

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 04-001</b>	<b>Self-Employment Tax for Newspaper Carriers</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	7/29/2005	<b>Date Counter Response to IRS:</b>	7/20/2005	<b>Date Response(s) Received:</b>	8/8/2007
<b>Issue Statement:</b>	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.				
<b>Proposal:</b>	TAP recommended adding 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."				
<b>Response from:</b>	Mary W. Marshall, SBSE Executive Assistant				
<b>Response Notes:</b>	It is recommended that this issue be closed. It pertains to recommendations to Pub 533 which is now obsolete. The information located in Publication 533 has been incorporated in Publication 334, Tax Guide For Small Business (For Individuals Who Use Schedule C or C-EZ), in which the section on self-employment tax is much abbreviated.				

<b>TAP 04-003</b>	<b>Electronic Deposit of Form 1040X Refund</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	12/2/2003	<b>Date Counter Response to IRS:</b>	8/19/2005	<b>Date Response(s) Received:</b>	1/12/2004 8/16/2007
<b>Issue Statement:</b>	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.				
<b>Proposal:</b>	Form 1040X should be changed to allow direct deposit of any refund to the taxpayer's account identified by routing and account number. On February 23, 2004, TAP received a response from Wage and Investment, Submissions Processing (also attached) endorsing the proposal, noting it would alleviate taxpayer burden and provide a faster means for taxpayers to receive their refunds. The response also observed that implementation of the recommendation would require several different organizations within the IRS to coordinate efforts and that it "may be feasible and more cost effective to provide business requirements for direct deposit on Forms 1040X as part of a Modernization project rather than make substantial changes to the current processing environment." Therefore, we are re-directing our recommendation to you with the request that you undertake it as a Modernization project.				
<b>Response from:</b>	Ruth Jeansonne, Management Analyst, Business System Modernization				
<b>Response Notes:</b>	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. Forms 1040 and Forms 1040X are not processed through the same system. The system used for the 1040X cannot provide input of bank account information at this time. As we modernize our systems including filing of a 1040X electronically we plan to include the capability for a taxpayer to receive a direct deposit from an amended return. This capability however is several years away.				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 04-021</b>	<b>Tax Treatment of Health Benefits Education</b>		<b>Status:</b>	Closed, Proposal Implemented	
<b>Date Elevated to IRS:</b>	4/20/2004	<b>Date Counter Response to IRS:</b>	7/29/2005	<b>Date Response(s) Received:</b>	8/7/2007
<b>Issue Statement:</b>	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.				
<b>Proposal:</b>	<p>TAP 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:</p> <ol style="list-style-type: none"> <li>1) 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.</li> <li>2) Add to the small business web site information about providing health benefits comparable to the information provided about retirement plans.</li> <li>3) 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.</li> </ol> <p>After receiving Helene Bayder's response, TAP 04-021 was split into two sets of recommendations: the original recommendation was forwarded to Forms and Publications (See TAP 04-021B), and TAP also responded to SB/SE urging that small business taxpayer education materials that are produced by or under the direction of SB/SE Taxpayer Education and Communication (TEC) include comprehensive explanations of the tax treatment of health benefits.</p> <p>After the TAP recommendations were originally submitted, Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans, which formerly covered only Medical Savings Accounts, was expanded to include information also on Health Savings Accounts, flexible spending arrangements, and health reimbursement accounts. Helene Bayder advised that the recommendation about the Tax Treatment of Health Benefits Education be directed to Forms and Publications (W &amp; I).</p>				
<b>Response from:</b>	Beth Tucker, Director, Communications, Liaison & Disclosure				
<b>Response Notes:</b>	<p>In 2005, IRS reorganized small business outreach and education within the newly created Communications, Liaison &amp; Disclosure function in the Small Business/Self-Employed Division. The task of educating the small business community through partnerships with practitioner and small business/industry groups became the responsibility of Stakeholder Liaison with a headquarters and field component, for national and local outreach, respectively.</p> <p>Simultaneously, with this realignment, came a new comprehensive and innovative product - A Virtual Small Business Tax Workshop DVD available in English, Spanish and Mandarin Chinese. This product incorporated information from the Small Business Workshop workbook, the Virtual Small Business Workshop CD and the Introduction to Federal Taxes for Small Business/Self-Employed CD, plus added more facts to assist the small business owner with understanding their tax obligations. The former products, now obsolete, were discontinued.</p> <p>Unfortunately, the tax treatment of health benefits was not part of the IRS website during the development of the DVD and, therefore, was not incorporated in this new product. The information was also not available during the last revision of the Small Business Resource Guide. We have provided your recommendations to the Product Development staff in our Communications function to consider including this topic in future product revision.</p> <p>Currently there is information on IRS.gov regarding health benefits. The Publication 969, "Health Savings Accounts and other Tax-Favored Health Plans," can be found when performing a search on the keywords "health benefits." We will also consider ensuring this information is found easily from the small business website. There is already an easy reference on the small business page regarding the Health Coverage Tax Credit.</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

	We will also explore this topic through further research to consider incorporating this information into our outreach plans to the small business community. Our liaison events with practitioners and small business/industry groups would be a good forum to share information on health benefits.
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<b>TAP 04-021B</b>	<b>Tax Treatment of Health Benefits Education</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	7/29/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	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.				
<b>Proposal:</b>	<p>TAP redirected to Forms and Publications the proposal originally directed to SB/SE in TAP 04-021 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:</p> <ol style="list-style-type: none"> <li>1. Combine in a new publication explanation 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.</li> <li>2. 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.</li> </ol> <p>TAP noted that since these recommendations were originally submitted, Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans, which formerly covered only Medical Savings accounts, had been expanded to include information also on Health Savings accounts, flexible spending arrangements, and health reimbursement accounts. The TAP Joint Committee applauded this effort as significantly advancing taxpayer education on the tax treatment of health benefits. Nevertheless, TAP advocated further expansion of the publication.</p>				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	IRS will review current coverage of these issues and consider either introduction of a new publication or increased coverage in Publication 535, Business Expenses, Publication 334, Tax Guide for Small Business, or other appropriate publication. In 2006, IRS conducted a well-received seminar at the Nationwide Tax Forums regarding Health Care Tax Incentives. IRS will coordinate revisions to the publications with the appropriate internal stakeholders and add them to the Small Business web site.				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 04-023</b>	<b>Financial Literacy--Adult Education</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	6/9/2004	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	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				
<b>Proposal:</b>	<ul style="list-style-type: none"> <li>• Encourage the IRS W&amp;I Operating Division to devote resources to promote tax education for adults with existing and future coalitions.</li> <li>• 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.</li> <li>• Develop these products in different languages as well as for the visually impaired.</li> <li>• Encourage existing Financial Literacy websites to link to the IRS tax module website</li> <li>• Produce IRS' own financial literacy CD-Rom and incorporate a module on taxes.</li> </ul>				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	<p>IRS has established an Asset Building/Financial Education (ABFE) Strategy team in our SPEC organization. The team has written a three year strategy that addresses tax education for adults utilizing current and future coalitions. The strategy was written and developed in FY 07. Implementation will begin October 1, 2007 (FY 08).</p> <p>While the ABFE Strategy does not specifically suggest IRS produce a financial education CD-Rom and include a module on taxes. It will utilizing our leveraged business model and by working with key national partners we will assemble an inventory of existing financial literacy curricula which will be utilized extensively with our vast network of partners, in our media outreach and within our publications. Included with this response is a separate description of the strategy and current information available (Attachment 3)</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 04-025</b>	<b>Innocent Spouse/Injured Spouse</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	6/9/2004	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Confusion exists among taxpayers between the terms "injured spouse" and "innocent spouse."				
<b>Proposal:</b>	TAP recommended that the new terminology for "Injured Spouse Relief," become "Relief From Denied Spouse Refund," or such other language as the IRS deems appropriate and effective to reduce confusion.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	In 2005, the IRS began a major revision to the Form 8857, Request for Innocent Spouse Relief. As part of the project, the issue of confusion about innocent spouse and injured spouse was addressed. To alleviate confusion, we redesigned the 2007 revision of Form 8857 and provided detailed information about when a taxpayer should file Form 8379, Injured Spouse Allocation, as opposed to Form 8857. We believe this redesign has adequately addressed the issue raised.				

<b>TAP 04-037</b>	<b>Low Dollar Balance Due Abatement</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	7/13/2004	<b>Date Counter Response to IRS:</b>	4/28/2005	<b>Date Response(s) Received:</b>	11/19/2004 8/16/2007
<b>Issue Statement:</b>	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				
<b>Proposal:</b>	Increase the tolerance level to \$25. 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. After receipt of the IRS response, TAP requested to be kept informed of the results of any further research and advised of when the research is expected to be completed and a recommended date for TAP to follow up. 4/28/2005 TAP appreciates the response and requests to be kept informed of the results of any further research. In addition, TAP would like to be advised of when the research is expected to be completed, and of a recommended date for TAP to set as a follow-up date.				
<b>Response from:</b>	Pamela G. Watson, Director, Filing & Payment Compliance				
<b>Response Notes:</b>	<p>11/19/2004 Compliance functions in both W&amp;I and SB/SE reviewed the proposal but do not plan to implement the recommendation. A cost analysis of IRS Balance Due Notices showed the cost of a single notice ranging from 45 cents to \$4.79 depending on the type of notice and whether it is reviewed by the notice Review function prior to issuance. The cost of administering a tax module through a cycle of several notices is significantly higher.</p> <p>The process would cost between \$5.68 to \$12.33 on whether a review is performed on all notices, (1st, 2nd, 3rd, 4th notices followed by 4 annual reminders). However, few accounts would warrant this type of review. Additional costs may be incurred in the administration of a low dollar balance account. For example, remittance processing ranges from 52¢ for an individual account to 72¢ for a business account. While the cost of responding to a taxpayer inquiry via telephone or paper could vary greatly, with a 15-minute average resolution time, we could estimate a salary cost of \$4.50. In summary, the cost of processing a low dollar account could range from between 97¢(single notice issued and payment receive) to \$13.30 (individual account - seven notices, all reviewed, one payment and one inquiry). Most would be at the lower end of the range.</p> <p>In addition, IRS analyzed the number of accounts with balance dues less than \$25.00. Based on the volume of accounts and the costs of processing, IRS would lose revenue by raising the</p>				

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	<p>abatement amount to \$25.00. Further research will be conducted to determine if the abatement amount should be raised higher than \$5.00 but less than \$25.00.</p> <p>An analysis of this recommendation shows that there is no valid business reason to support increasing the low dollar balance tolerance level to \$25.00. A single notice ranges in cost from 49 cents to \$4.79, depending on the notice. Also, an extract of inventory of accounts below \$25 showed that 59% of the current years BMF and 42% of the IMF accounts below \$25 were settled. Of these accounts, there was a fairly even distribution of amounts between \$5.00 and \$25.00. Rather than saving money it would reduce owed monies to the treasury unnecessarily.</p>
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**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 04-050</b>	<b>Simplify Form 1041 Instructions</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	9/22/2004	<b>Date Counter Response to IRS:</b>	7/29/2005	<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	The Instructions for Form 1041, U.S. Income Tax Return for Estates and Trusts, are confusing.				
<b>Proposal:</b>	<p>TAP redirected to Forms and Publications the following recommendations for revision of Form 1041, U.S. Income Tax Return for Estates and Trusts originally elevated 9/22/2004 to W&amp;I Liaison, Sue Sottile.</p> <ol style="list-style-type: none"> <li>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.</li> <li>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: <ol style="list-style-type: none"> <li>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)</li> <li>b. When is a return due? (when to file, Page 6; extension of time, Page 6)</li> <li>c. What income is reported? (line 1 thru 8 Income, Page 8)</li> <li>d. What deductions are available? (deductions, Page 14; lines 10 thru 15b, Pages 15 and 16)</li> </ol> </li> <li>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.</li> <li>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.</li> <li>5. Include a Glossary of Terms. Terms to include would be beneficiary, distribution, grantor, estate, and trust.</li> </ol>				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	<p>Adopt Partially (as redesign of the instructions to Form 1041 is developed)</p> <ol style="list-style-type: none"> <li>1. Not Adopt – Schedule B, Form 1041 currently provides the computation for distributable net income (DNI). Considering the various scenarios involved, a flowchart would not be practical.</li> <li>2. Not Adopt – The Contents list at the beginning of the instructions for Form 1041 are already designed to help filers find the most common issues where answers to questions can be found. Estates are also included in Frequently Asked Questions on <a href="http://irs.gov">irs.gov</a>.</li> <li>3. Consider– We will consider moving the information in the instructions about what other forms may be required for better placement.</li> <li>4. Consider – The instructions are currently segmented to provide information common to all trusts and estates and have separate sections for Grantor Type Trusts, Pooled Income Funds, and Electing Small Business and for Bankruptcy Trustees and Debtors-in-Possession. In upcoming revisions to the instructions we will consider whether additional segmentation is needed.</li> <li>5. Not Adopt - As identified in the Contents list, the instructions include definitions, particularly Beneficiary, Income required to be distributed currently, and Trust. A glossary would be duplicative.</li> </ol>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 04-053</b>	<b>Outsourcing of Tax Return Preparation</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	9/23/2004	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	<p>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.</p>				
<b>Proposal:</b>	<p>TAP recommended that IRS rulings and/or regulations under Code sections 6713 and 7216 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 should be prominently displayed and not "buried" in an engagement letter or some other document.</p> <p>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.</p>				
<b>Response from:</b>	Nina E. Olson, National Taxpayer Advocate				
<b>Response Notes:</b>	<p>We agree with the TAP that tax return preparers should not be permitted to disclose tax return information to third parties outside the United States without the written and informed consent of the taxpayer client.</p> <p>Our office has addressed this issue in several ways:</p> <ul style="list-style-type: none"> <li>• The National Taxpayer Advocate first raised the outsourcing issue in her 2004 Annual Report to Congress in the Most Serious Problem discussion on Oversight of Unenrolled Return Preparers.</li> </ul> <p>The discussion stated that the current regulations were ambiguous as to whether returns could be outsourced to foreign preparers without taxpayers' meaningful written consent. In the Key Legislative Recommendation on Filing Issues in the 2006 Annual Report to Congress, the NTA noted TAP's concerns and recommended that Congress prohibit the disclosure or use of information to or by any tax return preparer located outside of the United States, unless the taxpayer has provided written consent.</p> <ul style="list-style-type: none"> <li>• The Taxpayer Advocate Service has worked closely with the Office of Chief Counsel on the IRC § 7216 regulations. Proposed regulations issued in December 2005 require the taxpayer's written consent before a return preparer discloses tax return information overseas. Moreover, our office has continued to work with the Office of Chief Counsel on final regulations.</li> <li>• In a letter to Commissioner Everson dated August 18, 2006, the TAP recommended that return preparers redact personal identifying information before disclosing tax return information overseas. Our office recommended to the Office of Chief Counsel that the final regulations under IRC § 7216 include such a requirement.</li> </ul> <p>We will continue to advocate on this issue throughout the process to revise the regulations under IRC § 7216. We will also further pursue TAP's recommendation to revise Circular 230 to address this issue.</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 05-007</b>	<b>Refund Misleads Taxpayer</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	7/11/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	When multiple-year tax returns are filed or in cases when the same tax year is adjusted, taxpayers may receive a refund check prior to a notice of a balance due. Taxpayers who receive a refund check might reasonably believe that the refund check fully settles their tax obligations since taxpayers typically do not receive an explanation notice with the check.				
<b>Proposal:</b>	<p>TAP proposed:</p> <ol style="list-style-type: none"> <li>1. Provide instructions to taxpayers filing multiple year returns on how to signal the IRS that more than one return needs to be processed promptly.</li> <li>2. Have multiple year returns processed by the same employees, in the same area, at the same time.</li> <li>3. Place an indicator on the system for each tax return in processing and hold all refunds until all returns have completed processing.</li> <li>4. Provide an explanation with refund checks warning the taxpayers when there could be outstanding tax liabilities.</li> <li>5. Provide taxpayers the option to elect to have a refund held until all their tax obligations are determined.</li> </ol>				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	<p>IRS cannot implement this recommendation. We have done everything we believe is reasonably possible considering our current systemic environment to ensure taxpayers do not receive refunds when they have an open tax liability. We however do not have anyway of discerning when a taxpayer has or might have filed all of their tax obligations. Returns cannot be processed as a group nor can we place an indicator on the system for each tax return in processing unfortunately it is not a relational data base therefore we don't have that capability. We also cannot systemically send a notice with a check or electronic deposit since the systems are not compatible at this time and the notice is actually generated especially in the case of direct deposit often a week or two after the deposit has occurred. We are aware of our systemic limitations and the issue it presents for taxpayers include the problem you have noted and as we modernize our systems we are incorporating these enhancements into our requirements.</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 05-013</b>	<b>AMT Education</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	9/30/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	At present, millions of middle income taxpayers likely are unaware of the Alternative Minimum Tax (AMT) or the possibility that they may have to pay AMT within the next few years.				
<b>Goal Statement:</b>	Alert taxpayers to their potential AMT liability.				
<b>Proposal:</b>	TAP recommended that the IRS educate taxpayers about the AMT, just as the IRS has made an effort to educate the public about the Earned Income Tax Credit, Taxpayer Advocate Service, and e-filing. For example, the IRS could distribute printed material explaining the AMT and conduct a public awareness campaign through media releases. TAP attached two prototype models as examples of what the average taxpayer might find helpful.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	The IRS recognizes the significant implications of the current AMT rules. Our media materials will emphasize the availability of the AMT Assistant on IRS.gov which the vast majority of taxpayers can use to quickly confirm that they need go no further in calculating AMT. We will include AMT prominently in our filing season campaign to alert taxpayers that might be impacted. We continue to also work with software providers to include alerts and information on AMT. The Service will monitor on-going Congressional activity on this subject and continue to appropriately alert taxpayers to any changes in the law and the potential for AMT liability. Where however do not plan to expand printed materials as the majority of taxpayers impacted by AMT use paid preparers and computerized software for return preparation.				

<b>TAP 05-014</b>	<b>Form 1065 Schedule D Change</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	8/19/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Form 1065, Schedule D (Capital Gains and Losses for Partnerships), Part 1 provides only four (4) lines to record capital gains and losses - Assets held 1 year or less. Taxpayers with more than four transactions must attach a supplemental sheet. Only four lines also are available for Part 2 Long-Term Capital Gains and Losses –Assets held more than 1 year. Any more than four (4) transactions require a supplemental sheet.				
<b>Proposal:</b>	TAP recommended that two additional lines be added to record both short term and long term transactions so that partnerships with more than four (4) transactions in either category will not be required to attach an additional supplemental sheet to complete the return.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	IRS has identified room to add at least one more line to the short- and long-term sections of the form. This additional wording, which would match that of the Form 1040 version, will be added to form 1065.				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 05-016</b>	<b>TAS Authority to Release ACS Levies</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	8/26/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	<p>IRS currently does not include computer-generated Automated Collection System (ACS) levies upon wages in the category of systemic or automated levies under Internal Revenue Manual (IRM) Section 13.1.4.2.3.19(1) (April 1, 2003). This interpretation deprives the Taxpayer Advocate Service (TAS) of delegated authority to release an ACS levy, and, thereby, creates a risk of delay that could cause irreparable harm to a taxpayer in a case where the taxpayer has shown the levy would cause significant hardship, as defined by statute.</p>				
<b>Proposal:</b>	<p>TAP recommended that the IRS should classify ACS automated levies as systemic levies that TAS has delegated authority to directly release, as described in IRM Section 13.1.4.2.3.19(1).</p>				
<b>Response from:</b>	<p>Nina E. Olson, National Taxpayer Advocate</p>				
<b>Response Notes:</b>	<p>In this case, TAS does not agree that ACS levies should be included as automated levies under the provisions of IRM 13.1.4.2.3.19 (1) and subject to TAS levy release authority.</p> <p>Presently, TAS employees have the delegated authority to release levies which are systemically generated in certain circumstances under provisions as described in IRM 5.19.9.1.1. This authority can be exercised only if two conditions are met: the levy must be systemically generated as under an automated levy program, and the account must not be open in another function. TAS employees must secure sufficient information to warrant the levy release under IRM guidelines, such as proving the levy is creating a hardship, but they are not overruling a substantive determination by the IRS because the levy was generated by computer.</p> <p>In contrast, a wage levy issued by ACS is not a systemically-generated levy, as an IRS employee must take into account substantive issues in the decision-making process. Such issues include analyzing financial information and determining alternative resolutions to collect the delinquent taxes. Thus, if TAS employees were given the authority to release an ACS wage levy, TAS would be overruling a substantive decision made by an IRS Compliance employee. Under the delegation order, the TAS employee would have to operate as an IRS Compliance employee and not as an advocate for the taxpayer. In addition, the taxpayer's account is open in another function and TAS has no delegated authority to take action on the account.</p> <p>The authorities delegated to TAS employees are by nature routine and nonsubstantive, and require little independent judgment or in-depth research. A TAS employee would have to analyze financial information and "stand in the shoes" of an IRS enforcement employee if given wage levy release authority. Thus, a TAS employee could not effectively advocate for the taxpayer because the employee would have to "straddle" IRS's policy on compliance versus TAS' mission of helping taxpayers solve their problems with the IRS.</p> <p>Moreover, we had previously identified an inconsistency between the Collection IRM (5.11.7) and our IRM (13.1.4) that may have contributed to the uncertainty regarding Task's authority in the levy release context. IRM 5.11.7.2.1.2 provides that TAS employees can "release systemically generated levies such as the FPLP, but only on modules not assigned to ACS Status 22 or collection field Status 26." IRM 13.1.4.2.3.19(2), however, only prohibits TAS from releasing a levy for modules assigned in Status 26, and does not make any reference to the prohibition on releasing a levy in ACS Status 22. Revisions to IRM 13.1.4 are in progress to make our IRM consistent with the Collection IRM.</p> <p>The correct approach to the wage levy problem is the timely release of wage levies by the IRS. The NTA raised the issue of timely levy releases as a "Most Serious Problem" in her 2005 Annual Report to Congress.<sup>3</sup> As a result of that report and recommendations, the IRS instituted systemic enhancements for prompt levy releases and conducted employee training to ensure that ACS employees can identify economic hardships created by an IRS levy. The NTA continues to work with the IRS to identify levy-related issues and to find ways to improve the process of releasing levies timely.</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 05-017</b>	<b>Form W-4 Changes/Multi-job Households</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	9/9/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Underwithholding by multiple-job households is likely because of the difficulty of correctly completing Form W-4, Employee's Withholding Allowance Certificate, and/or because taxpayers are unaware of the need to complete additional Forms W-4 with their other employer(s) when a second or third job is acquired.				
<b>Proposal:</b>	<p>TAP recommended that Forms and Publications make changes to Form W-4, as follows:</p> <ol style="list-style-type: none"> <li>1. Delete the current IRS warning titled "Form W-4 Warning: Two earners/Two Jobs" because it is inaccurate in many situations and substitute more accurate language such as suggested below.</li> <li>2. Prominently display on the top of Form W-4 a statement along the lines of the following:</li> </ol> <p>CAUTION: Two Earners/Two Jobs If you have two or more jobs, or if your spouse is also working, you may be subject to owing tax at the end of the year. To claim the correct number of allowances, either:</p> <ol style="list-style-type: none"> <li>1. Fill out the worksheet on page 2;</li> <li>2. Consult with your tax advisor;</li> <li>3. Call the IRS at 1-800-829-1040 for assistance; or</li> <li>4. Go to (use an alias for the IRS withholding calculator, such as <a href="http://www.irs.withholdingcalculator.gov">www.irs.withholdingcalculator.gov</a>).</li> </ol> <p>Revise the last sentence under the heading "Purpose" on Form W-4 to a statement along the lines of the following: "because your tax situation may change, you may want to refigure your withholding with any employer at any time during the year."</p>				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	<ol style="list-style-type: none"> <li>1. Partially adopted. The 2007 revision of Form W-4 has a changed heading: Two-Earner/Multiple Jobs and we added a reference to Publication 919 for more details.</li> <li>2. Not Adopted. There is insufficient space to add the proposed CAUTION. The March 2007 revision of Publication 919, How Do I Adjust My Tax Withholding, refers to the withholding calculator on <a href="http://irs.gov">irs.gov</a>. There is insufficient space to add more details to Form W-4 and retain a 2-page form.</li> <li>3. Adopted. IRS will revise the last sentence under the heading Purpose to read: Because your tax situation may change, you may want to refigure your withholding after a change occurs and each year."</li> </ol>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 05-018</b>	<b>W-4 Calculator Access</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	9/9/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	The IRS has a Withholding Calculator on www.irs.gov which is a good tool for simplifying the process of calculating the correct amount of withholding but is not highly publicized and is difficult to locate on the IRS website.				
<b>Goal Statement:</b>	Simplify locating the Form W-4 withholding calculator.				
<b>Proposal:</b>	TAP recommended that the IRS create a direct link or alias, such as www.irs.withholdingcalculator.gov, that will allow taxpayers to access the withholding calculator without having to navigate through the rest of the IRS website and that can be easily referenced in forms, instructions, and publications addressing withholding.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	Since the November, 2005 redesign of IRS.gov, a taxpayer is able to easily access the Withholding Calculator from the IRS.gov Home Page by clicking on the More Online Tools link in the Online Tools area (the bottom left corner of the page). Once they are on the More Online Tools page, users simply click on the IRS Withholding Calculator link. It is also a link on the Individual page of irs.gov that clearly describes the calculator with a link within the description that takes them directly to the calculator.				

<b>TAP 05-019</b>	<b>Federal Lien Release on Credit Records</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	8/22/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	When a lien is released, taxpayers are not informed that the IRS is not responsible for informing credit bureaus. It is the responsibility of the taxpayer to ensure that the lien is expunged from credit bureau and public records after the IRS is paid. Otherwise, the lien will reappear in a future credit search.				
<b>Proposal:</b>	TAP recommended that Notice 48, Release of Federal Tax Lien, be revised to notify taxpayers that, in order to minimize the effect of the federal tax lien on their credit history, a copy of the Certificate of Release of Federal Tax Lien should be sent to each credit reporting agency, and the Notice should be included with the taxpayer's copy of the Certificate.  Revision and inclusion of Notice 48 with the certificate of lien release that is mailed to the taxpayer would alleviate the number of complaints received by local Taxpayer Advocate Service offices and Taxpayer Assistance Centers, as well as, provide better customer service to the client community. It would also mitigate the negative financial impact of a tax lien on a taxpayer's credit score that might adversely affect the interest rates charged the taxpayer.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	The Notice 48 has been revised and does include information about contacting and providing copies of the release to credit bureaus. The majority of lien documents are returned to the IRS. Further, there is language on the taxpayer's copy that instructs them to retain the document in case there are questions.				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 05-020</b>	<b>Current Tax Forms and Instructions Availability</b>		<b>Status:</b>	Open, Responding to IRS	
<b>Date Elevated to IRS:</b>	8/26/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Not all current tax forms and instructions are available at IRS Taxpayer Assistance Centers (TACs).				
<b>Proposal:</b>	TAP recommended that, upon a customer's request, every IRS walk-in taxpayer assistance site should provide a paper copy of any IRS form, other than scannable forms, together with instructions needed to prepare the current year's tax return.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	IRS does not agree with this recommendation. In order for IRS to provide all tax forms and instructions in all TACs, we would have to either stock all tax forms and instructions in each TAC, or print all forms and instructions upon requested. We can not stock all 200+ tax forms and instructions in our TACs. We do not have the required space available, and the shipping, stocking, and storage costs are prohibitive. We currently do stock the most commonly requested forms and publications and we ensure taxpayers know how to request forms not available in our walk-in offices either on-line or via the toll-free forms assistance where expedite services are available.				

<b>TAP 05-022</b>	<b>IRS Partnering</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	9/12/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Studies of taxpayer use demonstrate a strong need for personalized service as provided by Taxpayer Assistance Centers (TACs). However, the IRS plans to close numerous TACs, resulting in the reduction of a significant number of staff positions across the nation, in order to reduce expenditures.				
<b>Proposal:</b>	TAP recommended that the IRS review and expand the option of partnering with other government service agencies to provide TAC services at reduced cost.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	IRS does not have plans to close TACs in any locations in FY 2007. IRS decisions on TACs will be based on application of the processes recommended in the Taxpayer Assistance Blueprint (TAB). Two of the recommendations outlined in the TAB Phase 2 Report relate directly to TACs, however, neither recommendation included closing TACs. IRS is currently using the results of the TAB Phase 2 Report as part of the review process to identify any potential changes to TACs and services provided to taxpayers. This process includes gathering and validating current data to support the 26 Taxpayer Values and Government Value criteria expressed in the Phase 2 TAB Report. The TAB Strategic Plan Overview is a five-year vision for IRS taxpayer service delivery. As we determine any longer term changes in our TAC plans we will consider your recommendation.				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 05-023</b>	<b>New and Revised Tax Forms &amp; Publications</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	9/23/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Over the past three years, TAP has received more than one hundred suggestions for improving IRS forms, instructions and publications.				
<b>Proposal:</b>	TAP recommended that Tax Forms and Publications seek TAP pre-decisional input whenever new forms and publications are to be developed or current forms and publications revised. TAP has elevated numerous grassroots recommendations concerning forms and publications to the IRS and has worked directly with IRS program owners to improve many of the IRS's forms and publications.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	<p>We have extensive review processes and where ever possible seek outside stakeholder input both pre and post decisional however this is not always possible due to both timing of tax law changes and the sheer volume of tax products. IRS maintains an inventory of over 1,000 tax products and receives suggestions for revisions from a significant number of sources. We also when possible have usability processes including focus groups to access new and revised products.</p> <p>Due to the volume of suggestions received for tax products in 2005 from the Taxpayer Advisory Panels, IRS established a centralized process for the TAP Ad Hoc Forms Committee to receive recommendations from the various TAP committees. In this way, the Committee reviews each proposal, eliminates duplicates, ensures the proposals represent a national viewpoint, and sends them directly to IRS Tax Forms and Publications for consideration. IRS still believes this is the best vehicle for the panels to provide feedback on tax products. Product proposals can be raised by Area Committees, but should be centralized through the Ad Hoc Forms Committee.</p>				

<b>TAP 05-028</b>	<b>EFTPS Correcting Erroneous Payments</b>		<b>Status:</b>	Closed, Proposal Implemented	
<b>Date Elevated to IRS:</b>	10/20/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Taxpayers and professionals are not adequately advised by the IRS how to timely cancel or obtain a refund for an erroneous quarterly estimated tax deposit payment (Form 1040ES) made via Electronic Funds Transfer Payment System (EFTPS) within 48 hours of the due dates.				
<b>Goal Statement:</b>	Make readily available to taxpayers and professionals instructions on options for correcting erroneous EFTPS payments.				
<b>Proposal:</b>	TAP recommended that IRS add instructions to EFTPS brochures outlining remedies for taxpayers who make erroneous EFTPS payments within 48 hours of the due date.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	<p>IRS agrees with this recommendation and will review its EFTPS marketing materials and make appropriate revisions to better educate the taxpayer with regards to erroneous 1040ES payments.</p> <p>Area 3 will review documentation for the 2007 tax season to determine if it adequately covers erroneous EFTPS payments.</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 05-029</b>	<b>SS-4 Correction Notice</b>		<b>Status:</b>	Closed	
<b>Date Elevated to IRS:</b>	10/20/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	IRS instructions to taxpayers regarding how to correct an incorrect social security number on a Form SS-4, Application for Employer Identification Number, creates an unnecessary burden by directing the taxpayer to obtain official documentation from the Social Security Administration to verify the number.				
<b>Goal Statement:</b>	Clarify the process for correcting an erroneous social security number on an Application for Employer Identification Number.				
<b>Proposal:</b>	TAP recommended that the IRS add a sentence to the Request for Missing Information to Validate Internet EIN directing the taxpayer to either correct the social security number on line 7 and return the SS-4 by fax or mail or contact the Social Security Administration for verification if the taxpayer believes the social security number submitted is correct.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	Effective 7/23/2007, the existing Internet EIN application is being replaced by a completely redesigned, interactive application. The new Modernized Internet EIN application is in a question and answer format, similar to the popular tax software products on the market. Validations, such as name and SSN matching, are performed in a real-time environment. So if there is a mismatch, the taxpayer is advised of this during the online session and given 3 opportunities to correct the problem. If the taxpayer is unsuccessful, he/she is directed to SSA to resolve the issue.				

<b>TAP 05-031</b>	<b>Interest and Penalty Calculator on IRS Website</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	12/12/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Many taxpayers who file or contemplate filing returns after the due date are unaware of the magnitude of the late filing and late payment penalties and interest assessed on past due tax obligations.				
<b>Goal Statement:</b>	Assist taxpayers estimate and simplify payment of late filing and late payment penalties and interest due on their tax obligations.				
<b>Proposal:</b>	<ol style="list-style-type: none"> <li>1. Provide a late filing/late payment penalty and interest calculator on the IRS website similar to that provided by the New York State Department of Taxation and Finance on its website at <a href="http://www7.nystax.gov/PAIC/paicHome">http://www7.nystax.gov/PAIC/paicHome</a>.</li> <li>2. Make clear that the calculation is only an estimate and is based on the payment as of a specified date.</li> <li>3. Reference the interest and penalty calculator in the Form 1040 Instructions and other appropriate IRS publications.</li> </ol>				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	We will consider the development of a late filing/late payment penalty and interest calculator in our web based initiatives as a future enhancement.				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 05-034</b>	<b>TAS Toll-Free Number</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	12/28/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Some important TAS criteria are missing from the message script for the Taxpayer Advocate Service (TAS) toll-free telephone number (1-877-777-4778), and it does not give the caller a readily available option to speak directly with an Internal Revenue Service (IRS) representative.				
<b>Goal Statement:</b>	Callers to the TAS toll-free hotline who meet TAS criteria should be provided adequate options to address their circumstances and have more direct access to an IRS representative.				
<b>Proposal:</b>	The TAS toll-free number greeting should provide more detailed menu options, including, in appropriate cases, the option to speak directly with an IRS representative. The attached document, Proposed TAS Toll Free Message, contains specific suggested wording for the TAS opening message				
<b>Response from:</b>	Nina E. Olson, National Taxpayer Advocate				
<b>Response Notes:</b>	<p>In the last year, we have made several changes to the NTA toll-free script and have incorporated some of the TAP recommendations. We are currently in the process of enhancing the script in an effort to assist taxpayers in determining their need to come to TAS based on TAS case acceptance criteria.</p> <p>The following script has been recommended:</p> <p>Welcome to the Internal Revenue Service National Taxpayer Advocate's help line. Your call may be monitored for quality purposes. For Spanish, press 2.</p> <p>The Taxpayer Advocate Service is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should. You may be eligible for Taxpayer Advocate Service assistance if:</p> <ul style="list-style-type: none"> <li>• You are experiencing economic harm or significant cost (including fees for professional representation),</li> <li>• You have experienced a delay of more than 30 days to resolve your tax issue, or</li> <li>• You have not received a response or resolution to the problem by the date that was promised by the IRS.</li> </ul> <p>For questions about your tax return, your refund or payment, the federal tax laws, or if you have not previously contacted the IRS about your tax-related issue, please press 1.</p> <p>If you have previously contacted the IRS about your tax-related issue and believe you are eligible for Taxpayer Advocate Service assistance, please press 3.</p> <p>To hear these options again, please press 9.</p> <p>If 1 is pressed, the caller will hear:</p> <p>"To better process your call, you are being transferred to the IRS Tax Help Line for Individuals at 1-800-829-1040. To check the status of your refund, call the Refund Hotline at 1-800-829-1954. You will need to know your social security number, filing status and the exact whole-dollar amount of your expected refund. To order forms and publications call 1-800-TAX-FORM (1-800-829-3676). Many of the services offered on the IRS toll-free lines are also available 24 hours a day 7 days a week on the Internet at IRS.gov."</p> <p>The caller will then be transferred to the IRS Tax Help Line for Individuals. If 3 is pressed, the caller will hear:</p> <p>"To help you resolve your problem, you are being transferred to an IRS assistor who is not part of the Taxpayer Advocate Service. This assistor will try to resolve your issue. If he or she is unable to resolve the issue, or if you wish to contact the Taxpayer Advocate Service immediately, the</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

	<p>assistor will refer your issue to the Taxpayer Advocate Service. The assistor can also give you direct contact information for the local Taxpayer Advocate in your area."</p> <p>If 9 is pressed, the menu will repeat.</p>
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<b>TAP 05-035</b>	<b>Change in Refund Notification</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	1/5/2006	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	The Internal Revenue Service (IRS) does not provide a taxpayer an explanation of why a refund is less than expected at the time the refund is direct-deposited into the taxpayer's bank accounts. Existing IRS computer systems generate a refund discrepancy notice one or two weeks after the directly-deposited refund becomes available to the taxpayer.				
<b>Proposal:</b>	As IRS computer technology advances, the IRS should create programming and processes that allow for the simultaneous distribution of a refund and a notice explaining why the refund amount varies from the amount shown on the return.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	As stated by TAP, we agree that the current processing environment does not allow for the simultaneous issuance of a direct deposit refund and a notice. Currently, Notices are the only available method to notify taxpayers when their refund will differ from what was on their return. Taking into consideration the timeframe required to print and mail the notices, the direct deposit refund will always precede refund notice discrepancies. We do plan in our modernized systems to consider ways to improve this notification, but any significant improvements are a number of years away.				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 05-036</b>	<b>Refund Website</b>		<b>Status:</b>	Closed	
<b>Date Elevated to IRS:</b>	12/28/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Taxpayers are not able to use the Internal Revenue Service (IRS) website to find out if they have an undeliverable tax refund from prior years although this information is available on other non-IRS web pages.				
<b>Goal Statement:</b>	Because every taxpayer who has made an overpayment of federal taxes deserves a refund, make the process of getting refund information and receiving prior year refunds as easy and seamless as possible.				
<b>Proposal:</b>	The IRS should recognize that IRC §6103 authorizes allowing taxpayers access to prior years' refund information via the Internet and provide a link on the "Where's My Refund" web page to a new web page called "Am I Due a Refund?" where taxpayers may search by name, city, state, and zip code for prior year refunds that were not delivered (undeliverable). The attached document, titled "TAP's Proposed 'Am I Due a Refund?' Page," contains a detailed description of the proposed web page.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	<p>IRS issues a news release with a list of undelivered refunds every fall. The IRS legal position is that the IRS cannot publish a list of undelivered refunds on irs.gov. because IRC sec. 6103(m)(1) allows the disclosure of taxpayer and other identity information to the press and other media for purposes of notifying persons entitled to tax refunds after reasonable attempt to locate them, and a period of time has elapsed. The press and other media that receive the information are not subject to re-disclosure prohibitions and can publish the information on the internet. In an earlier legal opinion, we determined that the internet did not fall within the definition of "other media" in the Code. As a result, the IRS is not able to disclose this information directly via the internet. Treasury advocated in its 2000 Study on Taxpayer Privacy that section 6103(m)(1) should be amended to authorize the IRS to disclose the information on the internet. This proposed change has been the subject of a number of pieces of legislation that, for reasons totally unrelated to this particular issue, have not been enacted. Given the public stance on this issue, and the fact that legislative proposals have been made, it is not possible to for IRS to do this without legislation. Additional questions can be directed to Joanne B. Minsky, Special Counsel to the Division counsel (W&amp;I).</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 05-037</b>	<b>Availability of Reward, Form 211</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	10/31/2006	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/2/2007
<b>Issue Statement:</b>	It is difficult for a taxpayer who reports fraudulent tax activity to determine whether a reward for this information is available.				
<b>Goal Statement:</b>	The Internal Revenue Service (IRS) should readily provide information to taxpayers on how to make a claim for reward in conjunction to a report of tax fraud.				
<b>Proposal:</b>	<p>On the irs.gov web page entitled "How Do You Report Suspected Tax Fraud Activity?" provide a direct link to Form 211, Application for Reward for Original Information, for claiming a reward for reporting suspected fraud. On the same web page, also provide a direct link to Policy Statement 4-27 (formerly P-4-86) for an explanation of when IRS will pay claims for reward and the grounds for rejecting claims.</p> <p>In the "Keyword Search" feature, link the word "reward" and "Form 211" to any search regarding the word "fraud."</p>				
<b>Response from:</b>	Stephen Whitlock, Director Whistleblower Programs				
<b>Response Notes:</b>	<p>Since the origination of your Report, October 30, 2006, significant legislative changes were made to the Informant's Award program which is now referred to as the "Whistleblower Program." Shortly after enactment, Mr. Whitlock was selected as Director and reports directly to the Deputy Commissioner for Services and enforcement.</p> <p>The Tax Relief and Health Care Act of 2006, Public Law 109-432 which was enacted in December 2006, mandated the creation of this office to provide centralized oversight for the program and also significantly changed the award percentages and criteria for submitting a claim. As a result, all existing internal/external forms, publications, Policy Statements processes and information to the public require substantial modifications. A cross-functional operating group has been created to assist this office in implementing these changes. Many of these revisions are in-process but not yet completed.</p> <p>We applaud the efforts of the Taxpayer Advocacy Panels' s efforts in addressing barriers in the pre-existing system. As we move forward with the various revisions, the process by which an informant may report potential tax code violations is undergoing significant changes percentages. Incorporated into our actions is an external/internal communication process to disseminate the new information as wide as possible. One major component will be the availability to the public to an external WEBSITE with revised forms, policies and processes. As these changes rollout, your input would be greatly appreciated.</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 05-038</b>	<b>Requiring Display of RAL Information</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	9/30/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Many taxpayers, especially low-income and taxpayers with limited English proficiency who are applying for the Earned Income Tax Credit (EITC), are not aware that refund anticipation loans (RALs) are not actually a refund but loans that carry substantial risks for taxpayers if they do not receive the refund they had anticipated and against which they have borrowed.				
<b>Goal Statement:</b>	Encourage taxpayer awareness that RALs are loans that carry substantial risks to the borrower				
<b>Proposal:</b>	<p>TAP made the following recommendations:</p> <p>1. Develop a large-size poster displaying basic information about RALs for taxpayers, stating: "A RAL or 'Refund Anticipation Loan' is a loan that carries an interest charge. It is not the taxpayer's actual refund, but is less than the actual refund. Furthermore, taxpayers who fail to receive their full anticipated refund must still pay back the entire RAL with interest."</p> <p>2. Require that Electronic Return Originators (EROs) prominently display this RAL information poster in a prominent location at their business site, and add this to the list of requirements in Publication 1345, Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns.</p>				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	IRS does not plan to distribute posters. We currently provide EROs with specific legal requirements and obligations regarding RALs as it relates to tax law and the Truth in Lending laws provide protection for the consumer including specific requirements around information that must be provided to the consumer on the cost of the loan. We do not agree additional printed materials and posting of this information would have any material affect on consumers' acceptance or non acceptance of a RAL. We will continue to provide messaging in our overall campaign encouraging low income and LEP taxpayers to take advantage of Free File and direct deposit to speed the issuance of their refunds. Free File Consortium members are prohibited from offering ancillary products such as RAL loans.				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 05-039</b>	<b>Advertising RAL Alternatives</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	9/14/2007	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Many taxpayers, especially low-income and taxpayers with limited English proficiency (“LEP taxpayers”), request refund anticipation loans (RALs) because they are unaware of other methods of speeding up their tax refund through the use of early filing, e-filing, and direct deposit.				
<b>Goal Statement:</b>	Inform taxpayers about alternative measures to obtain a speedy tax refund besides the use of expensive RALs.				
<b>Proposal:</b>	TAP recommends that the IRS direct its current advertising campaign toward educating taxpayers on how to speed up their tax refunds through the use of early filing, e-filing, and direct deposit. IRS could also inform low-income and LEP taxpayers about these alternatives to RALs through Low Income Taxpayer Clinics (LITCs).				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	<p>Every filing season, IRS and our national and local partner organizations conduct an extensive asset building outreach campaign to educate low-income taxpayers about the benefits of financial literacy. Integral to this campaign is the promotion of both e-filing and direct deposit to ensure timely receipt of a taxpayer’s federal income tax refund. Additionally, many of the community organizations with whom our SPEC organizations partners open their volunteer tax preparation sites early in the filing season to ensure taxpayers file timely and are able to receive their refund as soon as possible.</p> <p>Also, part of the overall marketing message to taxpayers, including low income and LEP taxpayers, is to e-file early and use direct deposit and receive your refund in as little as 10 days. This audience is also encouraged to use Free File since the Free File Consortium members are prohibited from offering ancillary products such RAL loans. We provide the LEP with our marketing information however LITC has a limited clientele since it is specific to assist taxpayers with tax problems. Our partnerships are our best advertisers and we continue to work aggressively to inform taxpayers on how to receive free taxpayer assistance.</p>				
<b>TAP 04-021</b>	<b>Tax Treatment of Health Benefits Education</b>		<b>Status:</b>	Closed, Proposal Implemented	
<b>Date Elevated to IRS:</b>	4/20/2004	<b>Date Counter Response to IRS:</b>	7/29/2005	<b>Date Response(s) Received:</b>	8/7/2007
<b>Issue Statement:</b>	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.				
<b>Proposal:</b>	<p>TAP 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:</p> <ol style="list-style-type: none"> <li>1) 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.</li> <li>2) Add to the small business web site information about providing health benefits comparable to the information provided about retirement plans.</li> <li>3) 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.</li> </ol> <p>After receiving Helene Bayder’s response, TAP 04-021 was split into two sets of recommendations: the original recommendation was forwarded to Forms and Publications (See TAP 04-021B), and TAP also responded to SB/SE urging that small business taxpayer education materials that are produced by or under the direction of SB/SE Taxpayer Education and Communication (TEC) include comprehensive explanations of the tax treatment of health</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

	<p>benefits.          After the TAP recommendations were originally submitted, Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans, which formerly covered only Medical Savings Accounts, was expanded to include information also on Health Savings Accounts, flexible spending arrangements, and health reimbursement accounts. Helene Bayder advised that the recommendation about the Tax Treatment of Health Benefits Education be directed to Forms and Publications (W &amp; I).</p>
<b>Response from:</b>	Beth Tucker, Director, Communications, Liaison & Disclosure
<b>Response Notes:</b>	<p>In 2005, IRS reorganized small business outreach and education within the newly created Communications, Liaison &amp; Disclosure function in the Small Business/Self-Employed Division. The task of educating the small business community through partnerships with practitioner and small business/industry groups became the responsibility of Stakeholder Liaison with a headquarters and field component, for national and local outreach, respectively.</p> <p>Simultaneously, with this realignment, came a new comprehensive and innovative product - A Virtual Small Business Tax Workshop DVD available in English, Spanish and Mandarin Chinese. This product incorporated information from the Small Business Workshop workbook, the Virtual Small Business Workshop CD and the Introduction to Federal Taxes for Small Business/Self-Employed CD, plus added more facts to assist the small business owner with understanding their tax obligations. The former products, now obsolete, were discontinued.</p> <p>Unfortunately, the tax treatment of health benefits was not part of the IRS website during the development of the DVD and, therefore, was not incorporated in this new product. The information was also not available during the last revision of the Small Business Resource Guide. We have provided your recommendations to the Product Development staff in our Communications function to consider including this topic in future product revision.</p> <p>Currently there is information on IRS.gov regarding health benefits. The Publication 969, "Health Savings Accounts and other Tax-Favored Health Plans," can be found when performing a search on the keywords "health benefits. " We will also consider ensuring this information is found easily from the small business website. There is already an easy reference on the small business page regarding the Health Coverage Tax Credit.</p> <p>We will also explore this topic through further research to consider incorporating this information into our outreach plans to the small business community. Our liaison events with practitioners and small business/industry groups would be a good forum to share information on health benefits.</p>

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 05-040</b>	<b>Debt Indicator Elimination</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	9/30/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007 4/1/2008
<b>Issue Statement:</b>	By providing the debt indicator to third parties who file returns electronically, the IRS encourages refund anticipation loans (RALs) and makes it appear the IRS endorses RALs. Providing the indicator also raises major privacy issues.				
<b>Goal Statement:</b>	The goal is to remove the IRS as the intermediary in loans to taxpayers based upon the amount of their federal income tax refund.				
<b>Proposal:</b>	TAP recommended that the IRS stop providing the debt indicator to third-party Electronic Return Originators who arrange RALs for their taxpayer clients.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	<p>IRS does not support this recommendation as long as third parties can legally provide RALs. We believe elimination of the debt indicator will harm taxpayers, especially those of low income for the following reasons. We have evidence that:</p> <ol style="list-style-type: none"> <li>1. elimination of the indicator increases the risk to the lender</li> <li>2. increased risk to the lender results in increased cost to the taxpayer</li> </ol> <p>Increased cost results in additional debt and more default on their loans.</p> <p>Area 4 will send additional comments on this issue as a response to IRS ANPRM, "Guidance Regarding Marketing of Refund Anticipation Loans (RALs) and Certain Other Products in Connection with the Preparation of a Tax Return."</p>				

<b>TAP 05-041</b>	<b>Enforcement of RAL Requirements</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	9/30/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007 4/1/2008
<b>Issue Statement:</b>	Providers of refund anticipation loans (RALs) do not always provide other than cursory information to taxpayers regarding the nature and risks of RALs, so many taxpayers, especially low-income and taxpayers with limited English proficiency who are claiming the Earned Income Tax Credit, are not aware that a RAL is a loan that carries substantial risks for taxpayers if they do not receive the refund they had anticipated and against which they have borrowed.				
<b>Goal Statement:</b>	The IRS should increase enforcement of the requirements listed in Publication 1345, Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns, related to RALs.				
<b>Proposal:</b>	TAP recommended that the IRS increase the number of site visits and impose penalties on electronic return originators (EROs) with RAL disclosure requirements that are not in compliance. TAP recommended increasing the site visits, at minimum, to 3% for 2006 and 5% for 2007. Additionally, penalties should be imposed on identified EROs not in compliance, increasing the severity if there are multiple noncompliance issues in one site visit or repetitive instances of noncompliance over several site visits to the same location.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	<p>The IRS has committed available compliance resources to identify and correct both the returns and the noncompliant behavior of egregious return preparers who prepare noncompliant returns. Once identified, the IRS then takes the necessary steps to ensure that the preparer is either brought into compliance or no longer prepares returns. We continue to review our strategies and will consider your recommendations as we continue to address this issue.</p> <p>Area 4 will send additional comments on this issue as a response to IRS ANPRM, "Guidance Regarding Marketing of Refund Anticipation Loans (RALs) and Certain Other Products in Connection with the Preparation of a Tax Return."</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 05-042</b>	<b>Return Processing and RAL Appeal</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	9/30/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Refund anticipation loans (RALs) appeal to taxpayers because the Internal Revenue Service (IRS) cannot process returns as promptly as taxpayers need funds.				
<b>Goal Statement:</b>	The IRS should embark on a program that will ultimately allow for direct deposit of refund checks within 24 hours of a return's submission.				
<b>Proposal:</b>	The IRS should implement procedures to speed up the processing of e-filed returns and direct deposit of refunds into taxpayer bank accounts. Initially, the IRS should strive to process returns and direct deposit refunds within 48 hours of submission. Ultimately, the IRS's goal should be to process returns and direct deposit refunds within 24 hours of submission.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	<p>Because IRS processing is done in cycles, total refund processing times depend on whether returns are eligible to be posted to CADE (modernized system) or the Individual Master File (IMF) and the time and day of the week they are received. Error- and problem-free returns eligible for CADE are processed in 24 to 36 hours and sent to Financial Management Services the federal agency responsible for both direct deposit of refunds or issuance of a paper check. Returns processed to IMF are on a weekly cycle, so returns without errors or problems can process in as few as six or as many as 12 days depending when they are received and processed. Intervening weekends add an additional 24 to 48 hours: CADE does not process returns on weekends; Financial Management Service does not receive or process files on weekends; and the Automated Clearing House receives but does not process files on weekends. In short, CADE refunds and Direct Deposits take five to seven days; IMF refunds and Direct Deposits take nine to 15 days. This means that CADE will get refunds to taxpayers two to eight days faster based on the day of the week the return is filed. CADE offers the greatest opportunity for delivering refunds more quickly. Each year IRS shifts more taxpayers from IMF processing to CADE as it expands the CADE capabilities. Returns with EITC are most likely to have refunds that collateralize RALs and they are scheduled to begin moving to CADE in 2008.</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 05-053</b>	<b>Form 1040 Package Distribution Policy Notification</b>		<b>Status:</b>	Closed, Proposal Implemented	
<b>Date Elevated to IRS:</b>	12/29/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Many taxpayers who received free assistance preparing paper returns from Tax Counseling for the Elderly (TCE) and Volunteer Income Tax Assistance (VITA) programs last year received no tax package this year and no notification of a change in the IRS forms distribution policy.				
<b>Goal Statement:</b>	Communicate to TCE/VITA taxpayers that 1040 packages will not be mailed to them and how they can obtain needed forms.				
<b>Proposal:</b>	The Internal Revenue Service (IRS) should inform taxpayers about policy changes affecting distribution of required forms to taxpayers when and how the IRS announces other changes in tax law and procedures.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	<p>In the case of the VITA and TCE prepared returns, there was an internal instructional problem which caused an error in processing. This resulted in some VITA and TCE returns being coded as software prepared which resulted in IRS not mailing tax packages to some taxpayers in those groups. This was discovered and corrected in the middle of the 2006 filing season and therefore some filers did not receive a package for the 2007 tax year. This problem has been corrected and both groups will receive a tax package for the upcoming filing season.</p> <p>IRS is currently reviewing its policy on Form 1040 package distribution and will explore methods of informing taxpayers regarding existing forms distribution practices and communicating any changes to those practices. We agree that changes in the distribution of tax forms/packages should be communicated to taxpayers.</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 05-057</b>	<b>LITC Information on EITC Notices</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	12/29/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Currently, there is low public awareness of Low Income Taxpayer Clinics (LITCs) to which the Internal Revenue Service (IRS) provides funds to assist low-income taxpayers with their tax problems.				
<b>Goal Statement:</b>	Increase awareness of the services provided by LITCs.				
<b>Proposal:</b>	TAP suggests increasing awareness of LITCs among taxpayers most likely to qualify for their assistance by adding a small paragraph to notices relating to audits or denial of Earned Income Tax Credit (EITC) claims. The paragraph should reference Publication 4134, Low Income Taxpayer Clinic List, which generally is enclosed with such notices; offer succinct explanatory information on LITCs; and provide the IRS 1-800-829-1040 number and web address for the LITC Information page on irs.gov as possible sources of assistance in resolving the issues that are the subject of the correspondence				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	<p>The Service continues to revise EITC notices to include LITC information when major notice revisions are made and its inclusion is appropriate and feasible. We include LITC information in the following communications:</p> <ul style="list-style-type: none"> <li>- CP 75, the initial audit notification letter, includes information about available assistance and includes Pub 4134 as an enclosure. If you have a significant hardship, you can contact the Taxpayer Advocate Service at 1-877-777-4778 (toll-free). A Low Income Taxpayer Clinic may be able to offer you free help. The enclosed Publication 4134, Low Income Taxpayer Clinic List, lists the clinics' locations and their eligibility guidelines."</li> <li>- Letter 566E, initial contact letter for questionable refund program, is being revised and revisions include adding information on LITCs.</li> </ul> <p>Although it is not feasible to send Publication 4134 with all mailings due to printing and mailing constraints, the Service includes LITC information in original contact letters whenever possible, while avoiding redundancy in subsequent mailings. Additionally, the IRS includes contact information on the Taxpayer Advocate Service in much of its correspondence. As always we will continue to explore opportunities to raise awareness of these taxpayer assistance avenues.</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 05-058</b>	<b>Increasing Awareness of TAP in Publications</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	12/29/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	By raising awareness of LITCs through the Taxpayer Advocacy Panel (TAP) remains largely unknown to the taxpaying public.				
<b>Goal Statement:</b>	Increase awareness of TAP so that taxpayers learn about and can then use this independent avenue for having their systemic issues considered by the IRS.				
<b>Proposal:</b>	<p>TAP recommended that a brief statement identifying TAP's mission and web address (<a href="http://www.improveirs.org">www.improveirs.org</a>) appear in some of the IRS publications most commonly used by taxpayers to learn about their rights, the individual federal income tax return, and collection and examination processes:</p> <ul style="list-style-type: none"> <li>• Publication 1, Your Rights as a Taxpayer</li> <li>• Publication 17, Your Federal Income Tax (For Individuals)</li> <li>• Publication 594, What You Should Know About The IRS Collection Process</li> <li>• Publication 556, Examination of Returns, Appeal Rights, and Claims for Refund</li> </ul>				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	IRS Tax Forms and Publications will include information about the TAP in appropriate publications in their inventory except Publication 1 where there is no available space. IRS has already asked the Taxpayer Advocate Service to suggest a redesign for the Publication 1 to meet their needs.				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 106-022</b>	<b>CP 521 Interest Rate</b>		<b>Status:</b>	Closed, Proposal Accepted																	
<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007																
<b>Issue Statement:</b>	Taxpayers on monthly installment agreements with the Internal Revenue Service (IRS) are not always aware of how much penalty and interest is being assessed and paid. Paying through installments to the IRS is costly for taxpayers and many do not have a clear picture of the true cost of their particular installment plan.																				
<b>Goal Statement:</b>	Encourage taxpayers currently in installment agreements with the IRS to use more cost-efficient tools to pay off their tax liability.																				
<b>Proposal:</b>	<p>The IRS should alter the CP-521, Installment Agreement Reminder Notice, to show a monthly breakdown of interest and penalty paid that follows the method being used by most mortgage and credit card companies.</p> <p>One way the IRS could accomplish this is by using a payment breakdown on the CP-521 similar to the following example:</p> <table border="0"> <tr> <td>Interest charge @ 7.5% per annum from 7/1/06 to 7/31/06</td> <td>\$ 6.25</td> </tr> <tr> <td>Penalty charge @ 6.0% from 7/1/06 to 7/31/06</td> <td>5.00</td> </tr> <tr> <td>Principal payment credited 7/31/06</td> <td>188.75</td> </tr> <tr> <td>Total Payment made</td> <td>\$200.00</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td>Principal amount (tax owed) by taxpayer as of 7/1/06</td> <td>\$1,000.00</td> </tr> <tr> <td>Less: Principal payment made 7/31/06</td> <td>188.75</td> </tr> <tr> <td>Principal amount owed by taxpayer as of 7/31/06</td> <td>\$ 811.25</td> </tr> </table>					Interest charge @ 7.5% per annum from 7/1/06 to 7/31/06	\$ 6.25	Penalty charge @ 6.0% from 7/1/06 to 7/31/06	5.00	Principal payment credited 7/31/06	188.75	Total Payment made	\$200.00			Principal amount (tax owed) by taxpayer as of 7/1/06	\$1,000.00	Less: Principal payment made 7/31/06	188.75	Principal amount owed by taxpayer as of 7/31/06	\$ 811.25
Interest charge @ 7.5% per annum from 7/1/06 to 7/31/06	\$ 6.25																				
Penalty charge @ 6.0% from 7/1/06 to 7/31/06	5.00																				
Principal payment credited 7/31/06	188.75																				
Total Payment made	\$200.00																				
Principal amount (tax owed) by taxpayer as of 7/1/06	\$1,000.00																				
Less: Principal payment made 7/31/06	188.75																				
Principal amount owed by taxpayer as of 7/31/06	\$ 811.25																				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications																				
<b>Response Notes:</b>	Collection instructions along with information in the installment agreement already encourage taxpayers to use more cost-efficient tools to pay off their liability. "Before requesting an installment agreement, you should consider other less costly alternatives, such as a bank loan or credit card payment." This is standard language used by in both correspondence/notices and by phone assistants to alert the taxpayer to alternatives. Unfortunately The CP 521 reminder notice is provided to the taxpayer with a stub to submit a payment to a lockbox. System and programming limitations prevent putting the detailed information suggested in this recommendation on the notice. The CP 89 notice provides an annual accounting of all outstanding balances to a taxpayer and does provide on a yearly basis the breakdown you recommend.																				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 106-023</b>	<b>Letter 2645C Improvements</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	12/19/2007
<b>Issue Statement:</b>	Internal Revenue Service (IRS) employees select and choose paragraphs to include when issuing Letter 2645-C, Interim Letter. If the IRS employee does not choose the correct paragraphs when sending the letter to taxpayers, the taxpayer may not fully understand the situation which can lead to problems such as their defaulting on an installment agreement with the IRS.				
<b>Goal Statement:</b>	Ensure that Letter 2645-C clearly communicates to taxpayers what needs to be done.				
<b>Proposal:</b>	<p>IRS employees issuing Letters 2645-C should use the following statement with regard to tax periods for which there is a balance owed: "Penalty and interest will accrue until your issue is resolved. You can reduce the amount of penalty and interest that may accrue by:</p> <ul style="list-style-type: none"> <li>• Making a partial or full payment now. If you choose to make a payment, please write the taxpayer identification number and tax period listed at the top of this letter on your check or money order</li> <li>or,</li> <li>• Making a payment arrangement with the IRS If you do not have funds to pay now.</li> </ul> <p>If the taxpayer is already on an installment agreement, the IRS employee should always include Paragraph # 8 which says: "Your installment agreement is still in effect, so please continue to make your scheduled payments."</p>				
<b>Response from:</b>	Jeff Barnhorst, Tax Analyst, SE:W:CAS:AM:PPG:B				
<b>Response Notes:</b>	<p>There is a note on Letter 2645C to include paragraph #5 on all systemically generated letters. This paragraph is already included on 2645C letters systemically generated through Desktop Integration (DI). A request has been submitted to include paragraph #5 in all 2645C letters generated through Correspondence Imaging System (CIS). Following is the information from paragraph #5: If you have a current installment agreement with us, please continue to make scheduled payments while waiting for our response. Even if you do not have a formal installment agreement, you may make payments to reduce the balance owed and minimize interest and penalty charges. To help us apply payments properly, make checks or money orders payable to the United States Treasury, and clearly print your name, the tax year on which you owe, and your Social Security or Employer Identification number on the check.</p> <p>Additional paragraph to be added to letters beginning January 2008.</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 106-024</b>	<b>Form 1040V and Estimated Tax Payments</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	3/5/2007
<b>Issue Statement:</b>	Taxpayers who file Form 1040, U.S. Individual Income Tax Return, showing a balance due, can send the tax payment with the tax return. However, if the taxpayer needs to make an estimated tax payment as a result of completing the tax return, the estimated tax payment must be sent to a different address than where the tax return is sent.				
<b>Goal Statement:</b>	Make it possible for taxpayers to send their tax return, tax payment and first quarter estimated tax payment to the same address.				
<b>Proposal:</b>	<p>IRS should eliminate the need to mail tax payments due at the same time to two different addresses using two different payment vouchers and also eliminate the need to mail an estimated tax payment separate from the tax return when there is no tax owed for the current year.</p> <p>A line should be added to Form 1040V, Payment Voucher, so the taxpayer can indicate that the first quarter estimated tax payment is included. Further, the Form 1040V should be renamed the Form 1040V-ES to better describe its new purpose.</p> <p>The instructions for the new line on the Form 1040V-ES could read: "If you are also making an estimated tax payment for 200_, indicate the amount of the estimated tax payment on Form 1040V-ES." In addition, the instructions to the new Form 1040V-ES should be changed to indicate the form can be used when:</p> <ul style="list-style-type: none"> <li>a) making a payment for a balance due shown on the current year tax return,</li> <li>b) making the April 15th estimated tax payment or</li> <li>c) making a payment for a balance due on the current year tax return and an estimated tax payment.</li> </ul> <p>A proposed rendition of a Form 1040V-ES payment voucher is attached.</p> <p>Second, third and fourth quarter estimated payments will continue to be sent with the Form 1040ES, Estimated Tax for Individuals.</p>				
<b>Response from:</b>	Frankie Harrell, Program Analyst, Customer Account Services, Program Coordination & Support				
<b>Response Notes:</b>	<p>We appreciate the panel's request to combine Forms 1040-ES and 1040-V. As you know, each form has its own unique purpose and is designed to facilitate efficient and accurate payment processing.</p> <p>The Form 1040-V allows individual taxpayers who have a balance due on their Form 1040 to submit their return and payment to the same address; thereby, allowing IRS to process the payments faster. Approximately half of the Form 1040-V's are processed in the lockbox banks and the other half is processed at the Submission Processing Campuses. Neither the Submission Processing Campuses nor the lockbox banks have the capacity to handle all of the mail in one site. We believe your suggestion would create significant capacity issues for processing and a substantial increase in misapplied payments.</p> <p>The Form 1040-ES document is processed through electronic scanning at the lockbox banks. This process not only allows the taxpayer to submit their estimated tax payments but also serves to ensure the payments are accurately posted. Electronic scanning of documents provides the most efficient and cost effective means of processing payments, as it is faster, less prone to key-stroke errors, and less costly to the taxpaying public. Because payments received with a return and estimated tax payments have two different transaction codes, our current technology would not allow a combined document to be scanned. Instead, we would have to process these payments as split payments increasing the need for manual labor. This would dramatically increase the potential for human error resulting in an increase in misapplied payments.</p> <p>In 2005, the statistics for Form 1040-V non-scannable payments at the lockbox banks was 93%. In 2006, the non-scannable rate was 23% and the scannable rate was 75% at the lockbox banks. This demonstrates IRS's continual efforts to reduce manual labor and increase efficiency and</p>				

***Responses Received in 2007 for Recommendations Elevated in Prior Years***

	accuracy when processing payments.
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**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 106-025</b>	<b>Forms and Publications, Search by Keyword</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	1/25/2007	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	The Internal Revenue Service (IRS) web site, <a href="http://www.irs.gov">www.irs.gov</a> , allows citizens to download its forms, instructions, and publications. While the web site allows citizens to easily search and download by form and publication numbers or by topic, the web site makes it difficult to search by "keyword," such as the words contained in forms and publications titles.				
<b>Goal Statement:</b>	Make it easier to find relevant forms and publications on <a href="http://www.irs.gov">www.irs.gov</a> .				
<b>Proposal:</b>	<p>The Taxpayer Advocacy Panel (TAP) has received several complaints from taxpayers about the difficulty in finding forms and publications on the IRS' website. To validate these complaints, the ability to search for forms and publications on <a href="http://www.irs.gov">www.irs.gov</a> was tested.</p> <p>The website was searched for Form 1127, Application for Extension for Time for Payment of Tax, by entering "Application for Extension for Time for Payment of Tax" into the &lt;Search&gt; field on <a href="http://www.irs.gov">www.irs.gov</a> (shown in the upper right corner of Figure 2). For this test, it was assumed the taxpayer knew the title of the form but not the form number. The search engine presented over 17,000 possible hits, yet none of the first twenty results presented the form as a possible match even though the wording entered into the &lt;Search&gt; function was the precise title of Form 1127.</p> <p>For taxpayers who do not know the form or publication number but know the title or approximate title, the lack of "search by keyword" function can cause frustration and delays in finding relevant tax forms and publications.</p> <p>The website does have an "Advanced Search" function where one can limit the search solely to forms and instructions, as well as publications. Figure 3 shows the Advanced Search screen. To make searching for forms, instructions, and publications easier, it is recommended that the IRS add an option to the list of search types shown in Figure 1 to include "Search by Keyword." This search capability could be built on the basis of the Advanced Search screen with the "Limit Search To" options of &lt;Forms and Instructions&gt; and &lt;Publications&gt; checked as defaults. The Taxpayer Advocacy Panel (TAP) has received several complaints from taxpayers about the difficulty in finding forms and publications on the IRS' website. To validate these complaints, the ability to search for forms and publications on <a href="http://www.irs.gov">www.irs.gov</a> was tested.</p> <p>The website was searched for Form 1127, Application for Extension for Time for Payment of Tax, by entering "Application for Extension for Time for Payment of Tax" into the &lt;Search&gt; field on <a href="http://www.irs.gov">www.irs.gov</a> (shown in the upper right corner of Figure 2). For this test, it was assumed the taxpayer knew the title of the form but not the form number. The search engine presented over 17,000 possible hits, yet none of the first twenty results presented the form as a possible match even though the wording entered into the &lt;Search&gt; function was the precise title of Form 1127.</p> <p>For taxpayers who do not know the form or publication number but know the title or approximate title, the lack of "search by keyword" function can cause frustration and delays in finding relevant tax forms and publications.</p> <p>The website does have an "Advanced Search" function where one can limit the search solely to forms and instructions, as well as publications. Figure 3 shows the Advanced Search screen. To make searching for forms, instructions, and publications easier, it is recommended that the IRS add an option to the list of search types shown in Figure 1 to include "Search by Keyword." This search capability could be built on the basis of the Advanced Search screen with the "Limit Search To" options of &lt;Forms and Instructions&gt; and &lt;Publications&gt; checked as defaults.</p>				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	The Topical Index link on the Forms and Publications landing page takes taxpayers to the "Topical Index to Forms, Instructions and Publications" page at <a href="http://www.irs.gov/formspubs/article/0,,id=98171,00.html">http://www.irs.gov/formspubs/article/0,,id=98171,00.html</a> . This index is provided to address the examples given in the Proposal (where a taxpayer knows the title, or approximate title, but not the number). "Extension" would be the relevant "keyword" (i.e., main topic or subject of the item the taxpayer needs to find) in the title of Form 1127, Application for Extension for Time for Payment of Tax, so taxpayers would click on the letter "E" in the alphabetical listing. They would then find the				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

	Form 1127 on the resulting page. However, to validate that the Topical Index is not meeting taxpayer needs for finding Forms, Instructions and Publications by "keyword", IRS will conduct a usability analysis. We will then be better able to determine whether a modification to the IRS.gov search engine or other alternative will best address any usability deficiencies.
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<b>TAP 206-004</b>	<b>"Timely Response Required" on Envelopes</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	6/12/2006	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	11/14/2007
<b>Issue Statement:</b>	Many taxpayers fail to open Internal Revenue Service (IRS) time sensitive notices in a timely manner. Taxpayers not only lose opportunities to contest assessments without going to tax court, but also get stuck with mounting interest and penalties.				
<b>Goal Statement:</b>	Encourage taxpayers to open correspondence in a timely manner to ease taxpayers' burden as well as IRS' burden in pursuing non-responders.				
<b>Proposal:</b>	Require that all IRS correspondence to taxpayers with a due date, include on the outside of the envelope the wording "Timely Response Required" printed in bold font.				
<b>Response Notes:</b>	It would be cost-prohibited to implement this proposal. Separate files are needed to print envelopes with and without the "Timely Response Required" verbiage. This could create files that would be too small to process systemically and would have to be processed manually. Quality is also impacted because, the effectiveness of the automated bulk processing facility is contingent upon having consistent, repeatable processes and every variation introduced reduces both production quantity and quality. The current equipment does not have the capacity to print to have two different outgoing mailer envelopes, those with and without "timely response required."				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 206-014</b>	<b>EFTPS Registration Process</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	3/5/2007
<b>Issue Statement:</b>	The registration process for the Electronic Federal Tax Payment System (EFTPS) for individual taxpayers is not simple to use and requires, at best, a two-week wait time. This extended waiting time is specific to individual taxpayers and does not apply to businesses or preparers.				
<b>Goal Statement:</b>	Simplify the process for individual taxpayer's registration and participation in the EFTPS.				
<b>Proposal:</b>	Eliminate the need for bank and identify verification prior to the individual's using the EFTPS to make estimated tax payments. The IRS should use the same process for bank verification as used by those selecting the electronic funds withdrawal method of payment when filing their individual tax return electronically.				
<b>Response from:</b>	Frankie Harrell, Program Analyst, Customer Account Services, Program Coordination & Support				
<b>Response Notes:</b>	<p>This recommendation encourages IRS to use the same process for bank verification on EFTPS as the process used by those taxpayers selecting the Electronic Funds Withdrawal (EFW) method of payment when filing their individual tax return electronically. For both EFTPS and EFW, certain entity and banking information is required from the taxpayer to initiate and complete the payment process. When a taxpayer files their return electronically and requests an EFW payment, the entity information is secured from the taxpayer's income tax return and is systemically validated against the IRS Individual Masterfile. In this same validation process, the banking information provided by the taxpayer is validated with the Financial Organization Master File, and the payment is created for EFTPS processing. The taxpayer's payment is associated with their tax return.</p> <p>When a taxpayer enrolls in EFTPS via the internet, the same required entity and financial information is needed to create the EFTPS account and complete the validation process. This initial validation process for EFTPS enrollment takes approximately the same amount of time as the EFW validation process.</p> <p>The primary difference between the two processes is the assignment of the EFTPS Personal Identification Number (PIN) to the taxpayer. The PIN is necessary to authenticate the taxpayers' identity each time they log on to EFTPS and ensures the integrity of their tax payment information. Currently, our security guidelines prevent us from assigning the PIN to taxpayers electronically. All PINs must be sent to the Masterfile address of record via the U.S. Postal Service. At this time, we believe these procedures are necessary to protect sensitive taxpayer information, as well as, maintain the superior standard of integrity of the Treasury's main payment processing system.</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 206-017</b>	<b>Self-employed and Free Tax Preparation</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	5/23/2007
<b>Issue Statement:</b>	Internal Revenue Service (IRS) trained volunteers who work at free tax preparation sites, Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE), are currently prohibited from preparing Schedules C, Profit or Loss from Business (Sole Proprietorship). The sties can prepare a Schedule C-EZ, Net Profit from Business. However, the Schedule C-EZ can not be used when the expenses are \$5,000 or greater, the schedule shows a loss, or there is more than one Schedule C-EZ.				
<b>Goal Statement:</b>	Increase the number of low-income, self-employed taxpayers who can have their tax returns completed at VITA and TCE sites.				
<b>Proposal:</b>	<p>TAP recommend the following changes:</p> <ol style="list-style-type: none"> <li>1. Allow VITA/TCE to offer a higher level of training or certification test for volunteers who prepare returns at sites serving low-income, self-employed taxpayers. The training could be offered at two levels: <ul style="list-style-type: none"> <li>•complete training on completion of Schedule C; and</li> <li>•basic training that excludes “depreciation of assets” and “business use of home.”</li> </ul> </li> <li>2. Increase the limit of expenses to \$10,000 for Schedule C-EZ and index the limit to the cost of living; allow multiple Schedules C-EZ for each taxpayer and allow Schedule C-EZ to be used when a business has a net loss.</li> </ol>				
<b>Response from:</b>	Leslye Baronich, Director, Field Operations, Stakeholder Partnerships, Education and Communication				
<b>Response Notes:</b>	<p>SPEC has determined that preparation of Schedule C, as well as more expansive schedules C-EZ, is not feasible in the near term.</p> <p>As you are aware, the IRS has developed a comprehensive volunteer return preparation program quality initiative in response to Treasury inspector General for Tax Administration (TIGTA) and IRS findings of inaccuracies in volunteer tax return preparation services. The IRS and its partners are devoting sizable resources to reverse the error trend. SPEC leadership feels that adding the individual business component to volunteer return preparation program initiatives could result in a negative impact on the recent progress made in improving tax return accuracy. Allowing variations in the return preparation process to different types of sites has impacted our ability to provide consistency, which is critical at this juncture. Allowing some sites to prepare more complex returns would work against us.</p> <p>SPEC certainly believes there is merit in your recommendation to develop an individual business, low income, free tax preparation program. The effort necessitates collaboration between the IRS and new or existing partners</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 206-017B</b>	<b>Sch C-EZ Changes</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	6/13/2006	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/9/2007
<b>Issue Statement:</b>	Internal Revenue Service (IRS) trained volunteers who work at free tax preparation sites, Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE), are currently prohibited from preparing Schedules C, Profit or Loss from Business (Sole Proprietorship). The sties can prepare a Schedule C-EZ, Net Profit from Business. However, the Schedule C-EZ can not be used when the expenses are \$5,000 or greater, the schedule shows a loss, or there is more than one Schedule C-EZ.				
<b>Goal Statement:</b>	Increase the number of low-income, self-employed taxpayers who can have their tax returns completed at VITA and TCE sites.				
<b>Proposal:</b>	<p>TAP recommend the following changes:</p> <ol style="list-style-type: none"> <li>1. Allow VITA/TCE to offer a higher level of training or certification test for volunteers who prepare returns at sites serving low-income, self-employed taxpayers. The training could be offered at two levels: <ul style="list-style-type: none"> <li>• complete training on completion of Schedule C; and</li> <li>• basic training that excludes “depreciation of assets” and “business use of home.”</li> </ul> </li> <li>2. Increase the limit of expenses to \$10,000 for Schedule C-EZ and index the limit to the cost of living; allow multiple Schedules C-EZ for each taxpayer and allow Schedule C-EZ to be used when a business has a net loss.</li> </ol>				
<b>Response from:</b>	Jodi L. Patterson, Director, Office of Taxpayer Burden Reduction				
<b>Response Notes:</b>	Based on correspondence from the Tax Forms & Publications office dated March 2, 2007, the filing requirement threshold for business expenses was raised from \$2,500 to \$5,000 in 2004 and the Treasury's Office of Tax Analysis opinion was that increasing the business expense threshold to \$10,000 and allowing more than one Schedule C-EZ to be filed by one taxpayer would increase non-compliance due to misreporting of expenses.				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 206-020</b>	<b>Tollfree, Access to Person Option</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	1/22/2007	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	2/20/2007
<b>Issue Statement:</b>	Taxpayers are concerned that the Internal Revenue Service's (IRS) toll-free telephone lines provide only a limited, automated menu and do not always make it clear how to reach a person.				
<b>Goal Statement:</b>	Provide more user-friendly options on the telephone lines for less sophisticated or less knowledgeable taxpayers and always make it clear how to reach a person.				
<b>Proposal:</b>	This proposal recommends the addition of an option to speak with a person to the main menu of all IRS toll-free lines. The Taxpayer Advocacy Panel's (TAP) recommended wording for the menu option is: "Please press 0 (zero) or stay on the line if you need help in directing your call to someone who can assist you."				
<b>Response from:</b>	Frankie Harrell, Program Analyst, Customer Account Services, Program Coordination & Support				
<b>Response Notes:</b>	<p>The IRS is constantly reviewing contact center industry practices to determine the best possible services to our customers within resource constraints in our very complex environment. We work hard to make our telephone menus as clear as possible, but do recognize that there can still be some customer frustrations. We are pursuing a strategic direction that focuses on the delivery of overall enhanced customer service via specialization of employee skills for improved quality, and taxpayer self-assistance options using telephone and internet automation. Within our budget confines, we must diligently try to: deliver as much service as possible via taxpayer self-assistance options; lead as many people as possible to taxpayer self-assistance automation; 'train' our customers to accept automation as a first step; and discern as much about the caller's issue as possible before sending them to a human assistor. Our efforts are consistent with industry practices.</p> <p>In order to provide the ability for a caller to 'zero out' to a screener to direct their call, we estimate that up to 200 additional full-time equivalents (FTE) would be required. Assuming a static or declining budget, applying these resources to screeners, rather than staff actually answering questions, would result in decreased service to the larger customer population. Customers would most likely wait in queue longer to speak with someone knowledgeable in their specific issue, and overall customer satisfaction, as well as other business measures, would decline.</p> <p>There would also be costs associated with the systemic changes necessary to implement this recommendation. A very rough order of magnitude estimate would be approximately \$6 million for programming, additional infrastructure equipment for manually routing more calls, and additional system capacity needed for the larger screener group.</p> <p>Although we agree with the portion of the TAP goal which states 'Provide more user-friendly options on the telephone lines for less sophisticated or less knowledgeable taxpayers' we simply do not have the budget to implement your suggested solution at this time. We must continue to focus resources on the customer demand that cannot be met with automated services. We believe that we should continue to maximize our automation tools and available resources to assist the greatest number of customers, and direct any available resources to answering the caller's issues.</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 206-028</b>	<b>Form 1099 Free Electronic Filing</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	7/2/2007	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	7/17/2007
<b>Issue Statement:</b>	<p>Charitable organizations and small businesses with fewer than 250 Forms 1099-MISC, Miscellaneous Income, are required to use third party providers to file them electronically with the Internal Revenue Service (IRS).</p> <p>Note: This recommendation was sent to Sue Sottile on 11/16/2006; she requested the recommendation be forwarded to the Director of the Martinsburg Computing Center for consideration.</p>				
<b>Goal Statement:</b>	Enable charitable organizations and small businesses to file Forms 1099-MISC electronically at no cost. The information and instructions on how to do so should be easily accessible.				
<b>Proposal:</b>	<p>Implement a system similar to the Social Security Administration (SSA) Business Services Online that would allow those filing small numbers of forms to do so electronically at no cost.</p> <p>If the cost to do this or the time required to implement the new system makes this impractical in the short term, TAP recommends the IRS arrange free filing through authorized providers for small churches, other non-profit organizations and small businesses.</p> <p>Information and filing instructions should be easily accessible to all qualifying organizations.</p>				
<b>Response from:</b>	Charles H. Koeneke, Jr., Chief, Information Returns Branch				
<b>Response Notes:</b>	<p>The IRS clarified portions of TAP's recommendations and stated that many software providers already offer options in its "suite" of applications that convert the data into the acceptable format for submitting the data to the Filing Information Returns Electronically (FIRE) System.</p> <p>In reference to the panel's proposed solution, the IRS has been exploring a number of options for allowing easier filing electronically of information reporting documents, including the use of an on-line form for filing Form 1099-MISC, similar to the Social Security Administration Business Services on-line. Based on IRS' conversations with their Chief Counsel's Office, at a minimum, IRS would need IRS commissioner-level approval or a legislation change from Congress to implement the proposal.</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 206-031</b>	<b>Household Employees, Clarity of Instructions</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	3/2/2007
<b>Issue Statement:</b>	Existing instructions do not provide clear instructions to taxpayers on when to stop filing employment tax forms for household employees, such as, nannies, cleaning people, gardeners, caretakers, etc. The instructions also promote taxpayer confusion by using the terms "Household" and "Business" interchangeably.				
<b>Goal Statement:</b>	Internal Revenue Service (IRS) instructions should inform taxpayers they need not file employment tax forms if they no longer have household employees and clarify the use of the terms "Household" and "Business" used in the forms, instructions and publications				
<b>Proposal:</b>	<p>TAP recommends the following changes to the Publication 393, 200x Federal Employment Tax Forms, and other employment tax forms, instructions and publications:</p> <p>1) Include on the front of future Publications 393, 200x Federal Employment Tax Forms, a statement such as: "You need NOT file employment tax forms for the tax year in which you did not pay wages above \$xxx to any household employees."</p> <p>2) Define and use the term "Household/Business" instead of using the terms "Household" and "Business" separately and interchangeably on the Form 941, Employer's Annual Federal Unemployment (FUTA) Tax Return, in the Form 941 Instructions and in the Publication 393. Alternatively, use only the term "Business" and define it as referring to both business entities and household employers for purposes of employment taxes.</p> <p>3) Move Item #16 on Page 2 of Form 941 (check box for "Final" filing of Form 941) to the top of the front page of the form, similar to its placement on the Form 1065 Schedule K-1 Partner's Shares of Income, Credits, Deductions, etc.</p> <p>4) Change text to make it clear that taxpayers should label their last Form 941, Employer's Quarterly Federal Tax Return, as "FINAL." A section in the instructions appropriately labeled: "If this is the last year you employ household help" would highlight this information for the taxpayer.</p>				
<b>Response from:</b>	Carole A. Barnette, Acting Review Chief, Business Branch				
<b>Response Notes:</b>	<p>The recommended statement to include on the front of future Publications 393, 200x Federal Employment Tax Forms, a statement such as: "You need NOT file employment tax forms for the tax year in which you did not pay wages above \$xxx to any household employees "would not be accurate if the employer has household employees and other employees. The employer may include both on Forms 941, 940, etc. However, we could include language stating that Schedule H (Form 1040), Household Employment Taxes, will be sent automatically if Schedule H was filed in the previous year.</p> <p>IRS uses the term business on Form and Instructions for the 941 because the products are for an audience that overwhelmingly consists of business entities and not household employers. While employers can choose to file Form 941 for household employment or include taxes for their household employees on Form 941, the form is not designed for use by household employers and the instructions refer these employers to Schedule H (Form 1040), Household Employment Taxes, and Publication 926, Household Employer's Tax Guide because it is simpler and easier.</p> <p>The IRS will consider placing a check box for "Final" filing of Form 941 conspicuously on the front page.</p> <p>The redesigned Form 941 is processed by optical character recognition (OCR) equipment. Because of the technical requirements of that technology, addition of "FINAL" would not necessarily be noticed on a return and could interfere with or cause errors in processing.</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 306-016</b>	<b>Third Party Authorization Expansion</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	11/21/2006	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	1/17/2007
<b>Issue Statement:</b>	Taxpayers are unable to utilize the checkbox authority past the one year period from the original due date of the returns which were extended due to the disaster extension provisions.				
<b>Goal Statement:</b>	The third party authorization period should be one year, but the period should begin with the actual due date of the return based on any valid extension of time for filing.				
<b>Proposal:</b>	The Internal Revenue Service (IRS) should expand the third party authorization to one year from the due date of the return including any valid extensions based on a presidential disaster declaration or a timely filed extension form. Many taxpayers, especially those in disaster areas, are not able to file their returns by the April 15 due date. The third party designation should be valid for one year from the extended due date.				
<b>Response from:</b>	Susan W. Carroll, Director, Accounts Management				
<b>Response Notes:</b>	Although the 1040 Designee (Checkbox) authority was expanded to include sharing information to resolve some account issues, it continue to be nothing greater than disclosure authority to assist in the completion of return processing and resolve issues within a short period of time. A Third Party Designee does not have the authority to represent or resolve issues with Examination or Collections personnel and the Designee authority is currently irrevocable. In addition, Customer Service Representatives would be required to perform additional research to determine when the Check Box authority ends, if the period is extended. This change could cause confusion and inadvertent disclosures.				

<b>TAP 306-026</b>	<b>Spanish Correspondence Availability</b>		<b>Status:</b>	Closed, Proposal Implemented	
<b>Date Elevated to IRS:</b>	1/22/2007	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Taxpayers in the United States do not have the option to receive correspondence in Spanish.				
<b>Goal Statement:</b>	Facilitate taxpayers' effective communication with the Internal Revenue Service (IRS) for taxpayers whose primary language is Spanish.				
<b>Proposal:</b>	Limited English Taxpayers should have the option of receiving and sending written communication in Spanish.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	<p>IRS has implemented systemic changes that allow for the issuance of Spanish letters and notices in the domestic United States upon a taxpayer's request. Taxpayers can request them via Spanish toll-free assistance. We also now provide that information in Spanish on notices sent out in English to alert taxpayers to this assistance available. In addition all of our toll-free services offer assistance in Spanish as the first alternative when calling regarding a notice or letter.</p> <p>The IRS has over 250 LEP tax-related products in its inventory.</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 406-015</b>	<b>Forms, Show Changes on Drafts</b>		<b>Status:</b>	Open, Responding to IRS	
<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	When the Internal Revenue Service (IRS) posts draft versions of a form for public comment, there is no indication of what has changed from the previous version.				
<b>Goal Statement:</b>	Receive more and better quality user feedback on draft forms posted by IRS for comment on IRS website.				
<b>Proposal:</b>	IRS should mark up the draft version so it is easy to identify the changes from the previous version of the form.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	IRS cannot currently adopt this recommendation. A significant amount of additional time and technical staff would be needed to mark up changes within the current forms development process to provide this information. The Service already interacts with taxpayers through a special e-mail posting box and through continuous interaction with external stakeholder groups such as the TAP, IRPAC, IRSAC, and National Public Liaison stakeholders.				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 406-019</b>	<b>Forms, Lack of Availability</b>		<b>Status:</b>	Open, Responding to IRS	
<b>Date Elevated to IRS:</b>	11/21/2006	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Paper federal income tax forms and instructions are not easily available in most communities and taxpayers find it difficult to find copies				
<b>Goal Statement:</b>	Develop a method for individual taxpayers to acquire the needed paper forms to encourage timely and complete federal income tax filing.				
<b>Proposal:</b>	<ul style="list-style-type: none"> <li>• Create a "Form 1040 check-off," similar to that used for Presidential Election Campaign participation. This "check off" should be placed near the top of the Form 1040, U.S. Individual Income Tax Return, and could read simply: "Check here if you would like to receive a 20xx Tax Booklet and Instructions." This data can then be incorporated into the mail file prepared for the following filing season Form 1040 package delivery.</li> <li>• Improve communication to taxpayers about the importance of ordering the tax forms and publications they need at the start of the filing season. Recommended methods of communicating this key message are: <ul style="list-style-type: none"> <li>Internal Revenue Service (IRS) news releases</li> <li>Featured postings on irs.gov</li> <li>Reminder postcards mailed to taxpayers</li> <li>Alerts in electronic tax software programs</li> </ul> </li> </ul>				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	<p>IRS does not agree with this recommendation. There is no research data which indicates non compliance due to lack forms availability and the cost of this proposed recommendation is prohibitive.</p> <p>IRS believes it current practices are currently the most efficient for both the taxpayer and the service:</p> <p>IRS notes the filing method used by individual taxpayers and each year updates its mailing of tax packages accordingly. For example, those who use a paid preparer, e-file from their home computer, etc. do not receive a tax package or the same tax package as does a taxpayer who self-prepared and filed their prior year return on paper. Further, the specific tax package mailed to these individuals is based on their prior year filing pattern in terms of type of return and attachments. This assessment by individual taxpayer is done every year.</p> <p>Our filing season communications (including news releases, Tax Tips and presentations) continue to urge taxpayers to use IRS.gov to receive needed forms quickly and efficiently 24/7 or to call our toll-free forms hotline at 1-800-829-3676 and have the forms mailed to them. We also respond to media requests with information on local community-based paper forms outlets.</p> <p>However as we develop additional customer preference research through on on-going Taxpayer Blue Print initiative we will explore this issue further.</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 406-035</b>	<b>Form 4506, Request Copy of Tax Return</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Taxpayers have expressed concern about third party use of copies of their tax returns and transcripts requested by filing Forms 4506, Request for Copy of Tax Return and 4506-T, Request for Transcript of Tax Return.				
<b>Goal Statement:</b>	Raise taxpayers' awareness of the consequences of requesting that tax return information be delivered to a third party.				
<b>Proposal:</b>	In bold type, highlight both the cautionary statement in Line 5 and the separate caution statement immediately above Line 6 on Form 4506 and 4506-T to make clear that a signature gives the third party listed (e.g.--a mortgage company) the right to receive all pertinent data on the specified tax return(s).				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	IRS Tax Forms and Publications agree to bold face the second sentence on line 5. However, changing the style of the "Caution" would violate established Style Guide rules.				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 506-027</b>	<b>Forms &amp; Publications Employee Background</b>		<b>Status:</b>	Open, Responding to IRS	
<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Counter Response to IRS:</b>	10/22/2007	<b>Date Response(s) Received:</b>	4/3/2007
<b>Issue Statement:</b>	The Internal Revenue Service (IRS) forms and publications are written in a manner that is confusing and not easily understood. Taxpayers spend numerous hours trying to interpret "IRS" language. IRS personnel charged with the writing of forms and publications do not have educational backgrounds in the areas of English and Journalism.				
<b>Goal Statement:</b>	To increase taxpayer understanding of IRS forms and publications, and thereby, increase compliance.				
<b>Proposal:</b>	<ul style="list-style-type: none"> <li>• Employ persons specifically trained to communicate via the written word such as English or Journalism majors. Increase the pool of potential candidates by posting positions across the country.</li> <li>• Use frontline customer service employees as focus groups during the revision process. In addition, implement call-site data collection to help determine areas of taxpayer confusion and misunderstanding.</li> <li>• Continue to promote adherence to the internally developed IRS Style Guide. In the final review process, place increased emphasis on readability and comprehension in conjunction with technical accuracy.</li> </ul> <p>First, the sub-committee, Robert L. Meyers, Rajiv Shaw, Sandra Bland and Area 5 would like to thank you for your quick response to our letter regarding employee training and background for those Internal Revenue Service (IRS) employees charged with the responsibility of writing forms and publications. After reading your response, it appeared to us that some confusion exists regarding our recommendation and that some clarification is necessary. It is our hope that you will review this clarifying information and reconsider your response to our recommendation based upon better understanding of its intent.</p> <p><b>Educational Background</b> In discussing the educational background of those charged with writing IRS forms and publications, we assure you we understand and wholeheartedly agree that all forms and publications must contain accurate text that not only meets the letter of the law, but also guides the taxpayer to successful completion of the responsibilities expected of them. We do not agree, however, that making forms and publications more readable must necessarily increase the risk of technical inaccuracies. It is for this reason that the committee recommends--not that all writers be English majors--but rather that there be a concentrated effort to achieve a balance between meeting the standards of law and IRS expectations, and presenting clear and concise directions for the end user, the American taxpayer. If, in the past, those charged with reviewing publications for readability changed the intent of the communication, their actions would have been contrary to the goal of writing for clarity. We believe there can be a balance where the details of law and accounting can be expressed in terms that are both readable and accurate.</p> <p><b>Alternative Worksites</b> The committee is pleased to read that efforts are made to utilize alternative worksites, including work-at-home positions and satellite offices. Not clear to the committee, however, is the statement, "[W]e have not as yet found a way that we believe would allow us to hire employees situated throughout the country and allow us to train them." At a time when on-line instruction and remote learning are becoming commonplace, and include increasingly complex subject matter, the committee is convinced that on-line instruction is a viable alternative to on-site training. With the time required for production cycles (approximately a year long process) it would appear that adequate time is available for regular, timely training sessions during each production cycle, with emphasis on the particular skill required at that point in the process. In a similar regard, the committee suggests that rather than emphasis on all Tax Law Specialists having to "have strong technical tax knowledge and writing skills, (but) also form design and development skills and electronic publishing knowledge and skills," a division of labor such as that described at the Deere Company example in the original recommendation may enhance the overall quality of the products being developed.</p>				

## **Responses Received in 2007 for Recommendations Elevated in Prior Years**

	<p><b>Using Frontline Employees as Focus Group</b>  The committee was pleased to learn that focus groups are used to respond to IRS products and that their responses are considered in the review of each product. We applaud the plan to visit the call sites and to acquire even more feedback, and encourage the continued use of taxpayer feedback via the focus groups you identified in your response to the committee. We feel it is very important to continue to ask self-filing taxpayers to respond to the products and encourage the IRS to consider also using tax preparers, as we have learned that they, too, will be able to provide valuable insights, much as the business units now being surveyed.</p> <p><b>Increased Emphasis on Readability and Comprehension in Final Review Process</b>  The writing process the IRS utilizes can be effective in ensuring the readability and comprehension of IRS publications and instruction forms. The committee agrees that all publications must be technically accurate and that no changes be approved that might result in substantive errors. We do believe, however, that adequate time can be allowed to assure both technical accuracy and comprehension. If either aspect is not present, the publication has a reduced chance of successful communication, as indicated in an editorial comment by Stephen Moore, senior economics writer for the Wall Street Journal's editorial page where he wrote:</p> <p>"This year there are a record 66,000 pages of mostly incomprehensible tax laws to comply with, and for those with more complicated returns, 526 separate forms that may need to be filled out...The complexity of the tax code, the cost it imposes on the economy simply to comply with it, and the civilian army of agents needed to enforce it continues to grow like cancer cells attacking the healthy ones."</p> <p>According to the Taxpayer Assistance Blueprint, Phase 2 (TAB2):</p> <p>"The TAB team identified three approaches to meeting taxpayer needs: assisting taxpayers in complying with their federal tax obligations, satisfying demand for services, and removing barriers to service use. Key findings associated with taxpayer needs include the following:</p> <ul style="list-style-type: none"> <li>• Noncompliance may result from tax law complexity, confusion and inadvertent errors.</li> <li>• Examples of the barriers taxpayers face in attempting to access IRS services include limited reading and writing skills, tax law complexity, and challenges faced by groups with special needs."</li> </ul> <p>An example of the value of writing IRS forms and publications in plain language is the Federal-State Reference Guide for State and Local Government Employers (IRS Pub. 963), first published jointly by the IRS, the Social Security Administration (SSA), and the State of Colorado in 1995. In 2002, the IRS Director of Federal-State-Local Governments documented an increase in FICA, Federal Insurance Contributions Act, withholdings, which represents both Social Security and Medicare taxes and/or Medicare-only taxes paid to the U.S. Treasury from 1997 through 2000 by public employers and employees of \$12 billion due solely to the outreach and education intervention that occurred nationwide with the publication and distribution of the Guide for state and local government employers. Written in a plain-language style, the Guide clarified the coverage and tax withholding obligations for many public employers who began voluntarily paying the additional monies they owed the U.S. Treasury.</p> <p>Unfortunately, the very complexity that makes writing forms and publications so difficult for the IRS makes it even more important that they be written at a level of comprehension most taxpayers can readily understand. We believe this is achievable without sacrificing either the letter or the intent of the law. We also believe that, by employing persons skilled in technical writing, editing in the final review process can result in a product that is both technically accurate and understandable.</p> <p>The committee again reiterates our appreciation for your detailed response to our initial proposal and hope that with the clarifying statements included in this response further consideration of our recommendations will result.</p>
<b>Response from:</b>	Curt Freeman, Acting Director, Tax Forms and Publications
<b>Response Notes:</b>	

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 606-018</b>	<b>Form W-10 Employer Identification Number</b>		<b>Status:</b>	Closed, Proposal Rejected	
<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Child care providers are reluctant to furnish their social security numbers when asked to certify their names, addresses and Taxpayer Identification Numbers (Tin) on Form W-10, Dependent Care Provider's Identification and Certification. They are concerned that providing their social security number will expose them to identity theft				
<b>Goal Statement:</b>	Reduce or eliminate the opportunity for child care providers to have their identities stolen.				
<b>Proposal:</b>	Add to the instructions for Form W-10, Dependent Care Provider's Identification and Certification, the following language: "to minimize identity theft, apply for an Employer Identification Number (EIN)." We recommend this language be inserted in Part I of the Specific Instructions, immediately preceding the "How to get a TIN" section.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	IRS cannot agree with this recommendation since individuals who are dependent care providers are required to provide only an SSN (or ITIN) on Form W-10, they cannot obtain an EIN. Code section 6109 (a) (2) explains that for purposes of furnishing an identifying number to other persons, that number is the individual's social security account number.				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 606-021</b>	<b>Customer Service, Improve Quality</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Many taxpayers believe the information given to them by the Internal Revenue Service (IRS) is inaccurate or inconsistent. There is a wide-spread perception that if they contact the IRS more than once about the same issue, they get different answers to their question.				
<b>Goal Statement:</b>	The goal is to create confidence in the public that the IRS provides accurate and consistent information.				
<b>Proposal:</b>	<p>The proposal is to engage in a very public process to: 1) develop a comprehensive IRS-wide plan for continuous quality improvement of customer services; and 2) inform and educate taxpayers about quality improvement efforts and their results.</p> <p>A broadly, representative task force on quality improvement should be formed. Possible task force membership would include representation from: Taxpayer Advocacy Panel (TAP), Internal Revenue Service (IRS), Service Corps of Retired Executives (SCORE), tax preparers, accountants/CPAs, Volunteer Income Tax Assistance (VITA), American Association of Retired Persons (AARP), National Treasury Employees Union (NTEU), and Universities/academia.</p> <p>The Task Force will focus on IRS customer service as provided through the telephone, the web site and walk-ins. Specifically, the task force will improve accuracy and build public confidence by accomplishing the following:</p> <ol style="list-style-type: none"> <li>1. Review current practices and make recommendations to improve the accuracy and consistency of answers.</li> <li>2. Review current training plans and practices and make recommendations to improve.</li> <li>3. Review current quality improvement plans and create a comprehensive plan for on-going efforts to continually improve quality.</li> <li>4. Inform and educate the public about efforts and results in improving accuracy.</li> <li>5. Create a plan for publicizing and changing public perception about quality improvement efforts and results.</li> </ol> <p>Upon completion of the above work, the task force work will forward its recommendations to the IRS Commissioner and conclude its work.</p>				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	<p>We are not in agreement to establish a joint task group as outlined in this proposal since the IRS current roadmap for improvement is the recently completed Taxpayer Assistance Blueprint (TAB). Stakeholder feedback was extensively utilized in the development of the TAB which defines the IRS strategy for service and quality improvement. To facilitate and coordinate implementation of TAB recommendations, a Taxpayer Services Program Management Office (TSPMO) and IRS governance process for service investment decisions has been established. The core mission of the TSPMO is to institutionalize a culture of continual strategic and operational service improvement. It will serve as a focal point to highlight, facilitate, and integrate investments, processes, and initiatives that will improve the effectiveness and efficiency of service delivery to taxpayers, partners, and the government. The IRS agrees with the Taxpayer Advocacy Panel that delivering quality consistently across service channels is a critical and integral part of achieving successful service outcomes and believe that is reflected in TAB's key measures and strategies. The IRS recognizes and appreciates TAP's interest in formalizing the stakeholder engagement process. As such, the TSPMO will work with TAP to ensure that the stakeholders addressed in this proposal have a forum through which their feedback and recommendations can be introduced and discussed.</p>				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP 706-030</b>	<b>TAC Mail Dropoff Procedures</b>		<b>Status:</b>	Closed	
<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	8/16/2007
<b>Issue Statement:</b>	Taxpayer Assistance Centers (TACs) that do not have mail screening capability will not accept documents or packages that taxpayers bring in person to the TAC when the Revenue Officer (RO) or Revenue Agent (RA) who requested the material is absent. This practice complies with an Internal Revenue Service (IRS) directive that protects the safety of IRS employees, but inconveniences taxpayers and could even cause a taxpayer to miss a specific deadline for providing information and consequently become subject to levy and other seizure activities.				
<b>Goal Statement:</b>	Implement a procedure, consistent with the safety of IRS employees, for TACs to accept documents or packages from taxpayers in the absence of the RO or RA who requested the materials.				
<b>Proposal:</b>	Amend the Internal Revenue Manual to direct ROs and RAs who anticipate being absent from the TAC to (a) arrange for another IRS employee at the TAC to accept materials the RO or RA requested from the taxpayer, and (b) specify that "back-up" plan on their voicemail greeting.  If a taxpayer attempts to deliver materials in compliance with a request from an RO or RA when that person is absent and has not implemented a back up plan, the Manual should (a) direct other IRS employees at the TAC to document the taxpayer's attempt to deliver materials and (b) direct the RO or RA to extend the deadline for providing the information for a minimum of one week.				
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications				
<b>Response Notes:</b>	It is IRS policy for TAC employees to accept payments/packages when the RO's and RA's are not available. If the specific RO is not available and there is no group clerk, TAC employees will contact the designated RO/RA of the day to assist the customer. If no one is available, the TAC employee will accept the package (checks, returns, etc) and place it in the mail drop of the appropriate RO or group. If the package is not sealed, and the identity of the person who should get the package is unclear, then the TAC employee will research, process the payment/return, and provide copies of the payment/return transaction to the appropriate function the via established mail drops. If the Advocacy Panel has specific examples where this policy has not been followed they may direct them to the Director, Field Assistance Wage & Investment Division				

**Responses Received in 2007 for Recommendations Elevated in Prior Years**

<b>TAP L06-057</b>	<b>Employment Tax on 1040</b>		<b>Status:</b>	Closed	
<b>Date Elevated to IRS:</b>	10/10/2005	<b>Date Counter Response to IRS:</b>		<b>Date Response(s) Received:</b>	6/22/2007
<b>Issue Statement:</b>	Filing of employment tax forms is cumbersome for very small business employers.				
<b>Proposal:</b>	Incorporate small business employment taxes into 1040 as is done with household employees.				
<b>Response from:</b>	Matthew A. Weir, Director, Advocacy Projects				
<b>Response Notes:</b>	<p>As you may know, the Office of Burden Reduction (OTBR) has created an annualized employment tax Form 944 (Employer's Annual Federal Tax Return). This form was designed so the smallest employers (those whose estimated annual employment tax liability, i.e. Social Security, Medicare etc. is \$1,000 or less) will file and pay these taxes only once a year instead of every quarter. While this IRS initiative substantially addressed the submission by the TAP, we have kept this project open because there have been a number of criticisms of the new Form 944 rollout, including:</p> <ul style="list-style-type: none"> <li>• The \$1,000 threshold is too small and the implementation has created more burden for business by requiring employers to continuously monitor whether they surpassing the \$1,000 threshold and therefore no longer eligible to file using Form 944;</li> <li>• Taxpayers meeting the \$1,000 threshold cannot automatically opt in; rather, they must be notified by the IRS as to their eligibility to utilize the form; and</li> <li>• Additionally, once the taxpayers are notified of their eligibility to utilize Form 944, they must affirmatively opt out and provide an acceptable rationale for not utilizing the form (i.e. or face penalties if Form 944 is not used).</li> </ul> <p>In sum, there are serious issues with the implementation of the Form 944 initiative, and while it technically answered the TAP's concerns, we believe there is much advocacy left to do to improve the initiative. Consequently, the National Taxpayer Advocate has appointed a representative to represent TAS on a joint task force consisting of the OTBR and other IRS representatives in an attempt to improve the initiative; however, this will be an ongoing effort. Therefore, we are closing this particular project but will continue to work to improve the Form 944 issues through TAS' representation on the task force.</p>				