# 2004 Annual Report

# Message from the Panel

This annual report summarizes the work performed by the Taxpayer Advocacy Panel (TAP) to improve the Internal Revenue Service (IRS) on behalf of the taxpayer over the past year. TAP began two years ago to establish an organization with effective processes and communications allowing its work to be captured and to flow upward to IRS program managers. The Panel clarified its mission and scope and through perseverance became a well-organized unit with energy and vision. Subcommittees developed rapidly with solid teamwork, research, and recommendations for the IRS.

This past year, TAP continued to improve its processes in recording and tracking all taxpayer issues and recommendations made to the IRS. A process was also established with the IRS to acknowledge and report the status of forwarded recommendations. TAP members have become partners with the IRS program managers in working together to improve IRS strategic objectives and have improved their outreach activities to produce additional grass-roots issues for consideration. By tracking a large number of issues, setting priorities, and conducting research, TAP has made 84 important recommendations to improve the IRS. Many of these have already been implemented. With these successes, the Panel has a “sense of accomplishment” that continues to energize everyone involved in the overall goal to improve the IRS. Because of the excellent IRS program managers’ support and the energy of the panel members, effective work will continue into 2005 without missed opportunities.

TAP has developed and implemented a structure and processes that have been tested and are proven. With the new member recruitment program completed, TAP will begin its third year at full strength with over 100 panel members representing all 50 states as well as the District of Columbia and Puerto Rico. Fully staffed with experience and energy, the panel members are looking forward to the ongoing mission as advocates for the taxpayer.

Limited IRS resources of staff and budget continue to be a challenge for the IRS in implementing some of the TAP recommendations. The Panel members understand that they can be the most effective advocates by working as partners with the IRS in their strategic plans and that some grass-roots recommendations may need to wait for assignment and resources. Because of the IRS complexities and lack of resources, TAP needs organization, dedication, experience, respect and patience to effect change within the tax administration

system. The Panel understands and works within these constraints and has been able to make a positive difference.

TAP remains relatively unknown to the employees of IRS, to tax practitioners, and the taxpayers. A TAP comprehensive communication strategy has been developed and needs to be implemented in 2005 to disseminate information about its mission and objectives.

As a Panel of voluntary members with diverse backgrounds and geographic locations brought together by a common cause to advocate for the taxpayer, TAP is helping to improve the IRS.

TAP Chair

Thomas P. Seuntjens

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# Preface

## *Mission Statement:*

The Taxpayer Advocacy Panel
listens to taxpayers, identifies taxpayers' issues,
and makes recommendations for improving
IRS service and customer satisfaction

The Taxpayer Advocacy Panel (TAP) is a group of volunteers dedicated to helping the Internal Revenue Service (IRS) identify ways to improve customer service and satisfaction. TAP acts as a two-way conduit by serving as focus committees to provide input on IRS strategic initiatives, administrative and procedural issues, and a channel for raising issues identified by taxpayers. By speaking directly to the IRS program managers, the Panel provides unique opportunities for TAP members to identify, analyze, and influence service-wide issues.

TAP was created in October 2002 with the expansion of the former Citizen Advocacy Panel (CAP), which was first established in June 1998. In response to a review of Federal Advisory Committee Act (FACA) Boards, the Department of the Treasury recommended nation-wide expansion of CAP, to be renamed the Taxpayer Advocacy Panel (TAP). TAP is authorized through the Secretary of the Treasury's authority to administer the Internal Revenue laws under section 7801 of the Internal Revenue Code. The Secretary has delegated some of this authority to the Commissioner of Internal Revenue.

TAP members are appointed by the Secretary of the Treasury to represent all 50 states, the District of Columbia and, starting in 2004, Puerto Rico. Each member serves on one of the seven geographically based area committees which are charged to perform outreach activities and be listeners for the taxpayers in order to express their concerns on grass-roots issues. TAP members also serve on issue committees to provide direct taxpayer input to issues identified by the IRS as strategic initiatives for the Wage and Investment Operating Division, which has responsibility for individual taxpayers, or the Small Business/Self-Employed Operating Division. Each area and issue committee selects a chair who along with the TAP Chair and Vice-chair, serves on the TAP Joint Committee. The Joint Committee serves as a management and administrative body and is empowered to speak on behalf of the entire Panel.

TAP conducts numerous committee meetings via teleconference calls and face-to-face meetings to research issues and to formulate recommendations to the IRS. The Panel has become an efficient and effective advocate for the taxpayer and has forwarded more than 100 recommendations to the IRS program managers. A number of recommendations have been implemented, while others are in the implementation process or awaiting response from the IRS.

The TAP Charter prescribes that TAP annually provide to the Secretary of the Treasury, The Commissioner of Internal Revenue, and the National Taxpayer Advocate a written self-assessment of TAP work relative to its objectives, and members of the TAP Joint Committee have prepared the following to fulfill this obligation.

## *TAP Objectives*

**TAP objectives are to provide a:**

- Unique opportunity for citizens to participate in the improvement of both the United States tax administration system and the organization of the IRS
- Listening post for independent taxpayer comments and suggestions regarding IRS service and customer satisfaction.
- Taxpayer perspective in critical tax administration programs and help to identify “grass roots” tax issues
- Direct access to the appropriate IRS operating division
- Conduit for the IRS to help improve responsiveness to taxpayer needs
- Sounding board for the IRS to help monitor the quality of taxpayer service
- Effective forum for direct citizen input into IRS programs and procedures

# I. Executive Summary

The Taxpayer Advocacy Panel's (TAP's) 2003-2004 year continued to be a busy one for the Panel's 100+ volunteers and staff.

During its 2003 Annual Meeting, held in Washington, DC in October, TAP volunteers were afforded the opportunity to hear from a number of government officials including Internal Revenue Service (IRS) Commissioner Mark Everson and National Taxpayer Advocate Nina Olson. Tom Seuntjens was re-elected as Chair of the Panel for an additional one year term.

With the anticipated expiration of the current Panel members' terms in October 2004, a renewed emphasis was placed on recruitment and retention. Current Panel members who originally signed-on for two year terms were offered the opportunity to extend their terms for an additional one year period as part of the implementation of a staggered-term program under which approximately one-third of the Panel's membership would be replaced annually. This would replace the existing procedure under which the entire Panel's membership simultaneously expires and is replaced biannually. To assist in its recruiting efforts, greater emphasis was placed on exit interviews and discussions with current members on how the TAP experience can be improved.

A significant problem that has been identified is the general public's lack of awareness of the TAP's existence and function. To address this, the TAP developed and implemented a new communications strategy under which existing members were educated on identifying and accessing national and local media outlets, working with local government officials, developing Area Committee communication plans, and creating written materials describing the TAP for distribution to the public and the media. The cornerstone of the TAP's renewed marketing efforts lies in the newly created "What's On TAP" an informational program designed to reach tax practitioners and the public regarding the TAP's purpose and function.

The heart of the TAP's work is accomplished through its fixed number (seven) of Area Committees and fluctuating number of Issue Committees. In 2003, the IRS identified the need for seven Issue Committees all of which were created and staffed by TAP members. These committees work on a two track system with Area Committees responsible for developing "grass roots" issues identified through local outreach work and Issue Committees developing issues through direct interaction with IRS personnel ("IRS Program Managers"). Through a rather extensive outreach program conducted during the year, the Area

Committees were able to identify, develop, and submit to the Joint Committee 41 issues. The seven Issue Committees, in conjunction with its working with IRS Program owners, submitted 43 issues to the Joint Committee. All of these issues, in turn, were forwarded to the IRS for review and evaluation.

The TAP continued to strive to achieve its goals of greater public awareness, meaningful issue development, and operational efficiencies in what turned out to be a very successful year for the organization.

# II. Administration

This chapter highlights the administrative processes and procedures that the Taxpayer Advocacy Panel (TAP), with the support of TAP staff, has established. These administrative activities are critical to the organization's effectiveness to help improve the Internal Revenue Service (IRS) on behalf of the taxpayers. These activities are intended to educate members, taxpayers, and IRS employees to promote the Panel's mission and objectives.

## *A. TAP Annual Meeting*

The TAP Annual Meeting is held in Washington, D.C. in the fall. Panel members are assigned to a geographic area committee and then volunteer to serve on a strategically focused issue committee after hearing reports from the committees' program managers. The Annual Meeting provides the only opportunity for all members to meet as one organization and for new members to receive necessary orientation and training regarding the IRS and TAP operating policies.

To provide the Panel with guidance, the opening of the Annual Meeting includes a guest speaker from the Department of Treasury, the Commissioner of Internal Revenue and the National Taxpayer Advocate. Speakers acknowledge Panel members for their commitment and dedication and discuss the vision of the IRS, the TAP and IRS partnership, and the need to continue to improve IRS services in an era of limited resources.

The Panel members, IRS staff, and guests also hear from a diverse group of speakers representing the program managers from Small Business/Self Employed (SB/SE)Operating Unit and the Wage & Investment (W&I) Operating Unit. Considerable time was allotted to these presentations to allow questions and answers with the Panel members.

Area and Issue Committee chairs and the TAP Chair present their annual reports to the Panel. These reports highlight accomplishments and challenges for the future and give Panel members an opportunity to witness the impact of their contributions to improve the IRS.

Other conference topics addressed through breakout sessions are directed at training and assisting all Panel members to become effective advocates for the taxpayers. These sessions detail the roles and responsibilities of Panel members, including how to establish methods to gather issues, identify issues for further development, gather background information and allow Panel

members to make recommendations. The Panel also work on developing communication strategies and effective means for outreach in the members' own communities.

Each area and issue committee meets to elect its chair and vice-chair for the year, determine meeting guidelines, make suggestions for best practices, and set the overall goals and focus for the committee.

The final agenda item of the annual meeting is the election of the new TAP chair for the year. The new TAP chair, along with all committee chairs meet as the Joint Committee at the close of the meeting. The Joint Committee is an oversight committee that addresses TAP administrative issues and serves to educate Panel members on the TAP's mission and goals.

Preparation for the 2004 Annual Meeting began months in advance. In addition to deciding on the agenda, TAP developed and issued a "Members Handbook" for distribution to all members at the 2004 Annual Meeting and for use as an educational tool during the new member's orientation session. The handbook is a ready reference that members can use as resource during the year. It includes all information, forms, and documents that members need to assist in the performance of their responsibilities on the Panel. It is reviewed and updated annually before each annual meeting.

## *B. Recruitment*

As a panel of voluntary members with diverse backgrounds and geographic locations, TAP needs to work together to accomplish its common purpose to advocate for improved service to taxpayers. Panel members bring with them a wealth of experience and knowledge through their experience or training as business owners, business executives, employees, tax practitioners, educators, lawyers, politicians, military personnel, and other community involved citizens. Recruitment is therefore, a critical ongoing activity to ensure that TAP is continually supplied not only with members of geographic and diverse backgrounds but also with the needed talent and experience to be effective advocates.

Because of the staggered term-limits (approximately 1/3 of the Panel members' terms expire annually) and the normal attrition that occurs in an organization of this size and complexity, recruitment to identify new candidates for service on the TAP is an ongoing function. TAP members must be US citizens, current on their tax filings and payments, and willing to volunteer 300 to 500 hours each year. The applicants are expected to be experienced in resolving problems, formulating and presenting proposals, and representing the interest of others. In addition, they must demonstrate the ability to work as team members and have good oral and written communication skills.

Existing Panel members participate in the interview process of all new potential members and contributed to the recommendations made to the IRS and Treasury on desirable candidates. Existing Panel members' participation in the recruitment process is critical to ensure that new members meet the Panel's expectations and is important in helping ensure the TAP's continued success.

The TAP developed an exit interview form and process to provide the national TAP office with valuable feedback from retiring Panel members. This information will be used to improve communications with prospective members, modify TAP's practices as needed, and help in the selection of future Panel members.

## *C. Communication Strategy*

The Panel has developed and approved a comprehensive strategic communication plan. The plan was premised on the fact that the general public and IRS employees generally are not aware of the TAP or its mission. This lack of knowledge about the TAP makes the tasks of identifying grass-root issues and partnering with the IRS more difficult.

The objective of the communication strategic plan is to:

> **Provide a national communication strategy for the Taxpayer Advocacy Panel, helping raise its profile and thereby strengthening its identity as the leading voice for taxpayers in all 50 states, with the ability to shape IRS policies and procedures that directly affect taxpayers**.

By raising the TAP's profile both within the IRS and the taxpayer community generally, it is anticipated that increased taxpayer participation and feedback will result. This will allow panel members to achieve broader influence within the IRS, and will promote IRS administrators to take taxpayer input into account prior to implementing decisions on IRS administration that will affect the taxpayer community generally.

The strategy to raise the TAP's profile with taxpayers include creating generic templates to improve outreach to local taxpayers encouraging taxpayer participation at local meetings, partnering with community and local and national media, improving partnership with tax professional organizations, sharing and implementing the committee best practices, and using quantitative analysis to help identify and develop additional communications strategies.

The Area Committees implemented the communication plan during the spring and summer of 2004. The Committees used the master plan as a guide to develop an area communications strategy based on local needs. Each Area

Committee also developed its own outreach plan and set goals, using templates to track outreach contact made within communities.

As a result of the communication plan many panel members actively staffed informational booths at virtually all IRS national tax forums. A media guidance document for members was developed, outlining when to contact the media, and how to handle media inquiries locally and nationally, providing general tips for media success, and creating a computer presentation and talking points on the TAP. This document included a list of media contacts and a TAP speaker request and report form. A pocket guide was also developed, printed and implemented, that included tips for successful media interviews, tips for successful presentations, key facts about TAP, the background of TAP and TAP 24/7 contact information.

In addition, an outreach plan called “What’s On TAP” was created as an informational process to reach out to taxpayers and tax practitioners and to foster awareness, educate and inform taxpayers about the TAP and the systemic issues being researched. This plan involves assembling a list of local, regional, and national publications and organizations to which articles on the TAP and issues under the TAP’s consideration can be distributed. Several articles have been completed and are ready for distribution.

The strategy to raise TAP’s profile within the IRS is also addressed in the communication plan. Many IRS materials have been updated to reflect the latest changes and information about TAP. Articles have been published in the Taxpayer Advocate Service (TAS) and IRS employee newsletters regarding TAP activities and successes. Local Taxpayer Advocate offices are informed about area committee meetings in their location. They and other IRS employees have attended many of these meetings to better understanding of the TAP’s mission and to work with the Panel in outreach activities.

# III. Committee Work

The substantive work of the Panel is done by the Area and Issue Committees, which research issues and formulate recommendations to the IRS about how to improve customer service and satisfaction. This year, each TAP member served on one of seven geographically-based area committees, representing all 50 states and the District of Columbia, and also on one of seven issue committees that were created to provide direct taxpayer input to IRS strategic initiatives for the IRS W&I and SB/SE Operating Divisions. The work done by TAP members in their Area and Issue Committees is the heart of TAP.

Each area and issue committee selects a chair, who, along with the TAP Chair elected by the entire membership, comprises the Joint Committee. The Joint Committee serves as a management and administrative body, provides administrative review of area committee recommendations, and is empowered to speak on behalf of the entire Panel.

TAP committees are supported by IRS managers, analysts and secretaries specifically assigned by TAS to the Panel. TAP committees generally meet monthly via teleconference and also meet face-to-face once or twice during the year. A significant amount of communication among members is accomplished via email. By these various means, TAP members contribute their own knowledge and experience to the committees' work and bring a willingness to explore new ideas. However, it is challenging to discuss, research, and formulate recommendations with such infrequent opportunities to meet face-to-face, and committee productivity is limited as a result.

Committees generally assign issues to subcommittees for initial consideration and the subcommittee presents a recommendation for full committee review, revision, and approval. Committee decisions are made by consensus.

## *A. Area Committees*

The panel is divided into seven geographic Area Committees aligned with the TAS areas. This year, Area Committees had ten to eighteen members residing in the states comprising the geographic area. To assure compliance with the Federal Advisory Committee Act (FACA), one Local Taxpayer Advocate is assigned to each Area Committee to serve as the Designated Federal Official (DFO).

Outreach is a primary mission of Area Committees. Members are charged to perform outreach activities and listen to taxpayers in order to identify grass-roots issues. TAP members outreach efforts aim to inform taxpayers of the existence of TAP and notify them that they can contact TAP at 888-912-1227 and www.improveirs.org to make suggestions for improving the IRS. Panel members also act as IRS's "listening posts" and identify and captured grass-root level issues that they raise in their area committee meetings.

Outreach took many forms this past year. Many TAP members spoke and distributed TAP materials urging taxpayers to “Speak Up” at stakeholder meetings and other gatherings. For example, Area 1 outreach included appearances at the IRS Practitioner Liaison Meeting in Rochester, NY; the Small Business Resource Meeting in New York City; the Long Island Tax Symposium in Melville, NY; the Maine Tax Forum in Augusta, Maine; and the National Conference of Certified Public Accountants in Garden City, NY. Area 3 outreach included the Fort Myers Taxpayer Association in Fort Myers, FL; Tax Practitioner Seminar in Daytona Beach, FL; Louisiana Association of Media Professionals and Association of School Librarians in Baton Rouge, Louisiana; Baptist Women’s Retreat in Mossville, Louisiana; and the Southeast Shriner’s Convention in Mobile, Alabama. Area 6 outreach included the Alaska Small Business Development Center, the Montana H&R Block Tax Preparers meeting, Sons of Italy, and Annual Continuing Professional Education for Hawaii Society of Enrolled Agents. Area 7 outreach included presentations to the Oxnard (California) Rotary Club, California Bar Association meetings, United Way of Alameda County (California); and Society of California Accountants.

TAP members also made presentations at secondary and post-secondary schools from Brattleboro (Vermont) High School to Florida Atlantic University in Fort Lauderdale, Florida, and several California law schools. Members of Area 3 also sought out the public at local festivals, such as the Area Agency on Aging’s 20th Annual Senior Festival in West Palm Beach, Florida and Chew’s Multicultural Hair Affair in Lake Charles, Louisiana. Area Committees also were successful in getting media coverage of the message to “Speak up if you want to improve the IRS,” including Area 1’s public service announcements in Brattleboro, Vermont; radio interview of an Area 2 member in North Carolina; interview of an Area 3 member in the Ft. Myers (Florida) News-Press; radio and television interviews of Area 4 members in Indiana and Ohio, coverage of Area 6 in the Cheyenne (Wyoming) Herald and the Alaska and National Association of Tax Consultants Newsletters, as well as on local talk radio; and coverage of an Area 7 outreach event on the front page of the local section of the Fresno (California) Bee.

Area committees consider every taxpayer suggestion that comes in on the phone line and website and to TAP members individually. Most Area Committee recommendations for improvement are referred to the Joint Committee and

elevated by the Joint Committee to liaisons to the IRS W&I and SB/SE Operating Divisions, who passed them on to the appropriate IRS program managers, also called program owners. For those issues outside the scope of TAP's mission (such as legislative recommendations and personal tax problems), committees respond with an appropriate letter thanking taxpayers for their input. Some issues are referred to the appropriate issue committee. For example, members of the Area 2, 3 and 4 Committees worked with the Payroll Taxes Issue Committee to elevate to IRS program managers recommendations that originated in their area committees.

Although identifying and elevating grass-roots issues is the majority of the work done by the Area Committees, some area committees also were approached by IRS program owners to provide direct citizen input. For example, Elaine S. Beck, Senior Manager, Education & Product Development, W&I Stakeholder Partnerships, Education and Communication (SPEC), invited members of the Area 4 Committee to serve on a work group to develop the 2004 edition of the certification test for the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs. TAP members participated in all phases of the construction of the certification test, from creation and problem drafting, to review and final evaluation, to roll-out of the final product in September 2004. Similarly, Bob Erickson, Tax Law Specialist, Forms and Publications, invited Area 5 to recommend clarifying changes to Form 6251, Alternative Minimum Tax for Individuals, and the Committee submitted specific written recommendations to simplify the instructions. Also on behalf of Forms and Publications, Houston Local Taxpayer Advocate William Sonnack asked the Area 5 Committee to provide feedback on Form 656, Offer in Compromise, and the Committee prepared line-by-line suggestions for improvement.

In some cases, conversations with IRS program owners during committee meetings offered opportunities for immediate intervention. For example, when the Area 2 Committee was informed that Form 2848, Power of Attorney, was being revised, the Committee expressed concerns about practitioner privacy and recommended that the revised form eliminate the requirement that a tax practitioner report their social security number.

This year, 41 recommendations were elevated by Area Committees and many have been or are in the process of being partially or fully implemented. Summaries of this year's elevated issues and the IRS responses are presented in Chapter IV.

## *B. Issue Committees*

This year, TAP members also were assigned to seven Issue Committees, where panel members have the responsibility to act on or consider issues referred to them by program managers, also known as program owners, from the W&I and

SB\SE Operating Divisions. Membership of the seven issue committees represent all geographic areas and one TAP Program Manager acts as the DFO. Each issue committee is empowered to work directly with the IRS program owner to provide input on the issues brought before them; address status and progress of the issue; and identify concerns in design, implementation and linkages of the issue. For example, the W&I Reducing Taxpayer Burden - Notices Committee made numerous oral and written recommendations to improve the style guide for re-writing notices, the document assessment tool used to score notices, scored numerous notices themselves, and recommended improvements to others. Each member of the Notices Issue Committee received the "IRS Special Act" Award for their outstanding contribution to improving the process, as reported in the IRS newsletter "Happenings and News:"

> The "IRS Special Act" award recognized the panel members for their active Involvement in improving IRS notices and helping the IRS prioritize which notices to improve, worked with different teams to improve notices and the notice process, helped the IRS evaluate and score the written quality of its notices. They served as a voice for the American taxpaying public and provided open and honest feedback throughout the process.

Similarly, Earned Income Tax Credit (EITC) Director David Williams recognized the "excellent" work of the W&I EITC Committee in a year-end letter acknowledging 15 different sets of written recommendations and apprising the Committee of their status. Program owners also provided additional, detailed feedback on the status of several Committee recommendations. Over the past year, the relationship between EITC program owners and the Committee evolved into an exceptionally productive collaboration, with the program owners continually requesting Committee input on reducing taxpayer burden, compliance, public education, and outreach, and incorporating many Committee recommendations. The Committee's principal concern about its relationship with program owners is that requests for feedback usually came on very short notice, requiring the Committee to rush work product into print.

The SB/SE Reducing Taxpayer Burden – Payroll Taxes Issue Committee also reported a very productive relationship with the program owner and commended Margie Kenny for "the clarity and detail with which she present[ed] each project."

Some other Issue Committees reported that IRS program managers lacked a sufficient commitment to TAP, resulting in difficulty obtaining needed information or working cooperatively to address issues. More than one committee found they were denied the opportunity to provide pre-decisional input on marketing materials produced by external contractors. Also, some IRS program owners did not respond to recommendations in a timely manner. In other cases, high

turnover among IRS program owners resulted in a lack of continuity in working issues and inconsistent messages.

Despite program manger turnover, the SB/SE Compliance Issues - Schedule C Non-Filers Issue Committee elevated six recommendations to program owners, including a proposal that the $2,500 limit on business deductions on Schedule C-EZ be increased, which was adopted with the limit increased to $5,000. Similarly, despite some frustration with the relationship with program owners, the SB/SE E-Filing Issue Committee influenced development of a marketing packet for tax professionals and the web-based "E-File Made Easy – A Tax Professional's One-Stop E-File & E-Pay Shop."

In addition to providing their own feedback to program owners, some Issue Committees solicit input from stakeholders. For example, the W&I Multilingual Initiative (MLI) Committee established contacts with Low Income Taxpayer Clinics that work with clients with limited English proficiency, and the National Women's Law Center communicated to the MLI Committee their views on "How to Improve Services for Limited English Proficient Tax Filers." The Ad Hoc Committee invited 25 organizations to participate in an open forum on licensing and registration of tax return preparers and seven sent representatives to the forum held on February 2, 2004.

This year, 43 recommendations were elevated by Issue Committees and many were or are in the process of being partially or fully implemented. Summaries of this year's elevated issues and the IRS responses are presented in Chapter IV.

## *C. Joint Committee*

The Joint Committee is comprised of the TAP Chair, who is elected by the entire membership, the Chair of the Ad Hoc Committee who was designated to serve as Vice-chair of TAP, the seven Area Committee chairs and the six other Issue Committee chairs. The DFO for the Joint Committee is the TAP Director.

The Joint Committee addresses TAP administrative issues. Each committee chair submits a monthly report describing the issues under consideration by the committee and committee activities for the month. Area Committee chairs attach proposed recommendations and Issue Committee chairs attach elevated recommendations to their monthly reports. Reviewing and elevating Area Committee recommendations is perhaps the Joint Committee's most important function. The Joint Committee forwards Area Committee recommendations to the appropriate Operating Division if they are within the scope of TAP's mission and adequately documented, and returns those that are not to the Area Committee with guidance as to what changes are required. The Joint Committee also monitors IRS responses to recommendations. This year, the Joint Committee improved processes for recording and tracking all taxpayer issues and recommendations elevated to the IRS. A process was also established with

the IRS for acknowledging and reporting the status of elevated recommendations. The Joint Committee also monitors committee issues under consideration to avoid committees' duplicating efforts, and this year revised the monitoring tool to make it more effective.

One notable Joint Committee success this year came when the Joint Committee was asked to provide feedback regarding an anticipated change in the services of the Taxpayer Assistance Centers (TACs). Empowered to speak on behalf of the Panel, the Committee heard the presentation and communicated through the ensuing discussion a consensus that the proposed changes would adversely affect customer service; the proposed changes were never implemented.

Every committee faced some challenges during the year. One common challenge addressed by the Joint Committee was shrinking membership as a number of panel members resigned before their term expired. As indicated in Chapter III, this issue was addressed in the recruiting process, not only by selecting new members to replace those who retired at the end of their terms, but also by identifying alternate members who can step in to fill vacancies created by early resignations.

# IV. Elevated Recommendations

TAP has become an efficient and effective advocate for the taxpayer and this year forwarded to IRS program managers 84 recommendations, which are summarized below. As the summaries show, many recommendations have been implemented, some are in the assessment and implementation process, and others are awaiting a response from the IRS

| **TAP D04-068** | **E-File Marketing to Tax Professionals** | | | **Status:** | Elevated by Issue Committee |
|---|---|---|---|---|---|
| **Date Elevated:** | 10/1/2003 | **Date Response Received:** | 9/30/2004 | **Originating Committee(s)** | SBSE E-filing |
| **Statement of Issue:** | Develop marketing packet for tax professionals who use software to prepare 1040 tax returns, but file on paper (V-coders). | | | | |
| **Proposal:** | Develop direct mail packet for identified V-coders that will include a cover letter, e-file myths Qs&As, key messages and CD with E-File Made Easy product. | | | | |
| **Response from:** | Karen Taylor, Chief, Electronics Program Office, Business Marketing Services | | | | |
| **Response Notes:** | IRS produced and mailed the marketing packet developed by the TAP committee. Mailing went to 60,000 tax professionals to direct them to the "E-file Made Easy--A Tax Professional's One-Stop E-File & E-Pay Shop" website and further encourage them to file electronically. | | | | |

| **TAP D04-067** | **E-File Made Easy** | | | **Status:** | Elevated by Issue Committee |
|---|---|---|---|---|---|
| **Date Elevated:** | 10/1/2003 | **Date Response Received:** | 9/30/2004 | **Originating Committee(s)** | SBSE E-filing |
| **Statement of Issue:** | Practitioners have requested from IRS an "e-file made easy" publication to walk them through the process from application to filing returns electronically. | | | | |
| **Proposal:** | Develop a step-by-step guide to tell tax professionals everything they need to know about the e-file program. Develop a product that is web-based and easy to search for needed information. | | | | |
| **Response from:** | Karen Taylor, Chief, Electronics Program Office, Business Marketing Services | | | | |
| **Response Notes:** | Produced and published the web-based "E-file Made Easy--A Tax Professional's One-Stop E-File & E-Pay Shop." Web publication can be found at http://www.irs.gov/efile/article/0,,id=120335,00.html. | | | | |

| TAP A04-015 | EITC Contact Letter and Examination Report | | | Status: | Closed, Proposal Partially Accepted |
|---|---|---|---|---|---|
| Date Elevated: | 10/22/2003 | Date Response Received: | 5/13/2004 & 11/18/2004 | Originating Committee(s) | W & I EITC |
| Statement of Issue: | The EITC Committee was asked to provide feedback on Contact Letter 566 B-EZ and Examination Report Form 886-H-EIC, which are issued together to taxpayers whose EITC claims are being examined, and Notice 75A, which is the first contact indicating that the IRS may examine the tax return with respect to EITC and that the claimed refund may be delayed until an assessment is made or a refund issued. | | | | |
| Proposal: | The Committee suggested Notice 75A indicate that the IRS will (rather than "may") examine the return. The Committee made specific line-by-line recommendations for changes to letter 566B-EZ and Form 866H-EIC. including the inclusion of a third-party affidavit as alternative form of documentation to support claiming a qualifying child. The Committee proposes that if Notices 75 and 75A are going to be eliminated, Letter 566 B-EZ should not be a "combo letter" combining the initial contact with the "30-day letter" because, if the taxpayer fails to respond to the 566 B-EZ, a statutory notice of deficiency will be triggered. | | | | |
| Response from: | David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | EITC Director circulated revised Form 75A, which incorporated Committee recommendations, at May meeting and reported at the end of the year that all of the Committee's recommendations in the redesign of the notices to taxpayers about the examination process were considered. | | | | |

| TAP G04-016 | TAP Marketing Strategy | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 11/17/2003 | Date Response Received: | 12/16/2003 | Originating Committee(s) | Ad Hoc |
| Statement of Issue: | By raising TAP's profile both externally and internally, increasing visibility and awareness among all its audiences and stakeholders, improved "brand recognition" of TAP's national identity will be achieved. This recognition will increase participation and feedback from taxpayers and allow TAP members to achieve broader influence within IRS, ensuring that their pre-decisional input is received concerning IRS policy and/or procedural matters directly affecting taxpayers. | | | | |
| Proposal: | Provide a national communication strategy for the Taxpayer Advocacy Panel, helping raise its profile and thereby strengthen its identity as the leading voice for the taxpayer in all 50 states with the ability to shape IRS policies and procedures that directly affect taxpayers.<br>• Raise public awareness of TAP by increasing<br>a. Outreach Events<br>b. Marketing<br>c. Partnering with Key Stakeholder Groups | | | | |
| Response from: | TAP Joint Committee | | | | |
| Response Notes: | TAP adopted marketing strategy and agreed to implement on an on-going basis. | | | | |

| TAP 04-001 | Self-Employment Tax for Newspaper Carriers | | | Status: | Elevated, Awaiting Preliminary Response |
|---|---|---|---|---|---|
| Date Elevated: | 11/20/2003 | Date Response Received: | | Originating Committee(s) | Area 1 |
| Statement of Issue: | The information the Internal Revenue Service provides regarding the self-employment tax liability on the earnings of a newspaper carrier under the age of 18 cannot be easily found or understood. | | | | |
| Proposal: | Add a sentence or "Note" to the section titled "Newspaper Carrier or Distributor in IRS Publication 533 that reads "Earnings of carriers and vendors under age 18 are not subject to self-employment tax." | | | | |

| TAP 04-009 | Free File—Lack of Feedback | | | Status: | Closed, Second Response Received |
|---|---|---|---|---|---|
| Date Elevated: | 12/2/2003 | Date Response Received: | 1/21/2004 & 7/30/2004 | Originating Committee(s) | Area 5 |
| Statement of Issue: | During an Area 5 Committee meeting, Mr. Paul J. Mamo of the IRS addressed the formation of the FreeFile Alliance Partnership. One glaring weakness of that original agreement was the lack of taxpayer feedback concerning the ease of 1) selecting a FreeFile provider, 2) filling out the required information for that provider, and 3) finding out at the end of the process that they were not eligible or that there were unrevealed costs for completing the process. Mr. Mamo indicated that the FreeFile Alliance members were concerned that the IRS would use the feedback from the taxpayers to "rate" the Alliance members. | | | | |
| Proposal: | TAP believes the IRS should negotiate immediately with the FreeFile Alliance members for the right to survey the taxpayers who use the FreeFile electronic filing method. The feedback gathered should not be used in a judgmental or critical way. However, it should be used to respond to the needs of the actual users of the FreeFile electronic method to make the system more user-friendly and understandable. The new and improved electronic filing method based on the feedback would attract repeat and new users and, thus, would ultimately help the IRS achieve the electronic filing goal as set by Congress. | | | | |
| Response from: | Terence H. Lutes, Deputy Associate Chief Information Officer | | | | |
| Response Notes: | In preparation for the 2004 Filing season, the IRS has worked to improve the content, functionality and usability of the Free File pages within irs.gov. This effort included working with taxpayers to conduct content/design usability testing.. In addition, in 2004, the IRS is providing taxpayers with an email address, helpdesk@speedymail.com, to submit feedback regarding their Free File experience. The recommendation (and provision of samples) to survey Free File users will be reviewed and discussed in the coming months. As part of an overall solution to measure the Free File program, the Free File Alliance members, with input from the IRS, have agreed to utilize an online survey that will allow the IRS to gather customer satisfaction information on Free File users. This survey will be implemented by Filing Season 2005. | | | | |

| TAP 04-008 | FreeFile State Returns | | | Status: | Closed, Proposal Accepted |
|---|---|---|---|---|---|
| Date Elevated: | 12/2/2003 | Date Response Received: | 1/21/2004 | Originating Committee(s) | Area 5 |
| Statement of Issue: | The IRS FreeFile Alliance service does not address the individual's responsibility to prepare and file a state tax return. | | | | |
| Proposal: | The IRS should negotiate immediately with the participating FreeFile Alliance to provide complete free filing services including state returns when the taxpayer meets the stated IRS Wizard requirements at the beginning of the vendor selection process. If the IRS cannot renegotiate the alliance agreement to include the filing of the state return until a later date, then information should be added to the IRS Wizard process to accurately inform the taxpayer of the cost to comply with both federal and state filing requirements and inform taxpayers of the software providers that meet their needs. | | | | |
| Response from: | Terence H. Lutes, Deputy Associate Chief Information Officer | | | | |
| Response Notes: | The existing agreement between IRS and the Free File Alliance, LLC, provides taxpayers free online commercial tax preparation software for federal income tax returns only. This agreement does not require Alliance members to province taxpayers with a free state return as well. Therefore, taxpayers may incur a cost to file their state return through Free file Alliance members. To ensure taxpayers clearly understand the potential fees, associated with the state return, Alliance members will now be required to disclose on their Free File landing page, whether such returns are free or paid, and if paid, the cost of such returns. Please note, there are a handful of companies that did provide both a free federal and state return in 2004. | | | | |

| TAP 04-007 | FreeFile Alliance Member RALs | | | Status: | Closed, Second Response Received |
|---|---|---|---|---|---|
| Date Elevated: | 12/2/2003 | Date Response Received: | 1/21/2004 & 7/30/2004 | Originating Committee(s) | Area 5 |
| Statement of Issue: | For over a decade, Refund Anticipation Loans (RALs) have been marketed by preparers to taxpayers who want their cash quickly; with the advance offset by the "anticipated" tax refund. This method allows taxpayers to have their refund in hand within a day or two of having their taxes completed.<br><br>Because of the complexity involved in the transaction and the inability for full disclosure of the terms on-line, FreeFile Alliance members' services should not include RALs.<br><br>Because of the complexity involved in the transaction and the inability for full disclosure of the terms on-line, Free File Alliance members' services should not include RALs. | | | | |
| Proposal: | FreeFile Alliance members should follow the lead of Intuit and eliminate the marketing of RALs to on-line consumers. The IRS needs to set the standard to limit this service, as the intricacies of the on-line "loan" are confusing to taxpayers. Clients in this transaction are unable to ask questions, gain clarification or other meaningful feedback from the preparer at the time they sign up for the on-line loan.<br><br>Because of the complexity involved in the transaction and the inability for full disclosure of the terms on-line, FreeFile Alliance members' services should not include RALs. | | | | |
| Response from: | Terence H. Lutes, Deputy Associate Chief Information Officer and Bert DuMars, Director Electronic Tax Administration | | | | |
| Response Notes: | The IRS does not endorse RALs and informs taxpayers they are under no obligation to purchase RALs or any product or service from software companies. The IRS cannot prohibit their existence in ancillary products/services being offered by the Alliance members. While IRS cannot legally require the companies not to sell RALs, many have decided on their own accord not to include them in their 2004 Free File offering. Area 5 responded that, although the IRS cannot prohibit RALs' existence in ancillary products/services being offered by the Alliance members, the IRS should prominently place a statement informing the public that they are under no obligation to purchase a RAL or any other ancillary service from the Free File Alliance service providers in order to avail themselves of the free filing of their Federal tax return. The IRS responded by identifying three locations within the Free File web site that already indicate to taxpayers they are under no obligation to purchase any product or service from an Alliance member to use their product for free. | | | | |

| TAP 04-006 | Free File Record Retention | | | Status: | Closed, Proposal Accepted |
|---|---|---|---|---|---|
| Date Elevated: | 12/2/2003 | Date Response Received: | 1/21/2004 | Originating Committee(s) | Area 5 |
| Statement of Issue: | Although the Internal Revenue Service (IRS) does not require the individual taxpayer to archive their tax return by either saving the return on a disc or by printing a copy, it is prudent to retain tax returns for at least three years. FreeFile Alliance members do not archive tax returns as a free service. | | | | |
| Proposal: | The IRS should negotiate immediately with the participating FreeFile Alliance members to provide taxpayers free archiving and printing of tax returns. Before starting the electronic filing process, the taxpayers should be informed of the additional cost to maintain the appropriate records. | | | | |
| Response from: | Terence H. Lutes, Deputy Associate Chief Information Officer | | | | |
| Response Notes: | In response to similar feedback, the IRS now requires all Alliance members to allow taxpayers who qualify for their free service to print out a copy of their federal return for free. This capability must be provided for the same period of time that such services are provided for free to paying customers. | | | | |

| TAP 04-005 | Free File Notification of Charges | | | Status: | Closed, Second Response Received |
|---|---|---|---|---|---|
| Date Elevated: | 12/2/2003 | Date Response Received: | 1/21/2004 & 7/30/2004 | Originating Committee(s) | Area 5 |
| Statement of Issue: | FreeFile Alliance Partners may charge extra fees for filing particular forms or schedules such as the Schedule C or for additional services such as filing the state tax return or for printing the tax return. | | | | |
| Proposal: | The Committee concluded that taxpayers should be informed before beginning preparation of their tax return of any charges by the FreeFile service providers for using particular forms or services. The Committee recommended that the IRS develop a tool that would lead the taxpayer to the Alliance member(s) that best suited that taxpayer's needs. The taxpayer would provide general information on the IRS site (through its Wizard or Gateway) to identify pertinent free Alliance software that matches the taxpayer needs. The completed profile should generate links to the FreeFile Alliance software that best fits the taxpayer's requirements and also disclose any additional service fees before the taxpayer initiates the e-filing process. | | | | |
| Response from: | Terence H. Lutes, Deputy Associate Chief Information Officer and Bert DuMars, Director Electronic Tax Administration | | | | |
| Response Notes: | The IRS notified the Committee that taxpayers who meet a particular Alliance member's eligibility requirements will be able to complete their Federal income tax return and Efile it for free, regardless of the tax forms and schedules they use. IRS requires Alliance members to disclose all forms and schedules associated with their free offering. For example, more than one W-2, or lack of a form. State programs must be disclosed on each Alliance member's landing page and made clear whether such returns are free or paid, and, if paid, the cost. Members must also list their customer service options and the associated fees, if any. Taxpayers use the Free File Wizard to identify the free services they qualify for but, to protect privacy the information requested, the wizard is used only for such purposes and is entirely anonymous and not retained. The IRS originally responded that, because the Wizard is hosted through a public portal and the information is kept anonymous, the IRS is not able to accept the TAP's suggestion of creating an electronic taxpayer profile on the IRS site. After Area 5 clarified that the recommendation did not contemplate the taxpayer supplying identifying information nor storing the information after the taxpayer left the site, the IRS responded that the Free File Wizard application on the web page, which is used for purposes of determining the services for which taxpayers may qualify, can help taxpayers better identify the free offers that best meet their needs. | | | | |

| TAP 04-004 | OIC Processing Problem | | | Status: | Closed, Proposal Partially Accepted |
|---|---|---|---|---|---|
| Date Elevated: | 12/2/2003 | Date Response Received: | 12/29/2003 | Originating Committee(s) | Area 7 |
| Statement of Issue: | Offer in Compromise (OIC) Forms 656 are received and processed in one of two centralized locations. The Form 656 is reviewed by an Internal Revenue Service (IRS) employee to determine if the OIC is processable. At this time, the IRS employee checks the database to determine if the taxpayer is current with filing requirements. A requirement for filing an OIC is that a taxpayer must be in compliance and have filed all required tax returns. If a taxpayer has not filed a return for a particular year, Form 656 is returned to the taxpayer as unprocessable. However, there is no way to indicate on the OIC that a tax return was not filed in a particular year because the taxpayer's income was below the filing requirement, and a taxpayer's OIC may be rejected for not filing all tax returns. | | | | |
| Proposal: | Add a sentence to the OIC instructions informing taxpayers who are not required to file a return in a particular year because the taxpayer's income was below the threshold amount to include a statement to that affect with the Offer.<br><br>Add the following note to the section called "When Am I Not Eligible for Consideration of an Offer in Compromise?" on page 2 of the instructions: Note: If you were not required to file a return in any year, because your income was below the minimum taxable amount for that year include a written statement with your Form 656 that states your reason(s) for not filing in each particular year.<br><br>Add an additional item to the "What we Need to Process Your Offer in Compromise" section that explains the reason(s) IRS may return the form to indicate an Offer will be returned if you haven't filed all required federal tax returns, or included an explanation for not filing.<br><br>Add an additional note to the section called "When Am I Not Eligible for Consideration of an Offer in Compromise?" on page 2 of the instructions:<br><br>Note: If you were not required to file a return in any year, because your income was below the minimum taxable amount for that year include a written statement with your Form 656 that states your reason(s) for not filing in each particular year.<br><br>Add an additional item to the "What we Need to Process Your Offer in Compromise" section that explains the reason(s) IRS may return the form to indicate an Offer will be returned if you haven't filed all required federal tax returns, or included an explanation for not filing. | | | | |
| Response from: | Cheryl Sherwood, Director, SBSE Payment Compliance | | | | |
| Response Notes: | IRS accepted TAP's recommendations to add instructions informing taxpayers to add a statement to the OIC application package advising IRS of tax periods for which there were no filing requirements and will include the changes in the next revision of the form. Similar instructions will be added to the section called "When Am I Not Eligible for Consideration of an Offer in Compromise?" but not to the section on "What we Need to Process Your Offer in Compromise" because IRS felt it did not fit and was adequately covered by its addition to the other sections. | | | | |

| TAP 04-003 | Electronic Deposit of Form 1040X Refund | | | Status: | Closed, Proposal Partially Accepted |
|---|---|---|---|---|---|
| Date Elevated: | 12/2/2003 | Date Response Received: | 1/12/2004 | Originating Committee(s) | Area 3 |
| Statement of Issue: | Form 1040 (U.S. Individual Income Tax Return) allows a taxpayer to direct his/her refund directly into a bank account that the taxpayer identifies on the form by routing and account numbers. Currently, Form 1040X (Amended U.S. Individual Income Tax Return) does not allow direct deposit of a refund. | | | | |
| Proposal: | Form 1040X should be changed to allow direct deposit of any refund to the taxpayer's account identified by routing and account number. | | | | |
| Response from: | Ruth Jeansonne, Management Analyst, Business System Modernization | | | | |
| Response Notes: | W&I Submission Processing endorsed the proposal but noted that implementation will require a coordinated effort within several different IRS organizations and consideration of the risks associated when IRS employees have access to direct deposit account information. | | | | |

| TAP E04-080 | EZ Pay" Safe Harbor | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 12/9/2003 | Date Response Received: | 8/2/2004 | Originating Committee(s) | SBSE Compliance Issues—Sch C Non-Filers |
| Statement of Issue: | Based on IRS statistical data and analysis, the Committee found that A) low and middle income, self-employed taxpayers do not file because they are unable to pay the amount due with the return. One non-filed return leads to chronic non-filing for subsequent years; B) Failure to pay estimated taxes is caused by the following: 1) the quarterly payment calculation is too complex, 2) the pertinent form, instructions and worksheet are lengthy and difficult to understand, 3) low-income self-employed taxpayers often lack the financial ability to pay quarterly, and d) low-income self-employed taxpayers often do not know how to satisfy the estimated tax payment obligation. C) The typical self-employed taxpayer who fails to comply with the estimated tax payment obligations has the following traits: 1) has gross income of less than $50,000 per year (mostly SE income); 2) has no practitioner assistance; 3) receives mostly 1099 income, but often does not receive 1099; 4) owns consumer-oriented business; 5) is not a member of a recognized industry or trade association; and 6) has a high school education or less. | | | | |
| Proposal: | The Schedule C Non-Filer Committee asked the IRS to adopt an "EZ Pay" Safe Harbor for estimated taxes that would have the following components:<br>1) impose a 15% flat percentage rate on gross income from self-employment,<br>2) be available to self-employed taxpayers with total self-employment income not exceeding $50,000 or AGI not exceeding $25,000, with at least 90% of gross income derived from self-employment ,<br>3) serve as an additional safe harbor to avoid estimated tax penalty,<br>4) require payments no less frequently than monthly, with taxpayer option to pay more frequently,<br>5) incorporate EFTPS system and modified "form 8109 coupon/deposit slip" payment procedure,<br>6) marketing strategy to educate the public as to availability , and<br>7) non-exclusive, meaning taxpayers would have the option to resort to more complicated estimated tax calculation to avoid penalty. | | | | |
| Response from: | Howard Swarts, Non-Filer Program Manager | | | | |
| Response Notes: | TEC is currently working this proposal and has presented it to the National Board of Directors aiming at estimated tax penalty relief. TEC has set up a cross-functional committee to get the proposal implemented by 2006. | | | | |

| TAP 04-002 | Revisions to Form 6251 | | | Status: | Closed, Proposal Partially Accepted |
|---|---|---|---|---|---|
| Date Elevated: | 12/10/2003 | Date Response Received: | 12/16/2003 & 8/30/2004 | Originating Committee(s) | Area 5 |
| Statement of Issue: | The Area 5 Committee found the Instructions for Form 6251, Alternative Minimum Tax for Individuals, to be extremely complex. | | | | |
| Proposal: | Since it is estimated that many more ordinary taxpayers may be subject to the AMT in 2003 and 2004, the Committee believes that the instructions need to be simplified so that the average tax filer can understand them. IRS staff member Bob Erikson of Forms and Publications indicated that he would welcome suggestions for revising the Instructions from an external panel such as TAP. Area 5 provided line -by -line recommendations for improving the Form 6251 Instructions. The Committee decided to limit its review to the General Instructions and to those Specific Instructions that would most likely apply to the ordinary taxpayer caught up in the AMT. | | | | |
| Response from: | Denise S. Fayne, Director, Tax Forms and Publications Division, & Sandra L. Kopta, Chief, Individual Forms and Publications Branch | | | | |
| Response Notes: | The IRS initially responded that the suggested revisions were received after the form had already been released for print and indicated the intention to consider the proposals for 2004 revisions. Subsequently, the IRS provided an itemized response to the proposals to revise the Form 6251 Instructions. The IRS adopted or partially adopted many of the line-by-line suggestions for change proposed by TAP. The IRS also provided a detailed explanation of the reason(s) each suggestion was only partially accepted or not accepted. | | | | |

| TAP 04-010 | Taxpayer Rights Under RRA98 | | | Status: | Elevated, Awaiting Preliminary Response |
|---|---|---|---|---|---|
| Date Elevated: | 1/5/2004 | Date Response Received: | | Originating Committee(s) | Area 6 |
| Statement of Issue: | The delegation order and Internal Revenue Manual (IRM) provision for releasing systemic levies may be a source of confusion to the Taxpayer Advocate Service (TAS) and other IRS employees, if understood to restrict issuance of a Taxpayer Assistance Order (TAO) to order release of non-systemic levies. | | | | |
| Proposal: | Add a note to IRM Section 13.1.2.3.19(1) reminding TAS employees that, while they cannot release a non-systemic levy, they could, under appropriate circumstances, issue a TAO to enforce all of the rights secured to taxpayers by the 1998 Reform Act to avoid significant hardship to the taxpayer. | | | | |

| TAP A04-019 | EITC Qualifying Child Residency Certification Web Page | | | Status: | Closed, Proposal Partially Accepted |
|---|---|---|---|---|---|
| Date Elevated: | 2/26/2004 | Date Response Received: | 11/18/2004 | Originating Committee(s) | W & I EITC |
| Statement of Issue: | The Earned Income Tax Credit Issue Committee was asked to provide comments about the IRS web page titled "Frequently Asked Questions - Earned Income Tax Credit (EITC) Qualifying Child (QC) Residency Certification Test." | | | | |
| Proposal: | The proposal was a compilation of EITC committee members comments on the Frequently Asked Questions page, including recommendations to correct zip codes provided, clarify the instructions about how certification pilot participants are to file their returns and the qualifying child requirements. | | | | |
| Response from: | David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | EITC Director reported that the Committee's recommendations will be used to improve the 2005 FAQs about the certification test. | | | | |

| TAP A04-017 | Online Toolkit for SPEC And Partners | | | Status: | Closed, Proposal Partially Accepted |
|---|---|---|---|---|---|
| Date Elevated: | 3/9/2004 | Date Response Received: | 11/18/2004 | Originating Committee(s) | W & I EITC |
| Statement of Issue: | The EITC Issue Committee was asked to provide recommendations for improving the online toolkit for W&I Stakeholder Partnerships, Education and Communication (SPEC) employees and partner organizations. This resource provides tax information, tax tips, downloadable materials in both English and Spanish and links to other resources. | | | | |
| Proposal: | The proposal contained line-by-line and feature-by -feature specific recommendations for improving the usability of the resources. In addition, the EITC Committee proposed that IRS provide a link to all IRS forms and publications when mentioned, improve the search feature, and provided specific proposals about duplicative material, confusing terminology, and grammatical errors. | | | | |
| Response from: | David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | EITC Director reported that many of the Committee's recommendations were incorporated into the SPEC toolkit for Tax Year 2004 and a detailed analysis is forthcoming. | | | | |

| TAP 04-011 | Immediate Feedback on Toll Free | | | Status: | Closed, Proposal Rejected |
|---|---|---|---|---|---|
| Date Elevated: | 3/10/2004 | Date Response Received: | 3/18/2004 | Originating Committee(s) | Area 2 |
| Statement of Issue: | Upon completion of a call, a taxpayer has no opportunity to comment on the quality of the service the Internal Revenue Service (IRS) employee rendered. | | | | |
| Proposal: | The IRS random taxpayer satisfaction survey should be expanded to solicit customer feedback from all individuals who access the IRS through the toll-free number. The questions asked in the random survey should be reviewed and modified as appropriate to ensure useful feedback is provided. | | | | |
| Response from: | David L. Medeck, Director, Joint Operations Center | | | | |
| Response Notes: | The IRS already administers a random customer satisfaction survey to gather customer input about service. This survey is currently completed by a statistically valid random sample of taxpayers; the results are used to assess performance and make systemic changes to the telephone system. The IRS believes the additional data that would be gathered if this suggestion was implemented would not significantly increase IRS ability to make system or service improvements.<br><br>During FY 2003, the IRS received over 41 million call attempts into the toll-free system from taxpayers seeking assistance from a customer service representative. The additional costs associated with developing and implementing a survey of this type, coupled with the telecommunications costs associated with lengthening a large number of these calls to accommodate a survey, are prohibitive.<br><br>Based on these two factors, the IRS cannot support the implementation of this recommendation. | | | | |

| TAP 04-012 | EFTPS—Clarification of Tax Year | | | Status: | Closed, Proposal Accepted |
|---|---|---|---|---|---|
| Date Elevated: | 3/10/2004 | Date Response Received: | 4/26/2004 | Originating Committee(s) | Area 2 |
| Statement of Issue: | The Electronic Federal Tax Payment System (EFTPS) payment instruction booklet, telephone and on-line payment systems do not differentiate between calendar and fiscal year-end taxpayers resulting in misapplied payments, inappropriate refunds, or both. | | | | |
| Proposal: | IRS should add instructions clarifying what is meant by tax filing year for both fiscal and calendar year filers at the time the taxpayer is prompted to enter this information, and add an instruction or prompt to existing instructions to identify “Fiscal Year-End Taxpayers”, as suggested below:<br><br>For Fiscal Year-End Taxpayers, [Enter 2 digits for Month Fiscal Year-Ends __. | | | | |
| Response from: | Phyllis Grimes, Director, Business Marketing Services | | | | |
| Response Notes: | The IRS agrees that this is an issue that warrants further attention and will continue to explore ways to reduce the number of misapplied payments by fiscal year-end taxpayers. Scheduled Implementation: EFTPS is currently undergoing several major transitions. The system changes must coincide with printed changes in the Payment Instruction Books and other publications through TEC. The earliest estimated completion date is July 2004. However, this date is subject to approval and revision after review by Financial Management Services and our Treasury Financial Agent.<br><br>A clarification will be added to the next revision of the EFTPS Payment Instruction Booklet, along with a Help message for EFTPS-Online and the next revision of the EFTPS batch-software or what is meant by tax filing year.<br><br>IRS will also modify the voice response system to prompt taxpayers when the tax period appears to be inconsistent with the type of payment being made. Taxpayers will have the option of accepting or changing their payment information at that time. This additional service will result in an increase in the quality of the payment data.<br><br>However, IRS does not believe adding the instruction or prompt for "Month Fiscal Year Ends" will address the problem. When EFTPS was in its infancy, businesses were required to enter their two-digit tax period ending month. Feedback received indicated that fiscal year businesses were inputting the incorrect fiscal year-end month, resulting in errors and unpostable payments. Therefore, EFTPS has been programmed to generate the fiscal year-end month from the master file in order to reduce these errors. | | | | |

| TAP X04-078 | Revised Form 2848- Power of Attorney | | | Status: | Closed, Proposal Accepted |
|---|---|---|---|---|---|
| Date Elevated: | 4/16/2004 | Date Response Received: | | Originating Committee(s) | Area 2 |
| Statement of Issue: | The currently revised Form 2848, Power of Attorney Form, requires the Social Security Number of the Representative in addition to the CAF#, which may raise privacy concerns. There is no justification for the SSN in the Instructions, but the form is rejected if the SSN is not provided. | | | | |
| Proposal: | On April 13, 2004, SME informed the Area 2 Committee that Form 2848 was being revised, and Area 2 recommended that the revised Form 2848 eliminate the requirement that a tax practitioners report their SSNs. | | | | |
| Response Notes: | IRS had not intended that block to be on form so IRS immediately recalled all undistributed copies of form and published a corrected version. | | | | |

| TAP 04-020 | W-4 Form Percentage Option | | | Status: | Closed, Proposal Considered |
|---|---|---|---|---|---|
| Date Elevated: | 4/20/2004 | Date Response Received: | 8/12/2004 | Originating Committee(s) | Area 2 |
| Statement of Issue: | The Form W-4, “Employee’s Withholding Allowance Certificate” does not provide for a choice between dollar amount and percentage increase on line 6 under the heading “Additional Withholding”. | | | | |
| Proposal: | 1) Change line 6 on the W-4 form to indicate that additional withholding can be expressed in dollar amounts or as a percentage of the paycheck.<br>(2) Change appropriate instruction sheet/page and related publications including Treasury/Internal Revenue Service (IRS) Regulations regarding W-4. | | | | |
| Response Notes: | Margie Kinney from the Office of Taxpayer Burden requested that this proposal be part of the W-4 Form project undertaken by the combined committees of Areas 3, 4, and Payroll. | | | | |

| TAP 04-021 | Tax Treatment of Health Benefits Education | | | Status: | Elevated, Awaiting Acknowledgement |
|---|---|---|---|---|---|
| Date Elevated: | 4/20/2004 | Date Response Received: | | Originating Committee(s) | Area 3 |
| Statement of Issue: | Many small businesses are making decisions about whether to offer health benefits to their workers without being fully aware of the tax advantages that can make offering health benefits more affordable. | | | | |
| Proposal: | The Area 3 Committee proposed that the IRS partner with educational and professional organizations to provide clear, accurate, and balanced explanations of the tax treatment of health benefits to provide technical advice and encouragement to small businesses considering providing health benefits to employees, and specifically recommended that the IRS:<br><br>Combine in a new publication explanations about all the tax provisions governing payments for medical expenses to provide information comparable to that provided in various IRS publications about retirement plans for small business.<br>Add to the small business web site information about providing health benefits comparable to the information provided about retirement plans.<br>Expand the explanation of the tax treatment of health benefits and provide a cross-reference to the new publication explaining health benefits in existing publications directed at employers and small businesses. | | | | |

| TAP X04-066 | VITA Training Input | | | Status: | Elevated by Area Committee |
|---|---|---|---|---|---|
| Date Elevated: | 5/1/2004 | Date Response Received: | 9/30/2004 | Originating Committee(s) | Area 4 |
| Statement of Issue: | The current VITA training material and qualifying test do not concentrate on the type of tax assistance provided by VITA volunteers. | | | | |
| Proposal: | Elaine S. Beck, Senior Manager, Education & Product Development, W&I, SPEC, annually convenes a work group comprised of IRS Tax Specialists and partners external to the IRS to assist in writing the certification test/retest. She included TAP Area 4 members in this year's group. The work group recommended that a more intensive review of the VITA Income Tax training program be made. The content of the training should reflect the limitations on the type of assistance VITA volunteers can provide taxpayers And the questions on the qualifying test should reflect the information provided to the students as to what they should know in order to successfully provide the service advertised in the program. The problems on the test which must be solved should be limited to the types of problems that will be encountered within the limitations allowed in VITA. | | | | |
| Response from: | Elaine S. Beck, Senior Manager, Education & Product Development, W&I, SPEC | | | | |
| Response Notes: | The work group completed all phases in the construction of the certification test/retest from creation and problem writing to review and final evaluation. The work group began in May 2004 in Atlanta, GA and concluded with a final product in September 2004 | | | | |

| TAP A04-069 | EITC Website | | | Status: | Closed, Proposal Partially Accepted |
|---|---|---|---|---|---|
| Date Elevated: | 5/14/2004 | Date Response Received: | 11/18/2004 | Originating Committee(s) | W & I EITC |
| Statement of Issue: | The Committee was asked for feedback as to whether www.irs.gov/eitc is user-friendly. | | | | |
| Proposal: | Committee members tested the website during a face-to-face meeting and made recommendations for improvements. | | | | |
| Response from: | David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | The EITC Director reported that the website has been revised and corrected based on the recommendations of Committee members. | | | | |

| TAP A04-032 | EITC Rule Re Caring for a Child | | | Status: | Closed, Proposal Considered |
|---|---|---|---|---|---|
| Date Elevated: | 5/21/2004 | Date Response Received: | 5/25/2004 & 11/8/2004 | Originating Committee(s) | W & I EITC |
| Statement of Issue: | The EITC Committee was asked to provide comments on interpreting "caring for a child as your own" by Mark Schwimmer of the Office of Chief Counsel. | | | | |
| Proposal: | The feedback is a compilation of individual members' comments. Following are examples of the comments: the standard should require minimum intrusion into family's privacy and decision-making about child rearing; taxpayers claiming qualifying children who meet the other requirements should be presumed to be caring for the claimed child(ren) as their own; taxpayers should be required to have engaged in four or five categories of nurturing activities (with examples provided). | | | | |
| Response from: | Judy Wall, Special Counsel to the NTA | | | | |
| Response Notes: | The TAP director received the following feedback by email:<br>“I am very impressed with what the TAP subcommittee put together so quickly. It was important to get their input in such a timely fashion. I am confident that all of us in counsel will look at these closely. Thanks for arranging the logistics for the conference call and the written comments. This was definitely a worthwhile exercise.”<br><br>The EITC Director later reported that subsequent legislation deleted the “cares for” language from the new definition of “qualifying child,” negating the need for a ruling on the topic. | | | | |

| TAP A04-031 | EITC Notices CP-09 and CP-27 | | | Status: | Closed, Proposal Partially Accepted |
|---|---|---|---|---|---|
| Date Elevated: | 5/21/2004 | Date Response Received: | 10/25/2004 & 11/8/2004 | Originating Committee(s) | W & I EITC |
| Statement of Issue: | At the request of the Notice Process Improvement Manager, the EITC Committee agreed to provide feedback on the CP-09 and CP-27 notices, which will be sent to taxpayers whose returns indicate that they may be eligible to claim the Earned Income Credit (EIC) but have not claimed it. | | | | |
| Proposal: | In addition to providing line by line feedback and proposed changes in wording to clarify the notice, the Committee made the following general comments:<br>1. Header information on all notices should be uniform.<br>2. Too much information is included on one sheet of paper which can cause confusion.<br>3. The font size should be increased to improve readability. | | | | |
| Response from: | Dorothy W. Rucker, Notice Process Improvement Program Manager, & David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | NPIIT Program Manager initially thanked Committee for such a prompt response and good information for IRS to consider, stating ”You have definitely surpassed my expectations!,” and subsequently provided a point-by-point response indicating that all the Committee’s concerns were addressed and that many Committee suggestions were incorporated into revised notices. The EITC Director also reported that many of the Committee’s suggestions were incorporated into the revision of the notices. | | | | |

| TAP A04-033 | Improving EITC Audit Notice "Stuffer" | | | Status: | Pending Review by TAP |
|---|---|---|---|---|---|
| Date Elevated: | 5/28/2004 | Date Response Received: | 11/18/2004 | Originating Committee(s) | W & I EITC |
| Statement of Issue: | The EITC Committee was asked to review and suggest changes to the draft "stuffer" to be included with the Contact Letter 566B, which is sent to taxpayers whose EITC claims are being examined. The purpose of the stuffer is to reduce the number of non-responses to audit notices. | | | | |
| Proposal: | The Committee recommended the stuffer be placed on top of the notice and all enclosures, possibly as a wrapper and the stuffer be printed on eye-catching colored paper or with dollar bills in the background. The Committee also recommended both an English and a Spanish side and large font size. In addition, the Committee made line by line specific recommendations and attached a draft version showing the suggested changes. | | | | |
| Response from: | David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | EITC Director reported that Committee comments were provided to the IRS group working on the form but that it had been decided that the notice stuffer would not be used at this time. | | | | |

| TAP A04-034 | EITC Pre-Certification Notice | | | Status: | Closed, Proposal Partially Accepted |
|---|---|---|---|---|---|
| Date Elevated: | 5/28/2004 | Date Response Received: | 11/18/2004 | Originating Committee(s) | W & I EITC |
| Statement of Issue: | EITC Director, David Williams, requested the Committee review and suggest changes to the draft CP-84A, Pre-Certification Notice. This notice will be sent in August 2004 to taxpayers selected for the EITC precertification pilot. | | | | |
| Proposal: | The Committee generally found the structure and appearance of the form user-friendly. The notice contains an italicized note in Spanish indicating its availability in Spanish and recommended all notices include a comparable note. The Committee provided line by line suggestions for changes in format and wording and copies of the notices showing the changes. The Committee also recommended the use of the term, Earned Income Credit, rather than Earned Income Tax Credit, to avoid the implication that tax must be owed before the credit can be claimed. | | | | |
| Response from: | David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | EITC Director reported that Committee comments were very good and to the extent possible were incorporated into CP-84A. | | | | |

| TAP C04-029 | Notice Elimination Review | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 6/1/2004 | Date Response Received: | | Originating Committee(s) | W & I Reducing Taxpayer Burden-–—Notices |
| Statement of Issue: | The Notice Committee was asked to review the "Individual Master File Computer Paragraph Notice and Automated Collection System Letter Notice Elimination Review" of January 2004. The report included general notice process improvement recommendations, recommendations on streamlining the notice package, and recommendations on specific notices or letters. | | | | |
| Proposal: | The Committee commended the Notice Process Improvement Initiative Team (NPIIT) recommendations that, if implemented, would positively impact on customer satisfaction, business, results, and employee satisfaction. Multiple related notices, which cause confusion, would not be mailed to customers. Notices would provide enough detail for the taxpayer to prepare for follow-up action. IRS could realize a tremendous cost savings and staffing demands to maintain obsolete programming and procedural guidelines would be reduced. IRS employee resources would also be used more efficiently by reducing the drain on telephone services. | | | | |

| TAP C04-030 | Notice Standardization Guide | | | Status: | Closed, Proposal Partially Accepted |
|---|---|---|---|---|---|
| Date Elevated: | 6/1/2004 | Date Response Received: | 7/13/2004 | Originating Committee(s) | W & I Reducing Taxpayer Burden-—Notices |
| Statement of Issue: | The Notice Committee was asked to review the April 30, 2004 Notice Standardization Guide, which is the style guide for re-writing notices. The document addresses verbal and written information changes aiming for easier and more effective communication between the IRS, taxpayers, and others involved in the tax system. | | | | |
| Proposal: | Specific recommendations or questions regarding the report included the logistics for installing 11 point font for all notices and a suggestion to include answering the question, "What are the consequences if I don't pay?" The proposal also asked for clarification of the legal language, the documents assessment tool and recommended placing the acronym directory and glossary in the forward rather than the last chapter. | | | | |
| Response from: | Andrea J. Law, Chief, Notice Support | | | | |
| Response Notes: | Included the narrative chart TAP developed in the" Using the Document Assessment Tool" section of the Notice Standardization Guide. Agreed with TAP's page number suggestion to include the section number with the page number, however, it was too late to incorporate but will set up links on the website version to alleviate the problem. Regarding the standardization of fonts used by IRS, because this involves so many different internal systems, IRS needs to implement slowly. Disagreed with adding special section on "What are the consequences if I don't pay?" because it is their belief all elements covered in "Why should I pay?" IRS will ask for additional comments on A Standard Format or Layout in the future. Suggested changes could not be made to the Document Assessment Tool since it is a copyrighted document. | | | | |

| TAP G04-039 | Confidentiality of Information Provided to Tax Preparers | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 6/7/2004 | Date Response Received: | | Originating Committee(s) | Ad Hoc |
| Statement of Issue: | The disclosure of taxpayers' personal information by tax preparers has become a serious issue and may be a contributing factor in the rapid rise of identity theft. | | | | |
| Proposal: | 1. Publicity to inform the public about the confidentiality laws, taxpayer rights, and the avenues provided by IRS, OPR, and DOJ to taxpayers to report violations of confidentiality and to pursue their cases with these agencies. This publicity could be as simple as an additional explanation in the FTC booklet, ID Theft: What's it All About?<br>2. Encourage OPR and the IRS' Return Preparer Program to seek out cases rather than wait for referrals. The new director of OPR has indicated that he would like OPR to take a more active role in identifying cases; in addition, he has begun a collaboration with 94 DOJ offices about cases the OPR can pursue.<br>3. Establish an IRS toll-free hotline with trained personnel who are able to refer cases to OPR or RPP. The Service could consider piggybacking on an existing toll-free line, thereby minimizing its costs. Information about the hotline and its number could be included in the 1040 Instructions under the section "Help with Unresolved Tax Issues: Office of the Taxpayer Advocate." The information could also be available at Taxpayer Assistance Centers and other locations where tax information is disseminated. | | | | |

| TAP 04-023 | Financial Literacy--Adult Education | | | Status: | Elevated, Awaiting Preliminary Response |
|---|---|---|---|---|---|
| Date Elevated: | 6/9/2004 | Date Response Received: | | Originating Committee(s) | Area 7 |
| Statement of Issue: | There is an educational gap for many taxpayers in regards to understanding the importance of tax obligations and having the basic skills to file a simple tax return. This gap is higher in taxpayer populations such as lower income, some minority groups, people with disabilities, and those who are not English proficient. Without the basic understanding of taxes and the consequences of noncompliance, it is impossible to have financial stability or establish good credit | | | | |
| Proposal: | • Encourage the IRS W&I Operating Division to devote resources to promote tax education for adults with existing and future coalitions.<br>• Develop tax modules for the adult learner or modify the existing tax modules on www.irs.gov for use in financial literacy programs such as Money Smart developed by FDIC, or those found on financial institutional websites such as Fannie Mae.<br>• Develop these products in different languages as well as for the visually impaired.<br>• Encourage existing Financial Literacy websites to link to the IRS tax module website<br>• Produce IRS' own financial literacy CD-Rom and incorporate a module on taxes. | | | | |

| TAP 04-025 | Innocent Spouse/Injured Spouse | | | Status: | Elevated, Awaiting Preliminary Response |
|---|---|---|---|---|---|
| Date Elevated: | 6/9/2004 | Date Response Received: | | Originating Committee(s) | Area 4 |
| Statement of Issue: | Confusion exists among taxpayers between the terms “injured spouse” and “innocent spouse.” | | | | |
| Proposal: | It is recommended that the new terminology for "Injured Spouse Relief," become "Relief From Denied Spouse Refund," or such other language as the Internal Revenue Service deems appropriate | | | | |

| TAP A04-070 | EITC Forms Testing | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 6/10/2004 | Date Response Received: | | Originating Committee(s) | W & I EITC |
| Statement of Issue: | Forms and Publications has issued new criteria for testing, which suggests that more EITC documents may be tested in the future. | | | | |
| Proposal: | The Committee recommended (1) that standing focus groups comprised of individuals working with EITC recipients and EITC recipients themselves be established to test EITC forms and instructions; and (2) that the TAP Earned Income Tax Credit Issue Committee be advised as soon as possible of all EITC forms and instructions that are being revised or targeted for revision to allow the Committee to become involved early in the revision process. | | | | |

| TAP 04-024 | Innocent Spouse--Notification of Non-Requesting Spouse | | | Status: | Elevated, Awaiting Preliminary Response |
|---|---|---|---|---|---|
| Date Elevated: | 6/14/2004 | Date Response Received: | 10/19/2004 | Originating Committee(s) | Area 4 |
| Statement of Issue: | Many taxpayers who seek “innocent spouse” relief from joint and several tax liability based on a joint tax return are unaware that the law requires the IRS to notify the non-requesting spouse of the request for relief. | | | | |
| Proposal: | Insert in Part 1 of Form 8857, Request for Innocent Spouse Relief, the following sentence in bold lettering under the third line (in lieu of the present bold sentence commencing "If you have been a victim ..... retaliation, check here"):<br>"THE LAW REQUIRES THE IRS TO INFORM YOUR SPOUSE OR FORMER SPOUSE OF THE REQUEST FOR RELIEF FROM LIABILITY See page 2 of the instructions."<br><br>Re-insert the sentence regarding the" Victim….. and check box as a new Part VI.<br><br>On page 2 of Publication 971, Innocent Spouse Relief, BOLD the entire paragraph captioned “IRS spousal notification.” | | | | |
| Response from: | Maragret Warren, Director, Product & Partnership Development | | | | |
| Response Notes: | | | | | |

| TAP 04-026 | Innocent Spouse Outreach | | | Status: | Pending Review by TAP |
|---|---|---|---|---|---|
| Date Elevated: | 6/14/2004 | Date Response Received: | 10/4/2004 | Originating Committee(s) | Area 4 |
| Statement of Issue: | Taxpayers and their legal advisers often are unaware that the terms of a divorce decree do not override the federal statutory liability created by the execution of a federal joint income tax return. | | | | |
| Proposal: | As an IRS outreach educational program, the Service should seek to work with the Family Law Sections of the American Bar Association, State Bar Associations, and local bars, as well as the Judicial Family Law organizations.<br><br>In addition, the IRS should propose model language for inclusion in divorce decrees as follows:<br><br>Joint and Several Liability<br>This divorce decree does not override federal tax law. Generally, joint and several liability applies to all joint returns. This means that both you and your spouse or former spouse are jointly and individually responsible for any underpayment of tax plus interest and penalties. This is true even though this divorce decree states that your former spouse will be responsible for any amounts due on previously filed joint returns.<br><br>In addition, the IRS should propose model language for inclusion in divorce decrees as follows:<br>Joint and Several Liability<br>This divorce decree does not override federal tax law. Generally, joint and several liability applies to all joint returns. This means that both you and your spouse or former spouse are jointly and individually responsible for any underpayment of tax plus interest and penalties. This is true even though this divorce decree states that your former spouse will be responsible for any amounts due on previously filed joint returns. | | | | |
| Response from: | Margaret L. Warren, Director, Product and Partnership Development | | | | |
| Response Notes: | The IRS funds the development and printing of two brochures for the ABA Section of Taxation relating to Innocent Spouse, “Tax Facts for Seniors With A Change in Marital Status” and “Your Money Matters-Tax Information for Survivors of Domestic Abuse.” Innocent Spouse is a very small population and does not provide sufficient ROI to pursue further. | | | | |

| TAP A04-038 | EITC Notice 79A Revision | | | Status: | Closed, Proposal Partially Accepted |
|---|---|---|---|---|---|
| Date Elevated: | 6/17/2004 | Date Response Received: | 11/18/2004 | Originating Committee(s) | W & I EITC |
| Statement of Issue: | The EITC Committee was asked to review and provide comments on the revised Notice 79A, which is used to inform taxpayers that they are banned from taking the Earned Income Credit for two years. | | | | |
| Proposal: | The EITC Committee provided line-by-line suggestions for improving the form along with several general suggestions, including to clarify the explanation of how to determine to which years the two-year ban applies. | | | | |
| Response from: | David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | EITC Director reported that two of the Committee's recommendations were incorporated into the latest revision of Notice 79A, and other Committee recommendations are under consideration. | | | | |

| TAP E04-079 | Schedule C-EZ from $2,500 to $5,000 | | | Status: | Closed, Proposal Accepted |
|---|---|---|---|---|---|
| Date Elevated: | 6/30/2004 | Date Response Received: | 8/20/2004 | Originating Committee(s) | SBSE Compliance Issues—Sch C Non-Filers |
| Statement of Issue: | The $2,500 limit on the deduction for business expenses on Schedule C-EZ has not been adjusted to keep pace with inflation. | | | | |
| Proposal: | The Schedule C Non-Filer Committee recommended that the $2,500 business expense deduction limit be increased. | | | | |
| Response from: | Barbara Loos, SBSE Program Analyst | | | | |
| Response Notes: | The expense limit on Schedule C-EZ will be increased from $2,500 to $5,000 for tax year 2005. | | | | |

| TAP 04-027 | Fax Numbers on Notices | | | Status: | Elevated, Awaiting Final Response |
|---|---|---|---|---|---|
| Date Elevated: | 7/7/2004 | Date Response Received: | 7/8/2004 | Originating Committee(s) | Area 6 |
| Statement of Issue: | Notices that allow for written communication between the IRS and a taxpayer or tax professional generally do not include a fax number in addition to the phone number and mailing address currently provided. | | | | |
| Proposal: | The IRS should begin including fax numbers on all correspondence that currently includes a telephone number and mailing address. The IRS should eliminate the use of stand-alone fax machines and migrate to the use of fax server technology to increase productivity, achieve cost-savings, and reduce taxpayer burden. | | | | |
| Response from: | Ann Gelineau, W & I Notices, Single Point of Contact | | | | |
| Response Notes: | Sent to a service wide notice standardization team effort--with a focus on layout. | | | | |

| TAP 04-036 | Form 656 OIC Revision | | | Status: | Closed, Proposal Considered |
|---|---|---|---|---|---|
| Date Elevated: | 7/7/2004 | Date Response Received: | 7/19/2004 | Originating Committee(s) | Area 5 |
| Statement of Issue: | On behalf of Forms and Publications, Houston Local Taxpayer Advocate and OIC expert William Sonnack, asked the Area 5 Committee to provide public feedback on revised Form 656, Offer in Compromise (OIC), about its clarity to the taxpayer.. | | | | |
| Proposal: | The Area 5 Subcommittee made line-by-line suggestions for improving the Form 656. | | | | |
| Response from: | Michael P. McDermitt, National Program Manager, Offer in Compromise | | | | |
| Response Notes: | Recommendations were received after the cut-off time frame for suggestions. Many of the items, or parts of the form were revised in a similar manner as TAP suggested. Recommendations will be kept on file for the next revision. | | | | |

| TAP 04-028 | EFTPS Information Access Period | | | Status: | Closed, Proposal Accepted |
|---|---|---|---|---|---|
| Date Elevated: | 7/7/2004 | Date Response Received: | 7/16/2004 | Originating Committee(s) | Area 1 |
| Statement of Issue: | Taxpayers can electronically review payments that they made via the Electronic Federal Tax Payment System (EFTPS) for a period of 16 months. Taxpayers who are granted a six-month extension to file their tax return by October 15, cannot view their complete estimated tax payment history because the first payment could have been credited more than 16 months earlier. | | | | |
| Proposal: | Extend the period of time EFTPS payment history is available to taxpayers from 16 months to 36 months | | | | |
| Response from: | Phyllis T. Grimes, Director, Business Marketing Services | | | | |
| Response Notes: | The IRS responded: "This is a good idea. In fact, we just extended the payment history in EFTPS based on feedback that the timeframe was too short. We have consulted with SBSE CAS and they have indicated that a 24-month payment history is planned for our next release. Unfortunately in our current program, 36 months is not possible due to system capacity issues, but they are working on that as well. The change to accommodate a 24-month payment history is planned as an enhancement for EFTPS On-Line version 3.0 which is scheduled for delivery in early 2006." | | | | |

| TAP 04-022 | Forms Testing | | | Status: | Closed, Proposal Considered |
|---|---|---|---|---|---|
| Date Elevated: | 7/7/2004 | Date Response Received: | 7/7/2004 | Originating Committee(s) | Area 5 |
| Statement of Issue: | There has been very little focus group testing of IRS individual income tax forms or instructions during the last seven years. | | | | |
| Proposal: | The Area 5 Committee recommended that the number of forms and instructions that are tested with focus groups be increased to a greater extent than is currently being planned.<br><br>The Committee endorses all the recommendations made by the GAO and urges their implementation by the IRS. These recommendations and the Committee's comments are:<br><br>• Develop written criteria for determining which changes to tax forms and instructions should be tested with taxpayers before publication.<br><br>Criteria should include the potential for error and the number of taxpayers affected. Data regarding potential for error could be gleaned from the "top 20" list of errors, statistics from call-in centers, the audit process, and surveys of tax preparers.<br><br>• Develop official written guidance that incorporates those criteria and ensure that the guidance requires staff that develop new or revised forms and instructions to document which changes would merit testing and why.<br><br>This is a logical extension of the previous recommendation. Acting Commissioner Bob Wenzel stated that these first two recommendations would be implemented in 2004.<br><br>• Clarify procedures by designating when in the annual forms development process that a draft version of forms and instructions should be available for testing with taxpayers.<br><br>It should be possible to have testing done before the document is submitted to legal staff and well ahead of a last minute time crunch. Written procedures should be in place to ensure this.<br><br>• Ensure that an appropriate range of evaluations are conducted of tests that are performed to better establish the costs and benefits of performing tests and to refine IRS's approach to testing.<br><br>In the years 1997-2002 only five forms and instructions were tested. A larger sample needs to be tested and evaluated to determine the costs and benefits of testing.<br><br>• Use information gained from documenting when changes to forms or instructions likely would be beneficial and from evaluations of tests to reassess an appropriate level of resources to perform testing.<br><br>The benefits are hard to quantify and occur over the long run. The IRS should seek more resources on the basis of the long run benefits. | | | | |
| Response from: | Denise S. Fayne, Director, Tax Forms and Publications Division | | | | |
| Response Notes: | After this recommendation was approved by the Joint Committee, Area 5 was advised that a comprehensive set of criteria for "Selecting New/Revised/Redesigned TAS Forms and Instructions for Forms Testing" had been developed. Proposal was sent forward and acknowledged. | | | | |

| TAP 04-037 | Low Dollar Balance Due Abatement | | | Status: | Elevated, Awaiting Final Response |
|---|---|---|---|---|---|
| Date Elevated: | 7/13/2004 | Date Response Received: | 9/23/2004 | Originating Committee(s) | Area 3 |
| Statement of Issue: | In July 2001, the Internal Revenue Service computer program was updated to permanently abate the portion of the tax, penalty , and interest that remains unpaid when the amount is less than $5.00. Since that time, costs of processing notices to taxpayers on balance due accounts has increased | | | | |
| Proposal: | Increase the tolerance level to $25.00 and update the notices informing taxpayers of changes to their account using a statement similar to the current notice for balance dues of less than $5.00. | | | | |
| Response from: | Pamela G. Watson, Director, Filing & Payment Compliance | | | | |
| Response Notes: | Response not received in TAP; requested duplicate. | | | | |

| TAP F04-014 | Form W-4EZ | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 8/12/2004 | Date Response Received: | | Originating Committee(s) | Area 3, Area 4, &SBSE Reducing Taxpayer Burden--Payroll Taxes |
| Statement of Issue: | Some taxpayers have difficulty accurately calculating withholding on Form W-4 due to its complexity. | | | | |
| Proposal: | The Committee recommended that a new W-4EZ form be created and designed a “mock” W-4EZ as an example.<br><br>However, based on research data, the Committee agreed that a single W-4EZ form would not work, because the situations are so different for single and married taxpayers, so recommended one new form for single (W-4EZ-S) and one for married (W-4EZ-M) individuals. The forms would be most accurate using the following criteria for taxpayers using these new forms:<br><br>1. Income of less than $50,000 per year<br>2. Having less than three children<br>3. Not itemizing deductions<br><br>Finally, the Committee encouraged the addition of instructions that explain that a taxpayer should not claim the exemptions on this W-4 if they have more than one job and this W-4 is not for the primary job. One of the situations that will cause taxpayers to be underwithheld is when they work at more than one job (or both the spouse and taxpayer claim the same exemptions). Because the new W-4EZ-S and W-4EZ-M would eliminate many of the complexities of the regular W-4 form, these additions to the instructions should not make the new form too difficult to understand.<br><br>The Committee encouraged the program owner to include the Committee in implementing this recommendation, if it is accepted. | | | | |

| TAP F04-041 | Form W-4 Employer Compliance | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 8/12/2004 | Date Response Received: | | Originating Committee(s) | Areas 3 & 4 & SBSE Reducing Taxpayer Burden—Payroll Taxes |
| Statement of Issue: | On the draft Form 941 for 2005, Line 1 identifies the number of employees in the middle of the third month of each quarter for income tax purposes. Line 4 identifies total exemption from withholding Social Security and Medicare Taxes for qualified state, county, and municipal governments and certain other employers. The form does not provide a place for employers to identify the number of nonresident employees subject to income tax as identified in Line 1 but not subject to Social Security and Medicare Taxes. | | | | |
| Proposal: | All Employer Forms should identify the existence of nonresident employees who are generally exempt from contributions to Social Security and Medicare Tax.<br><br>The Committee recommends (1) changing Form 941 Line 5 so that Line 5a reads, "Number of employees listed in Line 1 who are exempt from Social Security and Medicare Wages and tips." The subsequent information would become lines 5b, 5c, 5d, and 5e; (2) creating a citizenship checkbox on Form W-4 or a new Form W-4 for Nonresidents (i.e. Form NR W4); and (3) including a citizenship checkbox and a checkbox for exempt from taxes withheld on Form W-2. | | | | |

| TAP A04-040 | EITC Preparers' Electronic Toolkit | | | Status: | Closed, Proposal Partially Accepted |
|---|---|---|---|---|---|
| Date Elevated: | 8/16/2004 | Date Response Received: | 11/18/2004 | Originating Committee(s) | W & I EITC |
| Statement of Issue: | The EITC Committee was asked by the EITC program to review and suggest changes to "Earned Income Tax Credit: An Electronic Toolkit for Tax Preparers," an online source of basic information about the EITC designed and maintained by a private vendor and accessible via a link on the IRS website. | | | | |
| Proposal: | The Committee wrote 17 pages of specific comments on how to implement the following recommendations:<br>• Provide information on direct access to the Electronic Toolkit in publications and forms.<br>• Add guidance to ease navigation of the site.<br>• Eliminate empty space so that users do not have to sort through several screens or pieces of paper to get to the substance of the topic.<br>• Reformat online and printed versions to improve readability.<br>• Whenever forms, schedules, and publications are mentioned, provide web addresses and links that take the user directly to the cited material, not the IRS website home page.<br>• Employ a more sophisticated and user-friendly search engine that would identify more potentially relevant documents.<br>• Provide clearer and more complete explanations | | | | |
| Response from: | David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | The EITC Director reported that many of the Committee's recommendations were incorporated into the revised toolkit for Tax Year 2004 and a detailed response is forthcoming. | | | | |

| TAP A04-071 | EITC Interactive Internet Programs | | | Status: | Closed, Proposal Partially Accepted |
|---|---|---|---|---|---|
| Date Elevated: | 8/16/2004 | Date Response Received: | 9/15/2004 & 11/18/2004 | Originating Committee(s) | W & I EITC |
| Statement of Issue: | The Committee was asked for feedback on two online computer applications demonstrated at a face-to-face meeting: the EITC Eligibility Calculator, an interactive application to determine EITC eligibility, and the EITC CERT, a tool for participants in the qualifying child test to determine the status of their claim | | | | |
| Proposal: | Committee members made suggestions for improvements at the meeting and subsequently via email. | | | | |
| Response from: | Crystal Philcox, Director, EITC Systems Operations & David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | The Director of EITC Systems Operations gave a detailed account of the status of individual member's oral and emailed comments, many of which were incorporated, and the EITC Director reported that member comments will continue to be considered as the EITC program enhances these applications. | | | | |

| TAP E04-081 | 1099 Matching Program | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 8/20/2004 | Date Response Received: | | Originating Committee(s) | SBSE Compliance Issues—Sch C Non-Filers |
| Statement of Issue: | The IRS requested feedback from the Schedule C Non-Filer Committee on a proposed Form 1099 Matching Program. | | | | |
| Proposal: | The Committee stated that the 1099 Matching Program was "logical, sensible and would achieve its objective". The Committee also advised the IRS replace the term "non-employee compensation" with "contract labor" so that the Form 1099 is consistent with Form 1096. The Committee also suggested rephrasing two questions that are part of this Program. | | | | |

| TAP E04-082 | Form SS-4 Changes | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 8/20/2004 | Date Response Received: | | Originating Committee(s) | SBSE Compliance Issues—Sch C Non-Filers |
| Statement of Issue: | The IRS requested the advice of the Schedule C Non-Filer Committee to combat the following problem:<br>When completing the Form SS-4 to apply for an EIN, many small business owners will incorrectly state in their application that they will have employees in their business. An incorrect statement on the SS-4 will cause the IRS problems with the filing requirements expected of that business. The IRS asked that the Committee analyze Question 12 and 13 of the Form SS-4. | | | | |
| Proposal: | The Committee proposed to strike questions 12 and 13 and create new questions to be designated 12a and 12b. The questions would be:<br><br>Q12a: “Are you paying wages currently?” – “Yes/No”<br>Q12b: If “Yes” -“state the date wages or annuities were first paid”; and, “What is the number of employees of each type paid: Agriculture-Household-Other?”<br><br>A “Yes” answer would trigger the IRS computers to send out the standard employment “Compliance Packet,” including payment coupons, returns and instructions. “No” answers would trigger the IRS computers to send out employment tax obligation booklets with instructions to contact the IRS when first wages/annuities are scheduled to begin in order to request the Compliance Packet. | | | | |

| TAP E04-083 | Expand Eligibility for Schedule C-EZ | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 8/20/2004 | Date Response Received: | | Originating Committee(s) | W & I Reducing Taxpayer Burden—Notices |
| Statement of Issue: | To be eligible to use Schedule C-EZ, a taxpayer must have no inventory in the trade or business. | | | | |
| Proposal: | The Committee recommended that the IRS remove the eligibility requirement that the taxpayer have no inventory in the trade or business be dropped. | | | | |

| TAP E04-084 | Form W-9 IC for Independent Contractors | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 8/20/2004 | Date Response Received: | | Originating Committee(s) | SBSE Compliance Issues--Sch C Non-Filers |
| Statement of Issue: | Schedule C non-filing and underreporting of non-employee compensation. | | | | |
| Proposal: | In order to combat Schedule C non-filing and the underreporting of non-employee compensation, the Committee recommends that the IRS develop and publicize, through outreach end education, a new Form W-9IC to be submitted by independent contractors to payors. The Form-W-9 could be modified in design and narrative to create the Form W-9IC. | | | | |

| TAP B04-086 | MLI Bilingual Brochures | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 8/20/2004 | Date Response Received: | | Originating Committee | Multilingual Initiative |
| Statement of Issue: | The MLI program owner asked the Committee to comment on draft bilingual brochures developed by the MLI office to explain basic tax information to limited English proficient taxpayers. | | | | |
| Proposal: | Each committee member reviewed Publication 4346, Basics of Tax Processing (English/Spanish), and provided input the to MLI program owners. | | | | |

| TAP C04-065 | Language Standardization Guide—Layout Standards | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 9/7/2004 | Date Response Received: | | Originating Committee(s) | W & I Reducing Taxpayer Burden—Notices |
| Statement of Issue: | The IRS Language Standardization Notice Committee is developing a Language Standardization Guide for IRS notices. This guide helps notice writers understand what they need to do when changing or writing a notice. The W & I Notice Committee was asked to review and provide feedback on the draft Layout Standards of the guide. | | | | |
| Proposal: | The Committee had positive feedback for the excellence of the document and provided specific recommendations on various parts, including: use of birth date as an identification application, definition and application of TEGE and SBSE, time zone concerns, and future use of taxpayer's email address. The proposal also suggested an example of the notice using the templates as it is very difficult to picture the end result without an example. | | | | |

| TAP 04-043 | Lien Processing | | | Status: | Elevated, Awaiting Acknowledgement |
|---|---|---|---|---|---|
| Date Elevated: | 9/17/2004 | Date Response Received: | | Originating Committee(s) | Area 4 |
| Statement of Issue: | The IRS is currently changing lien processing services from 32 geographically based Area offices, to a centralized model. Operating procedures have not been completed for the new centralized lien process and implementation has not yet occurred. | | | | |
| Proposal: | To increase the effectiveness of the new centralized lien process, the TAP Area 4 Committee proposed that IRS program owners include TAP members as external stakeholders as operating procedures are completed and the design goes to implementation. TAP members can represent all of the customers of the lien process: taxpayers, taxpayers' representatives and other third parties. TAP involvement in the reorganization process can provide key stakeholder input that is currently missing. | | | | |

| TAP 04-042 | Identity Theft, IRS Procedures | | | Status: | Elevated, Awaiting Acknowledgement |
|---|---|---|---|---|---|
| Date Elevated: | 9/17/2004 | Date Response Received: | | Originating Committee(s) | Area 5 |
| Statement of Issue: | Identity theft has proliferated exponentially, affecting individuals, private industries, and governments at all levels, and growing into a Service-wide problem for the Internal Revenue Service (IRS) and taxpayers. The cost in dollars and time is monumental. Pamara Blount and Christopher Lee, the NTA's representatives on the IRS task force on identity theft, indicated that TAP members' input would be beneficial to the development of an IRS identity theft policy. | | | | |
| Proposal: | The Committee recommended that the NTA representatives on this the IRS task force on identity theft request input from TAP members in the development of the identity theft policies to be recommended to the IRS and for Area 5 to serve as the point of contact for TAP members. | | | | |

| TAP B04-085 | Questions About Utility of Kiosks | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 9/17/2004 | Date Response Received: | | Originating Committee(s) | Multilingual Initiative |
| Statement of Issue: | The Committee has doubts about the cost-effectiveness of kiosks to serve the needs of limted English speaking taxpayers. | | | | |
| Proposal: | The Committee submitted a series of questions to MLI program owners regarding the cost-effectiveness of kiosks to help analyze their utility. | | | | |

| TAP 04-048 | Improvements to CP521 Notice | | | Status: | Elevated, Awaiting Acknowledgement |
|---|---|---|---|---|---|
| Date Elevated: | 9/21/2004 | Date Response Received: | | Originating Committee(s) | Area 7 |
| Statement of Issue: | The current CP521 Notice, Monthly Installment Agreement Notice, contains grammatical errors, lacks a projected payoff date, the language is awkward, and the look of the notice is not reader friendly. | | | | |
| Proposal: | The Committee proposed changes to the language, grammar, format and content of CP521. | | | | |

| TAP 04-047 | Interactive Installment Agreement Website | | | Status: | Elevated, Awaiting Acknowledgement |
|---|---|---|---|---|---|
| Date Elevated: | 9/21/2004 | Date Response Received: | | Originating Committee(s) | Area 7 |
| Statement of Issue: | There are problems with the usability of the current interactive Installment Agreement Website. | | | | |
| Proposal: | The Area 7 Committee participated in a focus group on a new Interactive Installment Agreement Website and made additional recommendations for improvement | | | | |

| TAP C04-056 | CP5XX Series Usability Testing | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 9/22/2004 | Date Response Received: | | Originating Committee(s) | W & I Reducing Taxpayer Burden—Notices |
| Statement of Issue: | Members of the Notice Committee were invited to observe the Notice Usability Testing and provide comments on the process and notices themselves. The notices tested were the CP 501, Reminder of a Balance Due, CP 504, Urgent Notice of a Balance Due, and the CP 515, First notice of failure to file a return. | | | | |
| Proposal: | Observations on the process: Taxpayers were asked to assume a role as they evaluated the Notices. IRS should simply ask them what they felt about the Notices rather than requiring them to imagine what some other person might have felt. CP-515 is sent with a completed tax return and the TAP members felt it was confusing since taxpayers may not be required to file or, if they file, might need to change the information on the return. It was also suggested to have more interaction with the parties doing the interviewing and the IRS. | | | | |

| TAP 04-051 | Advertising TAP in Publication 1546 | | | Status: | Elevated, Awaiting Preliminary Response |
|---|---|---|---|---|---|
| Date Elevated: | 9/22/2004 | Date Response Received: | | Originating Committee(s) | Area 1 |
| Statement of Issue: | It is an ongoing concern that the Taxpayer Advocacy Panel is not widely known. | | | | |
| Proposal: | In an effort to advertise the Taxpayer Advocacy Panel (TAP) as an Independent advisory unit to the IRS, the Area 1 Committee proposed that a brief statement of TAP's mission and information such as the toll-free number and website be included in the Taxpayer Advocate Service (TAS) Guide "How to Get Help With Unresolved Tax Problems" (Publication 1546). The suggested statement is:<br><br>Taxpayer Advocacy Panel (TAP) – An independent panel of citizen volunteers who make suggestions for improving the way IRS does business. Contact TAP at: 1-888-912-1227 or www.improveirs.org. | | | | |

| TAP F04-059 | Annualized Form 941 | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 9/22/2004 | Date Response Received: | | Originating Committee(s) | SBSE Reducing Taxpayer Burden—Payroll Taxes |
| Statement of Issue: | Quarterly filings of Form 941 are an unnecessary burden to the small business owner in the time it takes to complete and file quarterly returns. The IRS processing of quarterly Form 941's are also an unnecessary use of IRS resources. | | | | |
| Proposal: | To decrease the burden for small business owners, the Committee recommended that the IRS initiate the pilot study proposed by the IRS Annualized Form 941 Task Force, to be expanded if successful for small business owners who owe less than $2500 per quarter to file Form 941 annually. The panel recommends the following conditions:<br><br>1. Businesses must show a record of compliancefor the previous 8 quarters in both filing timely and current on payments.<br>2. The IRS should structure the final implementation of an annualized Form 941 to include indexing for inflation.<br>3. The IRS should look at other options such as biannual filing for those taxpayers who owe more than $2500 per quarter.<br>4. To encourage electronic filing and payment, require both for participation in the annual Form 941 program. | | | | |

| TAP 04-050 | Simplify Form 1041 Instructions | | | Status: | Elevated, Awaiting Preliminary Response |
|---|---|---|---|---|---|
| Date Elevated: | 9/22/2004 | Date Response Received: | | Originating Committee(s) | Area 2 |
| Statement of Issue: | The Instructions for Form 1041, U.S. Income Tax Return for Estates and Trusts, should be revised to segregate information relating to simple trusts and decedent's estates. | | | | |
| Proposal: | The Area 2 Committee recommended the following:<br><br>1. Clarify the concept of Distributable Net Income (DNI). A flowchart illustrating the concept of DNI and the flow of information in conjunction with an improved explanation should be included in the instructions.<br>2. Include a section at the beginning of the instructions of the "Most Commonly Asked Questions." This section should reference the appropriate page(s) in the instructions where the answer can be found. Some of the questions, and references, to include would be:<br><br>a. Does the beneficiary or the estate/trust pay any taxes due? (income taxation of trusts and decedents estates, page 2: line 18- income distribution deduction, Page 17)<br>b. When is a return due? (when to file, Page 6; extension of time, Page 6)<br>c. What income is reported? (line 1 thru 8 Income, Page 8)<br>d. What deductions are available? (deductions, Page 14; lines 10 thru 15b, Pages 15 and 16)<br><br>3. Include a section at the beginning of the instructions for the List of Important Documents. This list should include typical documents the taxpayer will need to complete Form 1041. This should include forms, such as K-1; publications, such as 559, and documentation, such as beneficiary information.<br><br>4. Segment the instruction book by the type of entity. Since the form is used for significantly different entities, the instructions and examples specific to an entity should be grouped together. There should be a section on a decedent's estate, a section on a simple trust, complex trust, small business trust, grantor trust, and qualified disability trust.<br><br>5. Include a Glossary of Terms. Terms to include would be beneficiary, distribution, grantor, estate, and trust. | | | | |

| TAP 04-049 | Marketing TAP | | | Status: | Elevated, Awaiting Preliminary Response |
|---|---|---|---|---|---|
| Date Elevated: | 9/22/2004 | Date Response Received: | | Originating Committee(s) | Area 7 |
| Statement of Issue: | It is an ongoing concern that the Taxpayer Advocacy Panel is not widely known. | | | | |
| Proposal: | To promote TAP's existence and purpose and increase the quantity and quality of grass-root issues brought to the TAP, The Area 7 Committee suggested the following prepared language to be inserted in IRS news releases and text from the IRS National Office often used by various businesses/outlets during tax season to communicate important tax information and changes.<br><br>SPEAKUP<br>The Taxpayer Advocacy Panel is an independent panel of citizen volunteers appointed by the Secretary of the Treasury to make suggestions for improving customer service at the Internal Revenue Service. Panel members from all 50 states, Washington, D.C., and Puerto Rico will not only listen to what you have to say but will also give your suggestions a voice. For more information call us at 1-888-912-1227 or visit our website at www.improveirs.org.<br><br>This information should be coordinated nationally with any organization that normally provides tax tips and information to their customers. For example, businesses such as Payroll Services (ADP) and the National Association of Federal Credit unions provide tax tips in statements mailed to their customers. Information about TAP should be made available to various communication vehicles that use news releases from the IRS to make tax guides.<br><br>This prepared language should also be included in news releases about TAP. | | | | |

| TAP 04-045 | IRS Correspondence, Change of Address | | | Status: | Elevated, Awaiting Preliminary Response |
|---|---|---|---|---|---|
| Date Elevated: | 9/22/2004 | Date Response Received: | | Originating Committee(s) | Area 5 |
| Statement of Issue: | The broad issue is why taxpayers do not get their mail from the IRS and how the IRS can foster more taxpayers getting their correspondence. The responsibility for proper addresses and reporting address changes to the IRS lies with the taxpayer. | | | | |
| Proposal: | The Area 5 Committee recommended the IRS do the following:<br><br>1. Emphasize the importance of filing a Form 8822, Change of Address, more prominently. In future revisions of the 1040 Instructions and Publication 17, information related to Form 8822 could be emphasized. Its current placement on page 60 of the 1040 Instructions is buried. It could also be moved to the Important Reminders on page 2 in Publication 17.<br><br>2. Clarify in taxpayer materials what is required for a “match.” Taxpayers need to know that name matches are performed when names are exactly identical--like an e-mail address or they will potentially be rejected. “Robert Smith” who sometimes goes by “Bob” or “Robbie” or “Robert Smith, Sr.” will not be a match.<br><br>3. Publicize the address change policy. The National Taxpayer Advocate’s 2003 Annual Report recommends advertising through public service announcements the importance to the taxpayer of notifying the IRS of an address change using Form 8822 and inserting a direct link to the form on the home page of the IRS website. | | | | |

| TAP 04-044 | Tax Transcripts for Taxpayers | | | Status: | Pending Review by TAP |
|---|---|---|---|---|---|
| Date Elevated: | 9/22/2004 | Date Response Received: | 11/4/2004 | Originating Committee(s) | Area 5 |
| Statement of Issue: | Taxpayer Assistance Centers (TACs) no longer provide tax return and tax account transcripts to taxpayers. These transcripts must now be requested by phone or mail with a two-week timeframe for delivery These transcripts often meet the requirements of lending institutions and demonstrate residency for taxpayers. Oftentimes there is an urgent need by the taxpayer and waiting two weeks increases taxpayer burden. | | | | |
| Proposal: | To decrease taxpayer burden, TAC offices should resume providing tax return and tax account transcripts to taxpayers visiting TAC offices who request them. Time required to provide copies is nominal; and as per statistics of the documented requests listed above; continuing to provide these copies would require minimal increase in resources | | | | |
| Response from: | Jan Marlor, Senior Technical Advisor, Director, Field Assistance, W & I, CARE | | | | |
| Response Notes: | The proposed solution from the Taxpayer Advocacy Panel is for the TAC to provide the copies of transcripts and tax return at all times. We are not recommending this change due to the mass number of tax law assistance the TAC provides, and the redirection of the skill level of employees to resolve compliance and collection issues.<br><br>The TACs will provide transcript information (tax account transcripts) to the taxpayers and/or their representatives (the representative will need a power of attorney for the taxpayer) when an extreme hardship exists. Taxpayers or their representative are required to show verification of the hardship when they cannot wait the normal processing time. | | | | |

| TAP C04-057 | Scoring Notices | | | Status: | |
|---|---|---|---|---|---|
| Date Elevated: | 9/22/2004 | Date Response Received: | | Originating Committee(s) | W & I Reducing Taxpayer Burden—Notices |
| Statement of Issue: | IRS uses a Document Assessment Total (DAT) to score the readability and usability of IRS notices. | | | | |
| Proposal: | Members of the W & I Reducing Taxpayer Burden (Notice) Issue Committee were trained in scoring notices using the DAT in February 2004. Using the DAT tool, the members have scored the CP07, CP27, CP501, CP503, CP504, CP515, CP518, CP521, and CP523. The DAT scoring documents have been sent to the leads of the respective Dynamic Project Team (DPT). | | | | |
| Response from: | Ann Gelineau, Wage & Investment Notice Single Point of Contact | | | | |
| Response Notes: | W&I Notice Single Point of Contact thanked Committee for scoring the notices and adding credibility to the process. | | | | |

| TAP F04-060 | Forms 941, W-2, W-3 & W-4 Electronic Filing Issues | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 9/22/2004 | Date Response Received: | | Originating Committee(s) | SBSE Reducing Taxpayer Burden—Payroll Taxes |
| Statement of Issue: | The Committee was charged with exploring the possible barriers for small businesses in the use of electronic filing of payroll and tax reporting information. Specifically; (1) why they do or do not use electronic filing that is currently available, (2) their attitudes and opinions toward electronic filing, and (3) what might encourage greater use of electronic filing of forms 941, Employer's Quarterly Federal Tax Return ,W-2, Employer's Wage and Tax Statement, and W-3, Employer's Transmittal of Wage and Tax Statement. | | | | |
| Proposal: | The Committee surveyed small business owners and practitioners and found three categories of issues: educational, financial, and procedural. | | | | |

| TAP 04-046 | Married Filing Separate Income Reporting | | | Status: | Elevated, Awaiting Preliminary Response |
|---|---|---|---|---|---|
| Date Elevated: | 9/22/2004 | Date Response Received: | | Originating Committee(s) | Area 4 |
| Statement of Issue: | A married taxpayer who file separately every year is likely to receive an IRS notice that information is missing from the individual tax returnswhen income to which both spouses are legally entitled (such as interest from a joint bank account) has been allocated to the return of the other spouse. Even if the allocation is proper, IRS inquiry will be triggered if information reporting attributes the income to the other spouse because that is the primary social securtity number on the account. | | | | |
| Proposal: | 1. With the greater use of computers and the reporting by all banks and other institutions of income to IRS, taxpayers should be on notice that IRS properly accounts for all income and income taxes. IRS should inform taxpayers that the IRS matches the Social Security Number used by the bank or other institution to report the income to the Social Security Number on the return. To help taxpayers and avoid correspondence, IRS should print this information in the instructions for the Forms 1040A and 1040. IRS should include a warning that not listing the income under the social security number that is used on the reporting forms may trigger an inquiry from IRS.<br>2. There are a number of non-governmental publications used by many taxpayers. IRS informally, through National Communications and Liaison and Stakeholder Partnerships, Education, and Communication should respectfully recommend the publications contain warnings to taxpayers about this potential problem | | | | |

| TAP 04-053 | Outsourcing of Tax Return Preparation | | | Status: | Elevated, Awaiting Preliminary Response |
|---|---|---|---|---|---|
| Date Elevated: | 9/23/2004 | Date Response Received: | | Originating Committee(s) | Area 3 |
| Statement of Issue: | IRS rulings and regulations do not specifically address the rapidly growing accounting firm practice of outsourcing, without client knowledge or consent, preparation and processing of tax returns to third parties outside the United States and disclosing to those third parties financial and personal information about taxpayers used in preparing their returns. Taxpayers have expressed concern about who has access to or will be looking at their financial records and where this is being done. | | | | |
| Proposal: | Taxpayers should be notified by their return preparer if all or a significant portion of the preparation or processing of their income tax return is going to be outsourced to a location outside the United States. IRS rulings and/or regulations under Code sections 6713 and 7216 should clarify that providing return information to a third-party preparer outside the United States without the client taxpayer's knowledge and consent constitutes unauthorized disclosure of return information and that client consent is valid only if the preparer prominently, fully, and clearly discloses if all or a significant portion of the preparation or processing of a return will be or could be outsourced to a location outside the United States. The name of the country or countries to which the tax return preparation and/or processing is being or could be outsourced should be disclosed, and such disclosure must be prominently displayed and not “buried” in an engagement letter or some other document.<br><br>In addition, Circular 230 should provide that outsourcing tax returns without the client’s informed consent is “disreputable conduct” or, at the very least, include among “best practices” informing clients if tax return preparation will be outsourced. | | | | |

| TAP 04-052 | Elimination of Form 2688 | | | Status: | Elevated, Awaiting Preliminary Response |
|---|---|---|---|---|---|
| Date Elevated: | 9/23/2004 | Date Response Received: | | Originating Committee(s) | Area 1 |
| Statement of Issue: | The Internal Revenue Code states that the Secretary may grant a reasonable extension of time for filing a tax return and that, except in the case of taxpayers who are abroad, no such extension shall be for more than six months. In order to obtain this six month extension taxpayers must complete and timely file two tax forms. | | | | |
| Proposal: | To simplify taxpayer compliance, a single form should be required to obtain the maximum six-month extension of time to file a tax return as allowed by the Internal Revenue Code. The Form 4868 could be expanded to an automatic six month extension of time to file and the Form 2688 can be eliminated. This conforms to the procedures of corporate extension requests. | | | | |

| TAP A04-072 | Consistent Use of "EIC" or "EITC" | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 9/24/2004 | Date Response Received: | 11/18/2004 | Originating Committee(s) | W & I EITC |
| Statement of Issue: | Many taxpayers and even some experienced practitioners are confused by the reference to the Earned Income Tax Credit in some documents as "Earned Income Tax Credit" ("EITC") and the use in other documents of the term "Earned Income Credit" ("EIC"). | | | | |
| Proposal: | The Committee recommended that the EITC program work with other IRS organizations to agree upon and implement consistent use of either "Earned Income Tax Credit" ("EITC") or "Earned Income Credit" ("EIC"). | | | | |
| Response from: | David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | The EITC Director reported that the proposal was forwarded to the appropriate staff for consideration. | | | | |

| TAP 04-055 | Provide Third Party Designee Notices Automatically | | | Status: | Elevated, Awaiting Acknowledgement |
|---|---|---|---|---|---|
| Date Elevated: | 9/24/2004 | Date Response Received: | | Originating Committee(s) | Area 3 |
| Statement of Issue: | Taxpayers are allowed to designate a third party to discuss questions about various tax returns by checking a box adjacent to the signature section on the returns Designees are authorized to receive information or transcripts related to the return, upon request to the Internal Revenue Service (IRS). | | | | |
| Proposal: | The third party designee should be co-recipient of IRS notices about math errors, offsets, and return preparation. The designated practitioner should be notified automatically and at the same time as the taxpayer. | | | | |

| TAP A04-075 | TAP Participation in EITC Grass Roots Forums | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 9/27/2004 | Date Response Received: | 11/18/2004 | Originating Committee(s) | W & I EITC |
| Statement of Issue: | TAP members were not involved in EITC Grass Roots Forums conducted in Los Angeles and Miami in 2004. | | | | |
| Proposal: | The Committee asked the EITC program to:<br>1. Provide the TAP Earned Income Tax Credit Issue Committee with information on future Grass Roots Forums.<br>2. Invite TAP to set up a table at future Forums to inform taxpayers about the opportunity to make suggestions as to how to improve the IRS by contacting TAP.<br>3. Notify local TAP members of future Forums and invite them to participate. | | | | |
| Response from: | David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | The EITC Director reported that the proposal was forwarded to the appropriate staff for consideration and response to the Committee. | | | | |

| TAP A04-073 | Sharing EITC Outreach Best Practices | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 9/27/2004 | Date Response Received: | 11/18/2004 | Originating Committee(s) | W & I EITC |
| Statement of Issue: | There exists no IRS-sponsored program for sharing best practices among EITC outreach partner organizations in order to achieve the EITC program goals of encouraging eligible taxpayers to claim the EITC and ensure that taxpayers and their advisers understand the eligibility requirements. | | | | |
| Proposal: | The Committee recommended that the EITC program work with Stakeholder Partnerships, Education and Communication (SPEC) to establish a “National Best Practices Sharing Program” for EITC outreach partner organizations comparable to the best practices sharing programs of the National Community Tax Coalition and the National Tax Assistance for Working Families Campaign. | | | | |
| Response from: | David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | The EITC Director reported that the proposal was forwarded to the appropriate staff for consideration. | | | | |

| TAP A04-074 | EITC Rural Outreach | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 9/27/2004 | Date Response Received: | 11/14/2004 & 11/18/2004 | Originating Committee(s) | W & I EITC |
| Statement of Issue: | Stakeholder Partnerships, Education and Communication (SPEC) has no strategy for EITC rural outreach that is nationwide. | | | | |
| Proposal: | The Committee recommended that the EITC program work with SPEC to implement the following six recommendations to achieve the EITC program goals of encouraging eligible taxpayers to claim the EITC and ensure that taxpayers and their advisers understand the eligibility requirements:<br>1. Adopt a centralized national strategy.<br>2. Expand the number and nature of the groups contacted in local rural outreach efforts.<br>3. Arrange for sharing EITC rural outreach best practices among SPEC offices.<br>4. Establish operating guidelines, including national and local priorities.<br>5. Establish processes for measuring the effectiveness of outreach efforts.<br>6. Establish a consistent definition of “rural.” | | | | |
| Response from: | Sue Sottile, Director, IRS Strategic Planning & David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | The Director of Strategic Planning announced at the 2004 TAP Annual Meeting that SPEC was reviewing its EITC rural outreach strategy in response to the Committee’s proposal, and the EITC Director reported that the proposal was forwarded to the appropriate staff for consideration. | | | | |

| TAP A04-018 | SPEC Partnership Process | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 9/30/2004 | Date Response Received: | 11/18/2004 | Originating Committee(s) | W & I EITC |
| Statement of Issue: | Problems partnering with SPEC experienced by the YMCA in Iowa; lack of outreach materials and support for Volunteer Income Tax Assistance (VITA) groups in some communities; lack of VITA and EITC outreach activities in some locales. | | | | |
| Proposal: | The Committee recommended that the EITC program work with SPEC to implement the following eight improvements to SPEC partnership processes to achieve the EITC program goals of encouraging eligible taxpayers to claim the EITC and ensure that taxpayers and their advisers understand the eligibility requirements:<br>1. Establish a national partnership strategy including both national and local partners.<br>2. Establish a single point of contact for all SPEC partnership activity in a given locale.<br>3. Liberalize the criteria for "national" partners.<br>4. Establish a national marketing strategy.<br>5. Establish an evaluation process for existing partner organizations.<br>6. Re-evaluate the current business model requiring partner organizations to have substantial resources.<br>7. Provide clear guidance for partner organizations, including national and local priorities.<br>8. Provide more outreach support to partner organizations. | | | | |
| Response from: | David R. Williams, Director, Earned Income Tax Credit | | | | |
| Response Notes: | The EITC Director reported that the proposal was forwarded to the appropriate staff for consideration. | | | | |

| TAP 04-054 | Expanding Third Party Authorization Term | | | Status: | Elevated, Awaiting Acknowledgement |
|---|---|---|---|---|---|
| Date Elevated: | 10/18/2004 | Date Response Received: | | Originating Committee(s) | Area 3 |
| Statement of Issue: | Taxpayers are allowed to authorize a third party to discuss questions about various tax returns with the Internal Revenue Service (IRS) by checking a box adjacent to the signature section on the returns. The authorization is limited to one year from the due date, without extension, of the return. | | | | |
| Proposal: | The IRS should expand the term of the authorization to three (3) years. Many times the IRS is not able to correspond with taxpayers about math errors, offsets, and return preparation within one year of the due date. Part of the delay is caused by taxpayers filing returns past the original due date. Extending the authorization to three (3) years would not jeopardize or change any IRS enforcement actions. | | | | |

| TAP F04-062 | Electronic Deposit of Payroll Taxes | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 10/18/2004 | Date Response Received: | | Originating Committee(s) | SBSE Reducing Taxpayer Burden—Payroll Taxes |
| Statement of Issue: | How can the number of small businesses and self-employed tax payers, who utilize electronic deposits, be increased? | | | | |
| Proposal: | The Committee recommended the following:<br><br>Education:<br>1. Continue to educate taxpayers in order to dispel the fears taxpayers have about electronic methods.<br>2. Educate and encourage tax professionals to utilize electronic methods.<br><br>Procedure:<br>1. Continue with innovative programs such as the Penalty Rebate Program and the EFTPS pre-enrollment of new small businesses.<br>2. Encourage the development of payroll software, which not only does payroll computations but also would electronically file and make payroll deposits. | | | | |

| TAP 04-077 | Refund Misleading Taxpayer | | | Status: | Elevated by Area Committee |
|---|---|---|---|---|---|
| Date Elevated: | 10/19/2004 | Date Response Received: | | Originating Committee(s) | Area 6 |
| Statement of Issue: | When IRS issues a refund check to a taxpayer under circumstances where the IRS is likely to send future notices of taxes owed, the taxpayer may nevertheless reasonably believe that the refund check fully settles the taxpayer's tax obligations. | | | | |
| Proposal: | Bonnie Lewis, Manager of Submission Processing in Fresno, suggested that a taxpayer submitting returns for more than one year write at the top of the returns to "Please Cycle In." In response, Area 6 members commented that this device was not likely to be known to the taxpayer. Area 6 further inquired as to why all returns could not be processed in the same area at the same time. Alternatively, Area 6 inquired why refunds could not be held until all returns had been processed. Area 6 recommends the IRS develop a solution and identified the following possible solutions;<br>1. Consistent with Bonnie Lewis' suggestion, provide instructions to taxpayers filing multiple year returns on how to signal IRS that more than one return needs to be processed promptly.<br>2. Have multiple year returns processed by the same employees, in the same area, at the same time.<br>3. Hold refunds until all such returns have been processed.<br>4. Provide an explanation with any refund check and warn the taxpayer if there could be other outstanding tax liabilities.<br>5. Provide the taxpayer the option to elect to have a refund held until all tax obligations are determined. | | | | |

| TAP 04-076 | Change TAP Name | | | Status: | Elevated by Area Committee |
|---|---|---|---|---|---|
| Date Elevated: | 10/22/2004 | Date Response Received: | | Originating Committee(s) | Area 2 |
| Statement of Issue: | The current name of Taxpayer Advocacy Panel (TAP) continues to cause confusion for the taxpaying public. The names and functions of both Taxpayer Advocacy Panel (TAP) and Taxpayer Advocacy Service (TAS) are perceived as synonymous by the taxpaying public | | | | |
| Proposal: | With a name change of Taxpayer Advocacy Panel (TAP), it is believed that TAP will be less confusing to the public and clearly identified as independent from both IRS and TAS.<br><br>Further, TAP staff would become less burdened with the overwhelming number of misrouted telephone calls to TAS by the taxpaying public.<br>Finally, Taxpayer Advocacy Panel (TAP) would benefit, since the taxpaying public would be better able to associate TAP with its correct mission and goals.<br><br>Change the Taxpayer Advocacy Panel (TAP) name to another name which will not confuse the taxpaying public with Taxpayer Advocacy Service (TAS). | | | | |

| TAP G04-058 | Preparer Licensing | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 10/27/2004 | Date Response Received: | | Originating Committee(s) | Ad Hoc |
| Statement of Issue: | Taxpayers, who may have little knowledge of tax preparation, are deluged with choices of tax preparers who are not regulated and are not required to demonstrate the minimum competency to prepare tax returns. At this time, there is no requirement for licensing or certification process for tax preparers. Tax preparers are not subject to any rules or standards of conduct and are not required to participate in continuing education programs. There is very little federal regulation. Tax preparers who prepare returns for a fee that fail to comply with certain requirements such as signing a return or failing to provide a copy to the taxpayer could be assessed a penalty. A penalty could also be assessed if a tax preparer knowingly disregards Treasury or IRS rules and regulations such as preparing a return that they know or should have known is wrong. In reality, very few penalties are assessed and, of those, a small fraction is actually collected | | | | |
| Proposal: | Rather than create a new level of bureaucracy (testing, certification, etc.), the federal tax system should rely on the private sector to encourage, require and supervise a system of continuing professional education. There are a number of national tax associations (NSTP, NATP, NSA and NAEA) that would be in a position to provide the foundation for establishing a system for measuring competence. Such a system would be easy to monitor with each of the national associations assuming direct responsibility for providing standards and procedures for registering and certifying all tax preparers. The IRS would designate the VITA exam as the basic testing mechanism for the Federal Tax Return Preparer (FTRP), and the IRS would be authorized to impose a per return penalty for failure to register. Current preparers would be grandfathered into the program by submitting an application subject to approval by the IRS.<br><br>For future tier licensing the IRS would develop a series of examinations designed to test technical knowledge and competency of unenrolled return preparers | | | | |

| TAP F04-064 | Form W-4 Employer Compliance | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 10/28/2004 | Date Response Received: | | Originating Committee(s) | SBSE Reducing Taxpayer Burden—Payroll Taxes |
| Statement of Issue: | Burden of Form W4 on employers and associated noncompliance with filing requirements. | | | | |
| Proposal: | The Committee recommended the following three-part approach to the employer's W-4 responsibilities:.<br><br>1. To ensure that the correct W-4 information is collected and proper withholding is made, (a) the employer would be responsible to perform a Form W4 check with the IRS and, in turn, the IRS would provide accuracy identification and whether or not to use the Employee W4; and (b) the IRS would ask for a Form W4 for a new employee, an employee claiming exempt status, and/or employee claiming over 10 allowances or increasing allowances by two or more.<br>2. To correct compliance problems using Form W2 information supplied by the SSA, the IRS would contact the employers of those employees who are underwithheld due to incorrect Form W-4 information, and ask the employer to change withholding.<br>3 . To track problem Form W-4 filers, using prior tax information for those employees who have been identified as a problem, track them from one job to the next job using new hire data. | | | | |

| TAP F04-061 | Payroll Taxes Deposit Penalties | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 10/28/2004 | Date Response Received: | | Originating Committee(s) | SBSE Reducing Taxpayer Burden--Payroll Taxes |
| Statement of Issue: | How can the IRS improve deposit compliance while making the deposit penalty rules and procedures less complicated for small businesses and the self-employed? | | | | |
| Proposal: | The Committee recommended a three-part approach:<br><br>Education:<br><br>1) Publicize more widely the Federal Tax Deposit Penalty Refund Offer. This information should include telephone numbers. Local IRS centers should also train personnel to work with business owners. If the IRS expends resources to educate and promote systems such as EFTPS to reduce processing errors, the IRS will benefit because of increased compliance and reduced processing costs due to errors. The benefit to the taxpayer is less time spent and associated costs incurred with dealing with the IRS. Suggestions for increasing exposure and improving EFTPS communication include:<br>a. Ensure that the EFTPS website is updated and upgraded periodically.<br>b. Maintain a focus group, such as utilizing TAP members, to make suggestions for improving the website, including content and website instructions for less sophisticated computer users.<br>c. Utilize the IRS Tax Forums as a method for outreach to the practitioner communities who work with small business clients.<br>2) Provide better materials to small businesses and the self-employed regarding their respective tax deposit responsibilities. Currently, educational materials are not readily available to small business owners. Suggestions include:<br>a. When a new small business is formed and the IRS issues an Employer Tax Identification Number (EIN), the IRS should also send tax information with the new EIN. If IRS resources do not allow for direct mailings, information on how to request information on the Internet site should be included.<br>b. When the Small Business Administration holds classes for new business owners, the IRS should actively participate in teaching filing and deposit requirements.<br>c. Local IRS personnel should periodically (perhaps twice a year) offer a workshop for small business owners on reporting and compliance issues.<br>d. The local IRS personnel should also initiate contact with newly established businesses within their respective areas to meet with the new business owners and answer any questions and address any concerns. | | | | |

| TAP F04-063 | Simplified Form 941 | | | Status: | Elevated by Issue Committee |
|---|---|---|---|---|---|
| Date Elevated: | 10/28/2004 | Date Response Received: | | Originating Committee(s) | Area 3, Area 4, &SBSE Reducing Taxpayer Burden—Payroll Taxes |
| Statement of Issue: | The current Form 941 is a burden for small business owners because of the complexity of both the Form and the instructions. | | | | |
| Proposal: | The Committee made comments and recommendations concerning the draft redesigned Form 941 and offered<br>support and encouragement for the IRS to continue progress on simplifying Form 941. | | | | |

# V. Conclusion

As a relatively young organization of volunteer citizens, TAP has made outstanding progress in meeting its objectives as advocates for the United States' taxpayers. The panel is currently fully staffed and has implemented a structure and process to allow its members to effectively participate in improving administration of the tax system.

TAP has pursued a large number of outreach activities to allow members to be listeners for the taxpayers' comments and suggestions. TAP's new strategic plan for effective communication has increased the Panel's visibility as well as feedback from the tax-paying public. The Panel's marketing materials highlight availability of the TAP website and the 800 telephone number giving taxpayers accessibility 24/7. Panel members also staffed informational/listening booths at all IRS national tax forum conferences. By becoming partners with IRS program managers, TAP was able to provide the taxpayer's perspective for changes in critical tax administration programs. Through "grass roots" efforts and involved committee work, TAP has delivered to the IRS 84 important recommendations on behalf of the taxpayer. The Panel believes it has sufficient opportunity and is well positioned to be available as valuable advocates for the taxpayer.

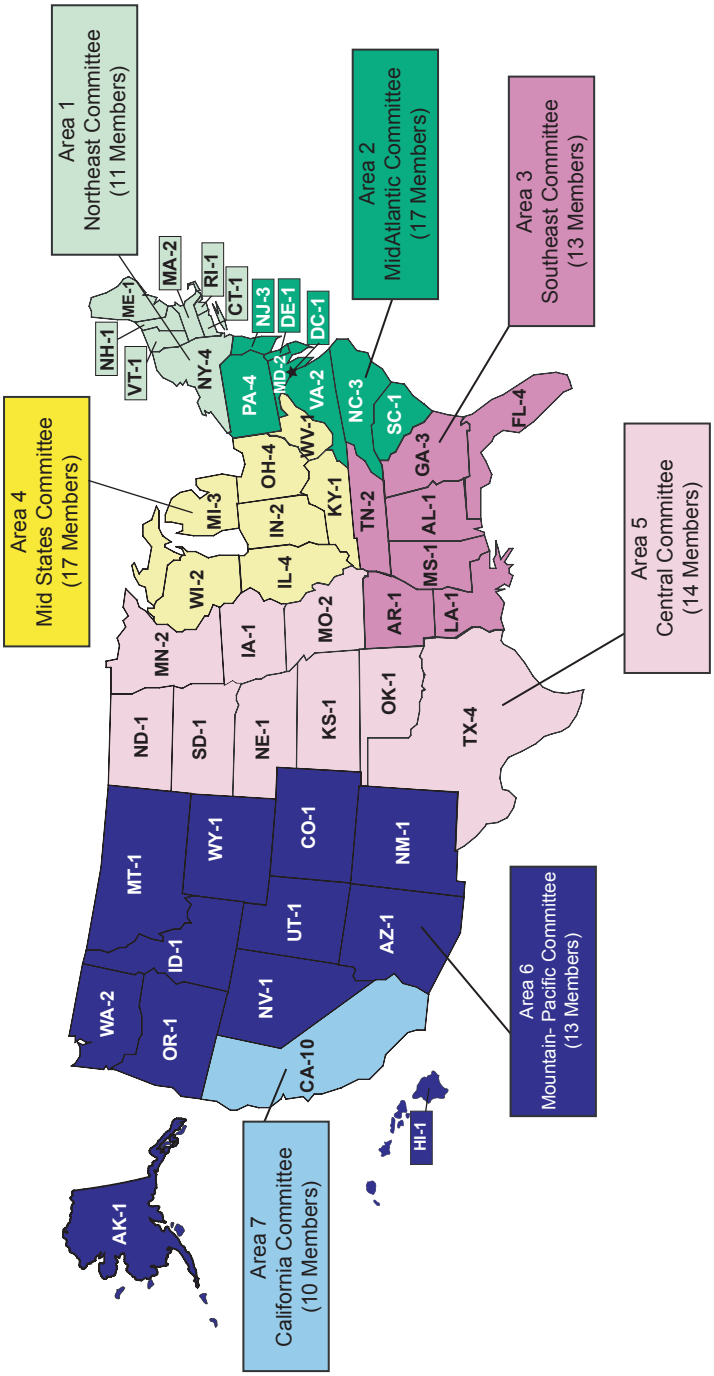
TAP has improved its processes in recording and tracking all taxpayer issues and recommendations made to the IRS. These processes include communications with the W&I and SB/SE IRS divisions to acknowledge and report the status of forwarded recommendations. A designated IRS executive is the focal point for TAP communications responding to IRS requests for feedback on strategic initiatives and the Panel's "grass roots" recommendations. This new process has greatly improved the Panel's effectiveness with the IRS.

As knowledge of TAP's mission and its abilities continues to grow within the IRS, the Panel is frequently asked to participate with the IRS in reviewing pending changes to the tax administration system. Initial participation has become an effective way for the Panel to work with the IRS's limited resources on priority items and to make the greatest impact in changes to improve the IRS and its services to the taxpayer. The Issue Committees' work on IRS strategic goals, along with Panel member's participation in focus groups, helps provide the IRS with fresh ideas from citizens for relieving taxpayer burden that otherwise would have been missed. Understanding the opportunity to use the Panel as an effective resource needs to continue to expand within the IRS to fully optimize the potential of TAP.

## Conclusion

TAP believes that it is making significant progress in meeting its objectives. With the 2004 successes, the Panel has a sense of accomplishment that continues to energize everyone involved in the goal to improve the IRS on behalf of the customer, America's taxpayer.

# Appendix 1: TAP Area Map*




* This Map shows Area membership from October 1, 2003 to September 30, 2004. Please see www.improveirs.org for a current version.

# Appendix 2: TAP Members (October 1, 2003 to September 30, 2004)*

| | |
|---|---|
| Bruce Twomley, Multinlingual Chair | Juneau, AK |
| Sherry Whah, Area 6 Chair | Anchorage, AK |
| Francis (Buck) Paolone | Hoover, AL |
| Steven Wood | North Little Rock, AR |
| Gregory Maciulla | Tucson, AZ |
| Cheyañna Jaffke, Area 7 Chair | Placentia, CA |
| Curtis Feese | Covina, CA |
| James Griffin | Walnut Creek, CA |
| Chris Lowe, Ad Hoc Chair, TAP Vice-Chair | Placentia, CA |
| Howard Perkins | Suisun City, CA |
| David Robinson | San Francisco, CA |
| CharlesTaylor, Area 7 Chair | Los Angeles, CA |
| William Gedge | Branford, CT |
| Theodore Perros | Washington, DC |
| Patrick McCombie | Wilmington, DE |
| Gwen Handelman, Earned Income Tax Credit Chair | Fort Lauderdale, FL |
| Edward Hanna | Tampa, FL |
| Keith Johnson | Jacksonville, FL |
| Sharon Lassar | Miami, FL |
| Owen Oatley | Holly Hill, FL |
| George Sullivan, Area 3 Chair | N Fort Myers, FL |
| Charlotte Cassady, Area 3 Vice-chair | Talbotton, GA |

* This chart shows membership from October 1, 2003 to September 30, 2004. Please see www.improveirs.org for a current version.

| | |
|---|---|
| Clayton Agena, | Honolulu, HI |
| Steven Landauer, | Davenport, IA |
| Larry Barnard, | Riggins, ID |
| Darlene Bramon, | Nampa, ID |
| Robin Gausebeck, Area 4 Vice Chair | Rockford, IL |
| Richard Greenberg, | Hinsdale, IL |
| Lawrence Lexow, | Edwardsville, IL |
| Delford Jones, | Griffith, IN |
| Teresa Smedley, Area 4 Chair | Salem, IN |
| Nan Wilson | Overland Park, KS |
| William (Dick) Murphy, | Owensboro, KY |
| Helen Curol, | Lake Charles, LA |
| Charles Silva, | Provincetown, MA |
| Elizabeth Brodbine Ghoniem, Area 1 Vice-chair, Multilingual Vice-chair | Winchester, MA |
| George Pruchniewski | Baltimore, MD |
| Catherine Kelly | Corinth, ME |
| Leslie Malcolmson | Detroit, MI |
| Laura DeMarais, Earned Income Tax Credit Vice-chair | Crystal, MN |
| Thomas Seuntjens, TAP Chair | Wayzata, MN |
| Linda Bader | Chesterfield, MO |
| Phil Bryant | Brandon, MS |
| Jim Banks | Bozeman, MT |
| Richard Bobb | Hendersonville, NC |
| Mary Balmer, Area 2 Vice-chair | Chapel Hill, NC |
| C. Morgan Edwards | Charlotte, NC |
| Paul Smathers | Edgeley, ND |
| Lydia Brasch | Bancroft, NE |

| | |
|---|---|
| Anthony DiMartino | Toms River, NJ |
| Robert Maziarz | Hainesport, NJ |
| David Meyer, Area 2 Chair | Voorhees, NJ |
| Leonard Steinberg, Payroll Taxes Chair | West Windsor, NJ |
| Mario Burgos,E-filing Chair, Area 6 Vice-chair | Cedar Crest, NM |
| Aimee Brace, SB/SE E Filing Vice Chair | Boston, NY |
| James Grimaldi, Area 1 Chair | New York, NY |
| Walter Fish | Bellmore, NY |
| Paul Nagel, Schedule C Non Filers Chair | Glen Cove, NY |
| Shamsey Oloko | Staten Island, NY |
| James Abraham, Payroll Taxes Vice-chair | Gahanna, OH |
| Frank Claudman | Warrensville Heights, OH |
| Joseph Meissner | Cleveland, OH |
| Patrick Castleberry, Area 5 Vice-Chair | Edmond, OK |
| Virginia Symonds | Portland, OR |
| Gerald (Jerry) Gensiejewski Jr. | Newtown, PA |
| Manning H. Mosley III | Wayne, PA |
| Robert Taylor | Pittsburgh, PA |
| Agnes Tillerson | Erie, PA |
| Diane Mignano | North Kingstown, RI |
| John Hollingsworth | Aberdeen, SD |
| Maria Hermann-Pariente | El Paso, TX |
| R. Jeana Warren | Dallas, TX |
| Lillian Woo, Area 5 Chair, Ad Hoc Vice-chair | Bryan, TX |
| William (Frank) Woods, Jr | Emory, TX |
| Sharon Stetz | Salt Lake City, UT |
| Karen Kerrigan, Schedule C Non Filers Vice-chair | Oakton, VA |
| Calvin Johnson | Virginia Beach, VA |
| Sharon Stetz | Salt Lake City, UT |

| | |
|---|---|
| Eileen Shuman, Notices Vice-chair | Brattleboro, VT |
| Chris Forzano | La Center, WA |
| Joe Reder | Richland, WA |
| Robert Meldman, TAP Vice-chair, Ad Hoc Chair, Area 4 Chair | Milwaukee, WI |
| Daniel Drumel | Wind Lake, WI |
| David Cain | Marlinton, WV |
| Charles (Skip) Eshelman, Notices Chair | Cheyenne, WY |

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