



# NATIONAL CONFERENCE OF CPA PRACTITIONERS

22 Jericho Turnpike, Suite 110  
Mineola, NY 11501

(516) 333-8282  
FAX: (516) 333-4099  
TOLL FREE: (888) 488-5400

## IRS AGENDA MAY 12, 2011

Prepared By:  
NATIONAL CONFERENCE OF CPA PRACTITIONERS  
(NCCPAP)  
NATIONAL TAX POLICY COMMITTEE

Neil H. Fishman, CPA  
Chair  
(561) 369-3228

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**FORM 8879, E-FILE SIGNATURE AUTHORIZATION**  
**BANK INFORMATION**

**PROBLEM:**

The bank account information is currently listed on page 2 of Form 1040 near the signature page. However, with more taxpayers e-filing, which is being encouraged by the Internal Revenue Service, they no longer look at the signature page of Form 1040 but do look at and sign the Form 8879.

Although the tax return preparers include the bank information on tax organizers they provide to clients, or in their instruction letters, many times the client will forget that they are using a particular bank account for their taxes. Sometimes a month or two may go by between the time that the client confirms the bank account information and the time that the tax return is ready for submission. During this period of time, clients may switch banks or just close the account. Many tax return preparers verbally confirm the banking information when the client signs Form 8879, but the information should be on the form and not just confirmed verbally.

**RECOMMENDATION:**

Place the bank account information on Form 8879, IRS e-file Signature Authorization. For purposes of protection from identity theft, only the last 4 digits really need to be placed on the form. Currently, there are many states that include banking information on their respective authorization forms.

## **FORM 8879 BURDEN**

### **PROBLEM:**

The Internal Revenue Code requires that tax return preparers receive a completed, executed Form 8879 from a taxpayer/spouse, corporate officer or fiduciary before transmitting an electronically filed income tax return. This burden is increased in many states by state requirements that all preparers who prepare more than a minimal number of tax returns file all returns electronically. The time required to prepare, print and mail a tax return for approval, and then receive a signed authorization for electronic submission has made timely filing very difficult as due dates approach.

The Worker, Homeownership and Business assistance Act of 2009, as modified, includes provisions that require mandatory e-filing by all preparers who prepare more than one hundred (100) individual income tax returns, including fiduciary returns for estates and trusts for returns filed after December 31, 2010 and eleven (11) returns filed after December 31, 2011.

### **BACKGROUND:**

During the 1990s the IRS began increasingly to encourage the electronic filing of income tax returns. The purpose of this promulgation (to reduce paperwork and increase IRS efficiency) was commended and is correct. Many states followed the lead of the IRS and subsequently encourage the electronic filing of tax forms (including state specific tax and reporting forms). The state tax jurisdictions also required that preparers obtain an executed form from the taxpayer, similar to IRS Form 8879, acknowledging and authorizing the electronic filing of the form by the electronic return originator (ERO). This requirement was mandated in many states for all tax preparers who prepare more than a minimum number of tax returns, this number varying from state to state. For example, the Commonwealth of Massachusetts mandates electronic filing of all individual income tax returns by preparers who had prepared more than 100 individual income tax returns in the prior year.

Current conditions (e.g. multiple corrected tax reporting statements from brokerage firms) have caused information to arrive in the hands of taxpayers closer to the filing deadline than in the past. Preparers receive this information and have a very limited amount of time to review and process the information and prepare an income tax return. These forms must still be reviewed and accepted by the taxpayer before an electronic filing can be submitted. The acceptance (Form 8879) must be signed, returned to and retained by the preparer. The process for preparation, mailing and receipt of the acceptance form can easily take 7-10 business days. A timely prepared return can easily become late because of protracted processing systems. Preparers are now required to spend time approximately one week before tax form due dates contacting clients who do not return the Form 8879.

In our electronic age, most individuals have access to e-mail, fax machines (and of course, telephones). There are many alternatives to wet signature approval of tax returns for electronic filing. While the IRS permits taxpayers to transmit executed forms to the preparer by these alternative methods (and we commend the IRS for their effort

## **FORM 8879 BURDEN** (Page 2)

in this regard), it still does not eliminate the problems encountered by the tax return preparer in actually obtaining the executed Form 8879 from the taxpayer or the additional time spent in obtaining the receipt of these forms from the taxpayer – at a time when we are already overburdened with other compliance responsibilities.

### **RECOMMENDATION:**

April 15<sup>th</sup> has become an untenable time for most tax preparers. NcCPAp would like to return the role of tax preparers to that which it was prior to electronic filing. We should prepare tax returns, according to the rules prescribed under Circular 230, and turn them over to clients for filing. It would then be the responsibility of our clients to accept or reject the return and to verify their bank account information. Tax preparers would submit a tax return to the IRS on or before April 15<sup>th</sup> (or the extended due date). This will create an e-postmark. Taxpayers would then have an additional 15 days to logon to the IRS web site and accept the return or contact their preparer to have the return modified and re-submitted.

Precedent exists within the information return reporting system to give an extended due date to returns electronically filled versus those filed on paper. Paper information returns are generally due February 28<sup>th</sup>; electronically submitted returns, through the FIRE system, are due March 31<sup>st</sup>. This same rule could be easily applied to income tax reporting. The IRS would still receive the returns for processing on or before May 15<sup>th</sup>, a condition that they were more than willing to accept when returns were submitted on paper and then keypunched at a future date and time.

Implementing this procedure would return the responsibility of filing returns back to the taxpayer where it should belong. It would further secure taxpayers bank account information by leaving it to the taxpayer to enter. No preparer is comfortable retaining bank information in their files and electronic records. There are libraries and public access computers for those taxpayers who do not have access to the Internet. Return preparers can assist those taxpayers who either do not have access to computers or are incapable of using one, with their “acceptance” procedure. This would be a significantly smaller burden than having to do it for each and every client.

## LINE FOR FEDERAL ID (EIN) ON FORM 1040, SCHEDULE E, PAGE 1

### **PROBLEM:**

When a taxpayer starts a business or purchases rental property, they may apply for a Federal Employer Identification Number (EIN). Many of these situations involve the creation of a Limited Liability Company (LLC). A single member LLC can be a disregarded entity for income tax purposes and the information regarding income and expenses is reported on the appropriate schedule of Form 1040. A business operating as a single-member LLC is reported on Form 1040 Schedule C, Profit or Loss from Business (Sole Proprietorship). If the entity is involved in renting real estate, then the income or loss is reported on Schedule E, Supplemental Income and Loss (from Rental Real Estate, Royalties, Partnerships, S Corps, Estates, Trusts, REMICS, etc.). In situations involving real estate, when the taxpayer has obtained an EIN for the real estate entity, they may receive a Form 1098 for interest paid on a mortgage, with the EIN of the real estate entity. There is no place on Schedule E, Page 1, to indicate this EIN. Therefore, the taxpayer may receive a notice from the IRS indicating the reporting of an interest deduction, which does not match their Social Security Number (SSN).

Under the Patriot Act, when the taxpayer forms an LLC for liability protection, banks require an EIN that corresponds to that specific LLC in order to open a bank account.

### **RECOMMENDATION:**

A line for a federal identification number should be incorporated on Form 1040 Schedule E, Page 1 to avoid any confusion in the future, and provide the ability to match up federal identification numbers with the appropriate tax return to save time and expense to the IRS and the taxpayer.

## **MODIFICATION TO FORM 1098**

### **PROBLEM:**

Some residences are owned by more than one individual, who may or may not be married to each other. When the taxpayer(s) receive(s) the 1098 Form, reporting the amount of interest paid on a mortgage, or home equity line of credit, only the social security number of the primary individual on the loan documentation appears on the form. If the taxpayer(s) are filing a joint tax return, this is not a problem. However, should the taxpayer(s) not be filing a joint return, this can present a problem because one or more taxpayers are taking a deduction for which there is no official reporting of the expense to the Internal Revenue Service. This can result in IRS notices to the taxpayer disallowing deductions being claimed because the interest was not reported in their Social Security Number. This results in unnecessary and burdensome correspondence to resolve the matter.

### **RECOMMENDATION:**

Form 1098 should be modified to allow more than one social security number to appear, thereby allowing the taxpayer(s) to claim the deduction for interest on their respective tax returns.

## **SMALL BUSINESS OWNERS BURDEN**

### **BACKGROUND:**

Starting in 2012, under Section 9006 of the Patient Protections and Affordable Care Act, All business will be required to prepare and submit 1099-MISC forms to any and all businesses for both merchandise and services in excess of \$600.

### **PROBLEM:**

This law is not a problem at this time. However, when it takes effect, it will place a significant burden on all business owners, especially small business owners. They may not have the personnel and/or time to be able to meet this requirement and timely prepare the data to file the reports. In addition, it will place an undue burden on the CPAs, as it will place additional onus on them to assist in the preparation of these forms.

In addition, the issuance of 1099-MISC may be moot as many businesses are on a fiscal year ending in months other than December. The matching process for these entities will prove to be useless as the 1099 issued will represent only a portion of what would be reported on their respective income tax returns.

It is not the position of the CPA to advise the client on how to not report income. We are only in a position to recommend that the business owner reports all income and expenses so that a true picture of a business may be presented, either on a tax return or a financial statement. Neither is it the responsibility of a business owner to ensure that those whom they do business with report all that is paid to them.

### **RECOMMENDATION:**

H.R. 5141 was introduced on April 26, 2010, by Representative Daniel Lungren (3-CA). Known as the "Small Business Paperwork Mandate Elimination Act", passage of this bill would eliminate this burden for business owners. Subsequent bills have been introduced into Congress since then, calling for the removal of Section 9006 of the Patient Protections and Affordable Care Act, all of which have failed to obtain passage. It is our opinion that such legislated be passed and request that the IRS call upon Congress to support such legislation in the future

## **HEALTH INSURANCE PREMIUMS FOR S CORPORATION SHAREHOLDERS**

### **PROBLEM:**

The health insurance premiums paid on behalf of all S Corporation shareholders with more than a 2% interest in the corporation are required to be reported on Form W-2 for that shareholder, with the amount being included on Line 1 – Gross Wages. In the case of many small, closely held businesses, payroll tax reports, and W-2 are usually prepared by an outside service, such as a payroll service, or the accounting firm that is engaged by the corporation's shareholders. Depending on the condition of the books and records, this information may not be readily available to the outside party at the time they are preparing the W-2 forms. In addition, this amount for health insurance is then deducted on Page 1 as an adjustment from Gross Income to Adjusted Gross income (Line 29 on the 2009 Form 1040) on the individual's tax return. This can be a burden on the preparer of the W-2 Forms as they will need to determine the amount of the health insurance premiums paid that needs to be allocated to the shareholders.

### **RECOMMENDATION:**

As stated above, the amount for health insurance premiums is taken in full as a Page 1 adjustment on Form 1040. Since it is taken in full, there is no reason for it to be incorporated with the shareholder's gross wages, as it will also be deducted on the same form. We recommend that health insurance premiums no longer be required to be incorporated in the shareholder's W-2 for this purpose since there is no tax impact to the current procedure and it is burdensome.

## **COLLECTION FINANCIAL STANDARDS**

### **PROBLEM:**

The Internal Revenue Service has established national standards for certain expenses such as food, clothing, personal care products, out of pocket medical expenses, vehicle ownership costs, rent/mortgage, which are the same for everyone regardless of where they live. These standards are used by IRS representatives and agents for variable allowable cost of living calculations in order to determine a taxpayer's ability to pay the IRS for outstanding liabilities. Specifically, food and clothing allowances are based on national standards while housing allowances are based on state and county standards, and vehicle and transportation allowances are based on regional standards. These standards do not necessarily reflect regional and local differences, which may result in an understatement of allowable expenses for certain taxpayers. For example, the amounts allowed in South Florida for housing and utilities are much too low as compared to actual costs. Mortgage payments are higher in this region, as well as higher property taxes, flood, windstorm and homeowners' insurances.

### **BACKGROUND:**

The Internal Revenue Service developed national and regional expense standards to determine allowable living expenses that meet the necessary expense test and to ensure that taxpayers have adequate means of providing for basic living expenses. Regional standards, such as housing and utilities, vehicle operating expenses, and other expenses that meet the necessary expense test, such as health insurance, dependent care, etc., may be adjusted by geographical areas.

The IRS agent is permitted to allow the taxpayers a year of lower than calculated installment payments under the "One Year Rule" to give the taxpayer one year to modify their lifestyle. In many cases, the taxpayer will still be unable to make the higher installment payments one year later.

### **RECOMMENDATION:**

Since the IRS does not adhere to the Collection Standards, giving the taxpayer lower payments under the "One Year Rule," NCCPAP proposes that the local Housing & Utilities collection financial standards should be adjusted to more realistic and actual amounts, based on the geographic area's specific differentials. An example to follow could be the per diem rates for travel within the continental United States, or CONUS, which is published at least annually by the Service.

## **RECEIPT BY IRS OF OFFERS IN COMPROMISE**

### **PROBLEM:**

A taxpayer makes an application for an offer in compromise to settle an outstanding tax liability. The IRS acknowledges the application, and a letter is sent to the taxpayer and/or their authorized representative. The letter indicates a target date as to when they should receive an official response from the Internal Revenue Service.

In many cases, the taxpayer does not receive the correspondence by the date indicated. This causes anxiety on the part of the taxpayer. The taxpayer will try to contact the IRS, or have their representative call in their stead in order to determine the status of the application. These calls are a burden to the taxpayer, their representative, and the IRS.

### **RECOMMENDATION:**

It is recommended that the IRS automatically send out update letters to OIC applicants, and their representative, at least every sixty (60) days. This will serve to keep the taxpayers and their representatives informed and less anxious. This will reduce calls to collections phone lines and the Practitioner Priority Line.

Furthermore, the IRS should not require updated financial information (Forms 433A and 433B) during the initial review process. Requests for updated filings from the time of the initial application, until an employee of the IRS reviews the application, places an undue hardship on applicants and further delays the process.

In general, the IRS should not request financial information more often than annually as this is a burden to taxpayers, except when the IRS has reason to believe that there has been a significant change in the taxpayer's income or net assets.

## **S CORPORATION INCOME SUBJECT TO SOCIAL SECURITY TAX**

In a report titled "Additional Options to Improve Tax Compliance", issued August 3, 2006, the Joint Committee on Taxation (JCT) has proposed modifying the determination of income subject to employment, or self-employment tax for the partners in Partnerships and shareholders of S Corporations.

Prior to stating a position on this matter, we should first examine how income is currently treated for Unincorporated Business and Incorporated Businesses.

### **UNINCORPORATED BUSINESSES: PARTNERSHIPS AND SCHEDULE C:**

If a single individual operates an entity, the income is reported on Form 1040, Schedule C. If two or more individuals are involved, then the business is treated as a partnership, and Form 1065 is used to report the income. In either of these business situations, the business entity does not pay federal income tax, but rather the sole proprietor business operator in the case of a Schedule C, or the partners of the partnership report the income on their individual tax returns, self-employment tax (SECA) must be paid by the individuals if there is earned income.

### **INCORPORATED BUSINESSES:**

A corporation is an artificial, legal entity created by state law, which may be owned by one or more individuals. The corporation itself has two options under which it can be treated for tax purposes, a C Corporation, or a S Corporation. With a C Corporation, the entity reports income and expenses and pays income tax on its net income. In addition, if the C Corporation makes a dividend distribution to a shareholder, these monies are taxed a second time, when the shareholders report the income on their individual income tax returns. If the corporation elects to be treated as a S Corporation, then the corporation pays no federal income tax and the shareholders report their share of the income on their individual income tax returns, pro rata, regardless of whether they receive funds from the corporation or not. Any monies that they receive (distributions) may be received tax-free because the income has already been taxed, subject to basis and at-risk rules.

### **THE ISSUE:**

In recent times, many individuals have gone into business for themselves. The S Corporation has become a very popular vehicle for small business, in that it provides protection from liabilities while income is generally taxed once at the personal level. Salary from a S Corporation is reported on Form W-2 and is subject to FICA (payroll taxes) instead of self-employment tax. Net income passed through to S Corporation shareholders on Form K-1 is not subject to FICA or SECA taxes.

## **S CORPORATION INCOME SUBJECT TO SOCIAL SECURITY TAX** (Page 2)

### **HISTORY:**

The Subchapter S of the IRS Code, was enacted in the 1950s. In 1959, the Internal Revenue Service issued Revenue Ruling 59-221, which is the original revenue ruling that deals with the treatment of taxable income included in the gross income of shareholders of an S Corporation. The Internal Revenue Code of 1954, Section 1, Subchapter S, Sections 1371-1377 dealt with the taxable status of such corporations. Section 1373 of the Code specifically states that:

“Each person who is a shareholder of an electing small business corporation on the last day of a taxable year of such corporation shall include in his gross income, for his taxable year in which or with which such taxable year of the corporation ends, the amount he would have received as a dividend, if on such last day there had been distributed pro rata to its shareholders by such corporation an amount equal to the corporation’s undistributed taxable income for its taxable year.”

The IRS did not envision how the use of the S Corporation would evolve. It is apparent that the IRS in their 1959 ruling envisioned a small group of investors forming a corporation and reporting the income. It was not envisioned that a single individual would open their own business, make the S election, report the income, but in doing so, not report any compensation subject to FICA tax for themselves.

### **REASONABLE COMPENSATION:**

The question is in the definition of reasonable compensation. It can be defined as:

“The theoretical compensation required to hire an outside person to perform the same duties as the shareholder in a similar circumstance.”

Some taxpayers may seek to pay unreasonably low salaries to themselves and artificially increase the net income in order to reduce their liability for FICA taxes. The IRS has the right to reclassify a distribution of profits as salary if it determines that compensation is not reasonable. However, the term “reasonable compensation” is a very subjective term. What may be reasonable in one part of the country might be considered to be excessive in another. Also, one entity might show greater gross revenue than another in the same field of business, and therefore, provide a greater compensation. The IRS has determined that reasonable compensation is to be determined by “facts and circumstances” within each individual case.

### **PROBLEMS:**

There are several problems with the current situation.

First, there are S Corporations that have more than one shareholder. In some of these cases, some of the shareholders may not be active participants in the business of the

## S CORPORATION INCOME SUBJECT TO SOCIAL SECURITY TAX (Page 3)

corporation. According to the Treasury Inspector for Tax Administration, a difficulty that the IRS has encountered in the examination of officer compensation is the determination of the level of shareholder services rendered to the corporation (TIGTA 202-30-125).

Second, whether a shareholder is active in the S Corporation or not, funds are not always available to be paid as wages even though the corporation has net income at the end of the year. A business entity may need the funds in order to meet its financial responsibilities for operating expenses, debt service, or they may have to use the funds to purchase inventory or other assets. This can result in what some call “phantom income,” income that must be reported but not received. While some funds may be available to be distributed to allow the shareholders to meet their tax responsibilities, adding SECA to this may prove to be an undue burden, both on the shareholder of the S Corporation, and the S Corporation itself.

Finally, some S Corporations have been formed to operate real estate ventures which employ professional managers who are not shareholders. The shareholders are passive investors and may not control the day-to-day operations of the corporation. This type of activity should not generate earned income subject to FICA or SECA tax.

### NCCPAP POSITION:

The National Conference of CPA Practitioners recognizes that this is a serious issue. As the population of the United States ages, the ratio of contributors to recipients of Social Security/Medicare decreases. The strain on the Social Security system is real but economic crisis should not generate unfair tax policy.

NCCPAP does not believe that classifying all K-1 income from S Corporations as subject to SECA or FICA tax is the answer. Instead, the concept of “reasonable compensation” needs to be revisited so that it can be applied fairly across all levels. This can be accomplished through tests of “active engagement” in the business activity and providing guidance about how the IRS will apply the facts and circumstances concept in practice. While it may be tempting to provide salary ranges for reasonable compensation, this would be a daunting task based on geographical location, special skills and corporation profitability.

In addition, the tax preparer community, in advising their business clients who are S Corporation shareholders, should indicate that the active shareholders **MUST** draw a reasonable salary.

This is an issue where the CPA profession and the federal government should work together, to achieve a proper balance.

## **INDEPENDENT CONTRACTOR ISSUES**

### **BACKGROUND**

There is a bill in Congress, S.3786 and HR.1234, "The Fair Playing Field Act of 2010," which addresses the issue of the independent contractor vs. the employee. Currently, the Treasury Department and the Internal Revenue Service are prohibited from issuing guidelines for the determination as to whether a worker is an independent contractor or an employee. This restriction is in effect under Section 530 of the Revenue Act of 1978.

### **PROBLEM:**

This bill is intended to ensure that workers are afforded protections already in the law and help the employers who play by the rules are not forced to compete against those businesses that do not. The purposes of this Act are to permit the Secretary of the Treasury to provide guidance allowing workers and businesses to clearly understand the proper federal tax classification of workers and to provide relief allowing for an orderly transition to new rules designed to increase certainty and uniformity of treatment. The legislation requires the Secretary of the Treasury to issue prospective guidance clarifying the employment status of individuals for Federal employment tax purposes.

We find that there are several issues that place NCCPAP in the position to recommend that this bill should not be passed into law:

1. It is our belief that this will not help close the "Tax Gap." Certain employers will still make use of illegal workers who do not have social security numbers and are undocumented
2. While some state legislatures have passed similar laws regarding workers in their respective states, other states have not. Such legislation is in the process of being challenged within the state courts.
3. If state legislation contradicts with federal legislation, which law will the employer be required to follow?
4. This legislation, if passed, would require additional paperwork for employers as they would be required to provide a written statement to independent contractors notifying of the Federal tax obligation, the labor and employment law protections that do not apply to independent contractors, and the right of such independent contractors to seek a status determination from the IRS.

We would like to point out that within our profession, there are many practitioners. who own their own corporations, who do work for colleagues on a per diem basis as independent contractors. Payments for these services are paid to the corporation, not the practitioner directly. The relationship may be constant or infrequent, depending on the need of both the practitioner needing help, and the one looking for additional work.

## INDEPENDENT CONTRACTOR ISSUES (Page 2)

### RECOMMENDATION:

We understand the need for such legislation. However, we believe that should this become law, additional discussions are needed in order to make this truly effective. NCCPAP would welcome the opportunity to participate in such discussions, as a blanket policy would be unfair to those who operate within the current required parameters.

We agree that The Fair Playing Field Act of 2010 should:

- end the moratorium on Internal Revenue Service (IRS) guidance addressing worker classification;
- require the Secretary of Treasury to issue prospective guidance clarifying the employment status of individuals for Federal employment tax purposes;
- amend the provisions of the Tax Code that provide for reduced penalties for failure to deduct and withhold income taxes and the employee's share of FICA taxes;
- not require persons who contract independent contractors on a regular and ongoing basis to provide a written statement to each independent contractor of the Federal tax obligations of independent contractors, the labor and employment law protections that do not apply to independent contractors, and the right of the independent contractor to seek a status determination from the IRS; and
- require the Secretary of the Treasury to issue annual reports on unresolved worker misclassification issues.

We strongly believe that the federal legislation to go one step further and have the classification apply to all state department of taxations, attorneys general, labor departments (federal and state) and other jurisdictions. For example, in Senator Kerry's home state, employer's are subject to different interpretations from the Internal Revenue Service, Massachusetts Department of Revenue and the Massachusetts Attorney General.

Taxpayers should be subject to the same Form SS-8 filing as employers.

Contracting entities should be given five years before any penalties are assessed. This will allow time for the IRS to release regulations and employers to review them for applicability.

## **INDEPENDENT CONTRACTOR ISSUES** (Page 3)

Suggested guidelines for determination of employee or independent contractor status might include:

- Average hours worked per quarter over a certain period.
- Percentage of total business of the independent contractor with contracting entity.
- Structure of independent contracting unit – corporation, LLC.
- Rules for independent contractor operating business with partners, other shareholders and/or employees treated differently than sole providers.
- Rules for different types of industries, occupations, and professions.
- Safe harbor or unprotected occupations as outlined by the Internal Revenue Service Determination Unit.

## **AUTOMATIC COLLECTION HOLD BE INPUT BY IAT CREDIT TRANSFER TOOL**

### **PROBLEM:**

Unnecessary collection notices are mailed to taxpayers for Form 941 –even though the payments (credits) are pending in the Individual Master File (IMF) or Business Master File (BMF). The IAT CREDIT TRANSFER tool does not input a collection hold automatically.

For example:

Notice CP 504B dated 11/8/2010, regarding a balance due on a Form 941 for the second quarter of 2010, was mailed to taxpayer using certified mail, while there were two credits totaling \$1,884.00, in the taxpayer's second quarter of 2010 account which resolve the balance due.

Per CSR Ms. Karen Houston, id 1000144162, Ogden UT, on the Tax Practitioners Line, it takes two weeks to debit payments and three weeks to credit payments.

The prior IRS customer service representative on 11/1/10 had used the "IAT CREDIT TRANSFER" tool to transfer payment from Q3 to Q2. This tool does not automatically place a collection hold on the account, which suspends correspondence while the adjustment posts.

The "IAT CREDIT TRANSFER" tool is used to transfer (or move) payments, credit elect or other credits. For examples, credits arise when (a) if penalty has been paid and penalty is later voided, and (b) amended returns can result in credits.

Another tool is the IAT REQ54 tool used for adjustments. The IAT REQ54 tool inputs a collection hold automatically.

Unlike the IAT CREDIT TRANSFER tool which does not input a collection hold automatically.

### **RECOMMENDATION:**

The IAT CREDIT TRANSFER tool should be updated to include the input of a collection hold automatically.

It would reduce IRS costs - postage and labor of sending correspondence, and labor of responding to incoming phone calls and additional correspondence generated in response to IRS notices which were issued prematurely because the IRS notices are based upon IRS's incomplete processing of data.