

# Tax Tips 2000

**for Tax  
Professionals**

**from the  
Fresno IRS  
Center**

**January 2000**

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## *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.



**IRS**

Department of the Treasury  
Internal Revenue Service

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# FRESNO Tax Tips 2000

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# DIRECTORS' MESSAGE

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"The times, they are a changing"-- truer words were never spoken for the Internal Revenue Service! We are at a threshold of major changes to the IRS organization, designed to further our mission of providing America's taxpayers top quality service.

Last year, IRS expanded its toll-free telephone hours to meet your needs and busy schedules—new toll-free lines for specific operations have been added this year. A strong electronic tax filing program is in place, and electronically filed returns increased last year as more of you discovered its advantages. The IRS web site makes it easier for taxpayers and practitioners to get information and forms. In addition, more services will be added as new technology is brought online, and most importantly, we hope to measure your satisfaction with our services.

As we begin the 2000 tax filing season, the IRS continues to work to put service first for all taxpayers. As part of this effort, service centers across the nation were realigned into separate Customer Service and Submission Processing operations at each of the service centers. *Effective October 10, 1999, the Fresno Service Center ceased to exist by this title.* The new official title is the Fresno IRS Center, which is realigned into two separate entities—a **Fresno Submission Processing Center** and a **Fresno Customer Service Center**. The Portland and Seattle District Call sites were realigned with the Fresno Customer Service Center.

Please be assured that although organizationally Fresno IRS Center is two different entities—we will continue to work together and provide the best service to our taxpayers and practitioners that Fresno has always provided, and more! Fresno IRS Center remains committed to making a difference!

It is our strong belief that our partnership with you, the tax professionals, will be a key factor in the success of the IRS modernization effort. This was evident at our 1999 Fresno IRS Tax Symposium, our most successful yet, which was co-sponsored by the Central California Chapter of Enrolled Agents.

For those of you who are seeing this document for the first time, welcome. We hope it will be a valuable reference in your practice. It is designed to give practitioners a brief but informative overview of service center operations and a better understanding of how our procedures affect you and your clients. We look forward to working with the practitioner community to achieve our mutual goal—top quality service to our customers.

***Jim Grimes***  
**Director, Fresno Submission  
Processing Center**

***Ronda Hon***  
**Director, Fresno Customer  
Service Center**

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## **The New 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**

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Publication 3367, TaxTips  
for Tax Professionals  
January 2000 revision  
prepared by Fresno  
Customer Service Planning  
and Analysis Staff

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# FRESNO IRS CENTER REALIGNMENT

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## Modernization...restructuring...realignment... what's it all about?

We hear these words more and more lately. In your mind, are these words being used interchangeably, meaning about the same thing? Although each word relates to the IRS modernization process, each word has a *different* meaning within the process.

### Modernization

One component in the modernization process is a new organizational structure. The new IRS organization will consist of *four* new operating divisions. The redesign of business practices will focus on understanding, solving, and preventing taxpayer problems. Full implementation of these business divisions is not expected to occur until after the 2001 filing season.

*Wage and Investment (W&I)*—Individual taxpayers with simple returns, that are not self-employed or do not have supplemental income. These include individual taxpayers filing Forms 1040A, 1040EZ, and simple 1040s. The service centers designated as part of the W&I division are Andover, Atlanta, Austin, Kansas City, and **Fresno**.

*Small Business/Self-Employed (SB/SE)*—This group includes all individual filers that also file C, E, F, or 2106 schedules; partnerships and S-corporations; and corporations with assets under \$5 million. The service centers designated as part of the SB/SE Division are Brookhaven, Cincinnati, Memphis, Ogden, and Philadelphia. These centers will also handle the Large Business/Mid-Size and Tax Exempt taxpayers.

*Large Business/Mid-Size (LB/MS)*—Middle market are corporations with assets between \$5 million and \$250 million; large corporate are those corporations with assets greater that \$250 million.

*Tax Exempt (Tax Exempt)*—This group includes exempt organizations, employee plans, and state/local governments as taxpayer entities.

### Restructuring

Refers to the IRS/NTEU restructuring agreement. IRS and the National Treasury Employee's Union are jointly committed to implementing the Restructuring and Reform Act of 1998, which made major changes in the tax laws. The restructuring agreement is what established the guiding principles to further the realignment efforts.

### Realignment

IRS's commitment to provide world class customer service has led to an expansion of service hours and implementation of a number of technological advances. To support this new approach, the Commissioner approved the realignment of field Customer Service and Submission Processing. The new structure will centralize management of the two functions and position both organizations for ultimate transition to the Wage and Investment and Small Business Operating Divisions.

- Service Centers - Each center will be divided into a Submission Processing Center and a Customer Service Center, each with executive leadership.

- District Call Sites - District office telephone operations will be realigned to a Customer Service Center that is based on the modernization design.

**Effective October 10, 1999**, the Fresno Service Center ceased to exist by this title. The new official title is the Fresno IRS Center, which is realigned into two separate entities—a **Fresno Submission Processing Center** and a **Fresno Customer Service Center**. The Portland and Seattle District Call sites were realigned with the Fresno Customer Service Center.

### Fresno IRS Center Vision

We will be the best today to secure the work of tomorrow. We will seize every opportunity to become the best in all we do. To achieve this we will:

- ◆ Be a work place where everyone is involved, empowered, and fully trained.
- ◆ Be the leader in serving our customers.
- ◆ Attract new work to our center through our reputation for innovation and excellence.
- ◆ Be a work place where every person matters and contributes to our success.
- ◆ Be a work place where teamwork and partnership are a way of life.

**WE MAKE A DIFFERENCE!**

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# WHAT'S NEW - HIGHLIGHTS

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## PREPARER TAX IDENTIFICATION NUMBERS (PTIN)

Tax professionals who do not wish to disclose their social security numbers on returns they prepare have another option. They may apply for a Preparer Tax Identification Number (PTIN) by filing *Form W-7P, Application for Preparer Tax Identification Number*. A PTIN is a permanent identification number assigned by the IRS to tax professionals for use on returns they prepare for payment. This will allow tax return preparers the choice of identifying themselves using either their PTIN or social security number.

**Please note:** PTINS are not mandatory and preparers can continue to use their SSNs; however, use of the SSN is required until the PTIN is received. The PTIN does not substitute for an employer identification number of a firm preparing tax returns.

## CAPITAL GAIN DISTRIBUTIONS—NO SCHEDULE D for MANY PEOPLE!

Taxpayers may not have to file Schedule D just to report capital gain distributions. See instructions for Form 1040; line 13 to see if a taxpayer meets all 3 exception rules

## CHILD TAX CREDITS

Taxpayers who have a child under age 17 at the end of 1999, may be able to claim either or both of the following credits:

- ◆ Child Tax Credit
- ◆ Additional Child Tax Credit

The total of these credits can be as much as \$500 for *each qualifying child*. Check to see if taxpayers have a qualifying child then figure the **child tax credit** first.

If taxpayers have three or more qualifying children and are not able to claim the full \$500 child tax credit for each child, they may be able to claim the **additional child tax credit**. The additional child tax credit is refundable; that is, it may give taxpayers a refund even if they do not owe any tax. Use Form 8812 to figure this credit.

## VALIDATION OF SSNs

Some taxpayers may receive a notice advising them that the primary or secondary taxpayer social security number reported on their 1998 tax return did not match SSA records. In the past, taxpayers provided documentation to IRS to support use of a new or different name. IRS will no longer accept this documentation. This year, if the names and/or

numbers do not match SSA records, the IRS will disallow exemptions and/or credits claimed on a return based on the invalid or missing identification number. This could reduce taxpayer refunds or increase the balance due amount. Taxpayers should follow instructions in the letter that applies to their individual situation.

## SELF-EMPLOYED HEALTH INSURANCE DEDUCTION

Self-employed taxpayers may be able to deduct up to 60% of their health insurance. For more details, refer to the instructions for Form 1040, line 28, or Pub. 535.

## STUDENT LOAN INTEREST DEDUCTION

If a taxpayer paid interest on a qualified student loan, he/she may be able to deduct up to \$1,500 of the interest.

## WAS PART or ALL OF AN IRA CONVERTED TO A ROTH IRA IN 1998?

If a taxpayer did and he/she chose to report the taxable amount over 4 years, he/she must report the amount that is taxable in 1999 on Form 1040, line 15b.

## IRA DEDUCTION ALLOWED TO MORE PEOPLE COVERED BY RETIREMENT PLANS

Taxpayers may be able to take an IRA deduction if they were covered by a retirement plan and the modified adjusted gross income is less than the amount shown below that applies to them.

- ◆ Single, head of household, or married filing separately and he/she lived apart from spouse for all of 1999--\$41,000.
- ◆ Married filing jointly or qualifying widow (er)--\$16,000.

## TAX FROM RECAPTURE of EDUCATION CREDITS

Taxpayers may owe this tax if he/she claimed an education credit on their 1998 tax return and, in 1999, he/she, their spouse, or their dependent received:

- ◆ A refund of qualified tuition and related expenses, or
- ◆ Tax-free educational assistance.

## BUSINESS STANDARD MILEAGE RATE

The rate for business use of a vehicle before April 1, 1999, is 32½ cents a mile. The rate for business use of a vehicle after March 31, 1999, is 31 cents a mile.

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# QUICK REFERENCE DIRECTORY

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## Internal Revenue Service - Western Region

(Reminder: effective 11/15/98, Fresno County area code 209 changed to 559)

### Practitioner Hotline Assistance

|                                |              |
|--------------------------------|--------------|
| Fresno Customer Service Center | 559-452-4210 |
| TDD (Hearing Impaired)         | 559-456-5244 |
| Ogden Service Center           | 801-620-6339 |
| Southern California District   | 949-360-2185 |
| or                             | 949-360-2153 |
| Los Angeles District           | 213-576-4532 |
| Central California District    | 559-452-4210 |
| Northern California District   | 510-271-0781 |
| Pacific Northwest District     | 206-220-5786 |
| Rocky Mountain District        | 303-820-3940 |
| Southwest District             | 602-207-8828 |

### Toll-free Customer Assistance

|                                   |                |
|-----------------------------------|----------------|
| Account Related                   | 1-800-829-8815 |
| Technical/Procedural              | 1-800-829-1040 |
| Refund Information                | 1-800-808-4262 |
| Taxpayer Advocate Service *       | 1-877-777-4778 |
| Underreporter Issues *            | 1-800-829-7157 |
| ACS Issues *                      | 1-800-829-7650 |
| Pub/Form Requests                 | 1-800-829-3676 |
| TeleTax Recorded Topics           | 1-800-829-4477 |
| TaxFax Service                    | 1-703-368-9694 |
| Criminal Investigation Fraud Line | 1-800-829-0433 |

### Federal On-Line Information

*Tax Information, Forms, Publications*

|                         |  |
|-------------------------|--|
| Phone Modem to FedWorld | 703-321-8020                                 |
| Telnet                  | iris.irs.ustreas.gov                         |
| Via FTP                 | ftp.irs.ustreas.gov                          |
| Via World Wide Web      | <a href="http://www.irs.gov">www.irs.gov</a> |

### California State Tax Information

|   |  |
|---|--|
| Tax Assistance  | 1-800-852-5711                             |
| Forms, Questions  | 1-800-338-0505                             |
| On-Line Information:                                      |  |
| California Home Page                                      | <a href="http://www.ca.gov">www.ca.gov</a> |
| Access California Franchise Tax Board under State Servers |  |

\*New toll-free number !

### Taxpayer Advocates

|                              |              |
|------------------------------|--------------|
| Fresno IRS Center            | 559-443-7590 |
| Ogden Service Center         | 801-620-7168 |
| Los Angeles District         | 213-576-3140 |
| Southern California District | 949-360-2175 |
| Central California District  | 408-817-6850 |
| Northern California District | 510-637-2703 |

*Refer to page 37, in this booklet for more Taxpayer Advocate numbers and addresses.*

### Fresno Customer Service Center

|                                  |              |
|----------------------------------|--------------|
| Communications Office            | 559-454-6120 |
| Disclosure Office                | 559-443-4603 |
| PC-Fax (Employer ID Numbers)     | 559-456-5907 |
| Tele-TIN (Employer ID Numbers)   | 559-452-4010 |
| Fax                              | 559-443-6961 |
| Power of Attorney                | 559-454-6861 |
| POA Fax                          | 559-454-6334 |
| Practitioner Hotline             | 559-452-4210 |
| TDD Hearing Impaired             | 559-456-5244 |
| Photocopy/RAIVS                  | 559-443-7866 |
| FUTA Unit                        | 559-443-6901 |
| (Federal Unemployment Tax Act)   |              |
| CAWR Unit                        | 559-265-4026 |
| (Combined Annual Wage Reporting) |              |

### Ogden IRS Center

|                               |              |
|-------------------------------|--------------|
| Taxpayer Advocate's Office    | 801-620-7168 |
| Public Affairs Office         | 801-620-6415 |
| Disclosure Office             | 801-620-7650 |
| FAX-TIN (Employer ID Numbers) | 801-620-7115 |
| Power of Attorney (Fax)       | 801-334-4179 |
| Electronic Filing             | 801-620-7444 |
| Practitioner Hotline          | 801-620-6339 |



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# QUICK and EASY ACCESS to FORMS/PUBLICATIONS

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## Telephone

You can order IRS forms, publications, and get automated information 24 hours a day, 7 days a week.

Call **1-800-TAX-FORM (1-800-829-3676)** to order current and prior year forms, instructions, and publications. Please allow approximately 10 work days for delivery.

**TeleTax Topics** - Call 1-800-829-4477 to listen to pre-recorded messages covering about 150 tax topics.



## Walk-In

You may also visit your local IRS district office, participating post office, or library to pick up some of the most requested forms, instructions, and publications. Some libraries and IRS offices have an extensive collection of products available to photocopy or print from a CD-ROM.



## Personal Computer

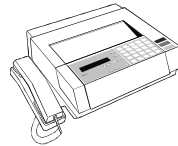
Access the IRS Internet Web Site 24 hours a day, 7 days a week, at [www.irs.gov](http://www.irs.gov)

The IRS home page provides instant access to federal income tax forms, instructions, publications, information on free tax assistance programs, and electronic tax filing "IRS e-file".

You can:

- Download forms, instructions, and publications
- See answers to frequently asked tax questions
- Search publications On-line by topic or keyword
- Figure your withholding allowances using our W-4 calculator
- Send us comments or request help by e-mail
- Sign up to receive Local and National Tax News by e-mail

You can also reach IRS using File Transfer Protocol at -- [ftp.irs.gov](ftp://ftp.irs.gov)



## Tax FAX

You can get over 100 of the most frequently requested tax forms and publications through the TaxFax system. Service is available 24 hours a day. Callers must phone directly from their fax machine. You can request up to 3 items per call—just follow the directions of the prompts and your items will be immediately faxed back to you. To get faxed forms, call:

**IRS TaxFax Service (703) 368-9694**



## CD-ROM

You can order the 1999 Federal Tax Products CD-ROM, Publication 1796, which is sold in a two-release set, and get tax forms, instructions, and publications, including prior year forms beginning with the 1991 tax year. The first release is available in mid-December and the final release in late January.

The CD-ROM is available from the National Technical Information Service (NTIS). Order by phone, fax, or mail for \$23 (plus \$5 handling fee). To order by phone: call 1-877-CDFORMS (1-877-233-6767); by fax at (703) 605-6900, or mail your order form to:

National Technical Information Service  
5285 Port Royal Road  
Springfield, VA 22161

Save \$7 by placing your order on-line (\$16 plus \$5 handling fee) at—[www.irs.gov/cdorders](http://www.irs.gov/cdorders)

**Technical Specifications**—The 1999 Federal Tax Products CD-ROM can be used with Windows 95, Windows 98, Windows NT, and Macintosh systems and requires 7.6 MB hard disk space. Adobe Acrobat software is provided to view, search, and fill-in forms. This CD-ROM does not support dot matrix printers and is not compatible with Windows 3.1. This product is Y2K compliant.

# PROCESSING TAX RETURNS

The Fresno Submission Processing Center currently receives and processes tax returns for the states of Hawaii and California. During peak processing, January through June, approximately 10 million individual (1040 series) and over 2 million business returns are processed.

When a tax return is received at a service center, it progresses through what IRS calls "Pipeline Processing." This system of operations starts with the opening of the envelope and proceeds through sorting, processing, and eventually placing the return in the Federal Record Centers.

## Mail Opened

All incoming mail received is processed through our new Service Center Automated Mail Processing System (SCAMPS). This cost-effective system scans the computer code on the return envelope, similar to a supermarket checkout operator. The code indicates the envelope contents to the SCAMPS sorter. If the taxpayer does not use the return envelope provided, processing of the return or reply to balance due notices may be slightly delayed.

## Returns Sorted and Numbered

SCAMPS has sorted the mail by envelope code. Extracting and Sorting is the next step in the processing of incoming mail. The contents are sorted into various categories and routed to the receiving areas. Items received with remittance are routed to the appropriate area for processing. Items received with no remittance are routed to the Batching Unit. All documents requiring a stamped received date are routed to the Date Stamping Unit.

## Remittance Identified and Deposited

Documents received with remittance are processed through the Integrated Submission and Remittance Processing (ISRP) system. All returns, documents, and payments are sorted by type of return and/or payment. Each type of return is identified by a special document locator number (DLN), which will be used in applying the payment to the correct account for the taxpayers. The deposit function sorts the checks for each depository bank and validates the payments.

## Code and Edit

Our tax examiners review all tax returns for completeness and accuracy.

Employees review, code, and edit all tax returns in preparation for data entry. Any returns identified by the tax examiners to have missing information and/or forms, such as Forms W-2, required schedules, and/or taxpayer signatures are returned to the taxpayer for appropriate action.

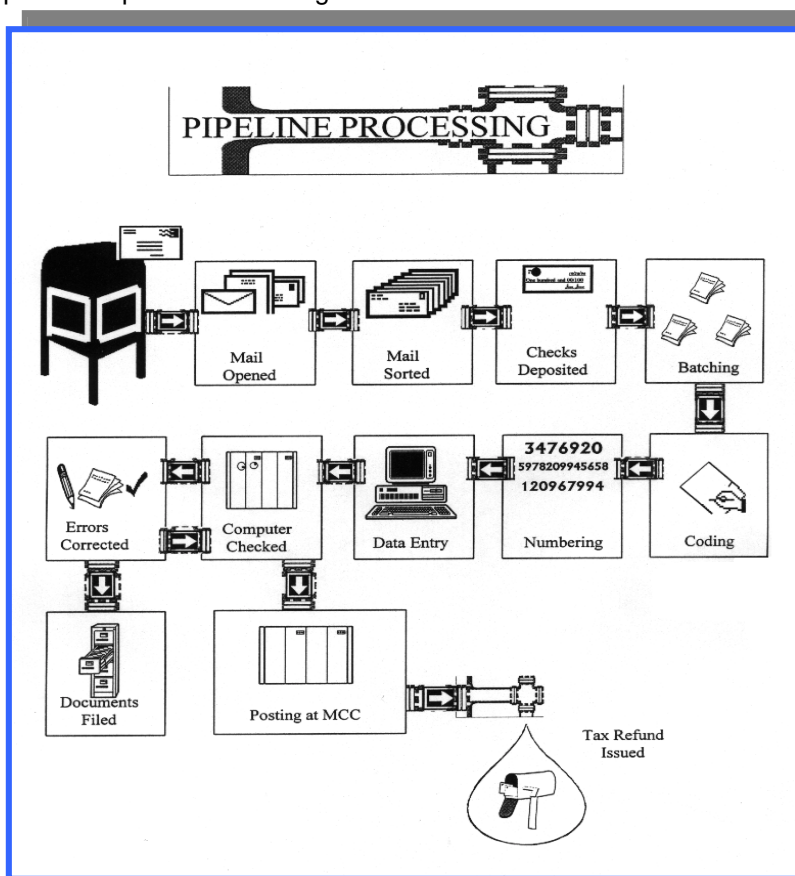
## Data Entry and Computer Checking

Information from tax returns is input

through the ISRP system to update the Master File. There are several checks and balances within this data entry system that require operators to validate that the information they input is correct.

After return data is input, it is transmitted to Master File. During this process, the data must pass several validity checks. Documents that need further clarification or corrections are forwarded to the Error Resolution System (ERS) for further action.

The primary function of ERS is to correct practitioner errors, taxpayer errors or errors made during service center processing. In the case of a taxpayer or practitioner error, a notice is sent to the taxpayer





notifying them that an error was found on their return, where the error occurred, and what was changed. Some returns require additional information from the taxpayer in order to complete processing.

## Data Posted at MCC and Federal Record Centers

Documents that clear the initial validity checks as well as those resolved in ERS are transmitted for posting at the Martinsburg Computing Center (MCC). All documents must pass additional validity checks during this processing. If these validity checks are

passed, a refund and/or a notice may be generated to the taxpayer.

Returns are then forwarded to the Research & Perfection Branch after processing is complete, where they are shelved for a short period of time prior to shipment to the Federal Record Centers. Length of retention at the Federal Record Centers is dependent upon the type of return. Normal retention for Forms 1040 is seven years. Forms 1120 are retained for 75 years.

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## TIPS to EXPEDITE PROCESSING

- √ *File Electronically* – It's quick and easy!
  - √ *Direct Deposit* – It's safe and convenient. But verify that all account numbers are correctly entered in the appropriate areas on the return.
  - √ *Labels* – Using IRS labels speeds up processing and reduces the chance for errors. To make corrections to the label, line through the incorrect data and write in the correct information.
  - √ *Entity Information* – Make sure the taxpayer's name, address, and social security number (SSN) are correct. If information is incorrect or missing, processing delays occur.
  - √ *Dependent Information* - Dependent information must include a valid last name and SSN or Individual Tax Identification Number (ITIN) that matches SSA or IRS records.
  - √ *Missing Information, Forms W-2, Schedules* – To avoid processing delays, make sure all forms or schedules are attached and that documents are signed. Forms W-2 should be stapled (**not paper clipped**) to the document in the designated area.
  - √ *Payments* – Make sure all checks submitted as payments include the taxpayer's SSN, name, form type, and tax period. Use IRS vouchers when sending payments. Send a separate check for each return and each taxpayer.
  - √ *Return Envelopes* - Use IRS return envelopes when mailing a return, responding to correspondence, or sending a payment. The code on the envelope identifies the contents and helps to quickly route to the appropriate area.
- √ *Multiple Returns in One Envelope/Package* - When mailing multiple taxpayer documents in one envelope or package, please ensure each taxpayer's corresponding schedules or copies are stapled together.
  - √ *Copies of Returns* – Mark "copy" on any tax return copy you send in reply to an IRS letter or notice that required you submit copies of returns or schedules. Returns are often received from both the taxpayer and the practitioner causing duplicate filing and processing delays.

### MOST COMMON ERRORS

What are the most common errors made by practitioners on Forms 1040, 1040A, and 1040PC? What are the most common errors made by practitioners on Forms 1040, 1040A, and 1040PC?

- ◆ Dependent's SSN does not match our records
- ◆ Dependent's name does not match our records
- ◆ Missing/incomplete name for first dependent
- ◆ Earned Income Tax Credit disallowed due to Qualifying Child's SSN did not match our records
- ◆ Incorrect SSN for the Primary Taxpayer

# INDIVIDUAL TAX IDENTIFICATION NUMBER (ITIN)

Individuals are required to provide a valid social security number (SSN) for each person claimed on a tax return.

## Who Must File for an ITIN

Any individual who does not have or is **not eligible to obtain an SSN** and whose taxpayer identification number is required to be furnished to the IRS must apply for an ITIN. This includes any individual(s) claimed as spouses or dependents on tax returns and who are not eligible to obtain an SSN.

An ITIN is *for tax purposes only, but cannot be used for purposes of the earned income credit*. ITIN numbers will create no inference regarding the immigration status of a foreign person or the right of that person to be legally employed in the US.

If an individual was lawfully admitted for permanent residence or U.S. employment or is eligible for a social security number,  
**DO NOT FILE FORM W-7.**

## How to Apply for an ITIN

Taxpayer(s) must complete **Form W-7, Application for IRS Individual Taxpayer Identification Number**, to receive an ITIN. The taxpayer may complete and sign Form W-7 for a minor dependent, but a spouse or adult dependent must complete and sign his/her own Form W-7. Form W-7 and instructions may be obtained at any IRS walk-in office, by calling 1-800-TAX-FORM, or via the Internet at [www.irs.gov](http://www.irs.gov)

Form W-7 requires documentation substantiating foreign/alien status and true identity of the individual. All documents must be *original or certified copies*. Examples of acceptable documents include birth certificate, driver's license, original passport, identity card or U.S. immigration documents.

## Where to File Form W-7

Submit Form W-7 and all required documentation at any IRS walk-in office **or mail it directly to the Philadelphia IRS Center** at:

IRS - Philadelphia Service Center  
ITIN/ATIN Unit  
P.O. Box 447  
Bensalem, PA 19020

It takes about 6 weeks to receive the ITIN. Taxpayers should apply for the number at least 6 to 8 weeks before the tax return is due. Taxpayers may call (215) 516-4846 (not a toll free number), if IRS has not acknowledged receipt of the W-7 after 14 days.

If there is insufficient time to get an ITIN before the filing deadline, request an extension to file for the taxpayer.

## Adoption Taxpayer Identification Number (ATIN)

If a child is placed in your home by an authorized adoption agency, you may be able to claim the child as your dependent and also claim the child and dependent care credit. If you cannot get an SSN for the child until the adoption is final, get an ATIN for the child by completing **Form W-7A, Application for Taxpayer Identification Number for Pending U.S. Adoptions**. Send the completed Form W-7A to the Philadelphia IRS Center address shown above.

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# EARNED INCOME TAX CREDIT (EITC)

The Earned Income Tax Credit is a special credit for certain people who work. The credit reduces the amount of income tax owed (if any) and is intended to offset some of the increases in living expenses and social security taxes. EITC is a refundable credit which can be claimed on a federal tax return yearly, or received throughout the year in a paycheck from an employer in the form of the Advanced Earned Income Tax Credit (AEITC).

## Who Qualifies for Earned Income Tax Credit?

Taxpayer must file a tax return and meet certain rules to qualify for EITC. The primary rule is that the taxpayer must work and have earned income; if married and filing a joint return, this rule is met if at least one spouse works and has earned income. The credit is available to persons with a qualifying child and, under certain rules, to persons without a qualifying child. *Publication 596, Earned Income Credit*, provides detailed explanations of each of the rules (and exceptions, if any) to qualify for the credit.

## Two Ways to Claim the Credit

Taxpayers who qualify for EITC can get it all when they file their tax return or may receive a part of it in their paychecks by having the EITC paid to them "in advance". To get the advance payment (AEITC), taxpayers must have at least one child living with them in the U.S. and meet the wage limitation rules.

### Advanced Earned Income Tax Credit (AEITC)

For those individuals who are eligible for AEITC, this added benefit helps meet day-to-day living expenses. Taxpayers should complete *Form W-5, Earned Income Credit Advance Payment Certificate*, to see if they are eligible. If taxpayers qualify, they should give the bottom portion of the form to their employer. Based on the taxpayer's earnings, the employer will add an additional amount of money (a portion of the EITC) to the taxpayer's take-home pay throughout the year.

### Taxpayer Identification Number

Taxpayers must provide a correct and *valid social security number (SSN)* for themselves, their spouse, and any qualifying children. If an SSN is missing or incorrect, they may not get the credit.

Taxpayers **also cannot** get the credit if, instead of an SSN, the taxpayer, spouse, or qualifying child has an Individual Taxpayer Identification Number (ITIN) or Adoption Taxpayer Identification Number (ATIN). This means that tax returns filed claiming EITC without valid SSNs or using an ITIN for the primary or secondary taxpayer and/or qualifying child's TIN will be disallowed.

Under Public Laws 104-188 and 104-193, the omission of a valid SSN is treated as a mathematical

or clerical error and any additional tax resulting from the disallowance of the credit may be summarily assessed. Taxpayers will be issued the appropriate math error notice advising them of changes made to the tax and/or credits.

### Disallowance of EITC

If taxpayer(s) improperly claimed the earned income tax credit due to reckless or intentional disregard of IRS rule or regulations, they can not claim the credit for the next 2 years. Also, if taxpayer(s) fraudulently claimed the EITC, they cannot claim the credit for the next 10 years. These sanctions are in addition to any other penalty imposed.

**Deficiency procedures**--If the IRS questions the eligibility for the earned income credit for reasons *other* than a mathematical or clerical error, the taxpayer may receive a letter asking for information about his/her eligibility for the credit. If the taxpayer does not respond, or the information provided does not show qualification for the credit, the IRS may send a "notice of deficiency" by certified or registered mail.

**Eligibility after denial of credit**--If the earned income credit was denied as the result of deficiency procedures, taxpayers cannot claim the credit again unless a *Form 8862, Information to Claim Earned Income Credit After Disallowance*, is attached to the current tax return. Be aware that filing Form 8862 does not automatically allow EITC for the taxpayer; it only indicates that the taxpayer *may* be eligible for the credit.

If IRS disallowed all or part of a taxpayer's EITC because of a mathematical or clerical error, **do not** file Form 8862.

## EXTENSION OF TIME TO FILE



### Need More Time?

If an individual taxpayer cannot file his/her tax return by the due date, he/she may be able to get an automatic 4-month extension of time to file by submitting *Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*.

Because this is an automatic extension (no explanation required), some taxpayers misunderstand the purpose or overlook the requirements of the extension request. **Time to pay is not extended.** This extension form *extends the time to file a return; it is not an extension of time to pay tax owed.* Unless 90% of the tax is paid on the due date, a late payment penalty (½ percent of the unpaid tax per month) will be assessed. In addition, interest is applicable on *any* unpaid tax after the original due date of the return.

Use *Form 2688, Application for Additional Extension of Time to File U.S. Individual Income Tax Return*, when you need more time to file after the 4-month

automatic extension granted by Form 4868. Ensure you enter all data requested on both top and bottom portions of these form.

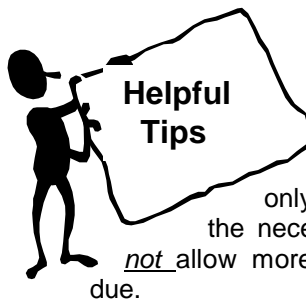
### Other Extension Requests

The following extension forms require that you file two copies of the applicable form with a complete explanation for the extension request. If the extension request is approved, one copy of the form will be stamped "approved" and returned to you.

- Form 2758 - Application for Extension of Certain Excise Income Information and Other Returns
- Form 4768 - Application for Additional Extension of Time to File a U.S. Estate Tax Return and/or Pay Estate (and Generation-Skipping Transfer) Taxes
- Form 8800 - Application for Additional Extension of Time to File U.S. Return for a Partnership, REMIC, or for Certain Trusts

### One Envelope – One Form

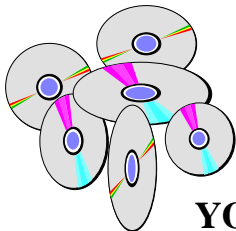
Although IRS stamps the received date on each extension received and the postmark date on late filed extension forms, submitting each extension request in a separate envelope reduces the chance of error.



- Explain to the taxpayer that an approved extension only allows more time to file the necessary tax forms; it does not allow more time to pay any taxes due.
- **Be sure to use the correct extension form.** *Form 8736* is used for extensions for Forms 1065 and 1066 and Form 1041, when it is used for a trust. *Form 7004* is used for Forms 1120 and 990T. *Form 2758* is used for a variety of excise and income tax, information and other returns, including Form 1041 when it is filed for an estate.
- Mail extension forms several days before the deadline to ensure they are timely filed. **Reminder:** extension forms returned for insufficient postage, wrong address, etc., and received after the due date, will be denied.
- Complete all required sections of the extension form and verify the taxpayer identification number, name and address. Please ensure the extension form is signed (by both taxpayers, for a joint return).

## VISIT THE...

|                                    |   |                                      |
|------------------------------------|---|--------------------------------------|
| PRINTED<br>DAILY AND<br>IT'S FREE! | DEPARTMENT OF THE TREASURY - INTERNAL REVENUE SERVICE | AND YOU<br>DON'T HAVE<br>TO RECYCLE! |
|------------------------------------|---|--------------------------------------|



AT:

[WWW.IRS.GOV](http://WWW.IRS.GOV)

**YOUR BEST SOURCE FOR IRS INFORMATION, FORMS AND PUBLICATIONS**

# ELECTRONIC TAX ADMINISTRATION

## IRS e-file

IRS *e-file* is a way for tax professionals to electronically file a client's tax return directly to IRS computers. More and more taxpayers are choosing IRS *e-file* because returns are processed faster with fewer errors. This means quicker refunds and less contact with the IRS. Plus, IRS acknowledges receipt of IRS e-filed returns which gives taxpayers proof of filing. The file now, pay later feature lets you and your clients schedule your appointments when it is mutually convenient, avoiding crowded peak periods. As taxpayer demand for IRS e-file grows, there are many ways you can meet the expectations of your clients and participate in this important trend as an Authorized IRS e-file Provider.



### What does this mean to your clients?

- Accuracy, less than 0.5% error rate
- Fast refunds, (10-14 days with Direct Deposit)
- Acknowledgment—the only legal proof that the IRS has received your clients return
- File now, pay later—clients with Balance Due returns can file early and pay by April 15 by credit card (1-888-2PAY-TAX), by Direct Debit from a bank account, or by using a Form 1040V voucher

New forms available for *e-file* this year include *Form 8271, Investor Reporting of Tax Shelter Registration Number, Form 8582-CR, Passive Activity Gains, Form 6781, Gains and Losses from Section 1256, Form 8586, Low Income Housing Credit and Schedule J, Farm Income Averaging.*

## IRS e-file Getting Started

The Handbook for Electronic Return Originators of Individual Income Tax Returns, Publication 1345, contains the rules for participating in the IRS *e-file* Program. The current Revenue Procedure 98-50 as well as other information about the IRS *e-file* program and related topics can be found in the Handbook. To

download publications and learn more about IRS *e-file*, visit the IRS "Digital Daily" Web site under Electronic Services at: [www.irs.gov](http://www.irs.gov) or by calling 1-800-691-1894.

### What's the application process?

You must complete and submit *Form 8633, Application to Participate in the IRS e-file Program*. The IRS accepts applications August 1 through May 31 of each year. It is important to submit your application no later than December 1, if you wish to receive acceptance in time to begin filing on the first day of the filing season.

The application process includes finger printing and credit checks. Attorneys, CPAs, enrolled agents, officers of public corporations and banking officials may qualify to submit evidence of professional status instead of finger prints. In addition, because program participants are expected to maintain a high degree of integrity, all applicants must undergo a suitability check to ensure they have met previous tax obligations. Having passed the suitability check, a letter of acceptance will be issued.

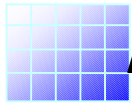
Ready to apply? To order *Publication 3112, IRS e-file Application Package*, call 1-800-691-1894 or contact your ETA Coordinator. Call the FTB Help Desk for the state application Form FTB 8633.

### Electronic Tax Administration Mission---

"To revolutionize how taxpayers transact and communicate with the IRS"

| Electronic Tax Coordinators - Names and Phone Numbers   |   |  |
|---|---|--|
| <b>Northern California - Oakland</b><br>Deborah Torres<br>510-637-2482<br>Fax 510-637-2494<br>Deborah_Torres @ccmail.wr.irs.gov | <b>Central California District</b><br>Garret Madsen<br>408-817-6835<br>Fax 408-817-6124<br>Garret.Madsen@m1.irs.gov | <b>Southern California District</b><br>Gindy Barnard<br>949-360-2605<br>Fax 949-360-2466<br>Gindy.Barnard@m1.irs.gov     |
| <b>Northern California - Sacramento</b><br>Prudy Hearn<br>916-974-5624<br>Fax 916-974-5983<br>Prudence_Hearn @ccmail.wr.irs.gov | <b>Los Angeles District</b><br>Gordon Meyers<br>213-576-4183<br>Fax 213-576-4181<br>Gordon.Meyers @m1.irs.gov       | <b>California Franchise Tax Board</b><br>Darice Trafton<br>916-845-0353<br>Fax 916-845-5340<br>Darice_trafton@ftb.ca.gov |

# ELECTRONIC FEDERAL TAX PAYMENT SYSTEM



**EFTPS**

EFTPS is a paperless tax payment and reporting system sponsored by the U.S. Treasury, designed with the busy taxpayer in mind. Individuals and companies save time and money by paying their Federal tax payments electronically – either by phone, personal computer, or through their financial institution. The First National Bank of Chicago and NationsBank operate EFTPS on behalf of the Department of the Treasury.

No special equipment or hook-up is needed. If you prefer to use your PC, you can receive free EFTPS, Windows®-based software that is easy to install and use.

## EFTPS is...

- ◆ Fast and economical
- ◆ Easy to use
- ◆ Convenient
- ◆ Accurate...

## Flexibility to Choose Your Payment Method

### EFTPS Direct (ACH Debit)

--You initiate a debit transaction against your bank account. When you choose to initiate your tax payment directly through EFTPS (using a phone or PC), the system will prompt you to provide the payment information needed to update your tax records at the IRS.

**EFTPS-Through Your Financial Institution (ACH Credit)** --You can deliver your tax payment electronically to EFTPS by using a service offered by your financial institution. Your financial institution will send a credit transaction to the Treasury's General Account on the date you indicate.

*Remember, you can use EFTPS to make any Federal Tax Payments.*

## Enroll Today!

For enrollment information and/or forms and instructions, call either of the two Treasury Financial Agent's EFTPS Customer Service numbers:

**First National Bank of Chicago: 1-800-945-8400**  
**Nations Bank: 1-800-555-4477**

**Do not** mail enrollment forms to service centers. Completed enrollment forms should be mailed to:

Internal Revenue Service  
EFTPS Enrollment Processing Center  
P.O. Box 4210  
Iowa City, IA 52244-4210

EFTPS will verify the information submitted and upon acceptance of the enrollment form, notify the taxpayer and issue a Personal Identification Number (PIN) under a separate cover.

## Did You Know?

- EFTPS is mandated for certain businesses for payment of federal taxes, depending on the amount of their past payments.
- Final EFTPS Treasury Decision (T.D.) 8828, effective on July 12, 1999—raises the EFTPS threshold from \$50,000 to \$200,000 in aggregate deposits.
- Per Notice 99-20—effective July 1, 1999, any taxpayer currently required to deposit taxes by EFTPS (deposited more \$200,000 during 1998), will be subject to the 10% FTD penalty if they fail to deposit by EFT.

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## ALTERNATIVE PAYMENT PILOTS

### Credit Card Payments

Taxpayers can use their credit cards to pay their balance due when filing their 1999 individual income tax returns. To pay by credit card (American Express, MasterCard, or Discover Card), taxpayers should call **1-8882PAY-TAX** (888-272-9829) toll-free and follow the instructions.

The credit card processor based on the amount the taxpayer is paying will charge a convenience fee. Taxpayers will be told what the fee is when they call and have the option to either continue or cancel the call. Taxpayers should enter the confirmation number they were given on page 1 of Form 1040 in the upper left corner.

Effective 1/14/2000, taxpayers will also be able to use their credit cards to make payments with Form 4868, Extension to File U.S. Individual Income Tax Return. Effective 3/2000, taxpayers can make Form 1040 estimated tax payments via their credit card.

### Direct Debit Payment Option

This option allows taxpayers, who file electronically, to pay the balance due for their 1999 individual income tax returns by authorizing the U.S. Treasury to debit their checking or savings account and designate the date the funds are withdrawn. This year TeleFile will be able to accept direct debit transactions. Telephone script prompts taxpayers to enter payment data. Partial payments are not permitted.

# LOCKBOX PROCESSING

Lockbox is the process where remittances and documents are mailed to a designated post office box at a commercial bank (Lockbox). Remittances are processed and the tax documents, along with the remittance records, are forwarded to the appropriate service center for processing.

The Lockbox process is an agreement between Financial Management Service (FMS), Internal Revenue Service, and a commercial bank (Lockbox). The Lockbox Depository is an agent of the IRS and must adhere to the security standards, which are monitored during onsite reviews by IRS personnel. The collection and processing service provided by Lockbox speeds the flow of funds to the U.S. Treasury by decreasing the time it takes to deposit money.

## How does Lockbox work?

Taxpayers are directed to send their vouchers and payments to a designated P.O. Box. The bank then collects and processes them (on an accelerated schedule), and deposits the total remittance amount to the U.S. Treasury's account. That same day, the bank sends the processed documents, computer tapes, deposit information, unprocessable items, and any correspondence to the service center for further processing. Normally, these items are received at the service center the next day.

## Where are Lockboxes Located?

Our ten service centers have different Lockbox locations. Each Lockbox has its own specific post office box for each tax form.



## WESTERN REGION LOCKBOX ADDRESSES

| If you file at FRESNO IRS Center, send your Lockbox payment to: |            |                          | If you file at OGDEN IRS Center, send your Lockbox payment to: |                            |
|---|------------|--------------------------|--|----------------------------|
| FORM TYPE   | P.O. BOX # | Los Angeles, CA Zip Code | P.O. BOX #   | San Francisco, CA Zip Code |
| 940   | 60378      | 90060-0378               | 7024   | 94120-7024                 |
| 940EZ   | 60150      | 90060-0150               | 7028   | 94120-7028                 |
| 941   | 60407      | 90060-0407               | 7922   | 94120-7922                 |
| 943   | 60819      | 90060-0819               | 7353   | 94120-7533                 |
| 945   | 60006      | 90060-0006               | 7749   | 94120-7749                 |
| 1040V   | 60000      | 90060-6000               | 7704   | 94120-7704                 |
| 1040ES  | 54030      | 90054-0030               | 510000   | 94151-5100                 |
| 4868  | 54916      | 90054-0916               | 7122   | 94120-7122                 |
| CP521<br>or<br>CP523  | 30507      | 90030-0507               | 7125   | 94120-7125                 |

## CENTRALIZED LOCKBOX ADDRESSES

Certain forms are only worked in specific service centers. The following lists the Lockbox address for centralized forms.

### Form(s) 2290:

Cincinnati IRS Center  
P.O. Box 6229  
Chicago, IL 60680-6229

### Form(s) 1041ES:

Austin IRS Center  
P.O. Box 970002  
St. Louis, MO 63197-0002

## What is a Payment Voucher?

A payment voucher is a statement sent with estimated tax payments, installment agreement payments, extension requests, or balance due tax return payments. There are Scannable and Non-Scannable vouchers.

The Scannable voucher, supplied by the IRS, contains data from the taxpayer's account, (SSN/EIN, tax year, type of tax, name/address, etc.). This is compiled in a "scan line" on the voucher that is read by scanning machines. The information goes directly into the computer from the scan line. **Use only original scannable payment vouchers; a photocopied voucher cannot be scanned.**

The Non-Scannable voucher is a voucher or form that is blank (no *IRS* pre-printed data) and must be completed by the taxpayer. If you generate a voucher of your own, or photocopy an IRS generated voucher, the information cannot be scanned. Non-Scannable vouchers increase chances for input errors.

## 2000 Processing Instructions

The 1999 processing year procedures for Lockbox will be rolled over to 2000. Tax practitioners will again be instructed to mail the tax return, check, and voucher to a Lockbox address when a taxpayer owes money, *regardless* of which tax package the taxpayer presents to the practitioner or what mailing instructions are in the taxpayer's package.



### Tax Practitioners Can Help!!

#### DO....

- √ Explain to clients that there are separate Lockbox addresses for each type of form.
- √ Ensure the taxpayer's Social Security or Employer Identification Number is correct and on the CHECK, VOUCHER, and RETURN.
- √ Ensure taxpayers use the preprinted scannable payment vouchers issued by IRS.
- √ Make checks payable to "United States Treasury" NEW
- √ Use the correct voucher for the corresponding year or quarter
- √ Use the proper envelope with the correct return/payment/voucher.
- √ Enclose voucher with check
- √ Mail to proper Lockbox P.O. Box address
- √ Remind client to sign their return.
- √ Send all correspondence to the correct IRS Service Center
- √ Send F4868 with payment to Lockbox

### DO NOT !

- Send cash
- Use another taxpayer's voucher
- Include correspondence with payments
- Send multiple checks with one voucher
- Send one check with multiple vouchers
- Photocopy or duplicate vouchers (they won't scan)
- Send FTD Payments
- Send F4868 without a payment to Lockbox





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# TAX RETURN PHOTOCOPY REQUESTS

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## RTFTP - Return Transcript for Taxpayer

RTFTP (a.k.a. Return View) offers tax return information transcribed from the original return. RTFTP is a computerized print out which lists all entries made by the taxpayer on a line by line basis. All information is identified by type of schedule and line item. The printout also provides identifying information such as social security number, year of return, type of return filed, filing status, and number of exemptions claimed.

**RTFTP is fast, easy and free!!** There is no cost to the taxpayer for this information and turnaround time is about 1/5th of the time that it takes to process a request for an original photocopy. This makes the RTFTP transcript a valuable resource for taxpayers when dealing with financial institutions, escrow companies, and/or financial aid offices. **Dial 1-800-829-1040** to request a return transcript.

## Form 4506, Request for Copy of Tax Return

The Return and Income Verification Service (RAIVS) Unit processes requests for copies of tax returns from taxpayers and/or their authorized representatives. **The fee for this service is \$23 for each tax year requested.** Requests for copies of tax returns may not be faxed. Full payment---**\$23 per return**--along with the completed Form(s) 4506, should be mailed directly to the appropriate service center or submitted to any district office with walk in service counters. Please allow 30-45 days for delivery.

## W-2 Requests

The RAIVS Unit also processes requests for copies of Form(s) W-2. Generally, Form(s) W-2 are retained for 10 years. Requests exceeding 10 years are forwarded to the Social Security Administration.

Requestors may receive a copy of the actual W-2 or a transcript of the information, depending on how the employer filed the form. Most employers now file Forms W-2 via magnetic media; and IRS does not have access to some items, such as, state withholding information if magnetic media is the only information available.

## Form 4506-A, Request for Public Inspection or Copy of Exempt Organization Tax Form

You may inspect a return or an organization exemption application at an IRS office free of charge.

If you want a copy of a return, exemption application or an aperture card, the cost is \$1 for the first page/card, \$.15 for each additional page and \$.18 for each additional card. Use the following to determine where to file F4506-A.

### If you want....

To inspect a return or an exemption application at an IRS district office

### Then file Form 4506-A with...

The District Director  
Attention: Disclosure Officer  
of that district

To inspect a return or an exemption application at IRS National Office

Commissioner of Internal Revenue  
Attn: Freedom of Information Reading Room  
1111 Constitution Ave, NW  
Washington, DC 20224

A copy of an exemption application

Customer Service  
Ohio Key District Office  
P. O. Box 2508, Room 4010  
Cincinnati, OH 45201

A copy of a return

Internal Revenue Service Center  
Ogden, UT 84201

A copy of an aperture card

Internal Revenue Service Center  
11601 Roosevelt Blvd  
Philadelphia, PA 19154

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## WESTERN REGION ADDRESSES RAIVS UNITS

Fresno Submission Processing Center  
5045 E. Butler  
RAIVS Unit, Stop 28105  
Fresno, CA 93888  
Tele. (559) 443-7867

Ogden Submission Processing Center  
P.O. Box 9941  
RAIVS Unit  
Ogden, UT 84409  
Tele. (801) 334-4170

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# COMMUNICATING WITH IRS

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## Customer Service Lines

Effective January 1999, the Internal Revenue Service began providing 24-hour service, 7 days a week. This level of coverage, known as 7 by 24, allows taxpayers and practitioners to reach us any time, any day. Assistance is available for Tax Law, account, and refund-related issues.

There are currently 24 sites providing telephone assistance. The sites vary in the type of information they provide. Hours of operation vary from site to site. Time zones naturally play a role in which site could potentially be reached at any given time of the day, as do several built-in variances that are in place to help ensure someone is available to answer your calls. The Fresno and Atlanta sites are currently the only two 24 hour sites providing staff to take calls 7 days a week. These sites, working in conjunction with the other 22, allow us to handle your calls when it is most convenient for you.

## Technological Changes

Prior to January of this year, the millions of calls made to IRS were distributed based on a flat percentage based on factors such as staffing, time of day, and area codes.

A new system was put in place in November 1998. It enables us to send calls to *any* of our 24 sites. All calls made to the various toll-free numbers are received at a central call-processing center located in Atlanta. Once a call is received in Atlanta, the system sends the call out to any of the 24 sites based on specific criteria, such as which number was dialed by the caller: our 8815 line or our 1040 line.

It further evaluates all sites that handle similar calls and will send the call to the site with the shortest waiting time. This method of routing ensures your call is sent to a site that can address the issue and ensures that your call is answered as promptly as possible.

## Which Number to Call?

|                  |  |
|------------------|--|
| 1(800) 829-1040  | Call this number any time regarding tax law questions. This line also provides answers about the appropriate form to use for specific issue(s) and other tax preparation issues.               |
| 1(800) 829-8815  | Call this number any time regarding account-related issues for individual or business tax accounts. This includes return delinquency and balance due issues, including installment agreements. |
| 1(800) 829-4477  | Call our automated Tele Tax system any time. Tele Tax provides recorded information on a variety of tax-related questions and provides current-year refund information.                        |
| 1(800) 829-3676  | Call any time to request forms or publications.  |
| 1(800) 808-4262  | Call this number any time regarding a refund on an individual tax return. The Refund Inquiry line does not provide assistance on business accounts.  |
| 1(800) 829-0433  | This number can be called at any time to report tax fraud.   |
| 1 (888) 829-7434 | This number was activated this year to enable taxpayers who receive notices on Non-Master File accounts to contact the Service.  |
| 1(800) 829-7157  | Call this number about account issues related to the Underreporter program. The CP2000 notice is the primary notice issued under this program.   |
| 1(877) 777-4778  | Call this number any time to get assistance on an account that qualifies for the National Taxpayer Advocate program.   |

## Automated Services

This technology is an informative tool for taxpayers. It saves time—customers can access information by using their touch-tone telephones. For touch-tone callers calling the **800-829-8815**, the following automated services are offered for individual tax returns only:

- ❖ *Installment Agreements* (PIN number/Caller ID number required)—Balances due accounts between \$51 and \$25,000 with no other open issues on the account, including non-filed returns.
- ❖ *Extension of time to pay* (PIN number/Caller ID number required)—Full pay within 30 to 60 days
- ❖ *Payoff* (PIN number/Caller ID number required)—Confirms pay off amount, including penalties and interest
- ❖ *Transcripts* (PIN number/Caller ID number required)—The transcript will go directly to the taxpayer.
- ❖ *Refund Status*--Allows secondary option to speak with a representative
- ❖ *Locations*--Addresses of offices for filing tax returns and making payments

## Disclosure Verification Information

The IRS must protect each taxpayer's rights of confidentiality, meaning no account will be accessed without the proper authorization. When you contact a Customer Service Representative, they will ask for Disclosure Verification Information, a series of specific account related issues. It is advisable to have a copy of the notice and tax return, as well as authorization to sign the tax return for the business (business accounts), and most importantly, a valid Power of Attorney (please have a copy suitable to fax if one is not currently on file).

A verbal POA can be established if the taxpayer is available to speak to the assistor and can verify the disclosure verification issues. A POA granted in this manner is valid only for the contact in which it was established. The representatives must believe that the person responding is the taxpayer and that the taxpayer fully understands that he or she is granting authority to disclose tax information.

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## Communication – Key Points

Many times, a call to Customer Service may be the only action required to resolve the taxpayer's problem or concern. Being fully prepared, having all information available when you call, may be the key issue in resolving the account without further contact. You should have following information available when you call (or write) the IRS:

- A valid POA on file for the tax period you are inquiring about. To help us locate your POA, we need to know at which service center you filed the POA; be prepared to fax a copy, if needed.
- Be prepared to tell us if the taxpayer filed a paper return or an electronic return. Know at which service center the return was filed.
- Have a copy of the tax return available for ready reference.
- If you are contacting the IRS about a letter or notice received from us, have a copy of the notice or letter available.
- If you are contacting the IRS about a payment, have a copy (front and back) of the cancelled check or money order available.
- If you are contacting the IRS about a refund, be prepared to tell us the source of the expected refund (original return, amended return, etc.)
- If you are calling regarding Earned Income Tax Credit (EITC), have a copy of your EITC worksheet available.
- If you are calling about a social security number problem, please have a copy of the social security card available along with the cardholder's date of birth. We may refer the taxpayer to the Social Security Administration, as the IRS cannot update SSA records.
- *Do not fax backup documentation without first speaking to a CSR.* Faxed documentation not directed to a specific service representative would be routed to the appropriate area and worked within normal written correspondence timeframes.

### These issues can usually be resolved via a telephone call:

- Refund inquiries
- SSN and exemption issues
- Allowance of items claimed on the original tax return (with substantiation)
- Form 2210 Estimated penalty (with backup)
- Missing or unapplied payments, or credits
- Credit transfers (with faxed backup)
- Status of claims, e.g., amended returns, carrybacks, injured spouse
- Transcript requests, e.g., record of account, return print
- Copy of Examination report or CP2000
- Math errors
- Earned Income Tax Credit issues
- Installment arrangements for certain accounts meeting phone criteria

## Calls Related to Electronic Filing

Customer Service representatives can assist you with issues related to electronically filed tax returns. Two of the more common issues seen with these returns are:

- Taxpayers expecting a refund within 7 – 10 days and
- Rejected returns

Timeframes for refunds are based on the date the return was transmitted. The 7-to 10-day time frame is unrealistic. Transmission errors extend the processing time because the return is rejected, the error must be corrected, and the return must be transmitted again to restart the processing cycle.

The person or organization that transmitted the return can address the second concern, rejected returns. IRS representatives may not have that information available to them. The taxpayer should be advised to contact whoever transmitted the return for the reject code which enables them, or you, to correct the information and possibly retransmit the information.

The following is a list of contact telephone numbers (not toll-free) for questions relating to the transmission of electronically filed returns.

|                           |                |
|---------------------------|----------------|
| Andover Service Center    | (978)-474-9486 |
| Austin Service Center     | (512)-460-8900 |
| Cincinnati Service Center | (606)-292-5621 |
| Memphis Service Center    | (901)-546-2690 |
| Ogden Service Center      | (801)-620-7444 |

**Alert!** Please remind your clients that “Rapid Refund” programs are not IRS operated. These are

run by private industry. Taxpayers often call to IRS because they received part of their refund, but are inquiring about the remainder. These companies assess a fee; in essence they lend taxpayers their refund. This “fee” is reclaimed through a portion of the refund.

### When Must I Write to the IRS?

1. Most payment tracer issues
2. Examination reconsideration requests
3. Items not claimed on the original return
4. Form 3911, Taxpayer Statement Regarding Refund
5. Backup withholding
6. Open examinations (audits)
7. Injured spouse claims (original)
8. Application for Individual Taxpayer Identification Number (ITIN)
9. Installment agreements by payroll deduction or direct debit
10. Non-filer cases
11. Bankruptcy issues
12. Most requests for penalty removal
13. All requests for interest removal (Form 843 Claims)

## POWER OF ATTORNEY



A Power of Attorney (POA) [Form 2848](#), is the taxpayer's written authorization for an individual to act for him/her in tax matters. Usually, attorneys, CPAs, enrolled agents, and enrolled actuaries can represent taxpayers before the IRS. Under special circumstances, others, including unenrolled tax preparers, can represent taxpayers before the IRS. If the POA is not limited, the individual can generally perform all acts that the taxpayer can perform.

The IRS is permitted to receive written or verbal information for taxpayers from third parties without POA or Tax Information Authorization (TIA), [Form 8821](#). However, the IRS **cannot** disclose information to third parties without authorization by Form 2848 or 8821.

### What is the difference between Form 8821 and Form 2848?

[Form 8821](#), *Tax Information Authorization*, is used to authorize someone to receive confidential tax information. Form 8821 cannot be used to name an individual to represent you before the IRS. [Form 2848](#), *Power of Attorney and Declaration of Representative*, is used to authorize the individual or individuals named to receive confidential tax information and to represent you before the IRS.

### Centralized Authorization File (CAF)

Forms 2848 or 8821 should be filed at the service center where the taxpayer files his/her tax return. POA or TIA information is entered onto the IRS Centralized Authorization File (CAF), a computerized record of authorization. Only three representatives can be input to the CAF system for each POA/TIA. A ten-digit number is assigned to each representative.

The CAF enables IRS to automatically send copies of notices and other IRS correspondence to the first individual designated on Form 2848, *unless* otherwise indicated on Item 7 of the form. Each service center maintains a separate CAF system. POAs remain on file for seven years after the latest tax period indicated on the POA.

**Specific Issue and/or Civil Penalties POA**

Check the specific use box on line 4 of Form 2848 if the POA is for a use that will not be listed on CAF. Retain a copy for your files. A POA will not be recorded on CAF if it is for a specific use. Specific-issue and/or civil penalty POAs are retained with the case file or filed in the POA Unit, and are only kept for 30 days from the IRS Received Date.

**POA/TIA Checklist**



- Taxpayer's signature and date. For a joint POA, both spouses must be named in the name line, and both must sign and date the form. Form 8821 must be dated within 60 days of the IRS received date. POA/TIAs for business tax returns must include a title: e.g. President, General Partner, or Sole Proprietor.
- Taxpayer's social security number or employee identification number, name, address, and daytime telephone number.
- Type of tax and specific years to be covered. (Employee Plans must include specific Plan number.) Phrases such as "all taxes" or "all years" are not acceptable.
- Name, address, and telephone number of the designated representative. If the representative has a FAX number, this should be entered.
- Include the assigned CAF number of the representative and update changes in the name and address, if needed. The CAF number is the unique number assigned to the representative. Representatives should have only one CAF number, even if they file POAs at more than one service center.
- The representative must sign and date the form, indicating their level of jurisdiction. Enrolled agents must include the entire enrollment card number, including the prefix.

**Revoking a POA**

A new Form 2848 will revoke all prior POAs unless you specifically indicate otherwise. Check the box on line 8 if a prior POA should not be revoked. Attach a copy of the POA that is to remain in effect. You may also send a copy of the original POA or TIA marked "Revoked" across the top of the form, along with a current signature and date of either the taxpayer and/or their representative(s).

In addition, either the taxpayer or representative can revoke a POA by submitting a signed statement of revocation to the office where the POA was filed. The statement must be signed by either the taxpayer or representative(s) named on the original POA and must include the name, address, and signature of each representative whose authority is being revoked, and the taxpayer's name, address, and TIN.

For further information on Power of Attorney, [Form 2848](#) and Tax Information Authorization, [Form 8821](#), please refer to [IRS Publication 947, Practice Before the IRS and Power of Attorney](#).

**Unenrolled Agents**

Unenrolled agents have limited power and may appear without enrollment as the taxpayer's representative, with or without the taxpayer, before revenue agents and examining officers of the Examination Division for the tax liability in which he/she prepared the return. **If** the return for the year(s) and tax period(s) shown on Form 2848 has not been filed and processed with the IRS when the Form 2848 is received, the Form 2848 for an Unenrolled Agent – Authorization Code H will not be processed.

Unenrolled agents are not eligible for future tax periods. Please refer to Treasury Department's Circular #230 for regulations governing the practice of attorneys, certified public accountants, enrolled agents, enrolled actuaries, and appraisers before the IRS.

**Where to Send POA**

Submit the original, photocopy, or facsimile transmission (Fax) of the POA to the IRS office handling the taxpayer account. If the POA is filed for a tax matter currently pending before an office of the IRS, such as Examination, file the POA with that office. Otherwise, file it with the service center where the related return was or will be filed.

|  |  |
|--|--|
| <p><b>Fresno Customer Service Center</b><br/>                 P.O. Box 12067<br/>                 Attn: POA Unit, Stop 67103<br/>                 Fresno, CA 93776</p> | <p>Tel.<br/>                 (559) 454-6861<br/><br/>                 (559) 454-7162 --<br/>                 3:30 p.m. to 1:00 a.m.<br/>                 Fax<br/>                 (559) 454-6334</p> |
| <p><b>Ogden IRS Center</b><br/>                 P.O. Box 9941<br/>                 Attn: POA Unit<br/>                 Ogden, UT 84409</p>                             | <p>Fax<br/>                 (801) 620-6505</p>   |

# TAX PRACTITIONER HOTLINE (PHL)

The Practitioner Hotline was established to provide *account-related tax assistance* to practitioners who have not had their problems resolved through normal channels. The PHL is intended to assist practitioners *after* normal channels have failed. It is not intended to bypass normal lines of communication between IRS and the practitioner.

If a question or problem cannot be resolved through normal channels, you should contact the PHL staff. PHL assistance is limited to inquiries on individual and business accounts, and should be used only when representing a client. If you have questions regarding your personal or business account, please call customer service at 1-800-829-8815.

The guidelines provided are intended to further improve the service provided to practitioners and their clients. Please adhere to these guidelines, although some deviation may be needed in cases of hardship, this will be decided on a case by case basis.

## Guidelines

- ◆ Call inquiries are limited to 3 separate clients.
- ◆ All fax transmissions **must** be preceded by a telephone call.
- ◆ PHL telephone numbers are **not** to be given to practitioner clients.
- ◆ Oral responses are provided, unless otherwise noted in PHL procedures. Written responses will be provided only if specifically requested.
- ◆ Our first available representative will answer your calls. Please do not request to speak to a specific PHL technician.
- ◆ Calls are limited to account-related issues only. Technical and tax law questions will not be answered by the PHL. Our technicians are not tax law specialists.



## When to Contact the Practitioner Hotline

If you received correspondence bearing an IRS employee's name, unit and telephone number, please contact that employee *prior* to using the PHL. You may contact the FSC Practitioner Hotline or district office if your inquiry deals with any of the following issues:

- ◆ Missing or misapplied payments
- ◆ Transferring credits or payments
- ◆ Refund inquiries
- ◆ Outstanding liability balances
- ◆ Penalty information
- ◆ Account adjustment status
- ◆ FUTA/State Reconciliation Matching Program
- ◆ Installment agreements *for individual taxpayers only* not already in collection and under \$15,000.00. Business accounts are referred to the district office
- ◆ Records of accounts (ROA) are limited to 3 tax periods (please contact 1-800-829-8815 for accounts in excess of 3 periods or use Form 4506)
- ◆ Income information (IRP) is limited to 3 tax periods and will be ordered from the off line system (please contact 1-800-829-8815 for accounts in excess of 3 periods or use Form 4506)

## DISCLOSURE ISSUES !

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**The Disclosure laws allow us to provide information only if a valid Power of Attorney is on file.**

**Please be sure to have one of the following available when you call the PHL:**

- \* POA on file with any of the service centers
- \* A completed Form 2848 or 8821 ready to fax to the PHL
- \* Or the client in your office to give a verbal statement of authorization

If the POA was filed with your local office for collections or examination issues, please submit a copy to the POA unit at the service center. Most field offices keep the POA with the audit file and do not forward the forms to the Power of Attorney Unit for input to the CAF.




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## Western Region

### PHL Contact Information

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#### Central California District (Fresno Customer Service Center)

P.O. Box 12606, Stop 67203  
Fresno, CA 93778  
Tel. (559) 452-4210  
Fax (559) 456-5098  
TDD (559) 456-5244  
Mon - Fri 8:00 a.m. - 3:30 p.m.

#### Northern California District

1301 Clay Street, Suite 1300S  
Oakland, CA 94612  
Tel. (510) 271-0781  
Fax (510) 637-4635  
Mon - Fri 8:00 a.m. - 5:30 p.m.  
Fax (206) 220-5589

#### Southern California District

P.O. Box 30210  
Laguna Niguel, CA 92607  
Tel. (949) 360-2185  
Fax (949) 360-2337  
Mon - Fri 8:00 a.m. - 4:30 p.m.

#### Los Angeles District

300 N. Los Angeles Street,  
Los Angeles, CA 90012  
MS 5650  
Tel. (213) 576-4532  
Fax (213) 576-4531  
Mon - Fri 8:00 a.m. - 4:30 p.m.

#### Rocky Mountain District

600 17th Street  
Mail Stop 6674 DEN  
Denver, CO 80202-2490  
Tel. (303) 820-3940  
Fax (303) 446-1699

#### Pacific Northwest District (Hawaii)

915 2<sup>nd</sup> Avenue  
Seattle, WA 98174  
Attn: PHL, MS W-441  
Tel. (206) 220-5786  
Fax (206) 220-5589  
Mon - Fri 8:00 a.m. - 5:30 p.m.

#### Southwest District

210 E. Earll Drive  
Phoenix, AZ 85012  
Tel. (602) 207-8828  
Fax (602) 207-8600

#### Ogden Service Center

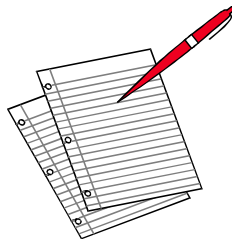
Tel. (801) 620-6339  
Fax (801) 620-7300  
Mon - Fri 6:00 a.m. - 4:30 p.m.

#### Routing of Certain D.O. Calls

Phone calls to the district offices below are routed as follows:

Sacramento → Northern California  
San Jose → Fresno Customer Service Ctr  
Hawaii → Seattle

## APPLYING FOR AN EMPLOYER IDENTIFICATION NUMBER



You should apply for an Employer Identification Number (EIN) early enough to receive the number before a tax deposit or return is due. Don't wait until the last minute. Apply for an EIN as soon as a client starts a business. There are 3 quick ways to apply for an EIN at the Fresno Customer Service Center.

#### What's New? PC-Fax!

The Fresno Tele-TIN unit is providing a new service called **PC-Fax**. The taxpayer may fax via personal computer or fax machine, a completed Form SS-4, which goes directly to a Tax Examiner's (TE) computer. The TE processes the Form SS-4, assigns an EIN, then using the PC-fax system, and faxes the Form SS-4 back to the taxpayer. Taxpayers receive the form back via whichever method they used. Turn-around time is 3 business days. The service is available 24 hours, 7 days a week.

**PC-Fax** telephone number - (559) 456-5907

#### TELE-TIN

If you need an EIN immediately, you can call Fresno's Tele-TIN number. To expedite service, please have

Form SS-4, *Application for Employer Identification Number*, completed before calling. To service as many callers as possible, only 5 EINs may be issued per call. Both English and Spanish assistance is available. Before you call, make sure you know your client's filing requirements and business activity. Fresno Tele-TIN line are open from 6:00am – 6:00pm. The best times to call are between 6:00am-10:00am and 5:00pm-6:00pm.

After receiving an EIN from Tele-TIN, you *must* fax the completed, signed, and dated Form SS-4 to Fresno *within 24 hours*. Be sure to include your telephone number and fax number on Form SS-4 in case we need to contact you. An authorized individual as described in Form SS-4 instructions must sign the Form SS-4. These same signatures will be required for any future changes, which must be submitted in writing.

The information on the Form SS-4 **must** match the information given over the phone to the assistor. We verify this information before forwarding the Form SS-4 to the Social Security Administration, if applicable.

**FSC Tele-TIN Phone: 559-452-4010**

**FSC Tele-TIN Fax: 559-443-6961**

**Remember to:**

- ensure the information on the Form SS-4 matches the information given over the phone
- be sure to have a Power of Attorney attached to SS-4 authorizing you to apply for an EIN on behalf of a client
- do not use TeleTIN for out-of-state employer requests or for employers who file in another service center

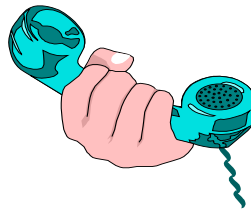
**Mailing Form SS-4**

Form SS-4 can be mailed to the service center where the business returns will be filed. The EIN will be issued by mail in about three to four weeks.

Internal Revenue Service  
 Fresno Customer Service Center  
 Fresno, CA 93888-2222

Be sure to have a Power of Attorney attached to Form SS-4 authorizing you to apply for an EIN on behalf of a client.

**No matter** how your clients receive their EINs (Tele-TIN, PC-FAX, or mail) they will receive written notification in approximately 10-15 calendar days. Ensure your clients provide a copy of this written notification to banks, brokers, Medicare, suppliers, etc.



**SC Tele-TIN  
 Telephone/Fax Numbers**

**Andover**  
 (978) 474-9717  
 Fax (978) 474-9774  
 9:00 a.m. - 3:00 p.m. (ET)

**Cincinnati**  
 (606) 292-5467  
 Fax (606) 292-5760  
 8:30 a.m. – 4:15 p.m.  
 (ET)

**Atlanta**  
 (770) 455-2360  
 Fax (770) 455-2660  
 8:00 a.m. - 4:30 p.m. (ET)

**Fresno**  
 (559) 452-4010  
 Fax (559) 443-6961  
 6:00 a.m. - 6:00 p.m.  
 (PT)

**Austin**  
 (512) 460-7843  
 Fax (512) 460-8000  
 7:30 a.m. - 5:00 p.m. (CT)

**Kansas City**  
 (816) 926-5999  
 Fax (816) 926-7988  
 8:00 a.m.-4:30 p.m.  
 (CT)

**Brookhaven**  
 (516) 447-4955  
 Fax (516) 447-4991  
 8:00 a.m. - 4:30 p.m. (ET)

**Philadelphia**  
 (215) 516-6999  
 Fax (215) 516-3990  
 8:15 a.m. – 7:35 p.m.  
 (ET)

Note: Ogden and Memphis Service Centers accept Forms SS-4 by Fax-TIN (fax Form SS-4 via fax machine) or mail only.

Ogden (801) 620-7115 {5 working day notification}

Memphis (901) 546-3916 {7 working day notification}



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# COLLECTION PROCESS

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## Tax Delinquency Investigation (TDI)

When taxpayers fail to file a return reporting income they received, the account falls into a *delinquent status* depending on what type of income information the IRS received from employers and financial institutions. The Return Delinquency Section sends a series of notices (CP515 and/or CP518) to both individual and business taxpayers requesting the return.

If a taxpayer claims the return was previously filed, and IRS has no record of receiving it, a copy of the return, with an original signature, should be sent to us. If the account remains unresolved, it will be forwarded to the Automated Collection System (ACS) Automated Substitute for Return (ASFR), or the 6020(b) function. A return may then be filed for the taxpayer based on information reported, such as wages, interest, retirement and miscellaneous income.

**Refund Hold Program** – was designed to identify taxpayers who claim refunds for current year returns but may have one or more delinquent returns that need

to be filed. Taxpayers are informed of this condition via Letter 2825C. Once the delinquent return(s) is processed, the refund will either be applied to any balance due or refunded to the taxpayer.

## Tax Delinquency Account (TDA)

Returns that are submitted without full payment, or that have been assessed additional tax will trigger a series of Computer Paragraph (CP) balance due notices if full payment is not received within 30 days. The time interval between notices is five weeks. Taxpayers who are unable to pay the full amount are asked to contact the IRS immediately by telephone or in writing with a proposal for payment.

CP504 is the last CP notice, which advises the taxpayer a levy or lien may be attached to the taxpayer's property or rights to property. Although CP504 warns of a potential levy, the final notice, LT11, subjects the account to enforced collection action. This notice also includes the taxpayer's appeal rights.

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## AUTOMATED COLLECTION SYSTEM (ACS)

ACS is an electronic inventory system that stores Taxpayer Delinquent Accounts (TDA) and Taxpayer Delinquency Investigations (TDI). The ACS call site operation primarily makes telephone contact with taxpayers or their authorized representatives to resolve the unpaid balances and secure any returns that have not been filed. Service centers are responsible for serving their respective call sites and districts.

Each call site has three major functions: contact, investigation, and research. ACS inventory is distributed among several teams of employees. Each team performs all three functions, which allows call site employees to work together on a segment of the inventory with the goal of resolving the account as soon as possible.

### New Toll-free Number

Effective October 4, 1999, all ACS sites began using a new toll-free number. Callers will be routed to the appropriate

ACS call site based on the caller's area code. There may be instances where another call site will assist your local site. In that instance, a call may be routed to a different call site than you are normally used to dealing with.

### Hours of Operation

Most sites are set to a 60-hour week; however, hours do vary. Letters sent to taxpayers serviced by the Fresno Site advise calling between 8:00 a.m. and 8:00 p.m. If a call is received before 8 a.m. or after 8 p.m., an "hours of operation" message will play meaning the site is closed.

As a general rule, avoid calling on Mondays if possible. Call-traffic patterns show these to be the busiest day and longer "hold time" should be expected.

ACS 1-800-829-7650



# INSTALLMENT AGREEMENT (IA) OVERVIEW

When an account cannot be paid in full, a taxpayer may propose an installment agreement by completing *Form 9465, Installment Agreement Request* or by contacting a Customer Service Representative. After reviewing the account, the service center will either accept or reject the taxpayer's proposal or, if necessary, request additional information. If accepted, an acknowledgment letter is sent stating the terms of the IA and the date the first payment is due.

## New Installment Agreement Aid on IRS Web Site

Our web site now has an interactive calculator that helps a person figure the monthly payment amount, and then prints out an installment agreement form for the taxpayer to file. The calculator is for individuals who have filed their returns and are not already paying taxes under an installment agreement. It is available through the "Interactive Installment Payment Process" link on the "Tax Info for You" page of the IRS Web site: [www.irs.gov](http://www.irs.gov)

Users may print out the Form 9465, Installment Agreement Request, from the Web site--with the allowable expense worksheet, if used—and mail it to the IRS for review and approval. The Web site does not store or transmit any personal data.

Note: If additional information is needed to complete the Service's review, taxpayers will be asked to complete *Form 433-F*, *Form 433-A*, or *Form 433-B, Collection Information Statement*, as appropriate.

## IRS Restructuring and Reform Act of 1998

IRS Restructuring and Reform Act of 1998 (RRA98), Section 3467, guarantees the availability of installment agreements under certain circumstances. An individual income taxpayer now has a statutory right to an installment agreement at the taxpayer's option, if all the following conditions apply:

- 1) the liability is \$10,000 or less (excluding penalties and interest);
- 2) within the previous 5 years, the taxpayer has not failed to file or to pay, nor entered an installment agreement under this provision;
- 3) if requested by the IRS, the taxpayer submits financial statements, and IRS determines that the taxpayer is unable to pay the tax due in full;
- 4) the installment agreement provides for full payment of the liability within 3 years;

- 5) the taxpayer agrees to comply with the tax laws during the period that the agreement is in place (up to 3 years).

RRA 98, Section 3303(a), reduced failure-to-pay penalty during the duration of the installment agreement period. Effective for months beginning after December 31, 1999, the failure-to-pay penalty for individuals who file a tax return on or before the due date (including extensions), is limited to half the usual rate (0.25 percent rather than 0.5 percent) for any month in which an installment agreement is in effect.

## Installment Agreement User Fees

A user fee is charged when an IA is granted, reinstated, or restructured. Section 9701 of Title 31 of the United States Code authorizes federal agencies to establish charges for services that primarily benefit individual recipients, over and above any benefit that may accrue to the general public. These fees are authorized because the taxpayer is allowed the benefit of paying a tax debt over time, rather than being forced to satisfy the debt in a single payment.

User fees may be waived under certain instances, such as, the liability can be paid in full within 120 days or the current agreement defaults because of an IRS error.

## Payment of Installment Agreement User Fees

The current user fee is \$43 for an initial IA and \$24 for a reinstated or restructured agreement. When an installment agreement is granted, the taxpayer will receive a monthly reminder notice, CP521. The first reminder notice informs the taxpayer that the user fee of \$43 or \$24 will be deducted from the first installment payment and the remainder will be applied to the account. Therefore, when making the first installment payment, the taxpayer must take into account the amount of the user fee.

If the agreement calls for a monthly payment that is less than the user fee amount, the taxpayer must pay at least the user fee when submitting the first payment; the fee cannot be partially paid. If the first payment is not sufficient to pay the user fee, the payment amount will be applied to the taxpayer's tax liability. Then the second monthly reminder notice will request the user fee again. If the user fee is not received with the second payment, the IA will default.

**Don't forget!** Payments should be made payable to **United States Treasury**. Please ensure the taxpayer's SSN or EIN, tax year, and tax form number are on the check or money order. IRS will provide an annual statement to every taxpayer showing the amount of the tax liability, the amount paid during the year, and the

remaining amount of the liability during the life of the installment agreement.

**WARNING:** Do not submit photocopies of the payment voucher after the user fee has been paid. Otherwise, a portion of the payment may be applied to the user fee account every month because of the encoding on the voucher!

### Installment Agreements Defaults

Installment agreements are usually terminated for the following reasons:

- ◆ Failure to pay the agreed upon amount
- ◆ Failure to pay new tax liabilities timely
- ◆ Failure to pay the user fee

The taxpayer will receive a default notice, CP523, explaining which terms of the agreement were not met.

**Remember!** New liabilities are not automatically incorporated into an existing IA. Taxpayers who incur new liabilities will receive either a CP523 or a letter stating that the new liability must be paid. If the

taxpayer responds to the notice and indicates an inability to pay the new tax liability, the service may, depending on the circumstances, restructure the existing IA to include the new tax liability.

If the default is caused by failure to pay the user fee or the IA payment, a CP523 is sent proposing termination of the IA in 30 days from the date of the notice. If the taxpayer does not contact the Service or appeal within 30 days, the agreement is considered terminated.

Per RRA98, collection activities and the statutory periods of limitation will be suspended for 30 days after rejection (and termination) of an installment agreement. If the taxpayer appeals the rejection within the 30-day period, such suspension will continue during the appeal period.

IRS encourages taxpayers to use payroll deduction or a direct debit installment agreement when they request to add a new liability to an existing agreement. The user fee of \$24 will become due at the time the taxpayer completes and returns the form to the service center.

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## LEVIES/LIENS

Once an account has gone through the notice routine and accelerated to ACS, potential enforcement actions can include the issuance of levies and the filing of Federal Tax Liens.

### Levy Notification

RRA98, Section 3401, imposed certain obligations to notify a taxpayer in *writing* before a levy issued. The notification may be given in person, left at the taxpayer's dwelling, usual place of business, or sent by certified or registered mail not less than 30 days before the day of the levy. The notification is via Letter LT11 or Letter 1058 (usually submitted by revenue officers). Levies are no longer systemically issued.

### Third Party Contact

RRA98, Section 3417, imposes three obligations if IRS plans to contact third parties regarding a taxpayer's tax liabilities.

- ◆ IRS must give the taxpayer a general warning at the beginning of the examination and/or collection process that the Service might contact third parties about the tax liabilities via Letter 3164 or LT40.
- ◆ IRS must keep track of the third parties contacted.
- ◆ IRS must provide that information periodically to the taxpayer as well as be prepared to release the information whenever the taxpayer requests.

### Bank Levy

When issuing a bank levy, a *Form 668-A(c), Notice of Levy*, is sent directly to the financial institution. A *Form 8519, Taxpayer's Copy of Notice of Levy*, is sent directly to the taxpayer. The financial institution is required to freeze any account related to the taxpayer named on the levy. Accounts will be frozen to levy monies up to the full amount stated on the notice. Any funds greater than the amount shown will be made available to the account holder.

Any funds deposited by the account holder **after** a Notice of Levy is issued are not subject to that notice. A subsequent Notice of Levy must be issued to freeze any subsequent deposits. The financial institution will hold the funds up to the full amount of the levy for 21 days before transmitting to the IRS.

### Wage Levy

When issuing a wage levy, *Form 668-W(c), Notice of Levy on Wages, Salary and Other Income*, is sent to the employer. The employer is required to apply the criteria from Publication 1494 to determine how much to exempt from levy and how much to forward to the Service. The employee is asked to complete parts 3, 4 and 5 of the Form 668-W(c). This establishes the employee's filing status and exemptions. A wage levy stays in effect until IRS releases the employer from this responsibility by issuing Form 668-D. A levy release will be issued, with the exception of the first payment, when an installment agreement is made.

## Property Exempt From Levy

There are certain possessions and types of income that are exempt from levy. Under RRA98, the levy exemption amount for taxpayer's personal effects has been increased to \$6,250, and the business or professional exemption has been increased to \$3,125. The amounts were adjusted for inflation and were effective after July 22, 1998. The most common types of property or income exempt from levy are:

- ◆ Personal effects (e.g., apparel, books, furniture, tools)
- ◆ Unemployment benefits
- ◆ Certain annuity and pension payments
- ◆ Child support
- ◆ Minimum exemption for wages, salary and other income
- ◆ Worker's compensation
- ◆ Certain disability payments

## Evaluating Hardship Requests

If a hardship exists, taxpayers should expect to be asked to provide supporting documentation showing how the levy is causing hardship. A taxpayer or representative can fax the information to the center. The information will be reviewed and a determination made. RRA98 requires the IRS to release a wage levy as soon as practical once it is determined that the taxpayer's outstanding tax liability is deemed uncollectable. This provision is effective for levies imposed **after** December 31, 1999.

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## Liens

A statutory lien for taxes is created by law under IRC Section 6321. The lien is filed in order to protect the U.S. government's interest when there is a balance due on an account, and circumstances exist that may indicate such protection may be warranted. A lien may be placed on all property and rights to property belonging to the person owing the taxes. A lien will include taxes due, interest, penalties, and any costs that may accrue.

## Lien Notification

RRA98, Section 3401, requires the Service to notify a taxpayer in writing before a lien is filed. The notification may be given in person, left at the taxpayer's dwelling, usual place of business, or sent by certified or registered mail not less than 30 days before the lien is filed. The notification must state the amount of unpaid tax, the right to request a hearing during the 30-day period, and the Internal Revenue Code section pertaining to the levy and sale of property. Once the lien has been filed, the taxpayer will be notified no later than 5 days after the filing date.

## Releasing a Federal Tax Lien

Once a lien is filed, all relevant information is referred to the Special Procedures Function in the appropriate district. A Federal Tax Lien is reflected on a taxpayer's credit history for up to ten years.

A Release of the Notice of Federal Tax Lien is issued to the County Clerk of filing:

- ◆ Within 30 days after the taxpayer satisfies the tax due (including interest and other additions) by paying the debt or by having it adjusted, or
- ◆ Within 30 days after we accept a bond that the taxpayer submits, guaranteeing payment of the debt.

In addition, all fees charged by the state for both filing and releasing Federal Tax Liens are paid by the taxpayer. The fees are added to amount owed. A lien, usually, releases automatically 10 years after a tax is assessed, unless it is filed again.

## Due Process

The law provides taxpayers the right to a fair hearing by the IRS Office of Appeals after a notice of Federal Tax Lien has been filed and/or before a levy on property is issued. Taxpayers also have the right to contest an Appeals determination in tax court or U.S. district court, as appropriate. A hearing may be requested for each tax period for one or both of these IRS actions:

- ◆ The filing of a federal tax lien. IRS is required to notify the taxpayer within 5 days after filing. The taxpayer then has 30 days from the date of the lien notice to request a hearing with the IRS Office of Appeals.
- ◆ Receipt of Levy Notice. IRS is required to notify the taxpayer of its intent to collect a tax liability. No levy or seizure can occur within 30 days from the date of mailing the levy notice. During that 30-day period, a hearing may be requested with the Office of Appeals.

To request a collection due process hearing, *Form 12153, Request for a Collection Due Process Hearing*, must be completed and returned within 30 days. The form should be sent to the address shown on the levy/lien notice with a copy of the lien/levy notice, a list of all tax periods for which the hearing is being requested, and an explanation of disagreement with the initiated or proposed action. The collection statute of limitations is suspended from the date a timely filed Form 12153 is received until the date the determination is final. If an appeal request is not received timely, a hearing will be allowed, but there will not be a statutory suspension of collection action, and a disagreed determination appeal will not be elevated to tax court.

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# INNOCENT SPOUSE vs INJURED SPOUSE

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## INNOCENT SPOUSE

Many married taxpayers choose to file a joint tax return because of certain benefits this filing status allows. Both taxpayers are jointly and individually (severally) responsible for the tax and any interest or penalty due on the joint return even if they later divorce. This is true even if a divorce decree states that a former spouse will be responsible for any amounts due on previously filed joint returns. One spouse may be held responsible for all the tax due even if the other spouse earned all the income. Please refer to *Publication 971, Innocent Spouse Relief*, for more information.

### How can I get relief from joint and several liability?

Relief now falls into three categories; each of these types of relief have different requirements.

1. Innocent spouse relief
2. Separation of liability
3. Equitable relief

**Innocent Spouse Relief**—to qualify the taxpayer must meet all of the following conditions:

- The taxpayer must have filed a joint return that has an understatement of tax.
- The understatement of tax must be due to erroneous items of the taxpayer's spouse (or former spouse).
- The taxpayer must establish that at the time he/she signed the joint return, he/she did not know, and had no reason to know, that there was an understatement of tax.
- Taking into account all of the facts and circumstances, it would be unfair to hold the taxpayer liable for the understatement of tax.
- The taxpayer must request relief within 2 years after the date on which the IRS first began collection activity against the taxpayer after 7/22/98

**Separation of Liability**—to qualify the taxpayer must have filed a joint return and met either of the following requirements at the time he/she files Form 8857:

- The taxpayer is no longer married to, or is legally separated from, the spouse with whom he/she filed the joint return for which he/she is requesting relief. (Under this rule, the taxpayer is no longer married if he/she is widowed).
- The taxpayer was not a member of the same household as the spouse with whom he/she filed the joint return at any time during the 12-month period ending on the date you file Form 8857.

**Equitable relief**—to qualify the taxpayer must meet all of the following conditions:

- The taxpayer does not qualify for the innocent spouse relief or separation of liability.
- The IRS determines that it is unfair to hold this taxpayer liable for the understatement of tax taking into account all the facts and circumstances.

### How to Request Relief

File Form 8857, *Request for Innocent Spouse Relief*. The taxpayer only needs to file one Form 8857 even if he/she is requesting relief for more than one tax year. The IRS will review the Form 8857, figure the understatement or underpayment of tax and related interest and penalties, and let the taxpayer know if he/she qualify.

*Note:* IRS is required to inform the taxpayer's spouse (or former spouse) if innocent spouse relief or separation of liability is requested, and to allow the taxpayer's spouse (or former spouse) to participate in the determination of the amount of relief from liability.

### When to File Form 8857

Taxpayers must file Form 8857 no later than 2 years after the date on which the IRS first attempted to collect the tax from them (such as a levy or seizure) after July 22, 1998.

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## INJURED SPOUSE RELIEF

Injured spouse relief is different from innocent spouse relief. When a joint return is filed and the refund is used to pay one spouse's past-due child and/or spousal support, a past-due federal debt, or past-due state income tax, the other spouse may be considered an injured spouse. The injured spouse can claim his or her share of the refund using Form 8379, *Injured Spouse Claim and Allocation*. To be considered an injured spouse, you must have:

- Filed a joint return;
- Received income (such as wages, interest, etc.);
- Made tax payments (such as withholding or estimated tax payments);
- Reported the income and tax payments on the joint return; and
- An overpayment, all or part of which was applied to the past-due amount of the other spouse.

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# UNDERREPORTER PROGRAM

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A computerized matching process generates underreporter (URP) cases. A comparison is made between: 1) information reported to IRS by *taxpayers* on their individual income tax return; and 2) *payer* data reported to IRS on information returns, such as Form W-2, Form 1099-DIV, Form 1099-INT, etc. When potential discrepancies are found, the Underreporter Program selects the return for further analysis.

## Case Analysis

Using the Automated Underreporter (AUR) system, tax examiners perform an in-depth review of the case, comparing the taxpayer's tax return and the associated payer information trying to locate the potentially underreported, omitted, or over-deducted amounts. If all identified discrepancies can be accounted for, the case is closed without contacting the taxpayer. If the discrepancy cannot be satisfactorily resolved during this review, a notice is issued.

**Reminder:** on electronically filed returns, any explanations you may have provided when you originally filed, are not available to the URP tax examiner for review.

## URP vs. Audit

Analysis of a return by the Underreporter Program is distinct from, and *does not* constitute, an audit. An audit is a more comprehensive action, which is generally done in person on returns selected using examination criteria. An Underreporter case is an analysis of issues identified through a computer matching process and a notice is generated only for those amounts not readily identified as reported.

## URP Notices

**CP2501 Notice** - is an inquiry letter sent to a taxpayer to obtain information regarding apparent underreported or omitted income and/or overclaimed deductions. This notice does not propose an increase in tax liability, but requires the taxpayer to submit an explanation (including supporting documentation) of the issues raised. If the information provided substantiates the issues, the case is closed and the taxpayer notified. Otherwise, a CP2000 Notice is issued.

**CP2000 Notice** - proposes a change to tax liability based on apparent underreported or omitted income and/or overclaimed deductions; and is the most common URP notice. It provides a detailed explanation of the income and/or deduction types and

amounts in question, along with the proposed re-computation of tax including applicable penalties and interest.

The section, "Response to Our Proposed Changes to Your 199x Income Tax Return", should *always be returned with the reply*. This section provides an area for the taxpayer to agree or disagree with the proposed changes and, if necessary, authorize URP personnel to discuss the issues on the notice with a representative. If the taxpayer fully agrees with the proposed changes, the "Total Agreement to Tax Increase" box must be checked and the consent signed (by both spouses, if the return was filed jointly).

If the taxpayer partially or totally disagrees with the proposed changes, the reply should include a complete explanation of the issues raised. Based on this information—the case may be closed, additional information may be requested, or a recomputed CP2000 or Statutory Notice of Deficiency may be issued. A Statutory Notice will also be issued if the CP2000 is returned by the postal service or a response has not been received within the specified time frame.

The last page contains a request for an "Installment Agreement" (IA). *This Installment Agreement request is only valid for the CP-2000 and cannot be used for another tax year or tax liability*. Upon approval of the IA there is a \$43.00 user fee. Interest and penalties will continue to accrue until the account is fully paid.

**Statutory Notice of Deficiency (Form 5601)** - is a legal notice allowing the taxpayer 90 days to petition the United States Tax Court. The notice shows only the increase in tax, any change to earned income credit (if applicable) and certain penalties. It does not include changes to federal withholding, excess social security tax or interest due. The notice is mailed with a copy of the most recent CP2000 notice.

If a Statutory Notice was issued but the taxpayer now agrees with the proposal, the taxpayer(s) *must* sign a Form 5564, Notice of Deficiency - Waiver, waiving the right to petition the tax court. Note: Taxpayers may dispute the proposed changes without petitioning the court by submitting a complete explanation to the service center. However, if an issue cannot be resolved through correspondence, a petition must be filed prior to the expiration of the 90-day period.



## Where to Respond

Some taxpayers may file their original returns with one service center but receive an URP notice from another center. However, **all** communications (correspondence or calls) regarding the issues raised on the notice **must be directed to the center that issued the notice**. Any response received in another office may cause delays, because it must be forwarded to the appropriate service center.

### Write, Call, or Fax!

When sending written correspondence, please use the self-addressed envelopes provided with the notice. These bar coded envelopes enable our mail equipment to identify URP responses immediately. If the envelope is lost, mail response to:

**Internal Revenue Service  
Document Matching Branch, Stop 86  
Fresno, CA 93888**

Some questions or issues may be clarified without written correspondence by calling Fresno's Document Matching Branch. If faxing information, be sure to include taxpayer's name, SSN, tax year, and type of notice received.

**Tel: (800) 829-7157 NEW Toll-free Number!  
Fax: (559) 454-6996**

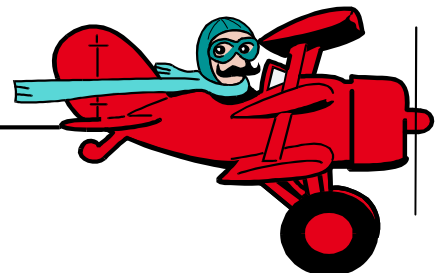
### ! Disclosure Alert !

The IRS must protect each taxpayer's rights of confidentiality, meaning no account will be accessed without proper authorization. Please be sure to have one of the following available when you call, write, or fax:

- A signed Power of Attorney (POA) on file with any of the Service Centers or third party authorization,
- A completed Form 2848 or Form 8821 ready to fax to the URP function
- Or the client in your office to give a verbal statement of authorization

## What are the most common errors in Underreporter Income?

- IRA distribution(s) that were rolled over, not reported on the tax return, or documented by an attachment.
- Income that is summarized as a grand total on the return and no break down is attached.
- Taxpayer claiming more mortgage interest deductions on the return (Schedules A, C, E, or F) than reported by lenders on Forms 1098 for the taxpayer's SSN.
- Wages and/or withholding on return do not match what is reported on Forms W-2, or wages and/or withholding information taken from wrong box on the W-2.
- Wages erroneously reported on Schedule C when the taxpayer is not a statutory employee.



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# OFFER IN COMPROMISE (OIC) OVERVIEW

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The Service, like any other business, will encounter situations where an account receivable cannot be collected in full or there is a dispute as to what is owed. It is an acceptable business practice to resolve these collection and liability issues through a compromise. Offers may be submitted based upon 1) doubt as to liability, 2) doubt as to collectibility, or 3) both.

**The Examination function** has the responsibility for **all doubt as to liability offers** including Employment Tax Examination assessments but excluding offers involving the Trust Fund Recovery Penalty. The Examination function in accordance with established Examination procedures further investigates processable offers. Offers dealing with doubt as to liability are considered unprocessable if:

- ◆ The offer is frivolous, groundless, or has been submitted for the purpose of delaying collection;
- ◆ The offer is based solely on doubt as to liability and the liability has been fully determined by the Tax Court or other court, or by the Commissioner's final closing agreement, per Internal Revenue Manual 162.(10).

**The Collection function** has responsibility for all doubt as to liability offers for Trust Fund Recovery Penalty and Personal Liability for Excise Tax as well as all *doubt as to collectibility offers*. Offers based upon both doubt as to liability and collectibility will be worked by the Collection function on the collectibility issues first. If not resolved in Collection Division, the offer will be forwarded to Examination for resolution of liability issues.

## **NEW ! Guidance Issued for New Offer in Compromise**

IRS recently issued temporary regulations (REG-116991-98, T.D. 8829) which provide guidance on an *additional* basis for compromise for taxpayers facing unusual economic hardships. Under the new provision, taxpayers may be eligible for a compromise if collection of the entire tax liability would create an economic hardship, or exceptional circumstances exist, such that collection of the full tax would be detrimental to voluntary compliance.

According to the regulations, an Offer in Compromise cannot be approved in situations where it would undermine compliance with the tax laws. To qualify, taxpayers also must have a history of filing and paying their taxes.

Taxpayers may submit an application for the special Offer in Compromise category using *Form 656-A*. The new form, once it is available, will be submitted in addition to Form 656, the standard Offer in Compromise application.

IRS is in the process of implementing regulations, finalizing new procedures, printing new forms and training employees on the new guidelines. For further information, see Press Release [IR-1999-64](#), *IRS to Help Taxpayers Facing Economic Hardships Settle Tax Debts With New Offer in Compromise Plan*.

## **Offer Policy**

Policy Statement P-5-100 sets forth the Service's position on using compromises. The Service will accept an Offer in Compromise when it is unlikely that the tax liability can be collected in full and the amount offered reasonably reflects collection potential. An offer in compromise is an alternative to declaring a case currently not collectible or to a protracted installment agreement. The ultimate goal is a compromise that is in the best interest of *both* the taxpayer and Service.

The objectives of the Offer in Compromise program are to:

- ◆ Resolve accounts receivable that cannot be collected in full or in which there is a legitimate dispute as to what is owed.
- ◆ Effect collection of what could reasonably be collected at the earliest time possible and at the least cost to the government.
- ◆ Give taxpayers a fresh start enabling them to voluntarily comply with tax laws.
- ◆ Collect funds that may not be collectible through any other means.

In cases where an OIC appears to be a viable solution to a tax delinquency, the Service employee assigned the case will discuss the compromise alternative with the taxpayer. The taxpayer is responsible for initiating the first specific proposal for compromise. Taxpayers are expected to provide reasonable documentation to verify their ability to pay.

## **Submitting an Offer**

*Submitting an Offer Based upon Doubt as to Collectibility* - An offer can be submitted at any time it is determined the taxpayer(s) do not have the ability



to pay the liability in full and will not have the ability to pay the liability in full in the foreseeable future.



If the offer reasonably reflects collection potential, then it is normally acceptable except in unusual circumstances. An acceptable offer is made up of the following components:

- ◆ The amount collectible from the taxpayer's assets.
- ◆ The amount collectible from the taxpayer's present and future earnings.
- ◆ The amount collectible from third parties (e.g., the Trust Fund Recovery Penalty, alter ego, nominee and transferee situations).
- ◆ The amount the taxpayer should reasonably be expected to raise from assets in which he has an interest, but the interest is beyond the reach of the government (e.g., property outside the U.S., available credit, property held in tenancy by the entity).

An offer based upon collectibility can be submitted during the examination process. However, the liability must be assessed prior to acceptance of the offer.

There are three methods of payment that should be considered when submitting an offer based upon doubt as to collectibility:

- Cash offers—offers which are paid within 90 days after acceptance
- Short Term Deferred Payment Offers—payments for the offer allow the taxpayer to pay the offered amount in more than 90 days but within 2 years from the date of acceptance.
- Deferred Payment Offers—deferred payment offers must be paid within the statutory period for collection or sooner if the offer investigation has determined a shorter term of payment is viable.

The following forms are required to initially process an offer:

- ◆ Form 656, Offer in Compromise
- ◆ Form 433-A, Collection Information Statement for Individuals
- ◆ Form 433-B, Collection Information Statement for Businesses
- ◆ And Power of Attorney, Form 2848 (if someone other than the taxpayer is submitting the offer)

*Publication 594, Understanding the Collection Process*, contains general information on Offers in Compromise.

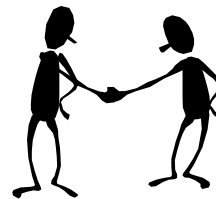
## Where to Submit the Offer

The offer should be submitted to the revenue officer or other collection employee responsible for the resolution of the taxpayer's account. If you are not working with a specific Service employee, you should submit the offer to the district office in your area.

## Processing the Offer

Offers in Compromise must meet certain criteria to be processed. If the offer is processable it will be evaluated. If an offer is determined not to be processable, the offer will be returned with a letter outlining the specific reason(s) why the offer was not processable. The most common errors that make an offer unprocessable are:

- The taxpayer is not current on filing and paying requirements for all periods not included on the offer.
- Period(s) are contained on the offer for which there is no assessment and the offer is not referred from the Examination Division.
- The taxpayer is in bankruptcy or the trustee has not distributed the assets.
- Substitute Form 656 is not a verbatim duplicate of the official Form 656, does not contain the affirmation statement, or if more than one page, pages not required to be signed are not initialed.
- The taxpayer(s) are not properly identified. Page 10 of the Form 656 offer booklet provides specific instructions how to submit taxpayer's offers with multiple entity liabilities.
- The appropriate financial statements were not submitted with the offer. If the taxpayer is compromising business taxes in addition to individual taxes, or has self-employment income, a Form 433-B must be submitted with the Form 433-A.



## Closing Actions—Evaluating the Offer

A processable offer can be closed in one of three ways:

1. Acceptance of the offer or an amended version of the offer.
2. If the examiner and taxpayer are unable to reach agreement, the taxpayer will be provided an opportunity to submit an appeal. The decision of the Appeals Office is final.
3. The taxpayer may withdraw the offer at any time during its evaluation. There are no appeal rights on withdrawn offers.

If the offer is recommended for acceptance, the individual recommending acceptance will prepare a report of his/her findings and forward that report through channels to the approving official. The total

tax liability determines if the offer will be reviewed by the immediate supervisor, District Counsel, Collection Field Branch Chief or a combination of the above.

During a typical investigation, technicians perform a financial analysis. The technicians access a variety of data bases and information sources to determine a taxpayer's financial situation. If the taxpayer's net worth does not exceed the \$10,000 liability and is unable to full pay, the taxpayer may qualify for an Offer in Compromise. The technicians are responsible for completing case analysis and final case disposition, (i.e., acceptance, withdrawal or rejection).

## FRESNO CUSTOMER SERVICE CENTER STREAMLINE OIC PROCESSING

The Streamline Offer in Compromise (OIC) Processing Unit was established to assist taxpayers (wage earners only) that have accounts with a total liability (including accruals) of \$10,000 or less.

Fresno Customer Service Center's Streamline OIC Processing Unit can assist taxpayers residing in Central California, Los Angeles, Northern California, Pacific-Northwest, and Southern California Districts.

Office hours: 6:00am to 5:00pm, Monday through Friday. For additional information or assistance, call (559) 443-7660.



### Offer in Compromise Addresses

(Aligned with Fresno Customer Service Center)

**Northern California District**

Internal Revenue Service  
Attn: OIC  
1301 Clay Street, Ste. 1040S  
Oakland, CA 94612

**Central California District**

Internal Revenue Service  
Stop: HQ5410 – OIC  
P.O. Box 99  
San Jose, CA 95113

**Southern California District**

Internal Revenue Service  
Attn: OIC  
P.O. Box 30222  
Laguna Niguel, CA 92607

**Los Angeles District**

Internal Revenue Service  
P.O. Box 1431 Rm. 4062  
Los Angeles, CA 90053

(Aligned with Ogden Customer Service Center)

**Rocky Mountain District**

(for Montana, Idaho, Utah, Wyoming, Colorado)  
Internal Revenue Service  
Attn: OIC  
600 17<sup>th</sup> MS: 5333  
Denver, CO 80202

**Southwest District**

(for Arizona, Nevada, New Mexico)  
Internal Revenue Service  
Attn: OIC  
210 E. Earll MS: 5019  
Phoenix, AZ 85012

**Pacific Northwest District**

(for Alaska)  
Internal Revenue Service  
Attn: OIC  
949 E 36th Ave.  
MS: 8203-14202  
Anchorage, AK 99508

(for Hawaii)  
Internal Revenue Service  
Attn: OIC  
300 Ala Moana Blvd. 50089  
MS: H240  
Honolulu, HI 96850

(for Oregon)  
Internal Revenue Service  
Attn: OIC  
1220 SW Third, MS:0241  
Portland, OR 97204-2871

(for Washington)  
Internal Revenue Service  
Attn: OIC  
3020 Rucker Ave., Ste. 303  
Everett, WA 98201

# NATURAL DISASTER EMERGENCY PROCEDURES

The IRS provides assistance to taxpayers suffering losses as a result of natural disasters. Once the President has issued an official declaration for a certain area or county as a Federal Disaster Area, the IRS will work jointly with the Federal Emergency Management Agency (FEMA) in providing assistance to affected taxpayers.

Assistance for a Presidential declared disaster area includes:

1. Waiver of fee for copies of prior year tax returns.
2. Choice of taking loss by amending prior year tax return or claiming loss on current year's tax return.
3. Expedite treatment of refund processing at the service center including special mailing address for disaster returns.
4. The distribution center will provide "disaster kits" for victims. Kits include necessary forms and publications, such as, *Publication 2194, Disaster Losses Kit – Help from the IRS*, which can help you claim casualty losses on property that was destroyed by a natural disaster.
5. Other possible actions at the discretion of the

Director, Regional Commissioner, or the National Office include:

- a) Suspension of collection of delinquent taxes.
- b) Suspension of collection of current taxes.
- c) Waiver of all penalties if the taxpayer is unable to file or pay, due to the disaster.
- d) Rescheduling of appointments.
- e) Extension of statute cases with the taxpayer's agreement and signature.

**Returns and claims** should be marked "*Disaster*" in red ink at the top center margin of the document and forwarded to the appropriate service center.

**To request photocopies of prior year returns**, taxpayers should complete *Form 4506, Request for Copy of Tax Form*. Mark the form "**Disaster**" in red ink at the top center margin, and mail or fax to the appropriate service center. The address for the *Fresno Submission Processing Center* is:

Internal Revenue Service  
Attn: RAIVS Unit, 28105  
5045 E. Butler Ave.  
Fresno CA 93888  
Fax (559) 443-7753

| <b>Federal Emergency Management Agency Directory</b>                                 |                                      |
|--|--------------------------------------|
| FEMA Teleregistration<br>Disaster assistance for designated federal disaster area(s) | 1-800/462-9029<br>TDD 1-800/462-7585 |
| FEMA Helpline<br>Questions regarding applications filed                              | 1-800/525-0321                       |
| FEMA Helpline (TDD)<br>Application questions answered for hearing impaired           | 1-800/660-8005                       |
| FEMA FAX on Demand<br>Access to agency news releases and other information           | 202-646-3362                         |
| FEMA Publication Center<br>Order any current FEMA publication                        | 1-800/480-2520                       |
| FEMA Insurance Info Hotline<br>Find answers to flood insurance related questions     | 1-800/427-4661                       |

You may also contact the (FEMA), Federal Emergency Management Agency directly on the Internet. The FEMA Homepage can be accessed at:

**www.fema.gov**

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**Other Agency Phone Numbers:**

American Red Cross  
1-800-HELPNOW

Internal Revenue Service  
1-800-829-1040

U.S. Small Business Admin.  
1-800-488-5323

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# TAXPAYER ADVOCATE SERVICE

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## New Name, New Responsibilities

The newly structured Taxpayer Advocate Service, formerly known as the Problem Resolution Program (PRP), is "standing up" with the new fiscal year. The establishment of the new organization marks another step forward from July 1998, when the IRS Restructuring and Reform Act (RRA 98) went into effect. More importantly, it helps build the foundation for IRS to better serve its customers. RRA 98 designated the Taxpayer Advocate organization as an independent part of the IRS.

The Taxpayer Advocate Service continues to be headquartered in Washington, DC. Field organizations are made up of nine geographically divided areas with headquarters in Atlanta, Cincinnati, Dallas, Ft. Lauderdale, Manhattan, Milwaukee, Oakland, Richmond, and Seattle. At least one taxpayer advocate and staff will be located in each state.

The Office of the Taxpayer Advocate is responsible for representing the taxpayers' point-of-view with the Service. The Taxpayer Advocate identifies the most significant problems taxpayers are experiencing and what the IRS is doing to correct them. The Advocate is also responsible for recommending systems improvements and legislative proposals to improve services and reduce burden for taxpayers.

## Help for Problem Situations

Before requesting assistance, you should first attempt to use existing administrative or formal appeal procedures that are available to help taxpayers. Most problems can be resolved through regular channels. While the IRS strives to provide accurate and complete service, some taxpayers experience delays in having Federal tax problems solved, while others may be suffering a significant hardship because of the way Internal Revenue laws are carried out.

The Taxpayer Advocate provides assistance to taxpayers whose problems are not resolved through normal channels. Under the Taxpayer Bill of Rights 2, commonly known as TBOR2, the office of the Taxpayer Advocate *also* has broader authority to take action for taxpayers with potential significant hardship

conditions created by the Service's administration of tax law.

## Taxpayer Assistance Orders

Taxpayer Assistance Orders allow the Taxpayer Advocate to intervene, review the facts and circumstances of the case, and take appropriate steps allowed by law to relieve the taxpayer's hardship. Taxpayers suffering significant hardship as a result of the administration of tax law may file a *Form 911, Application for Taxpayer Assistance Order*, or in some instances the Taxpayer Advocate may issue a Taxpayer Assistance Order to suspend, delay, stop, or speed up IRS actions to relieve the taxpayers hardship. RRA 98 provides the following guidelines for the Taxpayer Advocate to consider when determining whether there is a significant hardship:

- ◆ There is immediate threat of adverse action;
- ◆ There has been a delay of more than 30 days in resolving the taxpayer's account problems;
- ◆ The taxpayer will incur significant costs if relief is not granted;
- ◆ The taxpayer will suffer irreparable injury or long-term adverse impact if relief is not granted.

The Taxpayer Advocate does not have the authority to override tax law, but can help deal with the IRS and make sure taxpayer rights are preserved.

## How Can Practitioners Help?

We know how hard you work for your clients, and there are certain things you can do to help us resolve your issues as promptly as possible. When contacting the Taxpayer Advocate for assistance, practitioners should provide the following information

with their correspondence.

- A concise explanation of the problem.
- Copies of notices or any prior correspondence.
- Power of attorney or other authorization (copy original as appropriate)
- If the inquiry involves questions regarding missing payments, enclose legible copies of the cancelled checks, both front and back.
- Telephone number where you can be reached and the best time to call you.

**NEW ! TAXPAYER ADVOCATE  
HOTLINE  
1-877-777-4778  
for taxpayers who have been unable to resolve  
problems through normal IRS channels**

## Taxpayer Advocate Offices

### Area 7

#### California

**(Laguna Niguel Office)**  
P.O. Box 30207  
Laguna Niguel, CA 92607-0207  
Tel. (949) 360-2175

#### California

**(Los Angeles Office)**  
300 N. Los Angeles St.,  
Stop 1005, Rm. 5206  
Los Angeles, CA 90012  
Tel. (213) 576-3140

#### California

**(Oakland Office)**  
1301 Clay Street, Suite 1540S  
Oakland, CA 94612-5210  
Tel. (510) 637-2703

#### California

**(Sacramento Office)**  
4330 Watt Ave., Stop SA 5043  
North Highlands, CA 95660  
Tel. (916)974-5007

#### California

**(San Jose Office)**  
P.O. Box 100, Stop HQ0004  
San Jose, CA 95103  
Tel. (408) 817-6850

#### Alaska

949 E. 36<sup>th</sup> Ave. Stop A-405  
Anchorage, AK 99508  
Tel. (907) 271-6877

#### Arizona

210 E. Earll Drive, Stop 1005PX  
Phoenix, AZ 85012-2626  
Tel. (602) 207-8240

#### Colorado

600 17th Street, Stop 1005  
Denver, CO 80202-2490  
Tel. (303) 446-1012

#### Hawaii

300 Ala Moana Blvd., Stop H-405  
Honolulu, HI 96850  
Tel. (808) 541-1158

#### Idaho

550 W. Fort Street, Box 041  
Boise, ID 83724  
Tel. (208) 334-1324

#### Montana

301 South Park Ave.,  
Stop 1005HEL  
Helena, MT 59625-0016  
Tel. (406) 441-1022

### Area 6

#### Nevada

4750W. Oakey Blvd. Rm. 303  
Las Vegas, NV 89102  
Tel. (702) 455-1241

#### New Mexico

5338 Montgomery Blvd. NE  
Stop 1005 ALB  
Albuquerque, NM 87109  
Tel. (505) 837-5505

#### Oregon

1220 SW 3<sup>rd</sup> St. Stop 0-405  
Portland, OR 97204  
Tel. (503) 326-2333

#### Utah

50 South 200East, Stop 1005SLC  
Salt Lake City, UT 84111  
Tel. (801) 799-6958

#### Washington

915 2nd Ave, Stop W-405  
Seattle, WA 98714  
Tel. (206) 220-6037

#### Wyoming

5353 Yellowstone Rd. Stop 1005CHE  
Cheyenne, WY 82009  
Tel. (307) 633-0801

### \*\*\* Taxpayer Advocate Offices – Service Centers\*\*\*

#### \*\*Area 8\*\*

#### Brookhaven IRS Center

P.O. Box 960, Stop 102  
Holtsville, NY 11742  
Tel. (631) 654-6686

#### Cincinnati IRS Center

333 Scott Street, Stop 11  
Covington, KY 41019  
Tel. (606) 292-5316

#### Memphis IRS Center

5333 Getwell Rd, Stop 13  
Memphis, TN 38118  
Tel. (901) 546-2180

#### Ogden IRS Center

P.O. Box 9941, Stop 1005  
Ogden, UT 84409  
Tel. (801) 620-7168

#### Philadelphia IRS Center

P.O. Box 16053, DP 1300  
Philadelphia, PA 19114  
Tel. (215) 516-2499

#### \*\*Area 9\*\*

#### Andover IRS Center

310 Lowell Street, Stop 120  
Andover, MA 05501  
Tel. (978) 474-5549

#### Atlanta IRS Center

P.O. Box 48-549, Stop 29A  
Doraville, GA 30362  
Tel. (678) 530-5450

#### Austin IRS Center

P.O. Box 934, Stop 1005 AUSC  
Austin, TX 78767  
Tel. (512) 460-8300

#### Fresno IRS Center

P.O. Box 12161, Stop 01  
Fresno, CA 93776  
Tel. (559) 443-7590

#### Kansas City IRS Center

P.O. Box 24551, Stop 1005 KSC  
Kansas City, MO 64131  
Tel. (816) 926-5843