution. ■

INJURED SPOUSE ALLOCATIONS

If an individual files a joint tax return with his or her spouse expecting a tax refund, and all or part of the refund was, or is expected to be, applied to the spouse's past-due Federal tax debt, child or spousal support, Federal non-tax debt or state income tax obligation, the spouse who is not liable for the outstanding debt is considered a non-debtor spouse or an Injured Spouse.

An injured spouse may qualify to receive his or her portion of the tax overpayment that was or is about to be applied to the outstanding debt. Injured Spouse Allocation, Form 8379, must be used to request the non-debtor spouse's portion of the joint tax overpayment refunded to him or her. The Form 8379 may be filed with the joint Form 1040 (paper or electronic submission) or it may be filed separately, after an offset has occurred.

Because the IRS will process the allocation request (if filed with the original return) before an offset occurs, filing Form 8379 with the original return will improve processing time. If Form 8379 is filed after

an offset has occurred, the Form 8379 can be filed by itself or with a Form 1040X. If the Form 8379 is filed after the original Form 1040 is processed, copies of all W-2 and W-2G forms for both spouses and any Forms 1099 must be attached to the Form 8379. Form 8379 should be filed as soon as the taxpayer becomes aware of the government debt offset.

Please refer to the Injured Spouse Allocation, Form 8379, for additional information. For on-line assistance and information, visit IRS's web site at www.irs.gov. Pre-recorded message (Topic 203) covers Failure to Pay Child Support, Federal non-Tax and State Income Tax Obligations. ■

IRS Has Merged *Digital Dispatch* and *e-News for Tax Professionals*

The *Digital Dispatch* and *e-News for Tax Professionals*, two e-mail newsletters from the Internal Revenue Service that covered tax news of interest to the tax professional community, have merged as of December 4, 2006. The new document will continue under the name *e-News for Tax Professionals*.

The goal is to make *e-News for Tax Professionals* as useful and informative as it has always been; it will continue to provide the latest tax information without any decrease in quality, content, ease or speed of distribution. It remains one of the best ways for tax professionals to stay on top of up-to-the-minute national and local IRS news from all Service operating and functional divisions.

If you already are a subscriber to either one or both of these newsletters, you are not required to take any action. Our system will automatically merge all subscribers. However, subscribers can choose to unsubscribe by following the instructions at the bottom of the e-mail newsletter when they receive it. ■

Information Returns Processing

The Information Returns Processing website will present the information you need to know if your client has information reporting requirements. Here you will find help-line phone numbers and hyperlinked sites to help meet reporting information returns and how to file electronically or magnetically.

<http://www.irs.gov/taxpros/content/0,,id=98185,00.html> ■

2007 IRS Nationwide Tax Forums Begin in July

Plans are underway for the 2007 IRS Nationwide Tax Forums which will be held in six cities across the nation during July, August and September. The Tax Forums offer three full days of seminars with the latest word from the IRS leadership and experts in the fields of tax law, compliance and ethics. Tax professionals can earn up to 18 continuing professional education (CPE) credits, learn about the latest IRS e-Services products and schedule a visit to the Practitioner Case Resolution Room. The forums also feature a two-day expo with representatives from the IRS, business, finance and tax software companies offering their products, services and expertise.

Dates and locations for 2007 are shown in the table below.

In 2006, more than 17,000 tax professionals, IRS staff members, and representatives from the tax, financial and business communities met over the

summer for three days of learning, exchanging ideas and networking.

As in past years, the 2007 forums offer many new and timely seminar topics, an enhanced and wireless e-IRS Room and a totally automated Continuing Professional Education (CPE) credit process for enrolled agents, certified public accountants and certified financial planners.

Tax professionals can each bring one difficult and long-standing case to the Practitioner Case Resolution Room, which last year resolved 91% of the 1,415 cases brought in and collected nearly \$40,000 in revenue.

Nationwide Tax Forums continue to offer features that attendees value highly; the quality rating for the 2006 forum season increased to a record 99%! For information on conference room rates and for the latest updates on online registration, seminars topics, schedules, exhibitor listings and more, visit www.taxforuminfo.com. ■

Venue	City	Dates
Hilton Atlanta	Atlanta, GA	July 17–19
Hilton Chicago	Chicago, IL	July 31–August 2
Rio All Suites	Las Vegas, NV	August 21–23
Hilton New York	New York, NY	August 28–30
Hilton Anaheim	Anaheim, CA	September 11–13
Disney's Coronado Springs	Orlando, FL	September 18–20

PRACTITIONER PRIORITY SERVICES (PPS)

What is it?

PPS is a nationwide, toll-free, accounts service designed specifically for practitioners that was introduced in January 2002. PPS should be the "First Point of Contact" for account-related issues. PPS offers consistent service to all practitioners nationwide. Some things to know:

- Practitioners receive priority handling, ensuring shorter wait times
- Customer Service Representatives (CSR) are specialized to handle practitioner issues
- PPS calls are split by Individual and Business inquiries. It is important you select the appropriate option when prompted.
- Practitioners seeking service from our Automated Collection System (ACS) should select Option 3 and enter the taxpayer identification number when prompted to ensure your call is handled by an authorized assistor.

Practitioner Priority Service

Toll-Free (866) 860-4259

8:00 a.m. - 8:00 p.m. Local Time

(Alaska and Hawaii follow Pacific Time)

Note: PPS assistors can provide general information on other Compliance issues, such as audits or CP2000 notices.

The type of Assistance PPS offers:

- Account Problems—Individual or Business
- Complex Refunds—Undeliverable, destroyed, refund repayment, erroneous refunds, and refund offsets
- Installment Agreements—arrangements to pay balance due accounts
- Notices
- Payment Tracers

Hints for improving your PPS experience:

- Don't give the PPS toll-free number to anyone who is not a practitioner
- PPS only handles account related inquiries. Do not ask tax law questions
- PPS sites are specialized by Individual and Business (choose the prompts for your type of inquiry)
- PPS cannot resolve AUR or EXAM issues, they can only give explanations or instructions. Call the number on the notice received by your client.
- Have your Power of Attorney (POA) data available to discuss or fax ■

Tax Talk Today

Tax Talk Today is a free monthly web cast sponsored by the IRS about current tax issues and policies. Just go to www.TaxTalkToday.tv to register and attend. You can even watch archived shows and purchase inexpensive CPE credits. As we posted this publication, the full 2007 Tax Talk Today schedule was not available. For the latest information on topics, visit: <http://www.taxtalktoday.tv/index.cfm?page=8.71> ■

U.S. Residency Certification User Fee Implementation: November 1, 2006

IRS began charging a user fee for processing Form 8802, *Application for U.S. Residency Certification*, effective November 1, 2006. This fee was announced in [Revenue Procedure 2006-35](#), which was published in IRM 2006-37 dated September 11, 2006.

Approved Form 8802 applications receive certification letters (Form 6166) which may be used as proof of U.S. residency to claim benefits in the form of reduced tax rates under an income tax treaty or with an exemption from a value added tax (VAT) imposed by a foreign country.

An Office of Management and Budget directive instructed federal agencies to charge user fees reflecting the full cost of goods or services that "convey special benefits to recipients beyond those accruing to the general public."

The initial user fee of \$35.00 covers a single Form 8802 requesting up to 20 certifications Form 6166 for a single Taxpayer Identification Number (TIN) — regardless of the country for which certification is requested or the tax period to which certification will apply. An additional \$5.00 fee covers requests on the same Form 8802 for up to 20 additional Forms 6166 certificates issued for the same TIN. Applicants are advised, therefore, to include all requests for Form 6166 certificates on a single Form 8802 Application to avoid a new \$35.00 user fee charge for processing of a second Form 8802 application.

The user fee, for example for:

Number of Form 6166 Requested on Form 8802	User Fee Assessed
1 - 20	\$35.00
21 - 40	\$40.00
41 - 60	\$45.00
61 - 80	\$50.00

(continues in 20 certificate increments for each additional \$5.00)

For more information, check out the [IRS News Release IR-2006-139](#), [Revenue Procedure 2006-35](#), and [Notice 2006-90](#), all of which are available on the IRS web site. ■

REDUCING THE BURDEN TAXPAYERS FACE

The IRS Office of Taxpayer Burden Reduction develops proposals designed to reduce the time and money taxpayers spend to meet their federal tax obligations.

TBR's primary strategic objective is to maintain a consistent and coordinated approach to burden reduction that meets customer needs by focusing on the following:

- Simplifying forms, publications and notices
- Streamlining internal policies, processes and procedures
- Promoting less burdensome rulings, regulations and laws
- Partnering with internal and external stakeholders to more efficiently and effectively identify and address burden reduction initiatives.

TBR initiatives currently underway include:

- Form 944, *Employer's ANNUAL Federal Tax Return*, replacing the quarterly Form 941 for many small business filers
- The redesigned Form 940, *Employer's Annual Federal Unemployment Tax Return*, simplifying filing this return for approximately 5.6 million taxpayers.

Other TBR initiatives still in development include:

- Capital Gains Tax Reporting
- Simplifying the S-election Process
- Redesigning Form 8857, *Request for Innocent Spouse Relief*
- Correcting Employment Tax Returns
- Form 8829, *Expenses for Business Use of Your Home*.

Additional information on the Office of Taxpayer Burden Reduction and its projects can be found on www.irs.gov by searching under keyword "burden reduction." In addition, Publication 4109, *Office of Taxpayer Burden Reduction*, can be ordered by calling (800) 829-3676 or it can be downloaded from www.irs.gov.

The IRS encourages the public to submit ideas for reducing taxpayer burden. Form 13285A, *Reducing Tax Burden on America's Taxpayers*, may be used to submit ideas to TBR. This form can be found on www.irs.gov and can be e-mailed to *sbse.otpbr@irs.gov or mailed to: Office of Taxpayer Burden Reduction
Internal Revenue Service
SE:S:TBR, IR 2023
1111 Constitution Avenue, NW
Washington, D.C. 20224 ■

Taxpayer Advocate Service

The Taxpayer Advocate Service is an independent organization within IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should. You may be eligible for assistance if:

- You are experiencing economic harm or significant cost (including fees for professional representation),
- You have experienced a delay of more than 30 days to resolve your tax issue, or
- You have not received a response or resolution to the problem by the date promised by the IRS.

The service is free, confidential, tailored to meet your needs, and available for businesses as well as individuals. There is at least one local taxpayer advocate in each state, the District of Columbia, and Puerto Rico. Because advocates are part of the IRS, they know the tax system and how to navigate it. If you qualify, you will receive personalized service from a knowledgeable advocate who will:

- Listen to your problem,
- Help you understand what needs to be done to resolve it, and
- Stay with you every step of the way until your problem is resolved.

You can contact the Taxpayer Advocate Service by:

- Calling their toll-free case intake line at (877) 777-4778 or TTY/TTD (800) 829-4059,
- Writing or calling your local taxpayer advocate, whose address and phone number are

listed in the government listings in your local telephone directory and in Pub. 1546, *The Taxpayer Advocate Service of the IRS—How to Get Help With Unresolved Tax Problems*,

- Filing Form 911, *Application for Taxpayer Assistance Order*, with the Taxpayer Advocate Service, or
- Asking an IRS employee to complete Form 911 on your behalf.

To get a copy of Form 911 or learn more about the Taxpayer Advocate Service, go to www.irs.gov/advocate. ■

The Taxpayer Advocate Service is headed by the National Taxpayer Advocate (NTA) who is mandated to report concerns and findings to Congress each year. To read the Executive Summary or the full report: <http://www.irs.gov/advocate/article/0,,id=165806,00.html>.

Low Income Tax Clinics (LITCs)

LITCs are independent organizations that provide low income taxpayers with representation in federal tax controversies with the IRS for free or for a nominal charge. The clinics also provide tax education and outreach for taxpayers with limited English proficiency or who speak English as a second language. Pub. 4134, *Low Income Taxpayer Clinic List*, provides information on clinics in your area. It is available at www.irs.gov or your local IRS office. ■

The Internal Revenue Service Advisory Council (IRSAC)

The first Advisory Group to the Commissioner of Internal Revenue, the Commissioner's Advisory Group (CAG) was established in 1953 to advise the Service on national policy issues. The CAG was renamed in 1998, becoming the Internal Revenue Service Advisory Council (IRSAC) to more accurately reflect its agency-wide scope in advising the entire IRS. The IRSAC was strategically refocused into subgroups mirroring three of the operating divisions, LMSB, W&I and SB/SE. (TEGE has its own Advisory Committee.)

IRSAC's objectives have continued to evolve. Responding to one of today's most critical issues, IRSAC has formed a fourth subgroup, the tax gap analysis subgroup, which will challenge tax and economics experts to identify improved methods to measure voluntary tax law compliance.

IRSAC members have diverse backgrounds reflecting a wide range of experience in tax administration. Members also bring to the Council—and the Service—a unique outside perspective on public perceptions of IRS actions and decisions. The group explores broad tax administration topics and organizational issues rather than narrow technical issues. Discussions focus on solutions as well as constructive observations on the federal tax system. Each year the IRSAC prepares an annual report on issues and initiatives they have studied, with their recommendations to the Commissioner. Copies of annual reports can be found at <http://www.irs.gov/taxpros/article0,,id=102281,00.html>.

Members are selected for a three-year term and meet in Washington, DC several times a year. This spring the IRS will solicit nominations for new IRSAC members with a notice in the *Federal Register* and through the Tax Professionals' page at irs.gov. ■

Non-Resident Alien Withholding and Reporting

Increasingly the IRS is coordinating efforts across divisions on issues relating to international tax administration. One such effort involves outreach and enforcement efforts aimed at improving compliance with non-resident alien withholding regulations.

These regulations require that a U.S. person (i.e. individual, corporation, partnership, etc.) who makes payments of certain types of U.S. sourced income to non-resident aliens generally must withhold tax at a rate of 30% on such payments, unless there are applicable tax treaty provisions allowing for a reduced rate (see *Publication 515*). Such payments are generally subject to reporting on Form 1042, *Annual Withholding Tax Return for U. S. Source Income of Foreign Persons* and Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*. The U.S. person making these payments—most often referred to as a U.S. withholding agent—is responsible for the withholding and reporting.

In addition, these regulations require the foreign status of the non-resident alien, and any applicable treaty claims, to be documented. Proper documentation could include Form W-8 or Form 8233, depending on the type of person and income.

Recently, hundreds of U.S. withholding agents voluntarily identified and corrected their withholding and reporting deficiencies with respect to payments to non-resident aliens. A number of these withholding agents indicated that they were not aware of their non-resident alien (NRA) reporting or withholding responsibilities at all until they were prompted by their tax advisors to per-

form a thorough review of their operations. An analysis of their payments to foreign vendors from accounts payable revealed a number of payments that were subject to NRA reporting and withholding, but for which neither reporting nor withholding was performed. The most common of these types of payments were interest, royalties, personal services fees, rents and other fixed or determinable annual or periodic payments.

U.S. withholding agents should be aware of these issues and review their operations to ensure compliance with the NRA withholding and reporting regulations. Practitioners with business or individual clients who may be subject to withholding may wish to discuss these issues with their clients and help them ensure compliance. Where problem areas are identified, immediate steps should be taken to disclose the problem to the IRS and institute corrective actions.

For more information about non-resident alien reporting and withholding requirements, refer to Treasury Regulation sections 1.1441-1446 and IRS Publication 515. These and other references can be found on the IRS website www.irs.gov. In addition, note that the IRS published an Industry Directive in November 2003 that gives guidance to IRS field agents for audits of forms 1042 (Industry Directive for the Audit of Forms 1042). This Directive may be useful as a guide for performing the compliance checks mentioned above. However, it was written in general terms and should not be relied upon to identify every instance of non-compliance. ■

Lockbox Post Office Box Closures

Reminder: As a result of the realignment of workload, the Lockbox Post Office Boxes for the following addresses have been closed:

Pittsburgh PO Boxes

If you have been sending paper check tax payments to Pittsburgh Post Office boxes, those addresses have been closed and must be changed to the Hartford or Atlanta addresses listed to the right.

Memphis PO Boxes

If you have been sending paper check tax payments to Memphis Post Office boxes, those addresses have been closed and must be changed to the Atlanta addresses listed to the right.

Starting January 2, 2007, all mail sent to the old payment addresses will be returned to sender. ■

Other changes...

Remember: Some Returns

Must Be Sent To New Addresses This Year

Some of your clients' individual tax returns may have to be sent to a different service center than last year. In 2007, taxpayers from 5 states, Minnesota, North Dakota, Arkansas, Kentucky, and New Jersey, whose individual paper tax returns are mailed to an IRS service center, will file at a different service center this year. Tables showing the correct address and service center are at www.irs.gov. Taxpayers who receive a tax instruction booklet from the IRS in the mail and use the labels included with the booklet can be assured that their tax returns will go to the correct address. Taxpayers who e-file are not affected by these changes. ■

For a complete list of ALL filing addresses, [click here](#)

Pittsburgh PO Boxes

Form Type	Old Payment Address	New Payment Address
1040	PO Box 371361	PO Box 37002
1040-A	Pittsburgh, PA 15250-7361	Hartford, CT 06176-0002
1040-EZ		
1040-ES	PO Box 371999 Pittsburgh, PA 15250-7999	PO Box 37001 Hartford, CT 06176-0001
4868	PO Box 371361 Pittsburgh, PA 15250-7361	PO Box 37003 Hartford, CT 06176-0003
940	PO Box 371307 Pittsburgh, PA 15250-7307	PO Box 105887 Atlanta, GA 30348-5887
940-EZ	PO Box 371324 Pittsburgh, PA 15250-7324	PO Box 105659 Atlanta, GA 30348-5659
941	PO Box 371493 Pittsburgh, PA 15250-7493	PO Box 105703 Atlanta, GA 30348-5703
943	PO Box 371475 Pittsburgh, PA 15250-7475	PO Box 105094 Atlanta, GA 30348-5094
945	PO Box 371441 Pittsburgh, PA 15250-7441	PO Box 105092 Atlanta, GA 30348-5092
1041-ES	PO Box 371999 Pittsburgh, PA 15250-7999	PO Box 105401 Atlanta, GA 30348-5401
2290	PO Box 371488 Pittsburgh, PA 15250-7488	PO Box 105421 Atlanta, GA 30348-5421
CP Notices (521 & 523)	PO Box 371410 Pittsburgh, PA 15250-7410	PO Box 37004 Hartford, CT 06176-0004

Memphis PO Boxes

Form Type	Old Payment Address	New Payment Address
1040	PO Box 105093	PO Box 105017
1040-A	Atlanta, GA 30348-5093	Atlanta, GA 30348-5017
1040-EZ		
1040ES	PO Box 105900 Atlanta, GA 30348-5900	PO Box 105225 Atlanta, GA 30348-5225
4868	PO Box 105073 Atlanta, GA 30348-5073	PO Box 105050 Atlanta, GA 30348-5050
CP Notices (521 & 523)	PO Box 105404 Atlanta, GA 30348-5404	PO Box 105416 Atlanta, GA 30348-5416

REPORTING TAX FRAUD

As a professional return preparer, especially if you have walk-in traffic, you have both the expertise and the opportunity to see how would-be fraudsters are attempting to commit refund crimes. This very important information can be invaluable to the IRS units working on tax refund schemes. Therefore, the IRS has implemented a way to streamline the reporting of any fraud allegations you send us.

Some types of fraudulent activity should be referred directly to the IRS Fraud Detection Centers (FDCs), where all refund returns are screened, including:

- Persons filing questionable/suspicious tax returns
- Persons claiming refunds using false or altered W-2 forms
- Persons receiving multiple refund checks at one or more locations
- Persons filing more than one tax return for a single year either by filing at different IRS campuses or at the same campus using a fictitious Social Security Number (SSN) or another person's SSN
- Information about tax return preparers who are preparing returns with false information on their client's tax forms in order to get larger refunds
- Information about people selling dependent Social Security Numbers

If you detect these types of fraudulent activities, forward the information directly to the Internal Revenue Service Criminal Investigation Division by e-mail at HQ-ORF@ci.irs.gov or by faxing information directly to the FDC that reviews refund returns from your state. (Note: Many of these fax numbers are new since last filing season.)

States	Fraud Detection Center	FAX Number
CT, MA, ME, NH, RI, VT, Upstate NY, MI	Andover	(978) 691-6902
GA, NC, SC, AL, FL	Atlanta	(770) 455-2901
TX, NM, AZ, OK	Austin	(512) 460-2724
Brooklyn, Manhattan, NJ	Brookhaven	(631) 654-6912
OH, KY, IN	Cincinnati	(859) 669-3711
CA	Fresno	(559) 441-5881
IL, WI, ND, SD, NE, IA, KS, MO, MN	Kansas City	(816) 823-8543
AR, TN, MS, LA	Memphis	(901) 546-3148
CO, MT, WY, UT, NV, ID, OR, WA, AK, HI	Ogden	(801) 620-6806
PA, VA, MD, DE, WV, Puerto Rico and other International Returns	Philadelphia	(215) 516-7028

If you have knowledge of or suspect other types of tax crimes, please contact the IRS Fraud Referral Hotline at (800) 829-0433.

The IRS currently has a number of civil and criminal enforcement initiatives underway to combat refund fraud and other tax crimes. With your specialized knowledge as a tax professional, you may be able to help us identify a tax fraud scheme early—so that it can be stopped quickly.

For more information about IRS enforcement activities, visit www.irs.gov. ■

Top 10 Potential Triggers for Alternative Minimum Tax

The alternative minimum tax (AMT) is an extra tax some people have to pay if their regular income tax is reduced due to certain deductions and credits. The AMT works like the regular income tax, but with different rules for figuring income and deductions, and with different tax rates. These rules set limits on the amount by which deductions and credits can reduce total tax.

If you already pay at least the minimum because of your regular income tax, you do not have to pay the AMT. However, if your regular tax is less than the minimum, then you have to make up the difference by paying the AMT in addition to your regular tax.

If you are unsure whether the AMT applies to you, pay attention to the following 10 items; they often trigger the need to calculate AMT:

1. Personal exemptions
2. Standard deduction
3. State and local income, sales and property taxes
4. Mortgage interest on refinanced or second mortgages and home equity loans not used to buy, build or improve a home
5. Medical expenses
6. Miscellaneous itemized deductions subject to the 2% floor
7. Exercise of incentive stock options
8. Long-term capital gains
9. Tax-exempt interest from private activity bonds
10. Business tax deductions ■

IRS TOLL FREE NUMBERS

Practitioner Priority Service	(866) 860-4259	Practitioners' first point of contact for account-related issues.
IRS Tax Help Line for Individuals	(800) 829-1040	For filers who need procedural or tax law information or help to file.
Business and Specialty Tax Line	(800) 829-4933	For Small Businesses, Corporations, Partnerships and Trusts who need information or help related to their Business Returns or Business (BMF) Accounts. Services cover Employer Identification Numbers (EINs), 94x returns, 1041, 1065, 1120S, Excise Returns, Estate and Gift Returns, as well as issues related to federal tax deposits.
Refund Hotline	(800) 829-1954	For 1040-type Individual and Joint Filers who need to check the status of their current year refund. Automated Refund Self-Service Interactive applications are offered on this line. Note: The Where's My Refund? automated self-service feature is also available 24/7 at www.irs.gov/ to obtain refund status information.
e-Help Desk	(866) 255-0654	For questions on e-file, EFTPS and e-services.
Forms and Publications	(800) 829-3676	For individuals, businesses and tax practitioners who need IRS tax forms, instructions and related materials and tax publications.
National Taxpayer Advocate	(877) 777-4778	For taxpayers whose tax problems have not been resolved through normal channels. The Taxpayer Advocate Service Help Line (TAS) provides an independent system to assure that tax problems are promptly and fairly handled. TAS operates independently of any other IRS office and reports directly to Congress through the National Taxpayer Advocate.
Telephone Device for the Deaf	(800) 829-4059 (TDD)	For hearing-impaired taxpayers who need tax law or procedural information relating to filing their returns or who need information or assistance relating to their accounts.
Taxpayer Advocacy Panel	(888) 912-1227	For citizens who want to provide ideas and suggestions on how to improve IRS services or who want to make recommendations for improvement of IRS systems and procedures.
Electronic Federal Tax Payment System (EFTPS)	(800) 555-4477 (800) 733-4829 (TDD) (800) 244-4829 (SP)	For taxpayers who want to pay business or individual taxes through electronic funds transfer. The EFTPS Toll-Free numbers can provide callers with EFTPS enrollment forms, instructions and customer assistance.
Government Entities (TEGE) Help Line	(877) 829-5500	For taxpayers who need tax information or assistance relating to Tax Exempt or Government Entities, Tax Exempt Bonds, Employer/Employee Pension Plans or Indian Tribal Agreements.
Extension to File	(888) 796-1074	For individual filers who want to submit an extension to File for a 1040-series return via telephone.
TeleTax Topics	(800) 829-4477	Prerecorded messages on various tax topics.
Form 706 Form 709	(866) 699-4083	For answers to questions concerning Form 706, United States Estate Tax Returns, and Form 709, United States Gift (and Generation-Skipping Transfer) Tax Returns.
AARP Tax-Aid Information Line	(888) 227-7669	American Association of Retired Persons locations for income tax preparation by IRS trained volunteers.
Automated Collection System (ACS) Businesses	(800) 829-3903	Business accounts assigned to ACS.
Automated Collection System (ACS) Individuals	(800) 829-7650	Individual accounts assigned to ACS.
Criminal Investigation Informant Hotline	(800) 829-0433	Report tax fraud.
Employer Identification Number (EIN)	(800) 829-4933	EIN application and changes.
Form 2290	(866) 699-4096	Heavy Vehicle Use Tax issues related to Form 2290.
Information Return Reporting	(866) 455-7438	Tax law help for payers of W-2s and 1099s.
Terrorist Act or Combat Zone Special Hotline	(866) 562-5227	Information for those affected by a Terrorist Act or a Combat Zone participant or related accounts issues.
Treasury Inspector General for Tax Administration (TIGTA) Hotline	(800) 366-4484	Report allegations of misconduct or improprieties by IRS employees.

Internal Revenue Service At-a-Glance

Wage and Investment (W&I) Division

W&I serve taxpayers with the following profiles:

- Approximately 131 million tax returns
- Most pay taxes through withholdings
- More than 70% of returns prepared by others
- Most interact with the IRS once a year
- Most receive refunds

W&I organizational offices:

- Customer Assistance, Relationships and Education (CARE)
- Customer Account Services (CAS) Compliance

Focusing on better service to customers through:

- Media and Publications
- Stakeholder Partnership Education and Communication (SPEC)
- Field Assistance and Taxpayer Assistance Centers

For additional information on W&I, click on: [W&I at a Glance](#)

Small Business/Self-Employed (SB/SE) Division

SB/SE serves taxpayers with the following profiles:

- Approximately 45 million taxpayers
- About 33 million full or partially self-employed
- About 7 million small businesses with assets of less than \$10 million
- Have some of the most complex issues due to tax law requirements and the number of forms and schedules required
- Approximately 80 percent use a paid return preparer

SB/SE Business Units:

- Field Collection
- Field Examination
- Campus Compliance Services
- Specialty Taxes
- Fraud/Bank Secrecy Act
- Taxpayer Burden Reduction
- Communication, Liaison & Disclosure

SB/SE/Self-Employed Division serves following types of taxpayers:

- Individuals filing Schedules C, E, F or Form 2106.
- All other businesses with assets under \$10 million.

For additional information for taxpayers served by SB/SE:

<http://www.irs.gov/taxpros/index.html>
<http://www.irs.gov/businesses/small/index.html>

Large & Midsize Business (LMSB) Operating Division

LMSB serves taxpayers with the following profiles:

- Corporations, subchapter S corporations, and partnerships with more than \$10 million in assets
- The largest business taxpayers interact with the IRS on an ongoing basis
- Most have in-house tax divisions. Major issues are tax law interpretation, accounting and regulatory issues.

LMSB is divided into the following industry operations:

- Retailers, Food, Pharmaceutical and Healthcare
- Natural Resources and Construction
- Financial Services
- Heavy Manufacturing and Transportation
- Communications, Technology and Media
- Field Specialists

For additional information on LMSB, click on:

<http://lmsb.irs.gov/hq/c/downloads/Organization/Directories/LMSB%20Industry%20Mgrs%20by%20ORG%202-11-04.doc>

Operating Divisions continued on page 27

Tax Exempt and Government Entities (TE/GE) Division

TE/GE meets the special needs of:

- Pension Plans
- Exempt Organizations
- Government Entities.

TE/GE's three major business units:

- Exempt Organizations (EO)
- Employee Plans (EP)
- Government Entities (GE).

Examples of areas where TE/GE provides customer assistance are:

- EO: charities, private foundations, other nonprofit organizations
- EP: retirement plans such as 401(k), 403(b), 457, SEP, SIMPLE and defined benefit pension plans
- GE: federal, state and local governments (FSLG), Indian tribal governments (ITG) and tax-exempt bonds (TEB) for the municipal finance community.

For direct technical assistance on any of these subjects, call TE/GE's Customer

Account Services toll-free line at (877) 829-5500, Monday-Friday, 8:00 a.m. to 6:30 p.m. ET. You can also go to the following Websites for information on technical guidance, compliance programs, specialized education programs and services, seminars, workshops, forms and publications and more:

- EP: www.irs.gov/ep
- EO: www.irs.gov/leo
- FSLG: www.irs.gov/govts
- ITG: www.irs.gov/tribes
- TEB: www.irs.gov/bonds

Appeals Division

The Appeals Division has been resolving tax disputes for over three-quarters of a century and our mission has remained the same for the last 80 years. Our goal is to increase confidence in the overall fairness of the tax system by providing an efficient and independent administrative appeal process for all taxpayers. Our commitments to taxpayers are:

- To explain their appeal rights and the Appeals process.
- To listen to their concerns.
- To be courteous and professional.
- To be responsive (and allow taxpayers reasonable time to respond to any requests for information).
- To be fair and impartial.

Want to Learn More About Appeals and Its Processes?

Appeals has developed and posted on their *irs.gov* website a few short videos that will explain the Appeals process.

Link to Online Videos of the Appeals Process <http://www.irs.gov/individuals/article/0,,id=137945,00.html>

Below is a list of publications and forms relating to the Appeals process which may be found on the Appeals Publications and Forms, About Your Appeal Rights web site located on *irs.gov* at the following link: <http://www.irs.gov/individuals/article/0,,id=160745,00.html>

Publications

Publication 1, *Your Rights As a Taxpayer*

Publication 5, *Your Appeal Rights and How to Prepare a Protest If You Don't Agree*

Publication 594, *What You Should Know About The IRS Collection Process*

Publication 1660, *Collection Appeal Rights*

Publication 3498 & 3498A, *The Examination Process*

Publication 4165, *An Introduction to Collection Due Process Hearings*

Publication 4167, *Appeals—Introduction to Alternative Dispute Resolution*

Publication 4227, *Overview of the Appeals Process Brochure*

Forms

Form 656, *Offer in Compromise*

Form 843, *Claim for Refund and Request for Abatement*

Form 2751, *Proposed Assessment of Trust Fund Recovery Penalty*

Form 8836, *Qualifying Children Residency Statement*

Form 9423, *Collection Appeal Request*

Form 12203, *Request for Appeals Review*

Form 12153, *Request for a Collection Due Process Hearing*

Form 12509, *Statement of Disagreement*



IRS.gov HotLinks

SB/SE E-SUBMISSIONS/E-INTERACTIONS & MORE AN ALPHABETICAL LISTING OF HYPERLINKS FOR WWW.IRS.GOV

Tip: Save this file to your Desktop for quick reference

[940/941 e-file](#)
[990/990-EZ/990-PF/1120-POL e-file](#)
[1040 Central](#)
[1041 e-file](#)
[1065 e-file](#)
[1120/1120S/7004 e-file](#)
[1120 POL e-file](#)
[2004/2005 Tax Law Changes for Individuals](#)
[2005 Nationwide Tax Forums - NWTfS](#)
[Abusive Offshore Tax Avoidance Schemes](#)
[Abusive Tax Shelters](#)
[Advertising/Promotion Publications - ERO's - Marketing Toolkit, Refund Cycle Chart](#)
[Amended Returns](#)
[Appeals Process - link to streaming video](#)
[Appeals-Resolving Tax Disputes](#)
[Application to Participate in the e-file Program \(paper version\)](#)
[Approved IRS e-file for Business Providers](#)
[Armed Forces - Tax Information](#)
[Around the Nation](#)
[Authorized IRS e-file Provider Locator Service for Tax Professionals](#)
[Become an Authorized IRS e-file Provider](#)
[Burden Reduction - About the Office of Taxpayer Burden Reduction](#)
[Business e-file options](#)
[Calendar, Tax for 2005 Pub. 509](#)
[Centralized Authorization File \(CAF\)](#)
[Charities & Other Non-Profits](#)
[CID - Criminal Enforcement](#)
[Circular 230 \(Rev. 6/2005\)](#)
[COEs - Centers of Excellence Industries/Professions](#)
[Combat Zone Provisions - FAQs](#)
[Compliance & Enforcement News](#)
[Consumer Alerts & Tax Scams](#)
[Contact My Local Office - state-by-State IRS Office Locations, Hours etc.](#)
[Corporations, Tax Information for CP-2000 Prevent Delays in the Processing](#)
[Credit Card Payments - Individuals](#)
[Criminal Enforcement](#)
[Criminal Investigation Division - CID](#)
[Digital Dispatch Mailing List](#)
[Direct Transmitters - What's New in EMS for 2006](#)
[Discontinuance of Non-Encrypted e-file Transmission Options](#)
[Disaster Assistance Self-Study](#)
[Disaster Relief - Pub. 3833](#)
[Draft Tax Forms](#)
[EA Exam](#)
[EA Information](#)
[e-file Application & Participation - Pub 3112](#)
[e-file Checklist for Individuals](#)
[e-file Demographics for Electronic Return Originators](#)
[e-file Demographics](#)
[e-file FAQs for Tax Professionals - Publication 3452 TY 2004](#)
[e-file for Business & Self-Employed Taxpayers](#)
[e-file for Business Program Overview](#)
[e-file for Business Partners](#)
[e-file for Business Providers](#)
[e-file for Large & Mid-Size Corporations](#)
[e-file Library](#)
[e-file Made Easy - A Tax Professional's One Stop e-file/e-pay Shop](#)
[e-file Market Research Data](#)
[e-file Provider News & Alerts](#)
[e-file Partners for Individuals](#)
[e-file Partners for Financial Institutions/Employers](#)
[e-file Partners for Taxpayers](#)
[e-file for Tax Professionals - Landing page](#)
[e-file Providers, Individual Locator](#)
[e-file New Requirements for large Corps & Exempt Organizations](#)
[e-file Resources - Help Desk & State e-file Coordinators](#)
[e-file Resources for EROs, etc](#)
[e-file Revenue Procedure 2005-60 new](#)
[e-file for Software Developers & Transmitters](#)
[e-file Technical Publications](#)
[EFTPS - Express Enrollment for Businesses Pub 4276](#)
[EFTPS on irs.gov](#)
[EFTPS.GOV](#)
[EFTPS Marketing Materials Practitioner Order Form - FMS](#)
[e-Help Desk - Toll-Free Number](#)
[EIN - Apply Online](#)
[EIN, Online Application FAQs](#)
[EITC Assistant](#)
[EITC Information/Resources](#)
[EITC - Do You Qualify?](#)
[Electronic Federal Tax Payment System](#)
[Electronic Funds Withdrawal - EFW](#)
[Electronic Payment Options Individual & Business](#)
[Electronic Payment Options Brochure Pub 3611](#)
[Electronic Reading Room](#)
[Electronic Signature Methods - PIN](#)
[Employment Tax e-file System](#)
[Employment Taxes - e-file and e-pay Options](#)
[Employment Taxes for Small Businesses](#)

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[Employment Tax Enforcement Program](#)

[Employment Tax Schemes](#)

[Encryption - New Transmitter Requirements](#)

[e-News for Tax Professionals - Sign Up](#)

[Enrolled Agent Information \(Office of Professional Responsibility - OPR\)](#)

[ERO Locator Service](#)

[Errors - Top Errors by Paid Preparers on Paper Returns](#)

[e-services](#)

[e-services Products](#)

[e-services Registration page \(link to online tutorials found in red bar\)](#)

[ETAAC Annual Report to Congress 2005](#)

[Exemplary EROs - 2005](#)

[Extensions - Bs & Individual](#)

[Fact Sheets - Newsroom](#)

[FAX Guidelines, New IRS](#)

[Federal Register](#)

[Federal/State e-file](#)

[Fed/State e-file Coordinators](#)

[Fed/State Employment Tax e-file Schemas \(FSET\)](#)

[FedStats.gov](#)

[Filing Information Returns Electronically \(FIRE\)](#)

[Filing Season Supplement, Pub 1345A for TY 2004](#)

[Financial Management Service \(FMS\) U.S. Dept of the Treasury](#)

[FIRE](#)

[FIRE.net <http://fire.irs.gov>](#)

[Forms & Pubs](#)

[Forms 940 & 941 e-file Programs](#)

[Form 990/990EZ/990PF & 1120POL e-file](#)

[Form 1041 e-file Program](#)

[Form 1065 e-file Program](#)

[Form 1120/1120S e-file](#)

[Form 1120POL e-file](#)

[Form 8453, U.S. Individual Income Tax Declaration for an IRS e-file Return](#)

[Form 8633 - Application to become an Authorized IRS e-file Provider](#)

[Form 8633 FAQs](#)

[Form 8878, IRS e-file Signature Authorization for Application for Extension of Time to File](#)

[Form 8878 - Spanish version 2005](#)

[Form 8879, IRS e-file Signature Authorization](#)

[Fraud Alerts - CID](#)

[Fraud, Reporting](#)

[Free File Home Page](#)

[Free File FAQs & Help Center](#)

[Free Online Filing - Free File Home page](#)

[Frequently Asked Tax Questions & Answers TY 2004](#)

[Frivolous Tax Arguments, The Truth About](#)

[Government Entities - Tax Information for](#)

[Government Printing Office](#)

[HCTC: Individuals - Overview for Health Coverage Tax Credit](#)

[Hot Topics](#)

[Hurricane Relief](#)

[Identity Theft - Federal Trade Commission](#)

[Identity Theft - SSA Web Page](#)

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[IRS e-file & e-pay for Business & Self-Employed Taxpayers](#)

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[IRS Guidance - A Brief Primer](#)

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[IRS Recognizes Electronic Tax Professionals at 2005 Nationwide Tax Forums](#)

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[Latest News - The IRS Newsroom](#)

[Laws, Regulations, Research and Court Rulings](#)

[Locator Service - Individual e-file Providers](#)

[Logo, IRS e-file](#)

[Low Income Tax Clinics -LITC 2004/2005](#)

[Mandates \(State\)](#)

[Marketing Toolkit](#)

[Market Research Data for IRS e-file](#)

[MeF Internet Filing](#)

[Military Tax Information](#)

[Modernization - New IRS](#)

[Modernized e-file MeF \(1120, 990\)](#)

[Money Laundering](#)

[Nationwide Tax Forums, IRS Summer 2005](#)

[News & Alerts for e-file Providers](#)

[News Releases](#)

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[Office of Professional Responsibility Enrolled Agent Program](#)

[Office of Professional Responsibility, Latest News from](#)

[Offshore Tax Avoidance Schemes](#)

[Online Application EIN Form SS-4](#)

[Online EIN FAQs](#)

[Partial Payment Installment Agreements](#)

[Partners - e-file for Business Partners](#)

[Payment Options for Individuals & Businesses](#)

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[Projections - Statistics](#)
[Providers, e-file for Business](#)
[Publication 17 TY 2004 Tax Guide for Individuals](#)
[Publication 334 - 2004 Tax Guide for Small Businesses](#)
[Publication 1220 \(FIRE\)](#)
[Publication 1345](#)
[Publication 1345A, Filing Season Supplement](#)
[Publication 1346 TY 2005 File Specs & Record Layouts](#)
[Publication 1436 - e-file Test Package TY 2005](#)
[Publication 3112 - e-file Application & Participation](#)
[Publication 3452, e-file FAQs for Tax Professionals TY 2005](#)
[Q&A for Tax Professionals Pub 3452 2005](#)
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[SEE - Special Enrollment Exam 2005](#)
[Self-Select PIN](#)
[Small Business Self-Employed One-Stop Resource](#)
[Small Business Self-Employed Online Classroom](#)
[Small Business Products Online Ordering](#)
[Small Business Resource Guide Update 2005 CD-ROM](#)
[Small Business Tax Workshop Student Workbook](#)
[Software Developers & Transmitters XML Schemas \(e-file for Business\)](#)
[SOI \(Statistics of Income\) Products & Services](#)
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[Tax Information for Businesses](#)
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[Taxpayer Burden Reduction](#)
[Taxpayer Rights](#)
[Tax Professionals, Basic Tools for](#)
[Tax Professionals, e-file for](#)
[Tax Professionals - Resources for](#)
[Tax Professionals, Standards of Practice](#)
[Tax Professionals, Tax Information for Tax Regulations](#)
[Tax Scams - How to Recognize & Avoid Them](#)
[Tax Statistics](#)
[TaxTalk Today.tv](#)
[Tax Tips 2005](#)
[Tax Treaties, International Taxpayer](#)
[TCE - Tax Counseling for the Elderly](#)
[Technical Publications - IRS e-file](#)
[TeleFile Discontinued](#)
[Test Package - e-file, Pub. 1436 \(TY 2005\) PATS](#)
[TIGTA - Treasury Inspector General for Tax Administration](#)
[Toll-Free Number e-Help Desk](#)
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[Understanding Taxes](#)
[U.S. Census Bureau - State Data Center](#)
[VITA](#)
[What's Hot in Tax Forms, Pubs, and Other Tax Products](#)
[What's Hot - News](#)
[Where to File Addresses](#)
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[XML Schemas - e-file for Business](#)

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Please report broken links, additions and corrections to:

Terri Wedepohl, SE:S:CLD:SL:HQ:PPL

Email: terri.wedepohl@irs.gov

Phone/VMS: (602) 207-8333

Revised 11/17/2005

2007 TAX hints

PRACTITIONER'S GUIDE TO THE FILING SEASON

Tax Hints—Practitioner's Guide to the Filing Season is only available for download from our Website. We cannot provide printed copies.

TAX HINTS STAFF

Program Manager

Jerry Ruelle
Phone: (202) 622-6051
gerard.j.ruelle@irs.gov

National Public Liaison
CL:NPL Room 7563 IR
1111 Constitution Avenue NW
Washington, DC 20224

Communications and Liaison, National Public Liaison

National Public Liaison Division, (NPL) under the Chief, Communications and Liaison, works to enhance the IRS's relationships with national stakeholders and federal partners to create opportunities to meet stakeholder needs and to resolve issues of mutual concern.

NPL manages:

- The IRS Advisory Council (IRSAC)
- The Information Reporting Program Advisory Committee (IRPAC)
- The IRS Nationwide Tax Forums
- Tax Hints
- Stakeholder Relationships
- Issue Tracking

To contact National Public Liaison, call (202) 622-3359, email npublic-liaison@irs.gov or click on the Tax Professionals Page for further information: <http://www.irs.gov/taxpros/index.html> ■

Visit the Tax Professionals Page at www.irs.gov

Did you know that the drafts of most major tax forms can be seen on the Tax Professionals Page months before they are officially released?

Did you know that you will also find information that will help you work with the IRS more effectively, like how to be an Authorized IRS e-file Provider?

A wealth of information is waiting for you, so:

Don't delay, visit today!

<http://www.irs.gov/taxpros/index.html> ■

The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.



Department of the Treasury
Internal Revenue Service

Publication 4437 (Rev.02-07)
Catalog Number 39500F

www.irs.gov