

2021 NATIONAL INCOME TAX WORKBOOK

CHAPTER 7: IRS ISSUES



IRS ISSUES

P. 271

- Issue 1: IRS Return Preparer Office
- Issue 2: Taxpayer Advocate Service
- Issue 3: Cybersecurity
- Issue 4: IRS Online Tools
- Issue 5: Tax Payment Arrangements

RETURN PREPARER OFFICE **PREPARER TAX IDENTIFICATION NUMBER**

PP. 272-273

- For paid tax return preparers as substitute for SSN
- PTIN holder contact information subject to disclosure under FOIA
- Required if:
 1. Enrolled agent or
 2. Tax return preparer
 - Paid for preparing or assisting or employs one or more persons paid for preparing or assisting all or substantially all of a tax return or claim for refund (some forms excepted)
 - Regardless of educational qualifications or professional status

RETURN PREPARER OFFICE
PTIN – TAX RETURN PREPARER

P. 273

- Include: person outside the US that meets tax return preparer definition
- Include: one who furnishes to taxpayer or preparer enough info and advice such that completion of the return is largely mechanical/clerical
- Signing Tax Return Preparer: Primary responsibility for return accuracy
- Nonsigning Tax Return Preparer: Prepares all or substantial portion with respect to completed transaction
 - Exclude: one giving advice only before a transaction occurs
 - Include: advice leads to position/entry constituting a substantial portion of return
 - Disregard time after events occur if time < 5% aggregate time spent on advice

RETURN PREPARER OFFICE PTIN – TAX RETURN PREPARER

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Example 7.1

- George, law firm attorney, provides advice to large 1120 on completed transaction
- Advice led to position or entry constituting a substantial portion of return
- George is a nonsigning tax return preparer

Example 7.2

- George provides legal advice to another taxpayer re a proposed transaction
- Taxpayer entered into the transaction
- George not a tax return preparer
- If advice after event, too, & time < 5% of aggregate time, not a tax return preparer

RETURN PREPARER OFFICE PTIN - SUBSTANTIAL PORTION

P. 274

- Providing advice re any aspect of a return entry = preparation of the entry
- Is the prepared schedule, entry, or other portion of return substantial?
 - Know or reasonably should know that tax attributable = substantial portion of total tax
 - Consider size and complexity of the item relative to taxpayer's gross income
 - Consider size of understatement attributable to item compared to reported tax
- For **nonsigning** preparer, not substantial if involves gross income, deductions, or amounts used to determine credits (considered in the aggregate) are:
 1. Less than \$10,000 or
 2. Less than \$400,000 and less than 20% of gross income (AGI) shown on return/claim

RETURN PREPARER OFFICE SUBSTANTIAL PORTION

P. 274

- Preparer of one return considered preparer of another if:
 - Entries from the first are directly reflected on other return **and**
 - Entries = substantial portion of other return
- **Ex. 7.3** Partnership return preparer considered preparer of partner's return if entries on partner's return = substantial portion of partner's return
- **Ex. 7.4** Preparer of Form 8886 disclosing a reportable transaction is not directly relevant to determination of any entry on the return. Form 8886 not substantial.
- **Ex. 7.5** Prepared schedule for \$4,000 dividend income and \$5,000 medical exp. Did not sign the return. Not a nonsigning as \$9,000 is < \$10,000 (de minimus rule)

RETURN PREPARER OFFICE TAX RETURN PREPARER EXCLUSIONS

PP. 275-276

- Specified in the regulations – see list on page 275
- **Ex. 7.6** Reporting Agent
 - Processing tax information from client, giving no tax advice, not exercising any discretion → **not** a tax return preparer
 - Gave advice on employee vs independent contractor status → **is** a tax return preparer
- **Ex. 7.7** Answers phones, makes copies, enters client info into data fields, electronically files returns = clerical/incidental services
- **Ex. 7.8** Ex. 7.7 plus interviews clients, obtains needed info, determines amount/character of entries that = all or substantially all → tax return preparer

RETURN PREPARER OFFICE **OBTAINING A PTIN**

PP. 276-277

- Application online or on paper (Form W-12)
 - Online: PTIN provided immediately, On paper: PTIN received in 4-6 weeks
 - Nonrefundable fee of \$35.95 (\$21.00 to IRS, \$14.95 to 3rd party processor)
 - Applications generally begin mid-October of each year
- Name and address must match most recently filed return
- Must attest to compliance with all personal & business taxes
 - All returns due have been filed or an extension requested AND
 - All taxes due paid or acceptable payment arrangements made

RETURN PREPARER OFFICE **ONLINE PTIN ACCOUNT**

PP. 276-277

- Must create online PTIN account - Create after paper PTIN app
- Actions through PTIN account:
 - Inactivate a PTIN (Not if to continue EA status)
 - Opt out of the preparer directory
 - Submit a name change request (documentation needed)
 - Update PTIN account info
 - Reactivate a PTIN that was inactivated within 3 years
 - Change to email address made through “Edit Login Information”
 - View continuing ed credits, receive communications from IRS RPO

RETURN PREPARER OFFICE **OBTAINING A PTIN**

PP. 277-278

- Applicant without SSN: Additional form with application
 - US resident: Form 8945 with documentation to establish identity/status
 - Foreign: Form 8946 with documentation to establish identify/status
 - ITIN cannot be used
- Applicant never filed or no filing w/in past 4 years
 - Submit original, notarized, or certified copy of govt ID with photo
- PN p. 278 – Recommend notarized/certified copies
- **Figure 7.1** – PTIN contact info (incudes live chat)

RETURN PREPARER OFFICE
RENEWING A PTIN

P. 278

- PTINs expire December 31
- Renewal generally begins mid-October
- Renew online or using paper Form W-12
- Nonrefundable renewal cost of \$35.95
- If PTIN expired for > 1 calendar year, must renew expired years
- If expired > 3 consecutive years, need new application
- If retiring, just let PTIN expire – no notification needed
- PN: PTIN Misuse – report on Form 14157

CH. 7 - POLLING QUESTION 1

What is Black & White?

a. A Penguin

b. Tax Law

CH. 7 - POLLING QUESTION 1

What is Black & White?

a. A Penguin

b. Tax Law

RETURN PREPARER OFFICE ENROLLED AGENT PROGRAM

PP. 278-279

- **Figure 7.2** – Office of Enrollment Contact Information
- EA Requirements
 1. Obtain a PTIN
 2. Apply to take Special Enrollment Examination (SEE)
 3. Achieve passing score on all 3 parts of SEE w/in 3 years (unless exempt)
 4. Apply for enrollment – Form 23 through Pay.gov
 5. Pay nonrefundable \$67.00 fee
 6. Pass a suitability check – tax compliance and criminal background check

RETURN PREPARER OFFICE
ENROLLED AGENT PROGRAM – FORMER IRS EMPLOYEES P. 279

- Exempt from SEE if:
 - Was regularly engaged in applying and interpreting the IRC,
 - At least 5 years experience in taxpayer-facing fields (list on p 279), and
 - 3 of 5 qualifying years must have been w/in the last 5 years before leaving
- If overall background not = public sector candidate passing the SEE, practice limited

RETURN PREPARER OFFICE ENROLLED AGENT PROGRAM – SEE

P. 279

- Parts: 1) Individual, 2) Business, 3) Rep., Practices & Procedures
- Take in any order - 100 questions/part over 4 hours
- Make take each 4 times from May 1 to end of following Feb.
- Scores carry over up to 2 years from date passed
 - Covid extension: 3 years if not expired by 2/29/20 or if pass \geq 6/1/20
- **Ex. 7.9** 11/15/19 pass Part 1, 2/15/2020 pass Part 2
 - Pass #3 by 11/15/22 or lose Part 1, Pass all others (1 & 3) by 2/15/23 or lose Part 2
- **Ex. 7.10** 6/1/20 pass Part 1, 9/1/20 pass Part 2
 - Pass #3 by 6/1/23 or lose Part 1, Pass all others (1 & 3) by 9/1/23 or lose Part 2

RETURN PREPARER OFFICE **ENROLLED AGENT PROGRAM – SEE**

P. 280

- Schedule exam at Prometric.com or by phone
- Form 2587 – Application for SEE, \$185 fee when appointment scheduled
- No refund for cancellation
 - Cancel \geq 30 days from appointment: no fee to reschedule
 - Cancel 5-29 days from appointment: \$35 fee
 - Cancel $<$ 5 days from appointment: Full fee paid again
- Preparing:
 - I.R.C., Circular 230, IRS pubs, forms, instructions, commercial material & courses
 - Prometric “test drive” of exam, IRS sample questions w/IRS answers

RETURN PREPARER OFFICE

ENROLLED AGENT PROGRAM – MAINTAINING EA STATUS

PP. 280-281

1. Timely EA Renewal

- Every 3 years based on last digit of SSN (Figure 7.3)
- Form 8554 w/\$67 renewal fee – online @ Pay.gov or by paper
- Inactive status if late – must submit proof of all CE credits
- If beyond 2 renewal cycles → terminated status, must retake SEE

2. Continuing Education

- 72 hours/3 years – minimum 16 per calendar year – up to 6 instructor hours
 - First cycle < 3 years, credits prorated but ethics still 2 hrs. (Figure 7.4, p. 281)
- Must retain CE records for 4 years (see records list on page 281)

RETURN PREPARER OFFICE **ANNUAL FILING SEASON PROGRAM (AFSP)**

PP. 281-282

- At AFSP completion → Record of Completion, into IRS Directory
- Representation Rights
 - No AFSP: Prepare returns only, no representation for prep/signed > 12/31/15
 - With AFSP: Limited representation rights – RAs, customer service reps, TAS
- PN- Credentialed preparers may participate
- Record of Completion (ROC)
 1. 18 hours of CE - includes 6-hour Annual Federal Tax Refresher course (AFTR)
 2. Active PTIN
 3. Consent to specific Circular 230 practice obligations

RETURN PREPARER OFFICE
ANNUAL FILING SEASON PROGRAM (AFSP)

P. 282

- Unenrolled preparers w/completion of state/national tests
 - Exempt from AFTR course
 - Need 15 hours of CE
 - @ completion of CE and renewal of PTIN → use PTIN account to obtain ROC
- AFTR Course and Test
 - Course: Offered 6/1-12/31 by IRS approved CE providers
 - Comprehensive test: 3 hours, 100 multiple choice questions, $\geq 70\%$ correct

RETURN PREPARER OFFICE **ANNUAL FILING SEASON PROGRAM (AFSP)**

P. 283

- AFTR Course Exemptions
 - Passed RTRP test (Nov. 2011 – Jan. 2013)
 - Established state-based programs with testing (Oregon, California, Maryland)
 - Those who have passed SEE part 1 within 2 years of filing season 1st day
 - VITA volunteer quality reviewers and instructors with active PTINs
 - Those accredited by the Accreditation Council for Accountancy and Taxation's Accredited Business Accountant/Advisor (ABA) and Accredited Tax Preparer (ATP) programs
- PN- Eligibility for AFSP – Rev. Proc. 2014-42

CH. 7 - POLLING QUESTION 2

EA's, CPA's, and Participants of the AFSP all have annual CPE Requirements.

- a. True
- b. False

CH. 7 - POLLING QUESTION 2

EA's, CPA's, and Participants of the AFSP all have annual CPE Requirements.

- a. True
- b. False

TAXPAYER ADVOCATE SERVICE

PP. 284-285

- Independent org. within IRS to assist taxpayers
- Statutory Authority – I.R.C. §§ 7803(c) and 7811
 - Assist TPs, identify IRS problems, propose IRS changes, identify legislative changes
 - Issue TAO if TP suffering/about to suffer significant hardship due to IRS:
 - Immediate threat of adverse action
 - Delay of > 30 days in resolving
 - Will incur significant costs if relief not granted
 - Irreparable injury or long-term adverse impact if no relief

TAXPAYER ADVOCATE SERVICE

P. 285

- Delegated Authority
 - Allowed to resolve routine cases in same way as other IRS functions
 - Routine if resolution possible through standard procedures/guidelines
 - TAS cannot act on cases open in another IRS function
 - TAS cannot overrule determinations made by employees of other functions
 - TAS cannot take any action that results in appeal rights

TAXPAYER ADVOCATE SERVICE

P. 285

- Delegated Authority ([see I.R.M.13.1.4](#))
 - Make credits or refunds, Issue, modify or rescind TAOs
 - Approve replacements checks
 - Gather documentation to substantiate credits for payments
 - Release certain liens and levies
 - Make trust fund recovery penalty adjustments
 - Accept certain installment agreements
 - Correct administrative errors (decimal point, transposition, math)
- Ex. 7.11 – Corrected obvious IRS input error

TAXPAYER ADVOCATE SERVICE
TAX CASE ACCEPTANCE CRITERIA

PP. 285-286

- Do not govern whether TP entitled to relief or if TAO can be issued

ECONOMIC BURDEN: IRS action has or will cause negative financial consequences to TP or long-term adverse effect on TP

1. TP experiencing economic harm/about to suffer harm
 - **Ex. 7.12** IRS audit when refund needed for medical procedure
2. TP facing immediate threat of adverse action – filing a notice of federal tax lien, levy or seizing property, utility cutoff, eviction
 - **Ex. 7.13** Eviction notice – waiting for IRS refund = rent and arrearages

TAXPAYER ADVOCATE SERVICE

TAX CASE ACCEPTANCE CRITERIA (ECONOMIC BURDEN) ^{PP. 286-287}

3. Significant costs if relief not granted – Lack of IRS action→significant \$

- **Ex. 7.14** Corp receives request for payment of emp. tax + penalties
 - Sent documentation to show if \$ applied correctly, no balance
 - IRS requested additional records and documentation
 - As 12 quarters involved, estimate accountant cost of at least \$5,000

4. Irreparable injury or long-term adverse impact if no relief – credit damage, lose assets, income, licensing/bonding/borrowing ability

- **Ex. 7.15** Lien on property
 - Trying to refinance, lower payment frees \$ for tax payment
 - Filed amended to eliminate tax but selected for audit

RETURN PREPARER OFFICE TAX CASE ACCEPTANCE CRITERIA

PP. 287-288

SYSTEMIC BURDEN: IRS process, system, procedure failed to operated as intended → IRS failed to timely respond

5. **Delay of > 30 days to resolve a tax account problem** – delay > 30 days after usual response time or after date of initial request, or IRS sends multiple responses with no other action
 - **Ex. 7.16** Audit documentation sent 10 months ago, no response
6. **No response or resolution by date promised**
 - **Ex. 7.17** Correspondence exam documents received, response by March 5
 - No response by March 5, TP called NTA toll-free # March 7

RETURN PREPARER OFFICE TAX CASE ACCEPTANCE CRITERIA

P. 288

(SYSTEMIC BURDEN CONTINUED)

7. **System/procedure failed to operate as intended or to resolve problem**
(failure to reverse refund freeze, failure to properly apply credit elect)

- **Ex. 7.18** Requested penalty abatement with overpayment as credit elect – IRS abated penalty but did not apply overpayment to next quarter

BEST INTEREST OF THE TAXPAYER: Cases accepted to ensure fair and equitable treatment and rights protected

8. **Questions of equity/rights protection in way law administered** – applies only if no other case criteria fits

- **Ex. 7.19** Levy issued before receiving collection due process rights
 - If cannot pay basic living expenses due to levy is economic harm under criteria 1

TAXPAYER ADVOCATE SERVICE TAX CASE ACCEPTANCE CRITERIA

P. 289

PUBLIC POLICY: National Taxpayer Advocate determines cases acceptance. Criteria applies only if no other does.

9. NTA determines compelling public policy warrants assistance to an individual or group of TPs –

- Issues designated annually by NTS memo
- Interim Guidance Memo – 11/20/20 (effective until 11/19/22)
 - Private debt collection
 - Passport denial, revocation, limitation
 - Automatic exempt org. revocations due to failure to file return/notice for 3 years
 - Congressional referred tax account-related inquiries

TAXPAYER ADVOCATE SERVICE
OPERATIONS ASSISTANCE REQUEST (OAR)

P. 289

- Used if TAS does not have authority
- Requests action/inaction by an IRS division/function
- Explains adjustments, decisions needed
- May include analysis of facts, law, TP's position, documentation
- If IRS employee does not agree, elevated to manager
- If no agreement & TP facing significant hardship → TAO possible

TAXPAYER ADVOCATE SERVICE TAXPAYER ASSISTANCE ORDERS

PP. 289-290

- Authorized if TP suffering/about to suffer significant hardship
- Issued if facts & law support relief for the taxpayer
- TP or Rep. may file application for TAO – Form 911
- **All of the following must be present:**
 1. TP suffering/about to suffer *significant hardship*
 2. Hardship results from how IRS is administering the law
 3. TAS does not have the authority to take needed actions
 4. IRS division/function does not agree with TAS on resolution

TAXPAYER ADVOCATE SERVICE
TAXPAYER ASSISTANCE ORDERS

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Significant Hardship includes the following:

- Immediate threat of adverse action
- Delay of more than 30 days
- TP to incur significant costs if no relief granted
- Irreparable injury or long-term adverse impact on TP if no relief
- Serious privation (not just economic/personal convenience) involved

TAXPAYER ADVOCATE SERVICE TAXPAYER ASSISTANCE ORDERS

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TAO may be issued:

1. To direct IRS division/function to take a specific action, cease a specific action, refrain from taking a specific action, OR
2. To direct IRS to review at a higher level, expedite consideration of, or reconsider a TP's case

Ex. 7.20 OIC rejected, TAS found facts to support, TAO for reconsideration

Ex. 7.21 Appealed innocent spouse relief denial - Appeals going to also deny - TAO ordering Appeals refrain from final determination & reconsider/review at a higher level.

TAXPAYER ADVOCATE SERVICE REQUESTING TAS ASSISTANCE

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- Phone: (877) 777-4778
- In person: Local TAS office
 - Address/ phone on TAS website
 - IRS Publication 1546
- Form 911: Mail or fax to local TAS office
 - Suspends any statute of limitation [§7811(d)]
 - Include detail of issue/difficulties/what IRS did or did not do
 - Specify as many relief actions as may be appropriate

PN: Attempt to resolve first through normal procedures before TAS

CYBERSECURITY

PP. 292-293

- Note: Refer to 2020 Workbook for more information
- Economic Impact Payment Scams
 - Emails, texts, calls attempting to secure PII
 - Use of fake website looks like IRS.gov GetMyPayment
 - Calls offer assistance in processing EIP – requests PII
 - Request deposit of fraudulent/stolen checks & purchase of prepaids

Observation: Child Tax Credit

- Be cautious of text, email, calls offering assistance

CYBERSECURITY

Pg. 293

- False Unemployment Benefit Claims
 - Websites mimicking government unemployment benefits sites to get PII
 - Filing fraudulent claims using stolen PII
 - Receive incorrect Form 1099-G contact state for revised form
 - Report unemployment identify theft to state – directory at www.dol.gov
 - Report theft during pandemic to Dept. of Justice National Center for Disaster Fraud
- Tracing and Testing Scams
 - Text with link that downloads malware
 - Call posing as state contact tracer, requesting PII

CYBERSECURITY

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- Funeral Assistance Shams
 - Scammers offering “assistance” in “registering”
 - May ask for payment or PII
 - Report to FEMA Helpline or National Center for Fraud Hotline
- Tax-Related Phishing
 - Emails and websites appearing legitimate - Display IRS logo
 - “Tax Refund Payment” or “Recalculation of your tax refund payment”
 - Requests name, SSN, DOB, prior-year AGI, driver’s license number, current address, electronic filing PIN
 - Save the email using “save as” and send to phishing@irs.gov

CYBERSECURITY

PP. 294-295

PN: If inadvertently give out PII:

1. Secure Identity Protection PIN
2. Check credit reports for suspicious activity
3. Consider credit freeze

- Phone Scams

- Claim to be IRS with false names and badge numbers
- Altered caller ID
- Owe money, threaten arrest, deportation, license suspensions
- PN: Details on reporting scams

CYBERSECURITY

PP. 295-296

Tax Practitioner Protection

1. Deploy the Security Six measures
2. Create a data security plan (federal law requires)
3. Educate yourself on phishing scams
4. Recognize signs of client data theft
5. Create a data theft recovery plan

Additional resources listed p. 296

CYBERSECURITY

P. 296

IDENTITY PROTECTION PERSONAL IDENTIFICATION NUMBER

- IP PIN: Six-digit code known only to TP and IRS (& preparer)
 - Authentication number to validate the correct SSN owner
 - Originally for identity theft victims, as of Jan 2021 for anyone
 - Voluntary – once in the program will get new # each year
 - IRS working on opt-out process (N/A to identify theft victims)
- Getting an IP PIN
 - Eligible if have SSN or ITIN and can verify identity
 - TP with secure access: Apply through the online account – immediate #
 - TP without secure access: Verify identity by registering for secure access

CYBERSECURITY

PP. 296-297

IDENTITY PROTECTION PERSONAL IDENTIFICATION NUMBER

(Getting an IP PIN continued)

- Verify identity by registering for secure access
 - Use address from last return filed
 - If cell phone verified: One-time activation code (good for 10 minutes)
 - If cell phone not verified: Activation code by mail good for 30 days
- Can retrieve forgotten username or password on login page
- IRS call center cannot find usernames, passwords, or unlock accounts
- If suspect suspicious login activity, change password

CYBERSECURITY

P. 297

IDENTITY PROTECTION PERSONAL IDENTIFICATION NUMBER

- Alternative Methods to Verify Identity
 1. AGI \leq \$72,000: Form 15227 – mail or fax to IRS
 - IRS will contact TP to verify identity – call 800-908-4490 to verify IRS caller
 - IP PIN received by mail the following year
 2. If not eligible for Form 15227: Verify in person @ Taxpayer Assistance Center
 - IP PIN received by mail
 - 2 forms of ID (one gov't-issued with picture)
 - IP PIN received by mail within three weeks

CYBERSECURITY

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IDENTITY PROTECTION PERSONAL IDENTIFICATION NUMBER

- Using the IP PIN
 - Must be used on any original return filed during the calendar year
 - Enter next to signer's signature
 - Dependent has IP PIN: Required on e-filed returns – Form 2441, EITC schedule
 - Failure to include IP PIN: Rejection or processing delays
- Retrieving an IP PIN - Lost or no receipt of CP01A with new # for the year:
 - Use Get an IP PIN online tool – may be required to verify identity again
 - If cannot retrieve online: Call 800-908-4490 (7 a.m. to 7 p.m. local time)
 - IP PIN within 21 days by mail
 - N/A if moved since Jan 1 or it is > Oct 14 & no filing of current or prior year
 - Otherwise, file paper w/o number and expect processing delay

IRS ONLINE TOOLS SUBMITTING FORMS 2848 AND 8821 ONLINE

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Obtain consent remotely & submit electronically, revoke or withdraw online

- Must have a secure access account
 - Signatures handwritten or electronic (if faxed or mailed must be handwritten)
1. Secure executed form
 2. Authenticate TP identity if required (new client)
 3. Professional signs if required (handwritten or electronic)
 4. Open secure access, agree to terms and conditions (1-time only)
 5. Upload the form – routed to CAF unit
 6. CAF unit verifies for entry into database

IRS ONLINE TOOLS SUBMITTING FORMS 2848 AND 8821 ONLINE

P. 300

- Questions to answer before submission:
 - Form type or withdrawing or revoking prior authorization
 - Whether TP's identity was authenticated
 - Whether TP is a domestic or international client
 - Whether third-party is working for a low-income TP clinic
- TP TIN must be entered before uploading
- When uploaded file is visible, hit "submit"
- "Success" appears if submission goes through
- Once one form successful, may upload another

IRS ONLINE TOOLS SUBMITTING FORMS 2848 AND 8821 ONLINE

PP. 300-301

- Electronic Signature
 - Typed name that is typed in the signature block
 - Scanned / digital image of handwritten signature attached to an electronic record
 - Handwritten signature input onto an electronic signature pad
 - Handwritten signature, mark, or command input on a display screen w/stylus device
- Identity Authentication
 - Required if practitioner does not have business/personal relationship with TP
 - Basics: Comparison of photo ID with photo of TP, selfie with TP or TP photo ID, record name, TIN, address, DOB; verify same using secondary documentation
 - If business TP: Must also verify authority of individual being authenticated

IRS ONLINE TOOLS

PP. 301-303

- Uploading Forms 2848 and 8821
 - File formats allowed: .pdf, .jpeg., .jpg, .gif
 - 15 MB file size limit
 - No IRS telephone support for online platform
 - IRS sends email confirming successful submission (does not mean processed o.k.)
 - Letters sent if form rejected after successful submission
 - Forms subject to usual CAF review on same first-come first-served basis
- e-Signatures on Mailed Forms – see **Figure 7.5**
 - Temporarily allowing electronic signature if postmarked by 12/31/21

IRS ONLINE TOOLS

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PRACTITIONER NOTE: TAX PRO ACCOUNT (AS OF 7/19/21)

Real-time processing - form to client's account, client signs, routed directly to CAF

- TP must have online account and US address
- Rep must have CAF number in good standing and US CAF address
- Year 2000 and forward, plus 3 future years (calendar years only)
- Revokes any prior authorizations – to retain must submit form by fax, mail or online
- Authorization history displayed in client's online account and tax pro account
- Copy of authorization must be secured from client
- Accessibility Guide: www.irs.gov/tax-professionals/use-tax-pro-account

IRS ONLINE TOOLS

PP. 304-305

- Form 1024-A [Application for exempt status under 501(c)(4)]
 - Electronic filing required after 4/5/21 through Pay.gov with user fee
 - Must still file Form 8976, Notice of Intent to Operate Under Section 501(c)(4)
- Form 1040-X for 2019 and 2020 returns
 - Electronic filing allowed if original was electronically filed
 - Normal processing time of 16 weeks, No direct deposit allowed
 - Paper 1040-X required if:
 - Any tax year other than 2019 or 2020,
 - Primary or spouse SSN differs from original return, or
 - Different filing status on amended

CH. 7 - POLLING QUESTION 3

Form 1040-X may be e-filed for tax years 2019 and later as long as the original return was also e-filed.

- a. True
- b. False

CH. 7 - POLLING QUESTION 3

Form 1040-X may be e-filed for tax years 2019 and later as long as the original return was also e-filed.

- a. True
- b. False

- Electronic filing required for tax-exempt-related returns:
 - Form 990: For years ending on or after July 31, 2020
 - Form 990EZ: For years ending on or after July 31, 2021
 - Form 990PF: For years ending on or after July 31, 2020
 - Form 990T: For returns with due dates on or after April 15, 2021

TAX PAYMENT ARRANGEMENTS INSTALLMENT AGREEMENTS

PP. 306-307

- TP must be current in all filings and may be able to apply online
- Owe < \$250,000 - no financial statement if monthly payment sufficient (changes made by Taxpayer Relief Initiative shown with arrow bullet)
- One-time user fee
 - Lower Incomes (**Figure 7.6**, page 307) - \$43 fee
 - Apply with Form 13844 within 30 days from date agreement accepted
 - If greater fee already paid, IRS applies excess to liability
 - Fee waived if agree to electronic payments or reimburse when fully paid
 - **Figure 7.7** (page 307) – Installment Plan Fees

TAX PAYMENT ARRANGEMENTS INSTALLMENT AGREEMENTS

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- Interest and Penalties
 - Continue to run on unpaid balance
 - Failure to pay: .5% per month (max of 25%)
 - Reduced to .25% w/installment agreement if return was timely filed
 - No reduction if 1% rate applied prior to installment agreement (10 days after notice of intent to levy or day on which notice and demand for immediate payment made)

PN: Cost of loan interest or credit card processing fee may be less than interest and penalties over the life of the agreement

TAX PAYMENT ARRANGEMENTS INSTALLMENT AGREEMENTS

P. 308

- Guaranteed Installment Agreements If:
 1. Aggregate liability w/o interest, penalties, additions to tax \leq \$10,000
 2. TP (and spouse if joint) during preceding 5 years has not:
 - Failed to file any return,
 - Failed to pay any tax required to be shown on a return
 - Entered into an installment agreement for payment of any tax
 3. IRS determines TP is unable to pay in full when due
 4. Agreement requires full payment within 3 years
 5. TP agrees to file all returns and pay all tax while agreement in effect

IRS may/may not file lien

TAX PAYMENT ARRANGEMENTS INSTALLMENT AGREEMENTS

PP. 308-309

- TPs owing < \$250,000 for 2019 tax year may qualify for IA with no tax lien filing
- Online Application: Long-term repayment plan
 - Individual if tax, penalties, and interest ≤ \$50,000 and all required returns filed
 - Businesses w/tax, penalties, and interest ≤ \$25,000 and all required returns filed
- Online Application: Short-term repayment plan
 - Individual if T,P & I < \$100,000
 - Short-term repayment plan under 180 days (rather than 120)
- PN: Online payment agreement tool
 - TP can view details of current plan
 - TP can change amount, due date, convert to Direct Debit, reinstate after default
 - If Direct Debit can propose lower monthly payment amounts

TAX PAYMENT ARRANGEMENTS INSTALLMENT AGREEMENTS

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- . Termination (default) of IA if TP does any of the following:
 1. Fails to make payment when due
 2. Fails to pay another tax liability when due
 3. Fails to provide updated financial statements when requested
 4. Provided incorrect/incomplete info prior to agreement date
 5. Fails to pay modified payment based on updated financials
- IRS gives 30 days to comply with terms
- Fee may apply to reinstate agreement
- IRS will conduct financial statement analysis to reevaluate ability to pay
- IRS will automatically add new unpaid tax \$ to agreement (in lieu of default)

CH. 7 - POLLING QUESTION 4

Taxpayers and their representatives can apply for Installment Agreements On-Line as long as they meet certain criteria.

- a. True
- b. False

CH. 7 - POLLING QUESTION 4

Taxpayers and their representatives can apply for Installment Agreements On-Line as long as they meet certain criteria.

- a. True
- b. False

TAX PAYMENT ARRANGEMENTS

PP. 309-310

OTHER EXPANDED PAYMENT OPTIONS – TP RELIEF INITIATIVE

- Temporarily Delaying Collection
 - TP can contact IRS to request a temporary delay (800 # or # on tax bill)
 - Rep can contact Practitioner Priority Service (PPS) 866-860-4259, Option 4
 - IRS may request a collection information statement
 - Interest and penalties continue to accrue
 - IRS may file notice of federal tax lien
- Relief from Penalties
 - IRS highlighting reasonable cause & 1st time abatement
- OIC
 - Additional flexibility to avoid default – contact IRS if payments can't be made

QUESTIONS???

