



2003 Meeting Minutes Area 4

- December 17, 2003
- November 19, 2003
- October 4, 2003
- September 7-8, 2003
- August 20, 2003
- July 2, 2003
- June 4, 2003
- April 28-29, 2003
- April 2, 2003
- March 5, 2003
- February 5, 2003
- January 8, 2003

Area 4 Committee Meeting Minutes December 17, 2003

Present:

- James Abraham
- Frank Claudman
- Daniel Drumel
- Robin Gausebeck
- Richard Greenberg
- Delford Jones
- Lawrence Lexow
- Leslie Malcolmson
- Joseph Meissner
- Robert Meldman
- Richard Morris, DFO
- Dick Murphy
- Teresa Smedley, Chair

Staff Present

- Sandy McQuin, TAP Manager
- Mary Ann Delzer, Program Analyst
- Patti Robb, Note-taker

Welcome / Review Agenda

Smedley asked for the following additions to the agenda:

- Discussion of Issues--Joint Committee report on Form 990 response
- Action Items- update of the parking lot



Announcements / Approve Minutes

We have received official resignations from Ivan Cotman and Nancy Quarles.

ACTION: Robb will send out an updated Area 4 roster.

Minutes were approved without any changes.

Public Input

None

Action Items

All action items are in conjunction with issues, so they will be discussed during the issue discussion.

Discussion of Issues

- **Form 990 Meissner**
The Form 990 issue was elevated by the Joint Committee. Malcolmson wrote a nice article which was published on the GuideStar website www.guidestar.org/news/newsletter/tap.jfp. The Joint Committee was very positive about the response received from the TG/GE Operating Division.

ACTION: Meissner will follow up in six months to see how Form 990 recommendations/implementation is progressing.

- **Refund Anticipation Loans (RAL) Meissner**
Meissner attended the IRS LITC conference. They discussed RALs during the conference. He has materials he will share with the committee. Meissner is in the process of preparing an educational report for low income clinics warning people about the RAL. Outreach is the best way to get this information out. There are other ways to speed up your refund ♦ that is the key message.
- **Increase Acceptance of E-File Claudman**
Still working on the report. He will send it out within two weeks.

ACTION: Delzer will forward the original increase acceptance of e-file issue to Claudman.

- **Lien Desk Recording Cain**
Drumel the Internal Revenue Service sends out the lien releases, but they are not all input into the system immediately at the county level.

Gausebeck this does not sound like it is an IRS systematic problem.

Drumel will do more research and report at the January meeting.

- **Inclusion of Interest Calculation on Billing Notices Lexow**
Still doing research. Need to identify a program owner.
- **Interest Offset and Netting Meldman**
Still working.



- **Electronic 1040X Meissner**
Delzer spoke to Electronic Tax Administration. This is a hardware issue. They are working on developing the Forms 1120 and 990 systems right now. Current timeframe for developing the 1040X is 2007. Close issue.
- **1099S Drumel**
This issue will be put in the parking lot until the instructions come out.
- **FICA/Medicare Claims Claudman**
Malcolmson is still working on this issue.
- **Schedule D Check-Box Greenberg**
Was told a new box would be of no value whatsoever. Close issue.

New Issues

Greenberg submitted an email he received with several issues listed:

- Terse and intimidating letters/notices the Notices issues committee is working.
- Automatic mailing of Form 1040-ES if a return is filed with a balance due, the taxpayer automatically gets this form the following year. It is a personal preference, some taxpayers want it, and some taxpayers do not.
- Simplify POA or expand the check box permission on the 1040 this issue already by expanded authority with the checkbox.
- Reluctance to use email IRS is currently rolling out new e-services. Account information will be available for clients on line. To participate, practitioner must be an ERO. Email is not secure enough to send taxpayer account information.
- Schedule D calculation This is a legislative issue.
- Combining FUTA on the quarterly Form 941 this issue was being looked at by the Payroll issue committee.

ACTION: Delzer will respond to Mr. Friese regarding his suggestions.

Meldman discussed an email he received for TAP about preparer penalties After discussion, the committee decided this was not a TAP issue.

ACTION: Delzer will respond to Mr. Zuckerman regarding his issue.

Outreach

- Meissner - attended the LITC conference in Washington , DC .
- Smedley - did a radio call in program. She talked about TAP.
- Lexow spoke at a regional conference and a rotary group.
- Greenberg did an outreach with AARP.
- Abraham attended a Congressional liaison meeting. Met with his Local Taxpayer Advocate. Did three radio programs.
- Murphy participated in a test on the installment agreement electronic web site. Entry went pretty smoothly.

ACTION: Delzer will send out outreach report forms. Please use them and send them into the office after doing any type of outreach.



Office Report

None.

Closing / Assessment

Smedley thanked everyone for their hard work.

Meeting adjourned.

Next conference call January 21, 2001, 8:00 a.m. CT.

ACTION ITEMS

ACTION: Robb will send out an updated Area 4 roster.

ACTION: Meissner will follow up in six months to see how Form 990 recommendations/implementation is progressing.

ACTION: Delzer will forward the original increase acceptance of e-file issue to Claudman.

ACTION: Delzer will respond to Mr. Friese regarding his suggestions.

ACTION: Delzer will respond to Mr. Zuckerman regarding his issue.

ACTION: Delzer will send out outreach report forms. Please use them and send them into the office after doing any type of outreach.



Area 4 Committee Meeting Minutes November 19, 2003

Present:

- James Abraham
- David Cain
- Frank Claudman
- Daniel Drumel
- Robin Gausebeck
- Richard Greenberg
- Delford Jones
- Lawrence Lexow
- Leslie Malcolmson
- Joseph Meissner
- Robert Meldman
- Richard Morris, DFO
- William (Dick) Murphy
- Teresa Smedley, Chair

Staff Present:

- Sandy McQuin, Acting TAP Director
- Marge O'Brien, Acting TAP Manager
- Patti Robb, Note-taker
- Mary Ann Delzer, TAP Analyst

Guests

- Bernie Coston, TAP Director
- Nina Olson, National Taxpayer Advocate

Welcome / Review Agenda

McQuin welcomed everyone. She announced that due to budget constraints, each committee would only get one face-to-face meeting this fiscal year. A discussion ensued and a motion was made to drop the January face-to-face meeting. A motion was made to have the face-to-face meeting July 26, 27, and 28. Murphy abstained from voting, all others approved.

McQuin introduced Bernie Coston, TAP Director. Nina Olson, National Taxpayer Advocate, also joined the call. She announced that she was pleased to have Coston as the new director. It was wonderful to have McQuin act during the interim. She got us through the transition. Everyone will enjoy working with Coston. He is open and likes to have fun.

Olson spoke about refund anticipation loans (RAL). Customer Accounts Data Engine (CADE) has been delayed again, so we have to deal with RALs. Reports done by the Brookings Institute, the Consumer Federation of America, the National Consumer Law Center those are non profit federations that look for predatory lending or improper credit practices; bait and switch type scams. They have really been hitting hard on the RALs. They basically brought suit against H&R Block and were very successful and got a settlement. More importantly, they made sure H&R practices identified clearly what they did. If the IRS could get the refunds out quickly, that would eliminate the need for the RAL. If you have an account where you could get your refund deposited directly, you could get your money within two to



five days. That's where Charles Rossotti was really pushing for the implementation of CADE. There are two broader issues here. The two issues where we need taxpayers' buy in: 1) banking the unbanked, and 2) electronic filing. There are too many players who have nothing to do with tax preparation. The problem is not just with the RALs, the problem is the taxpayers need to have bank accounts so that the funds can be electronically transferred. Code Section 7216 is the regulation that says if you are a return preparer, whether you prepare them electronically or on paper that you have to get taxpayer consent to use the information that you have assimilated from the tax return. We tried to come up with some model language for the disclaimer. We don't want everyone to use RAL, but they do serve a purpose.

Nobody has done a survey to see what people think. Why did they need a RAL? Would you be able to wait two to five days to get your money? Could you wait that long? There should be a way to do a survey, a way to ask these questions. Could VITA sites ask these questions? Think about doing something like that because I don't think anyone has ever done that.

You need to spend more time reading reports and doing less research. The research is done.

It is not TAP's job to educate the public about their tax obligations.

Smedley thanked Olson for her time.

Action Items

Still active:

- Delzer to get program owner name for interest offset and netting to Cain.
- Delzer will provide program owner name of FICA/Medicare claims to Claudman

Morris reminded the committee about TAP's mission. Find out what is working and what's not working. Gather information from taxpayers. Talk about TAP and its mission. You can do your own thing as an individual but not as a TAP member. TAP cannot promote individual topics. You are not a spokesperson for the IRS, you are a sounding board.

Issues

- **RAL**

Olson told us to focus on 1) education, and 2) alternative to RALs. How do we encourage this? Meissner will get more information on these two topics.

Smedley would like to close this as an issue and put it in the parking lot. Look at sub issues. Continue to gather information and write a report.

Meldman seek input, survey? Do not send recommendations. Prepare questionnaire why are you using RAL?

Abraham would like to work with Meissner on this issue.

ACTION: Meissner has new pamphlets and will get copies and send out to rest of committee.

- **Increase acceptance of E-File**



Claudman is still working on the questionnaire.

- **Lien Desk Recording**

Still do not know who owner is. Delzer and Cain are still working on this.

There are really three issues here: 1) liens not being released, 2) releases not being recorded, and 3) credit companies' not getting/updating information.

- **Inclusion of Interest Calculation on Billing Notices**

Still working.

- **Interest Offset and Netting**

Still working.

- **Electronic 1040X**

Still working although IRS may have handled this already

- **1099S**

Need to look at the new instructions to see if this issue is addressed.

- **FICA/Medicare Claims**

Malcolmson the instructions are clear. Cannot find anyway for FICA/Medicare not to be withheld.

ACTION: Malcolmson will write up a report for recommendation.

- **Schedule D Check-box**

ACTION: Greenberg will write up a recommendation for the next meeting.

Due to time constraints, the rest of the agenda will be addressed at the next meeting.

Delzer will send out the outreach report form. Please use it and send it in after each outreach.

Delzer is still working **What's On TAP**.

Meeting adjourned.



**Area 4 Committee Meeting Minutes
October 4, 2003
Annual TAP Meeting**

Present:

- Abraham, James
- Cain, David
- Claudman, Frank
- Drumel, Daniel
- Greenberg, Dick
- Jones, Delford
- Lexow, Larry
- Malcolmson, Leslie
- Meissner, Joseph
- Meldman, Bob
- Murphy, Dick
- Quarles, Nancy
- Sitzberger, Nancy (DFO)
- Smedley, Teresa (Chair)

Absent:

- Gausebeck, Robin

Staff:

- Robb, Patti, Notetaker

Welcome/Announcements/Review Agenda

Meldman thanked everyone for making the past year easy for him and for making him look good. The issues that this area has sent up to the Joint Committee went through like a hot knife through butter. He thanked the staff, McQuin, Sitzberger, Delzer, Toy, and Robb for all their hard work. He said that he spoke to NTA, Nina Olson, and she apologized to Meissner. She just received the RAL package. It was delayed in the mail by radiation and anthrax security system.

Meldman announced that he would be taking over as chair for the Ad Hoc Issue Committee. He nominated Smedley for the Area 4 chair. Nomination was seconded. There were no other nominations and no objections. Smedley is Chair. Gausebeck said she was willing to continue as vice chair. She was nominated, seconded, and approved by all. Meldman will continue to be an Area 4 member.

Cain - thanked Meldman for all his hard work and is sorry to see him step down.

Smedley I hope to do as good a job as Meldman did.

Review / Approve Minutes

Abraham moved to approve August minutes. Seconded. Approved by all.

Annual Report / Self-Assessment



The draft of Area 4 self-assessment is done. We still need the outreach done by panel members. Please forward your reports to Delzer. She will add them to the report. This is needed by October 10. Moved to approve self-assessment with the addition of Outreach. All approved.

Discussion of Issues

- **Refund Anticipation Loans**

Materials were sent out to the committee members. Have not received feedback yet. As noted earlier, NTA Olson just received the package and will be reviewing it. Claudman would like to hear from preparers to hear their side of this issue. Meldman said we must wait for response from Olson. If approved, it will be put on the agenda for the next meeting.

Subcommittee Members: Meissner (Chair), Murphy, Claudman, Malcolmson, Abraham

- **Increase Acceptance E-File**

Report will be given at the next meeting. *Smedley will contact Burgos, Chair of E-File Committee, to see if they are working any similar issues . May be dropped if this is a duplication of effort. If not a duplication, can proceed to research.*

Subcommittee Members: Claudman (Chair), Cain, Abraham

- **Lien Desk Recording**

Still waiting for process owner name. Cain made inquiries with credit companies. No response to date. Meldman suggested to make written inquiries on TAP letterhead. *Cain will forward letter to staff to send out. Use his personal address instead of office address on letterhead.*

Subcommittee Members: Cain (Chair), Drumel

- **Inclusion of Interest Calculation on Billing Notices**

Lexow will make some contacts to see how big a problem this is. *Delzer will forward the program owner name(s) to Lexow.*

Subcommittee Members: Lexow (Chair), Quarles

- **Interest Offset and Netting**

Law does provide for a netting. Ability is there, implementation is not. *Delzer get program owner(s) name to Cain.*

Subcommittee Members: Cain (Chair), Meldman

- **Electronic 1040X, Amended US Individual Income Tax Return**

Waiting for information from the office.

Subcommittee Members: Malcolmson (Chair), Meissner, Murphy

- **1099S, Proceeds From Real Estate Transactions**

Meldman sent information to Delzer to print. Will present at next meeting.

Subcommittee Members: Drumel (Chair), Cain



- **FICA/Medicare Claims**

Researched Form 843. Manager in Chattanooga , TN , is going to do some research for Claudman on this issue. Need to know who the program owner is. Delzer should provide this information. Due to planning the annual meeting, research for this issue was put on hold. This could partially be an educational process as you need an official exemption from before an employer will not withhold. The average time to process a Form 843, Claim for Refund and Request for Abatement, is six weeks to two months. Claudman and Malcolmson will do more research.

ACTION: Delzer will provide program owner name to Claudman.

Outreach Strategy

What's On TAP state contact lists should have been send to Delzer. She is compiling a list for distribution.

ACTION: Keep monthly assignments for What's On TAP at the end of the minutes every month.

If you need a topic to write about, contact Delzer or Lexow. Remember to keep it to a half page preferably about 250 words.

Remember that when you do outreaches, you can only go on behalf of TAP. You can ask for input, but you cannot discuss your idea of an issue or give out information or promote a specific issue. We cannot, as TAP, give our position on specific issues. We should be out there getting input. We can present the issues we are looking at and ask for input on that issue. Describe the issue but don't ask for information to support our (your) specific position.

ACTION: Get written policy as to what panel members can do as TAP members

from McQuin.

New Issues

Greenberg Paper 1040, taxable income. If you do a Schedule D, tax is different on Form 1040 and Schedule D. The figure are on the back of the Schedule D, but you have to turn the page over. There should be an additional line added to the Form 1040. It is confusing as to where the different amount comes from. Or there could be a check-box to identify that the figure came from Schedule D, not the tax table.

ACTION: Delzer forward name of owner to Greenberg.

Subcommittee Members: Greenberg (Chair), Abraham, Malcolmson

Murphy Slow response to answer correspondence.

Subcommittee Members: Murphy

Abraham wrote up three legislative issues and sent to Delzer.

- Gambling losses
- Professional gambler definition
- Low income contributions to churches can't deduct

ACTION: Forward to NTA for her consideration.



Outreach Report

Abraham went to the visit the Ohio congressional delegations with TAS.

Jones talked about TAP to Spanish Voices.

Meissner talked about TAP at a conference in Chicago.

Action Items

Review past minutes. Carry forward open action items. List all action items at end of minutes.

Closing / Assessment

Our meetings are scheduled for the third Wednesday of each month at 8 am Central time. Tentative face to face meetings are:

- January 12-14, 2004 Kentucky
- April 19-21, 2004 Detroit
- July 26-28, 2004 Chicago

If anyone would like to be coached in speaking about TAP, see your local communication office in the IRS. Contact Delzer for more information.

Smedley will be in contact with the subcommittee chairs.

Meeting Adjourned.

What's On TAP monthly assignments:

- Jones October 2003 (already done)
- Cain November 2003
- Meissner December 2003
- Lexow January 2004
- Greenberg February 2004 (already done)
- Claudman March 2004
- Malcolmson April 2004
- Smedley May 2004
- Murphy June 2004
- Drumel July 2004
- Gausebeck August 2004
- Quarles September 2004
- Abraham October 2004

ACTION ITEMS

Claudman:

- Increase Acceptance E-File Report will be given at the next meeting



Cain:

- Cain will forward letter on lien desk recording to staff to send out. Use his personal address instead of office address on letterhead

Delzer:

- Delzer will forward the program owner name for inclusion of interest calculation on billing notices to Lexow.
- Delzer get program owner name for interest offset and netting to Cain.
- Delzer will provide program owner name of FICA/Medicare claims to Claudman.
- Delzer forward name of owner of Form 1040 to Greenberg.
- Forward Abraham's legislative write-ups to NTA for her consideration.

McQuin:

- Get written policy as to what panel members can do as TAP members.



**Area 4 Committee Meeting Minutes
September 7-8, 2003
Embassy Suites Indianapolis - North
Indianapolis, IN**

Present:

- David Cain
- Frank Claudman
- Dan Drumel
- Delford Jones
- Larry Lexow
- Leslie Malcolmson
- Joe Meissner
- Bob Meldman, Chair
- Dick Murphy
- Richard Morris, DFO
- Teresa Smedley

Absent:

- James Abraham
- Robin Gausebeck
- Dick Greenberg
- Nancy Quarles

Staff Present:

- Mary Ann Delzer, Analyst
- Nancy Sitzberger, Manager
- Patti Robb, Note-taker

Guests:

- Karen Sheely, Local Taxpayer Advocate, Indianapolis, IN
- Tracy Green, TAS Analyst, Indianapolis, IN

Sunday, September 7, 2003

Confirmation of Chair / Vice Chair

Morris welcomed everyone. He looked at the draft report for inclusion in the TAP annual report and was astounded at the amount of work accomplished to date. Said he was humbled at the time spent and the passion. Thank you for all your efforts.

Meldman was voted as chair and has been in that position for one year. It is time to elect a new chair or reconfirm Meldman. There were no volunteers for chair so there was a motion to keep Meldman as chair for the second year. Motion was seconded and the vote was unanimous.

Welcome / Announcements / Review Agenda

Meldman thanked everyone for all their work. They made being the chair easy.



Morris introduced Nancy Sitzberger, Acting TAP Manager for the Milwaukee office. Sandy McQuin is on a detail as acting TAP Director until a permanent director is selected. Deryle Temple accepted a position in Systemic Advocacy. Meldman said that McQuin attended the Joint Committee meeting in Denver and did a fabulous job.

Meldman reported out on the JC meeting:

- The Area and Issue committees are to complete self-assessments. The draft report is due October 1, 2003 and the final report is due October 15, 2003.
- National office is looking to replace the members who have resigned. The goal is to have the new panel members at the Annual TAP Meeting in October, 2003.
- Karen Kraushaar in National Office will work with the TAP to improve media/marketing. She discussed how to handle the media and looks forward to helping TAP develop marketing strategies.
- Via conference call, the two liaisons to TAP from the Operating Divisions, Sue Sottile (W&I) and Michael Chesman (SBSE) discussed the TAP elevated issues sent to date. Mike and Sue see as part of their role with TAP to be liaison with IRS as a whole and offered to help if TAP has trouble with IRS management at all levels.
- The question was asked as to what Issue Committees will be working for the next fiscal year. This decision is for IRS to make and no input will come from the members.
- Another question came up about TAP members participating in IRS task forces. Under FACA, TAP participation would not be allowed. Could be possible for TAP to testify, give opinion to the task forces before final recommendations made.
- Area 4 presented two recommendations-
 - IRS Just in Time policy
Was accepted by the JC with amendment. On page two, the words eliminate it in paper format were deleted. JC members stated they still wanted the option of a paper Package X to archive for old forms.
 - Form 990
Was accepted by the JC with amendment. On page three, replace the word compliment with the word complement. The other suggestion was to change recommendation #8 to an appendix.
- JC is requesting feedback on the issues elevated thus far and requesting a tracking system be put in place for the elevated issues.

Review / Approve Minutes

Minutes were approved as submitted.

Sub-committee Final Reports

- Form 990 (See Attachment One)
- Just in Time Notification (See Attachment Two)

Brainstorming: Annual Report Presentation

Meldman prepared the first draft of the report. (See Attachment Three) The format was prescribed by the JC. The committee was asked to review the draft copy for discussion on Monday. The two recommendations that have passed the JC need to be added. Committee also needs to look at the issue list for accuracy. Meldman shared that he graded the Area 4 committee at 8 . Is that too conservative?

ACTION: Members to send outreach reports to Delzer for inclusion in the report by Wednesday, September 17, 2003.



Meldman shared the comments made at the JC meeting about outreach. Discussed what outreach TAP should be doing. TAP is not to promote particular programs like EITC or E-File or explain eligibility in IRS programs. Are to bring messages back about these programs to the TAP. Looking for improvements in the programs and the TAP should be a sounding board. For example, instead of doing outreach on EITC, advise IRS how to improve IRS outreach for EITC.

Morris reiterated that TAP is an advisory board to advise the IRS.

Sitzberger explained that TAP will work in tandem with Karen Kraushaar to draft talking points and some guidance for using the media. Karen or your local communication specialist would be happy to give you training in how to speak to the media.

Cain asked if there a list of elevated issues out there that we can tell people that TAP is working on?

ACTION: Delzer to send out the TAP elevated issues list to date.

Discussion was held around next years calendar.

Meldman proposed the following:

Three face-to-face meetings in addition to the annual TAP meeting.

Louisville, KY January 12-13-14, 2004
Detroit, MI April 19-20-21, 2004
Chicago, IL July 26-27-28, 2004

(First day to be a travel day, meet all day second day, meet until noon third day and then travel home)

Schedule for conference calls is the third Wednesday of each month at 8 a.m. Central Time:

November 19, 2003
December 17, 2003
February 18, 2004
March 17, 2004
May 19, 2004
June 16, 2004
August 18, 2004
September 15, 2004

Meldman also shared the proposed agenda for the October annual meeting.

Meldman shared the TAP matrix. Members are asked to look at the matrix to familiarize themselves with issues currently being worked.

A Active issues
P Issues put in the parking lot.

Lexow shared two issues brought to his attention at the St. Louis Tax Forum.



1. IRS Amnesty Program has the IRS implemented an amnesty program? Would they consider doing one? Morris No, they have the OIC program and voluntary disclosure program. If you come forward, they will consider dropping the negligence penalty and criminal prosecution.
2. Taxpayer received an erroneous refund, cashed the check then was penalized with interest.

A letter was read regarding services for disability. This is not a TAP issue. The letter will be forwarded to the IRS. Meldman will send an acknowledgement letter.

Drumel There was an article in the newspaper two years ago that the IRS was looking into doing automated returns. What ever happened to this?

ACTION: Delzer will look into this. What did the IRS decide?

Monday, September 8, 2003

Welcome / Announcements / Review Agenda

Morris introduced Karen Sheely, Local Taxpayer Advocate (LTA) for Indiana and Tracy Green, TAS Analyst. Murphy asked if she knew of any issues the committee should look at. Sheely suggested the \$150 fee for filing an Offer In Compromise.

Meldman shared that this issue is already being worked.

Meissner asked about EITC and whether the complexity of EITC makes this a problem? Sheely stated that EITC law is very complex and this is complicated by the fact that most EITC audits are correspondence audits. IRS knows 70% of correspondence assessments are reversed. Need to have a change in definition of a child. The code currently used is from 1954 when family life was two married adults living with their children. IRS spends resources to assess and then abate tax. Meissner stated for EITC taxpayers, education level is low and so reading ability limited along with language barriers. Sheely stated IRS needs to look at alternatives to the traditional paperwork requested, i.e. school records, babysitters, employers insurance. Dependency should not be so difficult to prove.

Annual Report / Presentation

Drumel Would like to see a list of all issues worked on but not elevated.

- 1099-S, Real Estate Reporting realtors had problems getting a paper copy of the 1099S. Most are electronic.
- Installment Sales HUD Section 8, subsidized housing provisions.

Murphy believes that the grading of the committee was even handed. We acknowledge what we did. We had to learn to work with the staff, the IRS, how to do reports, set up meetings, write reports, write letters, etc. Several committee members made a connection with their LTA to learn their roles. They also had to learn how to be a sounding board.

Smedley Need to add category for resolved but not elevated. Outreach efforts added to report will show the other types of accomplishments. Need to recognize fact came in with no guidelines/rules, and how to apply them. First year is really a learning process.

Meldman Will add under accomplishments:

- Internal development
- Elevated issues
- Local issues resolved not requiring elevation



- Panel outreach

Malcolmson Question about memo comment under actions.

Meldman Area 4 sent a memo to National Taxpayer Advocate regarding legislative issues Abraham had worked on.

Malcolmson Need to change the I in the report to we. We did not always have good cooperation/responses from the IRS. I tried to contact my LTA and the local media specialist.

Cain We had a steep learning curve. IRS didnt give support regarding outreaches. Need specific message for the outreaches. Need to address this problem with IRS for next year.

Meldman Will add a new heading; LTA Response

Malcolmson Asked for contact, office tour, media person, outreach suggestions all went through Delzer.

Drumel Our LTA has been fantastic

Murphy Met with his LTA and was able to have a conversation.

Meldman Will add another new heading; Media

Lexow Did have an article out in November. Not much follow-up. Would like more interplay.

Morris TAP needs to come out with a national media program.

Meldman We should be contacting the media person through Delzer.

Lexow Our message is our mission statement.

Smedley The analysts are so overwhelmed. It takes a long time to get the needed information.

Meldman-Will add IRS Cooperation divided in three sub sections:

1. TAS
2. Media (Lexow will write something)
3. Owners

Lexow Under issues for current consideration, add issues we are going to be working on. Also add that TAP was able to refer three taxpayers to their LTA and subsequently heard that two of them were satisfied with the results. Need to expand current items under consideration. Lexow will write.

Smedley-Look at items tabled for consideration/or responded to taxpayer and closed the issue. Smedley will write.

Meissner-Think should expand on the four elevated issues to give a better explanation of what was done. Meldman will write.

Morris Glad to see local issues were mentioned in the report. That is our mission as TAP.



Sitzberger As far as the issues on the matrix, its good to have many issues but it is better to choose a couple to really work and bring to the table.

Meldman What did you think about our overall grade? Consensus was 8 was good. Had to consider the members who did not participate fully. The effort expended by the remaining panel members has been outstanding. Hope the new panel members will have as much enthusiasm.

Sheely When dealing with the IRS, never suffer silently! Contact Morris or Sitzberger if needed. Dont be shy.

ACTION: All written information for the annual report due to Delzer September 17, 2003.

ACTION: Delzer to send Area 4 TAP annual report to Area 4 LTAs.

Sub-committee Reports

- Refund Anticipation Loans (RALs) Meissner

Developed a very in depth report of research materials. Not recommending anything at this time. Problem is many taxpayers need refund as quick as possible. Low income people have vulnerable budgets and need money as soon as possible. They use tax professionals who open January 1 and close April 30. Want refund as soon as possible so want loan in anticipation of the refund. Offered a loan for a few weeks, but annually the rate is very high. Wrap all the preparation/RAL/other fees/interest and taken off the expected refund. Taxpayers are not paying money out of pocket so are willing to use the RAL.

Research shows 10 million people used the RAL and with 40% EITC returns. Of the \$30 billion paid out in the EITC program, \$1 billion goes to loan charges and fees. IRS under pressure to increase E-file and so practitioners earn more using RALs. They see as part of their compensation. Growth business every year. Use dummy bank accounts and charge the taxpayer for the two weeks the account is open. Check cashers charge \$35 to cash refund checks, and this is a further loss of the money to the taxpayers.

Other businesses that sell products such as cars/furniture stores offer RALs. Slogan, file here and drive home today. Major problem is low income taxpayers not banked, as banks have moved out of their neighborhoods.

IRS Free File is another imitative to look at. Taxpayers get confused about options and purchase RALs that way. Computers not affordable for many low income people or do not have the education level to use the computers. Cases have been filed, but the resolution has been coupons to be used by taxpayer in the next year.

Variety of reforms have been offered:

- Ban the loans or make subject to state usury laws
- Alert people to the RAL. Make people better informed with education and a simple language explanation sheet
- Allow RALs but make the fee a set amount of money you can charge

Brookings institute report states the RALs erode the effects of the EITC. Report more than 10% of refund dollars pays for the tax preparation/fee /RALs. EITC the largest program assisting working poor families. Note the high cost of tax preparation, as \$1.7 billion goes to tax professionals.



Reforms they suggest:

- Simplify EITC and the refundable child credit
- Expand affordable tax preparation assistance
- Free electronic filing for low income taxpayers and expedite the refund process
- Couple tax preparation and banking to promote savings
- Promote consumer awareness

NYC Study

Tax professionals take advantage of people by no disclosure of cost. Report fees not fully disclosed, for instance no menu of what taxpayer is actually paying for and what each service actually costs. Little information provided in any language other than English.

Possible reform: Taxpayer bill of rights to require full disclosure with time and cost of each option, with a bottom line figure.

What could TAP recommend?

- Do nothing and let the market place work
- Outlaw RALs
- Establish ceilings on the state level
- Require better disclosure
- Require a standard disclosure form
- Mandate disclose
- Speed up refunds delivered by IRS

ACTION: Meldman to prepare memo to the NTA, with copy to Sentjens, to request opinion as to whether the RAL issue is appropriate for TAP to work.

- Outreach Strategy Lexow

Goals is to focus or create public awareness of TAP. Need members to make contacts with professional organizations that touch taxpayers/local newspapers. We need to create the list of who we can contact. Want to produce twelve articles/once a month.

ACTION: Members to send contacts for their states to Delzer.

Need members to pick a month in which to write an article. Can write about TAP mission, issue working on, own experience or a success story. Articles due to Delzer the 5th of the month you are assigned.

Jones October 2003 (already done)
Cain November 2003
Meissner December 2003
Lexow January 2004
Greenberg February 2004 (already done)
Claudman March 2004
Malcolmson April 2004
Smedley May 2004
Murphy June 2004
Drumel July 2004
Gausebeck August 2004



Quarles September 2004
Abraham October 2004

Keep the article to about one page maximum or about 250 words. Members should include the web address and toll-free telephone number to each article.

Public Comments

Conference call held from 1:30-2:30 p.m. Those joining the meeting via phone were Dick Greenberg, TAP member, Shelby Kupczyk, Team Manager LMSB, Gary Peterson, Territory Manager LMSB.

Kupczyk-Problems experienced in post closure options of the large Examination cases. Work is now going to Ogden and other campuses. New procedures are in now in place. Employees looking to the future to see how these processing changing will go forward.

Peterson Have been finding biggest problem is that interest rate netting computations are inaccurate. Computations sent to the taxpayer are different than the calculation at the campus. Currently is a lack of training on the employees part.

Kupczyk--Service computations of the interest needs to be included in the billing notices for the benefit of the taxpayers. IRS needs to look at standard interest programs to run and whether IRS can include in the billing notices.

ACTION: Smedley and Drumel will work the issue. Meldman will research the tax law change and report back.

Greenberg How did the Area 4 committee stack up at the JC meeting?

Sitzberger Quite a few issues were forwarded to the JC. The two issues submitted by Area 4 were very well researched and supported the recommendations made. The JC accepted both with only minor changes.

Delzer--Total of elevated issues are available on TAPSpeak in the JC meeting minutes

Discussed the vice chair position. Committee will request Gausebeck serve as vice chair for another year.

New and Current Issues

1. RAL Meissner/Malcolmson
2. Outreach Lexow
3. Increase E-Filed Returns Claudman
4. Lien Desk Recordings Cain/Abraham
5. Acceptance of Amended Returns Electronically Meissner/ Malcolmson
6. 1099S Meldman will do research. Cain/Drumel will work
7. Improvements to Taxpayer Notification of Backup Withholding on hold
8. Use of Outside Mediators in the Appeals Process on hold
9. Interest Netting/Computation Meldman will do initial research.
10. Refund of FICA/Medicare on 843 Claims-Frank
11. W-4/improvements to withholding tables--Meldman will call Doucette, Area 6 Chair, to see if they are still working. Smedley would like to work if issue comes back to Area 4.

Morris stated that the bulk of the work in his TAS office is related to the lack of response by IRS to the correspondence. The committee may want to look at that area again. Morris stated a need to look at



correspond audits and all the problems associated with no acknowledgment of what has been sent to IRS by the taxpayer. IRS system is inefficient and not able to handle the kind of paperwork that these audits require.

Closing / Assessment

Meeting assessment form will be emailed to the members. Meeting adjourned.

Attachment One

Taxpayer Advocacy Panel Memorandum

Date: 08/20/2003

To: Taxpayer Advocacy Panel - Joint Committee

From: Robert Meldman, Chair Area 4

RE: Recommendations related to the Form 990, Return of Organization Exempt From Income Tax

The Area 4 Committee of the TAP would like to acknowledge and thank the members of this subcommittee for all their work on this issue: Joe Meissner (Chair), David Cain, Dick Greenberg, Leslie Malcolmson, and Dick Murphy.

BACKGROUND:

Various individuals and groups have discussed with us their concerns about the burdens that the Form 990, Return of Organization Exempt From Income Tax, filing requirements can cause for non-profit organizations, especially newer groups and smaller groups. Their general proposals were that the filing requirements for charitable groups should be decreased and that the filing thresholds should be increased. Currently, tax-exempt organizations with gross receipts greater than \$25,000 but less than \$100,000 and total assets less than \$250,000 can file the Form 990-EZ, Short Form Return of Organization Exempt From Income Tax, which is 8 pages long. Organizations exceeding these amounts must file the Form 990 which requires more information and has 12 pages to be completed. Organizations with less than \$25,000 in gross receipts have no annual filing requirement. One suggestion presented to us by community groups stated that tax-exempt groups would only have to file the full Form 990 if their gross receipts were over \$100,000.

After much research, including extensive discussions with IRS personnel, representatives of non-profit groups, and State government personnel active in the area of nonprofits, we have reached some conclusions, both general and specific.

GENERAL CONCLUSIONS:

First, the concerns raised about the burdens that the 990 filing requirements impose upon nonprofit organizations, especially the newer and smaller ones, are very legitimate. It does take considerable time and effort to complete the Form 990, including the Form 990EZ. This is especially true for the first time that a group must file a Form 990.

Second, for a number of reasons, we do not recommend that the Form 990 filing requirements should be decreased. We also do not recommend that the filing thresholds should be changed. The filed Form 990s are now widely available to the public, including through Guidestar.org on the internet. Many institutions and individuals use the filed Form 990s as one means for learning about an organization and for making their charitable donation decisions. Furthermore, many States allow for the filing of the Form 990 with the State as a way of satisfying state laws designed to protect and inform their citizenry about charitable groups. Finally, through filing an annual Form 990, newer and smaller tax-



exempt groups can establish a sound financial structure and system of record keeping that can assist their later growth.

Third, the IRS has an obligation to assist tax-exempt organizations, especially the newer and smaller ones, so these can satisfy any filing requirement, including the annual Form 990 and Form 990-EZ.

SPECIFIC RECOMMENDATIONS:

1. The IRS should develop a plain language pamphlet to assist smaller and newer nonprofits in completing the Form 990, including advice on what kind of records to keep; what penalties can be assessed against nonprofits who fail to comply; and what recognized exceptions may exist.
2. IRS provides assistance and information for charities and other non-profits through various sources. These include toll free assistance at 877-829-5500, on the IRS website at Tax Information for Charities & Other Non-Profits and through workshops given by field agents in local communities. To better serve the 990 customer, we recommend that the availability of these resources be marketed more boldly. We recommend an eye-catching box be predominantly included on all Form 990 related items. For example, this information should be included:

At the first point of contact, for instance on the Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code or Form 1024, Application for Recognition of Exemption Under Section 501(a) or for Determination Under Section 120.

At the time that tax-exempt status is approved and included on the IRS determination letter that is sent.

At the time the IRS annually mails out the Form 990 and instructions.

We also recommend that the field workshops IRS hosts throughout the year on how to complete the Form 990, be more energetically advertised to nonprofits with the theme: If you are a nonprofit group with limited resources and time, here is some help on meeting your tax requirements.....

3. Tax-exempt organizations, especially the newer and smaller ones, do need substantial assistance in order to file a proper Form 990. We recommend the IRS develop a web-based tutorial about completing the Form 990. Until this is available, the IRS should provide links to websites that already have such self-tutorial materials. (See Specific Recommendations 8 below) In order to protect itself, the IRS could add disclaimers stating You are leaving an IRS site for a non-IRS Site. IRS does not endorse nor necessarily approve of the content of these websites.
4. To compliment the web-based tutorial, the IRS should develop a training video tape or CD which could be made available to non-profits to assist them in completing the Form 990.
5. We recommend the IRS communication strategy include key messages for the Form 990 customer. Targeting the peak filing periods, IRS should issue press releases via print, e-news and the Digital Daily three times a year. Information to be shared should include filing requirements and obligations, recording keeping and tips for penalty avoidance.
6. The IRS should market the Form 990EZ more prominently to smaller nonprofits. The web-based tutorial could include a decision tree that could lead smaller organizations to complete the Form 990EZ. Secondly, in the Determination Letter sent to new tax-exempt organizations, there should be a notice alerting them that they may be able to file a Form 990EZ. The IRS should, as with the regular Form 990, develop a web-based tutorial for completing the Form 990EZ.
7. The failure of an organization to file a Form 990 or the failure to file a complete Form 990 can trigger enforcement and penalty assessment actions against such an organization by the IRS compliance. We are quite concerned about such actions for a number of reasons. First, such

actions can undermine the charitable efforts of well-intentioned and generous people who are donating their time, resources, and efforts for a good cause. It is not an overstatement that much of our society depends upon these unselfish and dedicated group efforts carrying out various charitable goals. In terms of a Daily Penalty, to some officials, a \$1,000 penalty may not seem like much. To a small group dependent upon volunteers and upon Ten Dollar Donations who function on a month-to-month basis, such penalties can be devastating. We strongly urge that the IRS especially where no revenues have been lost to the IRS because of the failure to file or the failure to file a complete return, adopt a standard of good faith compliance. We are also convinced that this good faith criterion can be incorporated into the present standard of reasonable cause. So long as a tax-exempt organization has made a good faith effort to comply and the organization moves reasonably to correct any oversights or failures, IRS should not impose daily penalties. Instead, the IRS compliance activities should stress educating the group on its filing requirements and directing the organization to where help is available.

8. During our research, we have found a number of very helpful websites.

www.irs.gov/charities/article/0,,id=96103,00.html (IRS site)

- Lists filing requirements for tax-exempt organizations.
- Using Adobe Reader, there are links to download Publication 557, [Tax-Exempt Status for Your Organization](#), Form 990, and Form 990 EZ.

□ **www.qual990.org**

- Encompasses a number of projects and activities to improve the quality of IRS Form 990 reporting by nonprofit organizations.
- Link to: [Updates On Form 990 Accounting And Reporting Issues](#) and [2003 Form 990 Accounting and Reporting Issues](#)
- Site has data on:
 - Compliance Filing an accurate and complete Form 990 with the IRS and state charity officials is the law.
 - Public Accountability With the new IRS regulations, anyone can request a copy of any nonprofit organization's Form 990.
 - Public Relations The Internet is making the Form 990 more widely available than ever before.
 - Primary Source of Data Form 990 is the most commonly used data source about nonprofit organizations
 - Policy Making Accurate Form 990 data will help policy makers develop the most effective ways of helping the sector, and allow nonprofits to better defend themselves against ill-advised legislative initiatives.
- Site is maintained and hosted by the Urban Institute (www.urban.org).
- Co-Sponsors for National Quality 990 Efforts:
 - National Center for Charitable Statistics (NCCS) (www.nccs.urban.org)
 - INDEPENDENT SECTOR (www.indepsec.org).
- Co-Sponsors for State and Local Quality 990 Efforts:
 - National Society of Fund Raising Executives (NSFRE) (www.nsfre.org)
 - National Council of Nonprofit Associations (www.ncna.org)

www.nccs.urban.org

- National Center for Charitable Statistics (NCCS) - the national repository of data on the nonprofit sector in the United States.
- Sponsors the site listed above (www.qual990.org).



- Organized the Form 990 Nonprofit Accountability Collaboratives (990-NAC). 990-NACs are forums to bring together the people and organizations involved with Form 990: nonprofits who file it, accountants who prepare it, regulators who monitor it, and the public who trusts the nonprofit sector. Working together, 990-NAC participants can guide the nonprofit sector to high standards of accountability.
- NCCS is working with twelve state charity offices to offer electronic filing of state charity registrations and the IRS Form 990. In 2002, Pennsylvania and Colorado became the first states to accept electronically filed Forms 990 and state registration and renewal forms

www.guidestar.org

- GuideStar is a 501(c)(3) public charity serving the philanthropic community across America.
- GuideStar, the national database of U.S. charitable organizations, gathers and distributes data on more than 850,000 IRS-recognized nonprofits.
- The GuideStar Web site is produced by Philanthropic Research, Inc., a 501(c)(3) public charity founded in 1994. GuideStar's mission is to revolutionize philanthropy and nonprofit practice with information.
- Has a Link to: IRS Form 990 An illustrated guide to finding and interpreting the information presented in this valuable document.

www.efile.form990.org

- Free Software Helps Nonprofits with IRS and State Filings
- Desktop 990 version 1.16 includes everything needed to file a 2002 Form 990, 990-EZ, Schedule A, Unified Registration Statement, and dozens of related schedules and attachments

Attachment Two

Taxpayer Advocacy Panel Memorandum

Date: 08/20/2003

To: Taxpayer Advocacy Panel - Joint Committee

From: Robert Meldman, Chair Area 4

RE: Recommendations regarding the late release of forms/information to the public as relates to the IRS Just in Time policy.

The Area 4 Committee of the TAP would like to acknowledge and thank the members of this subcommittee for their work on this issue: Teresa Smedley (Chair), Jim Abraham, and Frank Claudman.

Brief Summary of Issue

This issue was passed on the TAP by the former CAP members and was considered as something that should be looked at for possible change. The IRS frequently sends information and forms out to practitioners and other members of the public so late as to be practically useless for its intended purpose. We looked at why and what might be done to change this practice.

Analysis of Issue/Methodology of Research

Members of this committee discussed this issue with members of the public and practitioner



community to find out how widespread the late release of information and forms has been. From this informal gathering of data, it was determined that the focus should be on three areas where the IRS Just in Time policy seems to be most prevalent:

1. Release of forms so late that the publication of Package X becomes useless in paper format to practitioners (Volume 2 was not received until mid-March 2003 this year).
2. VITA/TCE volunteers in the program do not have training materials in advance of training classes to properly prepare for them.
3. Form 5500 and related forms were issued so late for 2002-03 that it wasn't possible for accountants/practitioners to file the returns timely.

These issues were presented to the TAP Area Four analyst for research with the various program owners. Responses came from Sue Sottile and Carolyn Tavenner of the IRS, who provided some insight regarding why the delays occur.

Issue 1: The main reasons for late release of forms has been late legislative changes, making forms changes required late in the calendar year. This delays the publication of Package X. Early releases of the forms are available to those who need them and final versions are posted on the website within 24-48 hours after approval.

Issue 2: The response on the VITA/TCE program is more complicated. Apparently, the products are produced by SPEC for content and reviewed by Tax Forms and Pubs. SPEC does not have the technical expertise to develop and review their own materials, and so they must depend on Tax Forms and Pubs which sometimes delays the release of the materials. If SPEC was able to do more of its own developing of materials, that would speed the release.

Issue 3: We did not get a response as to why there was such a substantial delay in 2002-03. Carolyn Tavenner indicated that she thought it was a one time delay, but wasn't sure why. She was to ask TEGE to get back with us on this, but we have not heard anything more.

Recommendation

Regarding Issue 1: In light of the legislative work delaying the release of forms and thus the late publication of Package X, it may be time for the IRS to change the format of Package X or eliminate it in paper format. The tax dollars, which go into printing this publication, are wasted if they are not of use to those who need them when they come out. Many practitioners/accountants now access forms and instructions they need from the internet. If the IRS emphasized that all forms are available on the website on the 1045 ordering form, it may discourage offices ordering the Package X when they really don't need it. For those who still need paper format, perhaps a loose leaf binder format would work better. That would allow everything to be sent in December. Forms not yet approved would be sent in preliminary format, and as the final approved copies come out, they could be sent and offices would replace the preliminary forms with the final forms.

Regarding Issue 2: Since SPEC is responsible for this area, we recommend that they consider working up as much of their own materials as possible. If that is not feasible, using the early release versions of the forms for the early training, until the Tax Forms and Pubs area can get final versions out.

Regarding Issue 3: Since this may have been a one-time problem, Area 4 makes no recommendation at this time. If it recurs, it should be addressed at that time.



Attachment 3

Taxpayer Advocacy Panel Year End Assessment Report

Committee Name: TAP Area 4 Committee

Reporting Period: October 5, 2002 through October 2, 2003

Committee Purpose/Scope:

The TAP Area 4 Committee represents the geographic areas of Illinois, Indiana, Kentucky, Michigan, Ohio, West Virginia and Wisconsin. It acts as an IRS "listening post." The Area 4 Committee elevates grass roots taxpayer issues that are service wide in scope, to the TAP Joint Committee. The Area 4 Committee contributes to the preparation of an annual report to be submitted to the IRS and the Secretary of the Treasury on TAP goals, progress and accomplishments.

Issues Under Current Consideration:

The following issues are currently pending in Area 4.

1. Refund Anticipation Loans
Looking to determine whether Area 4 can endorse the NTA position on the use/abuse of the RAL. A second approach would be to gather RAL materials, studies and form an independent recommendation.
2. Outreach Strategy
Working to expanding the outreach of "What's on TAP" article in local tax professional newsletters. Subcommittee is currently setting up conference calls with the owners of various programs to see how best to approach the outreach strategy.
3. Increase Acceptance of E-File returns
What additional barriers exist for e-file returns, as opposed to those filed on paper?
4. Lien Desk Recordings
Looking to improve the information given to taxpayers on the recording when calling IRS Lien desks. As an alternative to waiting for IRS release of lien, IRS should inform taxpayers of other options to receive lien release information, such as county court house/register of deeds offices.

Action Taken:

During our first year, the Area 4 TAP panel considered in excess of 25 separate issues brought to the panel's attention by tax practitioners and/or taxpayers. A number of the issues were deemed legislative in nature. Area 4 responding to the informal mandate that we not consider "legislative issues" has placed a number of the issues in our parking lot. At the same time, however, a memorandum was submitted to the National Taxpayer Advocate to acknowledge the dedicated and diligent work done by the members who not only sought out the issues concerning taxpayers in our areas but also researched the issues and constructed viable and concrete solutions to the proposed problem.

Area 4 has elevated four issues to the Joint Committee:

1. Recommendations regarding the late release of forms/information to the public as relates to the IRS Just-In Time policy.
2. Recommendations related to the Form 990, Return of Organization Exempt From Income Tax.
3. Simplification of the Social Security worksheet.
4. Limitations on income tax deductions of capital losses.

The Taxpayer Advocate Panel memoranda are attached as Exhibits 1-4.



Issues Tabled for Future Consideration:

1. Establishment of SIMPLE IRA to the due date of owner employee 1040 return
2. Legislation reducing excise tax paid by private foundations
3. Lack of response to taxpayer correspondence received from the IRS
4. Elimination of duplication of supporting schedules for Forms 1040/1040A
5. Acceptance of amended returns electronically
6. Increase in Taxpayer Advocate Service (TAS) limited authority
7. Concerns about IRS' ignoring the "Check-the-Box" authority
8. Extending the use of Check-the-Box authority
9. Improvements to Form 1099S for real estate sales
10. Improvements to taxpayer notification of back up withholding
11. Return of income averaging
12. Proposed flat tax
13. Franking privileges for correspondence by taxpayers with the IRS
14. Amending income tax withholding tax tables/Improving form W-4
15. Elimination or modification of the AMT
16. Increase Tele-File to include taxpayers over age 65.
17. Elimination of window refund envelopes for tax refunds
18. Clarifying explanations for qualified five year capital gains
19. Use of outside mediators in the Appeals Process

Accomplishments:

The Area 4 committee has successfully elevated four issues to the Joint Committee. Considering the fact that this was the initial year of the organization and that the members of the Panel were from diverse geographic, educational, and socioeconomic backgrounds, this panel has done an excellent job of coming together and working as a team.

One of the key accomplishments, during this year was the ability of the Form 990 subcommittee to overcome what seemed like an insurmountable barrier. The concerns initially raised about the burdens that the 990 filing requirements impose upon newer and small nonprofit organizations, led the committee towards a recommendation that the Form 990 filing requirements should be substantially changed. However, the committee found that the Forms 990 are now widely available to the public. Additionally, many institutions and individuals use the filed Form 990 as one means of learning about an organization and for making their charitable donation decisions. Furthermore, many states allow for the filing of the Form 990 with the state as a way of satisfying state laws designed to protect and inform their citizenry about charitable groups. Rather than adopting a defeatist attitude, the committee with the assistance of IRS program owners, have made specific recommendations to assist smaller and newer nonprofits in completing their Forms 990 and helping the small charitable organizations obtain IRS assistance.

Disappointments:

Some of our Area 4 members have not participated in our meetings. For some, the commitment to be an active member of Area 4 TAP became too time consuming. For others, I believe they simply lost interest. Finally, one of our members, we believe, does not have immediate access to the internet and/or e-mail and, therefore, has fallen behind. We hope that those individuals who have indicated their desire to resign were pleased with their short experience and that the alternates to be named will be more active participants in the future.

The second disappointment is really one of frustration. Many of the Area 4 TAP members entered the program with the belief that they could participate in an organization that would make substantive changes that were both administrative and legislative. Until there was a clear directive from the NTA mandating that we not consider legislative issues, the frustration continued. The second half of the fiscal year has, I believe, been better since the committee now with a clearer understanding of its parameters.



Finally, the third disappointment and constructive criticism would be that following our face-to-face meeting in Covington, Kentucky in the Spring of 2003, the committee's cohesiveness improved one thousand percent. The ability to meet, greet and know each other on a face-to-face and name-to-face basis, was invaluable. In the future, although conference calls are less expensive and budget constraints necessary, additional face-to-face meetings will bring the panel together and increase its efficiency.

Overall Grading (1-10; 10 highest)

Committee Overall Grade: I believe that the overall grade for the committee would be an 8-1/2. Considering that this panel initially came together in October, 2002 and had no bureaucratic experience, it has done extremely well.

Staff Support: Mary Ann Delzer, as our analyst, has provided the committee members invaluable help and support. She fulfilled her responsibilities with a minimum of supervision, was extremely reliable and completed each of the projects assigned to her on time. She used common sense, was practical, made decisions and recommendations that took into account all related factors. I found her use of time and energy well spent. The other contact with other IRS staff in Area 4 was with Sandy McQuinn, Patti Robb and Barbara Toy. Their communications were expressed clearly and precisely. They were cooperative, friendly, tactful and sensitive to all of the needs of the panel members.

Our DFO for this period of time was Richard Morris, Local Taxpayer Advocate for Wisconsin. His leadership qualities, past experience and ability to facilitate, when necessary, made him an indispensable ad hoc member of the committee.

IRS Cooperation: For the most part, committee members reported fairly good response from program owners within the Internal Revenue Service. With the exception of a lack of response to the subcommittee on Form 1040/1040A schedules, we received no adverse feedback with respect to IRS management.

Chair: A retrospective self-analysis is difficult, at best. During the past year, I am sure that there were many times that the efficiency and manner in which the committee functioned could have been improved to the extent that I allowed members to continue discussions in excess of the allotted time and was not firm enough with those members who were unwilling or unable to attend our meetings on a regular basis.

Author: Robert E. Meldman, Chair

Date: September 4, 2003

Area 4 TAP



Area 4 Committee Meeting Minutes August 20, 2003

Present:

- James Abraham
- David Cain
- Frank Claudman
- Dan Drumel
- Robin Gausebeck
- Dick Greenberg
- Larry Lexow
- Leslie Malcolmson
- Joe Meissner
- Bob Meldman, Chair
- Dick Murphy
- Richard Morris, DFO
- Nancy Quarles
- Teresa Smedley

Guests:

- Barry Holland, Director of Tax Compliance, University of Cincinnati
- Brian Dixon, University of Cincinnati

Absent:

- Ivan Cotman
- Delford Jones
- Glenn Hall

Staff Present:

- Mary Ann Delzer, Program Analyst
- Patti Robb, Note Taker

Welcome/Review Agenda

The annual meeting is scheduled for October 2-4, 2003. Our next area meeting is scheduled for September 7-8, 2003, in Indianapolis, IN.

The Joint Committee has asked that the areas confirm the chairs of each committee. If anyone is interested in the Chair position, please let all members of the committee know. Area 4 will discuss at the face to face meeting in September meeting.

Discussion of Issues

- Form 990 - Meissner



Draft report has been sent to all members. May be some verbiage corrections, but substance of report will remain. Meissner will accept input from committee members until Monday, August 25, 2003, COB, otherwise report will be forwarded as it appears to the Joint Committee.

Meldman commented on the excellent job by the Form 990 sub-committee.

ACTION: Delzer to send copy of final version to Joint Committee for consideration.

- Refund Anticipation Loans - Meissner

Research has been done a package is being put together for the Indianapolis meeting for the committees consideration.

- "Just In Time" Notification - Smedley

This issue was researched and narrowed down to three issues:

1. Late release of forms in anticipation of the filing season
2. VITA doesn't have training materials out in time to train volunteers
3. Form 5500 and related materials were issued late

These issues have more than one program owner (Sottile/Tavenner). One problem is that legislation happens so late. The early version is available and the final version is on the Web after it is approved. Putting together a report with recommendations and elevate to the Joint Committee by Thursday, August 21, 2003.

ACTION: Smedley to send report to Delzer to share with the full committee. Delzer to have response from members by Tuesday, August 26, 2003, COB. If no comments received, assumption will be members concur. Delzer to forward report to the Joint Committee.

- Elimination of Supporting Forms 1040A - Gausebeck

Committee still waiting for information, but this may be a dead issue with the growth of E-file.

ACTION: Gausebeck to write a final report for the Annual Report.

- Increase Acceptance of E-File Returns - Cain

Looking at delayed filing to May 1st. Congress is looking at this. Will continue to actively pursue this issue.

- Outreach Strategy - Lexow

Committee couldn't get many people to return calls.

Drumel - Would like more detail on the strategy to approach these people so we all approach everyone the same way.

Lexow - At the Tax Forum in St. Louis and made many good contacts there. Many organizations would be happy to publish our articles. Lexow to contact committee members for their articles that are due.



ACTION: Lexow to write a final report for the Annual Report.

- Simplify Installment Sales of Real Property - Claudman

See Attachment One for the report.
Report to be included in Annual Report for Area 4

New Issues

- Abolish Penalties/Flat Rate-Caller thought penalties are exorbitant on top of interest.

Penalties just more interest. Usury affects business, why no the government? Small businessman has enough trouble without tax penalties.

- Caller called toll-free line and was told to call TAS but assistor never provided the number. Customer service issue.
- Lien deck procedure-Caller called lien desk in Michigan and was told they would be contacted within 15 days. This is not customer service. Cannot wait that long.

Meldman - This is a matter of changing their recording. Instruct taxpayer to go to their local (county) register of deeds. Someone needs to contact Collection and suggest they change their recording to tell people what to do. The IRS does send a letter to the register of deeds to release the lien.

ACTION: Delzer will work with Cain and Abraham to contact Collection regarding their message.

- Drumel - Financial literacy partnership with WHEDA. Ad Hoc Committee already elevated this issue to the Joint Committee.

ACTION: Robb to send copy of this letter to Drumel.

- Abraham - was contacted by a taxpayer - supposedly a non-filer. The taxpayer sent his return certified and has a copy of receipt. The IRS is taking this taxpayer to task.

Outreach Activities

ACTION: Each panel member to complete a self-assessment all activities for their Issue and Area committees. Bring to the Indianapolis meeting: Outreaches, reports, speeches, etc.

ACTION: Each panel member to forward to Delzer state contacts for the "What's on TAP?" articles.

Office Report

The next meeting will be in Indianapolis, IN, on September 7-8, 2003. There will be a dinner meeting on Sunday, September 7, from 7 to 10 pm. The cost will be \$23 per person. This will be added to your hotel bill.

Thad Davis and Bob Burke resigned. Ivan Cotman has not responded to emails or messages. It looks like he has missed too many meetings to continue.



Public Comments

Holland - thank you for letting us listen. I keep seeing things about TAP and this gave me a chance to see how you work. It is fair to say the topic matter is not relevant to the University. Some of the issues will probably impact some students and employees though. I am interested in the interest the IRS is taking in the communities.

Closing/Assessment Meldman - Thanked Holland for participating. Area 4 just one committee of many committees. Encouraged Holland to look at the activities of the other committees - Issues and Areas.

Meeting adjourned.

Attachment One

TO: Area 4 Committee

CC: Mary A. Delzer @ IRS.Gov

ISSUE: To Simplify Installment Sales of Real Property Taxation.

SOURCE: Participants in Housing Choice Vouchers for the Installment Sales of Real Property.

REASON: After the Installment sale, The taxpayer's tax preparation becomes complicated to the point of needing professional help.

DATE: June 5, 2003

PROBLEM:

Low income families and individuals with children who qualify for subsidized housing (HUD's Section 8) may be entitled to Housing Choice Vouchers which allow them to purchase their rented home. Most of them can only muster a very small downpayment and don't qualify for a bank loan. If the landlord agrees to hold the mortgage, his record keeping and tax return becomes very complicated. Their tax returns usually consist of a Form 1040, Schedules A and E. After an Installment Sales, the taxpayer's tax return consist of Form 1040, Schedules A, B, D. and E, Forms 4797, 6251 (in most cases),and 6252. They also want to know the complete tax obligation when these properties are repossessed. In most cases, these taxpayers have to seek professional help with their annual tax returns.

DISCUSSION:

This group, about 20 in the Greater Cleveland area, feel that their return can be simplified if they could report the small downpayment as other income. The Form 4797 should only be required upon the final deed changing hands. The Form 6252 should be only required in the first and final year of the installment sale (Usually 3 to 5 years). The interest received could be reported on schedule 'B'. They stated that appropriately 50% of these sales end in repossession proceedings. Accordingly, that create new problems such as:

- a. How to treat interest and principle already received?
- b. How do they determine the basis in the repossessed property.



They collectively stated that this process should be reviewed with the idea of simplifying the whole process.

Attorney David Karademas stated in a letter to TAP Dan Drumel stated that the proposal of the group was not feasible. He stated that if you treat the down payment as "other income" it would become ordinary income. The capital gains rate is 15%, so re-classifying the money as "other income" would not be advantageous unless your tax bracket is 15% or less. He further stated that the tax forms would not be any less complicated. For an installment sale, each monthly payments had to be pro-rated between interest and principal. No matter how you treat the down payment, you will have principal payments in each year.

RECOMMENDATIONS:

Attorney David Karademas in his letter to TAP Dan Drumel recommends a Turbo Tax program. He states that the cost of the software is small. H&R Block's Tax Cut software representative was asked through e-mail about their program on Installment sales. H&R Block TaxCut recommends their "Platinum Business" program which is in the process of being updated for tax year 2003.

For a better understanding of installment sales and repossessions, it is recommended that you acquire a copy of IRS Publications 537. This publication shows how the gain from repossessions must be treated. It also shows how to determine the basis of repossessed real property.

With the above recommendations, it is felt that this proposal to simplify installment sales of real properties has been accurately and fairly presented.

Respectfully submitted,

Frank Claudman
Member, Area 4 TAP Committee



Area 4 Committee Meeting Minutes July 2, 2003

Present:

- Abraham, James
- Burke, Bob
- Claudman, Frank
- Drumel, Daniel
- Gausebeck, Robin
- Greenberg, Dick
- Lexow, Larry
- Malcolmson, Leslie
- Meldman, Bob (Chair)
- Murphy, Dick
- Quarles, Nancy

Absent:

- Cain, David
- Cotman, Ivan
- Davis, Thad
- Hall, Glenn
- Jones, Delford
- Meissner, Joe
- Smedley, Teresa
- Morris, Richard

Staff:

- McQuin, Sandy- Program Manager
- Delzer, Mary Ann- DFO, Program Analyst

Welcome/Announcements/Review Agenda

Meldman - Shared with the committee two general directives from the Joint Committee (JC)

1. Encouraged to wrap up issues currently working and have recommendations ready for the meeting in October. Would like to see each Area committee have two issues/recommendations to be considered by the JC.
2. JC would like to see each committee consider the possibility of new leadership for next year. Please consider the issue and be ready to discuss at the meeting in Indianapolis.

Public Input: None

Sub-Committee Reports

- Refund Anticipation Loans - No report
- Just In Time Notification - No Report



- Elimination of Supporting Forms 1040A - Gausebeck

Requested information from the IRS owners has not been received.

ACTION: Delzer to follow-up on request for information.

- Increase Acceptance E-File Returns - No report
- Accuracy of Withholding Tables - Meldman

Several TAP had this issue listed on the matrix. At the last JC meeting Area 6 volunteered to take the lead on the issue. Delzer sent the concerns from Area 4 to Gruber for consideration by Area 6 as they work the issue.

- Refund Check Envelope - Meldman

Delzer made an inquiry to Financial Management System (FMS) of Treasury. FMS reported that by January 2004, all Social Security Numbers will be removed from the face of Treasury checks. Also, by October of 2003, a plastic window film will be used to cover all openings in the envelopes used to mail Treasury checks.

- Outreach Strategy - Lexow

Lexow, Drumel, Abraham and Meldman had a conference call to put together a strategy to market the "What's on TAP?" feature. Asking one member from each state to take responsibility to get the articles published in professional newsletters in their state. The sub-committee will solicit articles and make them available to for publication. To date Delzer has prepared an article. Quarles will prepare an article about the changes in the refund checks/envelopes. Greenberg will write an article on the recommendation to improve the Social Security computation worksheet. Other sub-committees will also be asked to write articles about their work. Goals of the program are to increase awareness of TAP in our states and invite greater public input.

State representatives will be:

IL: Greenberg (up-state), Lexow (down-state)
IN: Jones
KY: Murphy
MI: Quarles
OH: Abraham
WI: Drumel
WV: Cain

ACTION: Quarles and Greenberg to forward their articles to Delzer

ACTION: Representatives to forward list of contacts for their state to Delzer



Several different types of organizations are recommended as contacts:

CPA groups Enrolled Agent groups Professional organizations State/county/local BAR Associations Congressional offices Local/community papers Local Taxpayer Advocates National Association of Accounts	State consumer agencies DOD Installations State/local AARP chapters
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- Installment Sales-Claudman

Claudman thanked Drumel for his help in researching the issues. Turbo Tax has a package that does the computation/forms. Most people will still need a professional to assist them. Claudman ready to close issues as changes to reporting would be very involved and the Turbo Tax program is available.

ACTION: Claudman to write response to the Section group in Ohio which raised the issue. Claudman to copy TAP members.

- Form 990 - Murphy

Working to wrap up the issue, and have several action items:

1. Delzer was requested to see if an interview with IRS Enforcement Staff could be arranged sometime in July 2003.
2. Meissner agreed to e-mail the subcommittee members to inform them of the projected date in July for the next teleconference based on the availability of an IRS Enforcement Agent for Form 990 filing problems.
3. Delzer was requested to continue to seek information about IRS policy in setting up useful website links off of the IRS web site.
4. Meissner and Murphy agreed to work together to draft a report to submit for the subcommittee's review on or before August 14, 2003.

Delzer reported that she obtained one copy of the public comments IRS received in response to Announcement 2002-87. She will forward to Meissner for his review.

Miscellaneous

Meldman began a discussion about attendance. JC would like Chairs to look at this issue with their committees. Looking at three unexcused absences. National Office looking at replacements for the October meeting.

Greenberg - Should be rankings done from the interviews done previously.

Drumel - Concern that some may participate in sub-committees, but may not be able to make meetings.

Greenberg - Should call each one that we are concerned about.

Meldman - Need a rule to use going forward.



Abraham - Made a 300 hour commitment and that should be the first criteria. Beyond that look at meeting attendance.

Malcolmson - Why move on this if unable to get replacements? Concerned that some members do not participate in meetings, but travel to the face-to-face meetings.

Drumel - Consistent rule needed so do not discriminate.

Gausebeck - What about the guidelines already set up?

McQuin - Set up for CAP and need to look at more than meeting attendance. JC is looking at this issue and Tom would contact member before decision made. National Office is looking at the replacement process, with Treasury approval, for new members. There maybe someone on the replacement list who is very interested in being on TAP. Very timely discussion since National Office is currently looking at the issue.

Drumel - With 100 such advisory boards to the federal government, how do they handle?

McQuin - Unique program. When designed, used the volunteer agreement from the old CAP. Do need to clarify the rules in light of the new program.

Malcolmson - Some have not really contributed.

Abraham - Appointing authority should be dismissal authority. Why not send a letter to those we are concerned with and ask for their intentions?

ACTION: Delzer to send out attendance matrix and members to think further on the issue. Email specific concerns to Meldman.

Abraham shared that as a result of two calls from taxpayers, he has forwarded two recommendations to his local congressional offices. One on changing charitable contributions to an adjustment to income, along with gambling losses. Meldman suggested he copy TAP to keep the group informed about the legislative issues he is hearing.

Claudman expressed frustration with not being able to access TAP Speak. McQuin assured him that his problem, along with some others, had been elevated to National Office and she would inform him of the status as soon as possible

New Issues

Mediation prior to Appeals-Meldman

Appeals currently uses mediation in its program. Mediation is bringing sides together. Differs from arbitration where a judgment is made. Idea brought up that perhaps IRS should consider third party mediation between IRS and the taxpayer. Now mediation is done by an Appeals Officer who is an IRS employee. Parking Lot.

October meeting

Delzer requested members forward to her ideas for agenda items for the October all TAP meeting. Agenda items will be forwarded to the JC.

Office Report/Future meeting planning

Next face-to-face meeting will be in Indianapolis September 7 & 8, 2003. Meeting will begin Sunday evening, 7:00-10:00 p.m. and continue Monday, 8:00 a.m. - 3:00 p.m. Since the majority of the



members will be driving, a hotel on the beltway is preferred. Delzer will arrange for a conference call on Monday for those who cannot travel to Indianapolis.

Meeting Adjourned.



Area 4 Committee Meeting Minutes June 4, 2003

Present:

- Frank Claudman
- Dan Drumel
- Robin Gausebeck
- Dick Greenberg
- Glenn Hall
- Larry Lexow
- Leslie Malcolmson
- Joe Meissner
- Bob Meldman, Chair
- Dick Murphy
- Teresa Smedley
- Nancy Quarles

Absent:

- James Abraham
- Bob Burke
- David Cain
- Ivan Cotman
- Thad Davis
- Delford Jones
- Richard Morris

Staff Present:

- Mary Ann Delzer, DFO
- Patti Robb, Note Taker

Welcome/Announcements/Review Agenda

Quorum Met.

Meldman - Wanted to discuss a couple items. What can the committee do in terms of important issues since we cannot directly address legislative issues? Look at the letter from Nina Olson, National Taxpayer Advocate, for direction. Legislative issues should go to Arlene Kay, Director of Systemic Advocacy, with a copy to Olson. Also look at the issue flow document. We should:

1. consider the issue
2. go to the analyst for research
3. analyst reports to committee
4. if we feel it is a good issue, can assign it to a sub committee
5. write up proposal and forward to the Joint Committee for consideration

Review/Approve Minutes

Drumel moved to approve the minutes from the May meeting. Claudman seconded.



Public Input--None

Sub-Committee reports

- **Form 990 - Meissner**

Conference call with Roberta Zarin, IRS Outreach. We would like to make sure the IRS makes certain to tell 990 filers that assistance is available from IRS. Additional problem is that sometimes the 990 is not done properly and then there are penalties assessed. This can cause a hardship. Will do more research to find out exactly what happens and will report at the next meeting. Goal is to have a list of recommendations for Area 4 to consider by the August meeting. Next subcommittee meeting is June 26, 2003, at 2: 00 EDT.

Meissner - There is website that has a list of who filed 990s. Guidestar.com

Meldman - This committee is a good example of how committees can grow ; they found that the IRS could not change the forms so they found a way to educate the taxpayers.

- **Refund Anticipation Loans - Meissner**

No one else in TAP is directly working this issue. It has a relationship to EITC so would like to keep them involved. We are in the process of collecting RAL materials - studies and impact. Will compile information and send out to committee.

Meldman - Check to see if NTA has a position on this issue. One approach would be to endorse her position.

ACTION: Delzer will review NTA Report to Congress to determine NTA position. Forward information to Meissner before June 18.

- **Just In Time Notification - Delzer**

Many items in the JIT report have different owners. Next step is to contact them to discuss IRS resources.

- **Taxpayer Correspondence - Delzer**

Sent out letters in response to Greenberg's contacts. Sent out all thank you letters to the people in the Service Center in Covington.

- **Elimination of Supporting Forms 1040A - Gausebeck**

Requested information from the IRS owners. Have not received response from them yet. Received copy of the report "One Form Project." Report states that paperwork burden would increase if forms 1040EZ/1040A are eliminated. The report seemed to concentrate on paper filing, not electronic. Delzer has requested additional information in order to do a trend analysis.

- **Increase Acceptance E-File Returns - Delzer**

Still being worked.

- **Accuracy of Withholding Tables - Delzer**

Many TAP committees have this issue listed on the matrix. The chairs will have a conference call to discuss who will champion the issue.

- **TeleFile / Over 65 - Hall**

Talking about expanding TeleFile. TIGTA report indicates that IRS management is wrong is



stated that e-file is more cost effective. IRS is forming task force to answer the concerns of the TIGTA audit. Does not sound like updated TeleFile would be the best use of resources. Task force is exploring possibility to expand to first time filers and people who have moved. Will monitor. May not be worth pursuing.

- **Refund Check Envelope - Quarles**

Resolved the issue at the face-to-face. Needs to contact software company about moving the SSN on the check - or even eliminating the SSN. Will call Delzer for direction.

Meldman - Suggested to also ask Delzer if this is owned by the same person who has envelopes.

Gausebeck - I brought this issue up at the Joint Committee meeting in May. Arlene Kay was going to take this issue back to Systemic Advocacy with her.

Quarles - There are two options:

- 1) move or remove the SSN
- 2) Remove the window in the envelope

Lexow - Could also remove all SSN digits except the last four.

- **Outreach Strategy - Lexow**

Have not had a conference call yet to organize the topics/authors. Will have a call and will report by the next meeting.

Miscellaneous

Meldman - The EITC committee send out a poll for practitioners to the panel regarding Form 8867. Claudman said he received it and has a response. He will forward his response to Delzer who should forward to Handelman.

New Issues

- **Innocent Spouse**

Meldman -Practitioner suggested there should be a better way to screen applicants up front. Is this an educational process? Redesign form - like a flow chart? Consensus was not to take this issue at this time. Place it in the Parking Lot.

- **Installment Sales**

Claudman - Land contracts/installment sales. Would like to simplify forms. It's four pages now, would like to simplify to two. Will do more research. Will send information already gathered to Drumel. They will research and report at the next meeting.

- **Written Proposals**

Drumel suggested that a Committee chair who would like assistance in writing up proposals could call upon Jim Abraham for assistance. Abraham agreed to provide this service , but will need the research to have been completed.

- **Advance Child Credit**

Committee discussed how the new legislation and proposed corrections. Members will follow the issue.

Office Report

Delzer got a response regarding the excise claim. She will send out to the committee for review.



Parking Lot

Delzer - Asked that the August meeting be changed to August 20, at 11:00 am, Central Daylight Time as the staff will be attending mandatory training the first two weeks in August. All present agreed.

Made an announcement about the Annual TAP Meeting. It is scheduled for October 1-4, 2003, in Washington, D.C., at the Grand Hyatt Hotel. More information will be coming.

TAP Speak

If you need help with TAP Speak, please contact Delzer.

Miscellaneous

Claudman - When sending out emails, could you please start the subject line with "TAP" so it is easily identified and he won't accidentally delete it as SPAM.

Delzer will send out the meeting satisfaction survey. Please complete and return.

Meeting Adjourned.



**Area 4 Committee Meeting Minutes
April 28-29, 2003
Embassy Suites River Center
Covington, KY**

Present:

- James Abraham
- David Cain
- Frank Claudman
- Dan Drumel
- Robin Gausebeck
- Dick Greenberg
- Glenn Hall
- Delford Jones
- Larry Lexow
- Leslie Malcolmson
- Joe Meissner
- Bob Meldman, Chair
- Dick Murphy
- Richard Morris, DFO
- Smedley, Teresa

Absent:

- Bob Burke
- Ivan Cotman
- Thad Davis

Staff Present:

- Sandy McQuin, Manager
- Mary Ann Delzer, Analyst
- Patti Robb, Note taker

Guests

- Jackie Nielson, Government Liaison & Disclosure
- Rebecca Johnson, Taxpayer Education and Communication, Territory Manager
- Carol Strayer, Local Taxpayer Advocate (LTA), Cleveland
- Connie Cropper, Management and Program Analyst, Cincinnati

Monday, April 28, 2003

Welcome/Announcements/Review Agenda

Meldman shared that the Joint Committee has asked that each committee fill out a satisfaction survey sheet after each meeting. Delzer will distribute after each meeting to all members and tally the results.



Meldman asked that each panel member give their thoughts on how the panel's year has gone to date.

Malcolmson - Feels the committees are moving too slowly on the Form 990 and 1040A issues.

Gausebeck - Positive and negative - moving slowly, but at orientation we were counseled to have patience. The notice issue committee has really gotten a lot done.

Delzer - Considering we have only had conference calls up until now, the committee is doing well.

Abraham - Frustrated at the length of time it takes to get anything done. But he has seen a lot of enthusiasm.

Quarles - Got lost on email so missed some calls. All fixed now.

Smedley - Not as much frustration. Knows the government moves slowly. Will be happy if we can see some things changed (concrete changes) by the end of our term.

Jones - Am a new panel member. Have only been on one call to date.

Meissner - Is amazed at how much information is needed to get one letter done. Can see it is going to take a lot of time to get results. It takes a lot of coordination.

Cain - Has passed the test to become an enrolled agent. Frustrated that the process takes so long - moves so slow. Now that tax season is over, can devote more time.

Claudman - Frustrated too. Now that tax season is over, can also devote more time to the committee.

Greenberg - Much like the rest of the committee, frustrated. Has tremendous appreciation for the quality of the IRS personnel.

Hall - Since being on TAP, has increased his level of comfort with the IRS. Sees issue committees as focus groups. Doesn't know if Area will get a lot done, but will set up issues for other upcoming issue committees. Does not feel the level of frustration as other panel members.

Murphy - So far, sees a good mesh of people working together. Feels invited and encouraged. Learning complexities of the system and is amazed that IRS is working as well as it is with the old computer system.

Drumel - Thinks progress is understandable. Need procedures on how to process issues. Overall, satisfied with the progress.

Lexow - His view of Area is to let people out there know about TAP. Knows nothing in government moves fast, so feels we are on pace.

Meldman - Met with Deryle Temple and Nina Olson recently. The staff is fantastic. Some of the frustration you may be feeling is what TAP can/can not do. We are taking on systemic problems, not legislative issues. Need to realize that when you work on issues. Must give recommendations, not just say to fix it. Need to look at both sides - maybe IRS just need to educate, not change something. Some are frustrated because he has tried to limit issues.



Need to think about what is an excused absence. Will define as not calling in to someone to let them know you will not be attending a meeting or be on a call.

Thinks the committee has done pretty well in terms of time worked. Maybe we need to bring expectations down a little.

Working an Issue (Morris)

Morris presented the steps to develop an issue. (See Attachment One) The DFO ensures that the committees comply with the FACA regulations and approves agendas. Thanks to all of you for volunteering. I understand everyone's frustration right now. We can achieve focus. We need to prioritize issues, then work them. Temple will hire four additional managers (in June) and we hope to hire more analysts. We are not here to lobby Congress. We cannot do that as a panel. You can do it as individuals.

Abraham - We can bring an issue to Congress without being a lobbyist.

Morris - You need to look at the time you have. Where can you be the most effective.

Abraham - It is difficult to tell between systemic issues and legislative issues.

Morris - Legislative is where statutory change is required. Systemic are IRS service and customer satisfaction.

Meldman - Our mission is to look at IRS customer service and satisfaction.

Abraham - Most issues raised are from preparers.

Meldman - Spoke to Temple. She was to have a guidance document here but have not seen it yet. That is frustration.

Malcolmson - Waiting for a document from NTA too.

Meldman - Was told by Temple that analyst will not have time to support research for legislative changes.

Greenberg - Can we tweak the Form 1040?

Meldman - If you have constructive, distinct changes to recommend, then yes.

Abraham - I have raised ten issues to date. None have surfaced yet.

Morris - There are a myriad of issues to look at. There are so many, it is impossible to work them all. Need to focus on a couple at a time. Keep track of issues submitted, prioritize, then work them in order.

Jones - Use to lobby. Supports that all issues get on agenda, even if just to discuss. But they all need to be on record.

Morris - You are in control - What issues to work, what issues to put in the parking lot, and how many issues to work. If you tighten the focus, satisfaction will go up. A face-to-face meeting is much more productive than a conference call. As issues come forward, Delzer can do preliminary research.



Review/Approve Minutes

Minutes were approved by consensus.

Sub-committee Reports

- **Form 990** - Meissner

Handout - Too complex for smaller groups required to file. Three possibilities for change:

1. revise form/requirements
2. assist groups required to file
3. enforcement - if you file but are missing information, it's considered not filed and you are penalized

Have a conference call scheduled for the end of May. We are moving along. Will have a report for the next meeting.

- **Refund Anticipation Loans** - Meissner

Still collecting information at this point. (Very early stage on this issue) Are other committees working on this issue? Is Ad Hoc considering this issue?

ACTION: Delzer will forward list of committees. Will we take lead? Will explore more - maybe send to Ad Hoc. Meissner will also talk to Analyst Gruber.

- Just In Time Notification - Smedley

Handout. Carryover issue from CAP. Have preliminary research from them. Gotten good feedback from various preparers. Tied in with e-file too. Some EITC returns e-filed did not get refunds as anticipated - being held for audit. Practitioners were not notified of this new procedure. This year received Package X, volume II in mid March. Much too late.

Recommend - print preliminary forms in draft. They can be apprised of possible implications when filing. If Package X comes out late, it is a huge waste of paper and postage. It is basically useless if not out in mid December. There has to be a partnership between the IRS and practitioners. They have to work together. Feels this issue should be elevated immediately. Lexow - Form 5500, Retirement Plans, this is available on line early but paper forms quite late. CCH, Turbo Tax, etc., get them much earlier.

ACTION: Delzer to contact IRS owner with this report on behalf of the subcommittee.

- **Elimination of supporting forms 1040A** - Gausebeck

1040A has three schedules

- dividend
- child and dependent credit
- credit for elderly or disabled

This has caused confusion. Spoke to IRS Owner, Nancy Harwell, about consolidating schedules. IRS position is when looking at 1040A filers, they don't like change. Would cause confusion if the



form/instructions change. Decided to determine scope of problem. Did not get impression that this is wide spread. When e-filing, computer computes all information. Will get more information from IRS to determine if this is a priority issue. Frustrated with conversation with the program owner on this issue. Will contact her again after gather more information.

Greenberg - IRS employees I spoke to felt this was a good issue.

Gausebeck - Felt instructions were easy to follow.

Outreach

Lexow - Doing a column for practitioners, "What's on TAP." Looking for three volunteers to help write this column. Fairly short but addressing current issues. E-News for Tax Professionals-check to see if they would be interested in column. Trying to reach enrolled agents, state bars, tax preparers, and others who can bring information to the committee. This column is representing Area 4 issues - not the whole TAP. Would cover issues we are working on or are going to discuss. This is a commitment. This will be information only (i.e., Area 4 will be discussing . . .) About four paragraphs long.

Volunteers: Jim Abraham, Dan Drumel, Delford Jones, Larry Lexow.

Larry will update information as to who will do and which month they are due.

Public Comment

None.

New Issues

- 1099-S - Drumel

Realtor said the form wasn't difficult to do, but it was difficult to get the form. Most realtors use title companies - don't do their own closing.

ACTION: Drumel will check with title companies and attorneys who do closings, to get their input.

- Increase acceptance of e-file returns - Cain

Sometimes returns are rejected when e-filed but accepted when paper returns are sent in. Why not the same rules for both?

Meldman - it is just a matter of the speed (time) which an error is detected.

Abraham - Submitted this same issue already.

Meldman - This is simply an issue of skirting the system.

Cain - Practitioners are keepers of information. If filed electronically and rejected, they then do a paper return, send it in, then someone at the IRS has to input all this information. Seems silly.

Malcolmson - Causes are W-2s not matching, dependent SSN already used. What other reasons cause reject?

Claudman - Birthdays don't match SSN, names don't match SSN.



Meldman - Should we work this issue?

- 9 - yes
- 6 - no
- 1 - abstention

Meissner - Afraid the solution will be worse than the problem.

Cain is the chair, Smedley, Malcolmson, Abraham on sub committee. Check with IRS to get their input. Report back to committee.

- W-4 Withholding Tables - Smedley

Can be inaccurate if you work a couple jobs or file a joint return.

Sub Committee - Smedley is the chair, Gausebeck and Greenberg on sub committee. Look at/do research. Report at next meeting.

- E-File over 65 - Hall

Hall is chair, Jones and Claudman on sub committee.

ACTION: Delzer will identify owner and do preliminary research.

- Refund Envelope Window - Quarles

Quarles is chair, Jones and Drumel on sub committee.

Do research and report at next meeting.

Future Meeting Planning The next face -to-face meeting:

1st Choice - September 22-23 in Indianapolis, IN

2nd Choice - September 22-23 in Chicago, IL

3rd Choice - September 22-23 in Detroit, MI

Travel in on September 21 - home on the 23rd or 24th.

Outreaches - How to get the TAP Word Out

Suggestions? How do we get TAP information out? We have to rely on public service announcements (PSA). We cannot pay to advertise. Panel members need to work to get the word out. The more we accomplish as a committee, the easier it will be to get press.

Quarles - I talked to CPAs in Michigan and used the power point presentation.

Gausebeck - The power point presentation is a good starting point.

We don't have a lot of money. If a press release goes out and gets picked up, it will cause an increase in internet hits.

Cain - How about working with the State Departments of Revenue?

We have to remember that we deal with federal taxes only.

Tuesday, April 29, 2003

The members of Area 5 toured the Cincinnati Campus to observe the Pipeline Operations. The committee was also briefed on various service center operations by the following:



- Peggy Bogadi, Director, Cincinnati Submission Processing Center
- Dan Myers, Director, Cincinnati Accounts Management Center
- Betsy Kamenar and Steve Fehring, Examination Operations (representing Cincinnati Compliance Services Center)
- Connie Hemingway and Diana Huebner, Innocent Spouse Operations

Tour guides:

- Sue Allen, Site Coordinator Staff
- Dorothy Barry, SB/SE Communications, Campus Branch
- Tom Miller, SB/SE Communications, Campus Branch

People stationed on the floor in the Pipeline Operations:

- Carrol McCorkle, Receipt and Control Operations
- Sue Becker and Kathy Lazarus, Document Perfection Operations
- Jim Fish, Data Conversion Operations
- Phyllis Erkins, Input Correction Operations

Area 5 thanks the employees of the Cincinnati Campus for organizing the Pipeline tour and subsequent briefings. The presentations will help the members of Area 5 better understand the complicated process of tax administration.

New Issues

- Check Box - IRS interprets this to mean one time, one issue. Meldman could not find anything in the Regulations about this issue.

Delzer - Area 3 is working this issue.

Meldman - Will prioritize new issues. Will not start one until we finish one that is already in process.

- Addition to line 42, Form 1040/Schedule D shadowed description:

The Problem: The taxpayer is instructed to enter the amount corresponding to the line 41 taxable income and filing status listings in the tax table on Line 42. However, if a portion of the taxpayer's income is taxed at a different rate because of Schedule D calculations, Schedule D instructs the taxpayer to enter the smaller figure from Line 38 or Line 39 of Schedule D on line 42 of Form 1040.

Thus, any taxpayer benefiting from the Schedule D computation will automatically have a figure on Line 42 that does not correspond to the Line 41 figure listed in the tax table.

Suggested Solution: Add a line to Form 1040 (42A ?) for listing the original tax table figure as well as the lower Schedule D amount so that both can be displayed on Form 1040. Parking Lot

- Rollover Checkbox: Drop. Correspondence letter.
- Simplify SS Worksheet/SS Worksheet line 1

ACTION: Greenberg will write up for Gausebeck to present at the Joint Committee meeting.



- Schedule SE, Explain %: Already in instructions. Drop. Correspondence letter.

Suggested that Ad Hoc address forms and instructions or maybe this could be developed into a new issues committee.

Original Issue Discount (OID) - Abraham - handout. This is a legislative issue.

Meldman suggested that conference calls be scheduled every six weeks instead of on a monthly basis. Would like to have three face-to-face meetings plus the all-inclusive panel meeting in Washington, D.C., in October. The face-to-face meetings could be one full day. Would like to get a set dollar amount to work with for meeting planning rather than be limited to two face-to-face meetings. Let us utilize our portion of the budget to our best advantage.

ACTION: Gausebeck will present this proposal at the Joint Committee meeting.

Closing/Assessment

Jones - Good meeting.

Smedley - Helpful meeting. Accomplished a lot more during a face-to-face meeting as opposed to a conference call. Please email her with comments or suggestions for "just in time notification." Will then complete her report.

Abraham - Thought we agreed to surface issues. List them all so they are visible. Seems to be resistance to some issues brought up. Spent a lot of time writing up 11 issues, only to have them rejected.

Gausebeck - Valuable chance to meet each other and develop as a committee. Feels energized again. Thanks to Morris for insight on first day of meeting. Hopes all will be more focused.

Malcolmson - Continues to be educated. Feeling a little less frustrated. Not all gone, but less. Hopes to address some big issues - not just small ones.

Lexow - Great tour of the service center. Got a chance to meet with the "on TAP" sub committee.

Greenberg - Educational experience. Blown away by such a diverse group. Came together very well. Meldman is great leader - wonderful job! Morris - great job putting things in perspective. If I didn't feel good about TAP before, I sure do now. Don't look forward do all TAP meeting in October. Better having committees meet.

Drumel - Very good meeting. Got moving. Hope to continue to make strides.

Murphy - Glad we met in Kentucky. Would like to see more public participation. More energized by all the input.

Hall - Got a lot done at this face-to-face. Good seeing how things operate at the service center. All issues brought up at the meetings are in the minutes. Need to put in process.

Claudman - Face-to-face is well worth while.

Cain - Didn't feel good about Area 4 until this meeting. Conference calls not very productive. Feels good about where we are going to go in the future. Hoping in future will solidify things even more. Face-to-face is the only way to go.



Meldman - This committee does not run itself. Delzer is instrumental. Staff has been great. Morris is great as moral support and guidance. McQuin and Robb are very supportive. It is very hard being chair. Don't know if taking on legislative issues is a good thing or bad, but the NTA is the one who will take them on. We will not. Personal feelings must be put aside. As a member of TAP, we have procedures. Word came down that we were not to work legislative issues. NTA said she was going to send out a letter with instructions on handling legislative issues. Have not seen it yet. All-in-all, did a good job here. Cannot let this get too stressful. We are only into this six months to date. Have another 18 to go. Should all be downhill from here. Some things will be taken up, some won't.

Morris - Would like to thank the staff for their support. Have some guidance now. Sorry about the bureaucracy. Great job!

McQuin - Thank you for doing a very hard job. Annual report - there will be opportunities to include issues that may not be finished. This design is not etched in stone. Encourage you all to look at different ways to improve the process. Look to the future.

Next Conference Call

Scheduled for Wednesday, June 4, at 11 a.m. CDT.

Attachment One

Taxpayer Advocacy Panel Mission:

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

Steps in Developing an Issue:

1. Preliminary Research.

- a. The issue is brought to an area committee by email, telephone, fax, outreach efforts, a panel member's personal experience, or by written correspondence.
- b. The program analyst assigned to the area committee performs preliminary research on the issue. The term preliminary research is used to include the following types of research: If the issue is statutory in nature, the analyst might look up the Internal Revenue Code section and analyze how the code affects the issue. If it is a complaint about the wording of a notice or publication, obtain copies of the notice or publication and research the pertaining policy or statute. Basically, enough research so the committee can make an informed decision on whether to drop, monitor, combine, or develop the issue further.
- c. The program analyst provides a written report to the committee on the issue and the preliminary research.

2. Review. The area committee reviews the report and based on their analysis may request additional research or information on the subject or they may determine enough information is available to make a decision to drop, monitor, further develop the issue for elevation, or elevate the issue directly.

3. Drop. The committee drops an issue if they determine, IRS is sufficiently handling the issue or the issue has little or no impact on customer service and satisfaction.

4. Combine. The committee may decide the issue is compatible with or identical to another issue they are developing and combine the two. Or, they may decide it is related to another committee's focus and forward the information to that committee.



5. Monitor. There are two reasons a committee might monitor an issue:

- a. The committee believes the IRS is working to resolve the issue but would like to take a new look after a policy is implemented to ensure it is working as intended.
- b. After prioritizing the issues, it's determined the issue has merit but the committee cannot immediately develop the issue.

Question point: How does Area 4 want to handle the monitoring of issues?

6. Prioritize. Given the resources and the time committee members are willingly to volunteer to develop an issue, issues should be prioritized.

7. Develop an Issue. Obtain a sufficient amount of information about the issue to determine if the issue should be forwarded to the Joint Committee or if the issue should be handled locally. The committee can obtain the information through a variety of ways, for example: Talk to subject matter experts about the issue, the experts could be from within or outside of the IRS. Analyze statistics on the issue. Or, talk to citizens, IRS employees, or practitioners to determine if they've had similar experiences. Committee members should inform TAP staff what additional information is needed before they can determine the merit of the issue and make recommendations. The TAP staff will work with SB/SE and W & I point of contacts to provide the necessary information.

EXAMPLE:

TO: TAP Joint Committee

FROM: Area X

DATE:

RE: FREEFILE DISCUSSION & RECOMMENDATIONS

Executive Summary

Responding to the question of whether the IRS would be able to achieve the e-filing goal set by Congress in 1998, Mr. Terry Lutes (director of the IRS' Electronic Tax Administration) said "It's difficult to see how we're going to make it".¹ The Tax Payer Advocate members would like to see the e-filing initiative succeed and offer this report as a starting point in reviewing the process of offering "free online e-filing" to the American taxpayers.

The subcommittee members felt after discussion with the Area X TAP members in their XXXXX meeting that the recommendations listed in their report be prioritized by order of importance and/or implementation. After an exchange of opinions, the recommendations/issues were ranked in the following descending order:

Ranking* by					
Recommendation/Issue					Totals
Involve TAP members as 'partners' on review team for the 2002 tax year's e-filing effort	1	1	1	1	4
Point-of-Service survey for each filing attempted	3	1	1	1	6



during the 2002 filing season					
Allow download or printing of 2002 returns to taxpayer's personal computer	3	2	2	2	9
Limit number of FreeFile Alliance Members	2	3	5	3	13
Allow taxpayers to file 'directly' through IRS website and bypass Alliance members	5	4	2	4	15
Have IRS convert Alliance members to Independent Contractor status	2	5	5	5	17
Standardize free filing software (interface)	5	5	3	5	18
Limit marketing of Alliance members' other services to taxpayers who used FreeFile	4	5	5	5	19
* Each issue ranked on a scale of 1 to 5 by committee member. Each issue's ranking totaled. Issue receiving lowest total viewed as being most important or implementable. Issue receiving highest total viewed as being less important or implementable. Minimum Total Ranking = 4; Maximum Total Ranking = 20.					

As can be seen from the grouping of the Recommendations/Issues above, the top issues involve bringing the Taxpayer Advocacy Panel members into the review process and analysis of taxpayers' feedback of this year's e-filing effort. The next three recommendations revolved around simplifying next year's e-filing process and making the process easier to understand. The last three issues were viewed as being longer-ranged or more difficult for the IRS to implement. However the subcommittee members believed that these issues should be considered as the e-filing process evolves.

Background

With the 2002 filing season, the IRS instituted "FreeFile," a new electronic system for filing taxes geared to individual taxpayers. With the help of 17 FreeFile partners, the IRS has increased the number of e-filers substantially. March 2003 numbers indicate that individual e-filers are up nearly 30% over this time last year.²

Scope of the Subcommittee's Work

The subcommittee met with Mr. Paul Mamo, the IRS Electronic Tax Administration Analyst, in teleconference on March 19, 2003 to discuss the issues. We reviewed the original Free File Alliance Agreement between the IRS and software providers willing to participate in the program.³ The IRS's involvement is limited and thus, a taxpayer leaves the IRS website and enters a commercial software website to prepare a FreeFile return.

Members of the subcommittee attempted to enter basic returns on E-file Alliance members web sites with mixed results. A few of the Alliance members' sites were exceptional--for example, TurboTax and Free 1040 Tax Returns, Inc.; on others, it proved difficult to enter data or locate the "free" button. Some sites were unavailable to use and impossible to access, others indicated missing data on the return, but with no locator or clear explanation of what was missing on the screen. Many providers limited forms available for free-filing, some non-filable exceptions were Forms 8283 (non-cash contributions), Schedule C (small business), and K-1 (partnership income). In addition, fees were charged at some of the sites for storage of the completed return and to file a related state-tax return.

Subcommittee members reviewed numerous articles on e-filing that ranged from glowing recommendations to taxpayer's reporting of concerns and problems. Some of the themes that were repeatedly mentioned were:



Marketing of related services; inability to bypass charges for filing; difficulty returning to an incomplete return; and, certain necessary forms unavailable.

On the other hand, some taxpayers were very satisfied with the services that they received and intended to e-file again next year.

Taxpayer Concerns

Because of the link from the IRS web site, taxpayers are interpreting Alliance members as being endorsed by the IRS. The actual criteria for selection of the providers were a capability to handle and transmit a large number of electronic returns and a willingness to participate.

Taxpayers who used one of the FreeFile sites for tax preparation expect it to be what it says it is--free tax preparation for those who meet certain criteria. Often it is a free federal tax return with marketing of other related consumer services--including mortgage refinancing and Refund Anticipation Loans (RALs)--and a charge for filing a state return.

Recommendations

1. Limit the number of FreeFile Alliance members.
The initial Agreement between the IRS and the Consortium of FreeFile Alliance members specifies that the term of the Agreement will be three years with an automatic option to renew. The number of providers should be limited, either as Alliance members resign from the consortium; or, based on input from and/or dissatisfaction of users.
2. Standardize the software across providers.
Taxpayers would appreciate standard features; no matter what provider they select to file their return. Easy access to forms not available for free-filing, upfront disclosure of fees for storage and state filing, and the opportunity to return and complete the return are areas where standardization would be helpful.
3. Limit commercialization/marketing of firm's other services to users.
Based on the business of the provider, seemingly pertinent products and services are marketed to taxpayers. It is the suggestion of the committee members that the marketing of Refund Anticipation Loans (RALs) to taxpayers who opt for

4, 5, 6, 7, 8.....

Conclusion

FreeFile is an initiative created to help the agency reach its long-range goal of 80% of all returns submitted by 2007 will be electronically filed. The advantages for a taxpayer who files electronically are improved accuracy, none to few computational errors, and receiving faster refunds. This appears to be a win-win situation, especially without a fee for filing. It is imperative that the first year of this project is carefully evaluated, and a survey of taxpayers who used the free services completed. Then, improvements to the system can be made. Future success and sustained growth of individual e-filing depend on it.

NOTES AND REFERENCES

¹ Coombes, A. "E-file resistance: Rate rises, but IRS says long-term goal tough to meet," CBS.MarketWatch.com, April 16, 2003.

² IRS News Release: IR-2003-33. "Strong Growth in Computer Returns and Federal/State e-file," March 12, 2003.

³ "Free On-Line Electronic Tax Filing Agreement," October 30, 2002.



⁴ "Taxpayers may be able to file directly to the IRS," January 26, 2003.



**Area 4 Committee Meeting Minutes
April 2, 2003**

Present:

- James Abraham
- Bob Burke
- Frank Claudman
- Dan Drumel
- Robin Gausebeck
- Dick Greenberg
- Glenn Hall
- Larry Lexow
- Leslie Malcolmson
- Joe Meissner
- Bob Meldman, Chair
- Dick Murphy
- Richard Morris, DFO
- Teresa Smedley

Absent:

- David Cain
- Ivan Cotman
- Thad Davis
- Delford Jones
- Nancy Quarles

Staff Present

- Mary Ann Delzer, Analyst
- Patti Robb, Notetaker

Welcome/Announcements/Review Agenda

Meldman said the Joint Committee spoke with Deryle Temple about what to do about legislative issues. Nina Olson is working on guidelines. They should be out within a couple weeks. In the meantime, all legislative issues will be put on the back burner.

Roll Call

Review/Approve Minutes

Minutes were approved by consensus.

Public Input

None.

Agenda Items

- Form 990 - Meissner - Subcommittee has had a couple of meetings to date. They are continuing their work.. Malcolmson contacted various groups to research this issue. Also



working with representatives from the New York Attorney General's Office. Will probably have a recommendation ready in three months.

- Refund Anticipation Loans (RAL) - Letter is being rewritten. Meldman - there was an article in yesterday's USA Today (4/1/03) with comments from Nina Olson. She is very interested the RAL. Drumel questioned this should be coordinated with the EITC group? Meldman stated all input should go up to the Joint Committee for recommendation.
- "Just in Time" Notification

ACTION: Smedley will prepare a final report for the Cincinnati meeting. If you have any information regarding this topic, please forward to Smedley.

- Excise Tax Paid by Private Foundations - Report is on hold awaiting guidelines from Nina Olson.
- Taxpayer Correspondence - Delzer will forward the feedback given to the staff.
- Increase Capital Loss - This issue is legislative and will also await the guideline from Nina Olson.
- Elimination of Supporting Forms 1040A - Gausebeck reported subcommittee met with Nancy Harwell from Forms and Publications. While this issue was brought up as an area concern, how widespread is it? Will be doing more research. Meldman suggested committee members poll people at outreaches to see if they have complaints.

ACTION: Delzer sent an email to all panel members for their input. She will compile the responses and forward to the subcommittee.

New Issues

- Accuracy of Withholding Table (#382) - Smedley explained that the tables work if you are single, but when two people work, they are not accurate. The issue here is really improving the W-4 Form.

ASSIGNMENT: Smedley will work after the filing season is over.

- AMT - On hold.
- Tele-file/over 65 (#340) - Telefile does not allow for the larger standard deduction so you cannot file on the telephone if you are over 65 years of age.

ASSIGNMENT: Hall is assigned to work on this issue.

- Refund Check Envelope (#339) - The window on the refund envelope is slotted so anyone could lift a corner and view the SSN. There needs to be cellophane in this window or the window needs to be eliminated.

ASSIGNMENT: Quarles is assigned to work on this issue.

- Franking privilege (#441) - Drop
- Qualified 5-year Cap Gain (see Issue 6 below)- Abraham would like to send this issue forward to the Joint Committee.

ACTION: Abraham will amplify the recommendation for the Covington meeting.

- OID -



ACTION: Abraham will write this up for the Covington meeting.

- Use of mediation in the Appeals process - When someone appeals a decision, the mediator assigned is an IRS employee. Will discuss in Covington.
- Schedule D Tax - Greenberg's issues to also be added to Covington agenda.

Action Items

Delzer reviewed the action items and all were completed.

April 28-29, 2003, Covington, KY Meeting

After reviewing the draft agenda, Malcolmson asked that the subcommittees get more time to meet as some people are on several committees.

Delzer prepared a press release which the media specialist will disseminate. Also the Government Liaisons in Ohio and Kentucky will also share with their congressional office. Delzer will send to committees members for their use.

There will be an optional dinner on Monday evening for committee members and guests. Delzer will send out the menu for your selection. The cost will be approximately \$25 per person. Nothing has been organized for lunches or dinner on Tuesday.

Meeting Adjourned.

ISSUE #6: SOME OF THE NEW REQUIREMENTS FOR ENTERING DATE ON THE 1040 SCHEDULE D

SOURCE: PERSONAL KNOWLEDGE FROM PREPARING SCHEDULE D'S FOR TAXPAYERS

REASON: INSTRUCTIONS ARE NOT ONLY CONFUSING AND IN SOME RESPECTS CONTRADICTORY BUT REQUIRE AN INORDINATE AMOUNT OF TIME TO REPORT TRIVIAL AMOUNTS OF INCOME.

DATE: 15 MARCH 2003

THE PROBLEM:

The new requirements for determining whether or not "Qualified 5-Year Gains" were actually qualified along with the "Unrecaptured Section 1250 Gain" worksheets adds a great deal of time in the preparation which in many cases, is reporting only small amounts of income.

DISCUSSION:

On the first return of this type that I prepared, it took me over an hour to figure out the proper sequence as well as how to actually prepare the form for an amounts which totaled less than \$30.

One of the problems is that Schedule D lends to the confusion because there are conflicting instructions as to whether or not the worksheet needs to be filled out in the first place.

RECOMMENDATIONS:

- A. That the instructions outlining the proper procedure be rewritten to eliminate or at least, reduce the confusion.



- B. That a floor be placed on the reportable amounts such as less than \$100 or whatever is appropriate which might just eliminate the need for the worksheet. A simple entry on Schedule should be sufficient.

ISSUE #7: SOME TAXPREPARERS TAKING ADVANTAGE OF TAXPAYERS WHO HAVE QUALIFY FOR REFUNDS AND WHO CHARGE A HUGE PERCENTAGE OF THE POTENTIAL REFUND IN ORDER THAT THE TAXPAYER RECEIVE AN IMMEDIATE REFUND

SOURCE: CHATTING WITH TAXPAYERS WHO HAVE IN THE PAST, USED THE IRS VITA SITES TO HAVE THEIR RETURNS PREPARED, EITHER FOR E-FILING OR PAPER

REASON: SOME TAXPAYERS ARE NOT USING THE FREE VITA AND TCE SITES THIS YEAR AND PAYING HUGE AMOUNTS IN ORDER TO RECEIVE EARLY REFUNDS FROM THE PREPARER.

DATE: 15 MARCH 2003

THE PROBLEM:

The various tax credits such as Child Tax Credit, Earned Income Tax Credit, Additional Child Tax Credit, etc., were designed to provide lower income taxpayers with financial relief.

Each year, these benefits have been increased until the amount of refund in many cases reaches the \$4 to \$5,000 level.

The temptation to get this money as quickly as possible has caused a number of taxpayers to use private ERO's who then provide them with a quick refund but charge huge amounts to do so.

DISCUSSION:

One lady with whom I spoke would not tell me what she paid for this service for a refund of about \$4,700. When I asked her if it was \$500, she said, "Oh yes, more than that."

A program with good intentions to benefit lower income families is now costing taxpayers huge amount because of those who are using the immediate refund service. The benefit to those who provide these so-called immediate payments is mind boggling.

Thus, a program which was designed to help lower income families has become a major benefits to those who have found a bonanza with little or no risk.

RECOMMENDATION/S:

This is a matter which perhaps could be addressed administratively by changing the procedure so that only the taxpayer can receive the refund. Perhaps those who provide immediate refunds might think twice before investing in a program where the taxpayer has to return the check.

However, there is also the probability that legislative action is also needed.

Just how much latitude the IRS would have administratively in this matter would require an inquiry to the IRS.

In any event, the huge charges taxpayers are willing to accept and some tax preparers charge stretches the moral and ethical considerations of a program which was designed to help low income families.



TAP should investigate this matter in conjunction with the IRS in order to find a method which reduces or eliminates the ability of some preparers who take advantage of those who seek their services.

Respectfully submitted,
James M. Abraham, P.E.
Brigadier General, USA, Ret
Member, Tax Advocacy Panel



Area 4 Committee Meeting Minutes March 5, 2003

Present:

- James Abraham
- Bob Burke
- David Cain
- Frank Claudman
- Dan Drumel
- Robin Gausebeck
- Dick Greenberg
- Delford Jones
- Larry Lexow
- Leslie Malcolmson
- Joe Meissner
- Bob Meldman, Chair
- Dick Murphy
- Richard Morris, DFO

Absent:

- Ivan Cotman
- Thad Davis
- Glenn Hall
- Nancy Quarles
- Teresa Smedley

Welcome/Announcements/Review Agenda

Meldman said that panel members can set up their own subcommittee conference calls using their Sprint calling card.

ACTION: Delzer will send out instructions on how to set conference calls up.

Meldman requested volunteers to write the "On TAP" article that is printed in the newsletter for Wisconsin Association of Accountants. It comes out three times a year.

ACTION: Anyone interested in writing the article should contact Delzer.

Roll Call

Review/Approve Minutes

Minutes were approved.

Public Input

Meissner - Addressed Refund Anticipation Loans (RAL) for Susan Morgenstern.
(See the attachments for the letter and report)

Cain - As a Preparer, he always recommends direct deposit. But 10% want the RAL no matter what he advises.



Abraham - As a VITA coordinator, he encourages e-filing. Many taxpayers want paper returns so they can take them to another Preparer who can file them electronically, then they take the RAL.

Burke - Agrees with Abraham. But said it is not realistic to train VITA volunteers to do all returns e-file.

Meldman - Are we being asked to endorse the reforms on page 17

Meissner - A warning needs to be given to these taxpayers regarding their options and how taking the RAL may affect their refund. They are losing money.

Claudman - The check cashing places also charge 2-3% of the amount of the check just to cash refund checks. Can we include a recommendation about a change to that procedure?

Meldman - Can only recommend procedural changes pertaining to the IRS.

ACTION: Meissner to put together the top 5 to 6 major recommendations for the committee's consideration. Please review and be ready to discuss recommendation letter at the next meeting.

Jones - Couldn't the Government issue a "smart card?"

Drumel - We need more information.

Agenda Items

- Form 990 - Meissner is going to meet with the program owner on March 12. Will report at the next meeting.
- SIMPLE IRA - Lexow reported on the response received from Roger S. Kuehnle:

"Paul Shultz, Director, Rulings & Agreements (T:EP), asked me to respond to your recent inquiry concerning a change to the rules relating to the starting date for SIMPLE IRA plans of sole proprietors. I am the drafter of the model forms, Form 5304-SIMPLE and 5305-SIMPLE, and was involved in most of the SIMPLE-related guidance issued by the Service.

SIMPLE plans were created by the Small Business Job Protection Act of 1996 to help alleviate the lack of retirement plan coverage for employees of small businesses. However, the statutory scheme for SIMPLE plans indicates that they must be maintained on a whole-calendar-year basis. But, after much internal struggle, the Service issued guidance permitting employers to start SIMPLE plans as late in the year as October 1. This liberalization was intended to help the Congressional goal of increased plan coverage of employees of small businesses.

In response to your suggestion that the Service consider issuing guidance that would permit sole proprietors with no common-law employees to start a SIMPLE plan as late as the tax-filing deadline for a calendar year, this issue was raised with representatives of Treasury's Tax Benefits Counsel, the IRS's Office of Chief Counsel, and TEGE's Employee Plans. After considering (1) the language of the statute; (2) the increased administrative burden on the Service if multiple start-up dates were permitted; and (3) that under current rules, there is only a 3-month period, for the life of any business, during which a SIMPLE plan may not be maintained, it was concluded that further deviation from the statute to give sole proprietors without common-law employees greater flexibility than businesses with common-law employees is not justified."

- "Just in Time" Notification - Smedley will prepare a final report for the Cincinnati meeting.



- Excise Tax Paid by Private Foundations - Malcolmson still working on.
- Taxpayer Correspondence - Drumel will work with panel member from Area 7 on this issue. ACTION: Delzer will identify this panel member and forward information to Drumel.
- Increase Capital Loss - Area 6 owns this issue. Abraham will get in contact with panel member Banks from Area 6.
- Elimination of Supporting Forms 1040A - Delzer has identified the form owner and will share the TAP issue with the owner. Conference call will be scheduled.
- Back-up Withholding - Delzer sent out research including Publication 1335 and Notices CP 541, CP 542, CP 543. Parking lot.

New Issues

Meldman reiterated that TAP is to consider systemic IRS issues.

- Income Averaging - Legislative issue.
- Flat Tax - Legislative issue.
- 1098 Multiple Names - Parking lot.
- E-File Secondary SSN - Was an issue at one time, IRS checks secondary SSN now.
- E-File Third Party Sick Pay - This is a Turbo Tax software problem.

Outreach Reports

Greenberg - met with IRS employees in Downers Grove, IL. (See [attachment](#))

Gausebeck - met with Congressional staff in Chicago and Springfield, IL.

Miscellaneous

Meldman announced that Nina Olson, National Taxpayer Advocate, will be coming to Milwaukee next week. She will be attending a luncheon sponsored by The Milwaukee Bar Association, The State Bar of Wisconsin, Professional Institute of Tax Study, Tax Executive Institute, The Tax Club, the Wisconsin Association of Accountants, Inc., and WICPA. If any panel members are interested in attending, let him know. TAP will NOT reimburse expenses.

Morris announced that Local Taxpayer Advocates will be contacting all panel members in their areas to establish a dialog. The LTAs are a good source for Outreach opportunities.

Meeting Adjourned.

Attachments:

1. Morgenstern Letter
2. Report from Consumer Federation of America can be found at http://www.consumerlaw.org/initiatives/refund_anticipation/content/2003_RAL_report.pdf
3. Greenberg Outreach report

Attachment 1

We support the National Taxpayer Advocate's recommendations regarding Return Anticipations Loans (RALs) and the problems associated therewith. The majority of RAL recipients are low to moderate income taxpayers, more than 40% of whom receive an earned income tax credit (EITC) as part of their refund. As the EITC has become one of the most effective tools for fighting poverty and benefiting working families, it is essential that every dollar of this credit goes to the taxpayer. However, low-income taxpayers are losing excessive amounts of their refund as a result of the high loan fees, interest rates, bank fees, preparation fees, and electronic filing fees associated with the RAL. Many of these loans, when annualized, have interest rates over 200 percent. In FY 2000, consumers paid an estimated \$810 million in RAL fees. Tax preparation, electronic filing fees and check cashing fees siphoned off \$670 million from the EITC. Worse yet, many taxpayers get caught



with outstanding loans that they can't pay off because a mistake was made on their tax return resulting in a smaller than anticipated refund.

Low to moderate income taxpayers are drawn to these loans because they offer a fast cash remedy to family financial crises. The complexities of the EITC and the allure of a significant amount of immediate money drive taxpayers to pay for tax preparation services they could obtain for free at a VITA sponsored site. The recommendations made by the National Taxpayer Advocate to promote greater access to free tax preparation and the regulation of tax preparers are crucial to the resolution of the RAL problem. We endorse them.

References

1. National Taxpayer Advocate FY2002 Annual Report. [specifically: Problem Topic 13, "Free U.S. Individual Income Tax Return Preparation"; Problem Topic 9, "IRS Oversight of EITC Return Preparation Can Be Improved"; and Legislative Recommendation #5, "Regulation of Federal Tax Return Preparers."]
2. Consumer Federation of America & the National Consumer Law Center, Refund Anticipation Loan Report: "Tax Preparers Peddle High Priced Tax Refund Loans; Millions Skimmed From the Working Poor & the U.S. Treasury", 1/31/02, pg. 4.
3. Senator Jeff Bingaman, D-NM, Statement on S. 802, Low Income Taxpayer Protection Act of 2001 (Senate - 4/30/2001), <http://thomas.loc.gov/cgi-bin/quer/F?r107:2:..../temp/~r107RqpbE:e31233:>, visited 1/15/03.
4. Consumer Federation of America, RAL Report, 1/31/02, pg. 4.
5. Jayson Blair, "City Sues H&R Block Over Its Ads for Loans, NYT 3/31/02

Attachment 3

Thanks to Mary Delzer's initiative, Kathy Welsh arranged a meeting for me at the Downers Grove, Illinois IRS office. Besides Kathy, twelve managers and employees of the SB/SE Compliance Dept., Large and Mid-Size Business, Taxpayer Advocate. Field Assistance, and Taxpayer Education and Communication participated.

I opened the meeting with a short personal history and a background on the TAP program and its aims. I then opened discussion on the 990, non-compliance of small business operators, and issues that they, as IRS employees thought might be addressed by TAP

Form 990:

While the group agreed that consideration for raising the \$25,000 threshold is warranted, they pointed out that it could introduce problems by bringing fraudulent and even terrorist organizations under the non-reporting umbrella

Schedule C non-filers

There was little doubt in the minds of the group that the vast majority of small business non-filers have never filed and have never wanted to file. SB/SE employees have tried various carrot and stick strategies to encourage compliance. The carrot works better than the stick, primarily because there is not enough muscle in the current SB/SE staffing to make the stick approach practical. One approach might be to send Pub.334 to all small business proprietors known to IRS. This is not a threat to the taxpayer, but at least lets them know that the IRS knows they exist.

Programs offering the possibility of partial amnesty to delinquent businesses who come forth voluntarily and accept probation for 3-5 years have had some success' (One of the attendees made the point of NEVER referring to "amnesty" as such because this is extremely irritating to the honest taxpayer). Volunteer revelation of previous non-filing could carry a promise of waiving criminal charges and dropping some penalties pending setting and adhering to some years of probation.



By far the most agreement about solving the non-filer problem centered on outreach programs, particularly the idea of setting up High School education programs on dealing with the IRS and taxation. If necessary, classes on taxation responsibility could be linked to consumer education classes. I came away from the meeting that the group had the most faith in outreach as the most viable long-range answer.

OTHER ISSUES;

1. The addition of an additional line to show the tax on taxable income on Form 1040 as well as the final tax taken from Schedule D would be useful to IRS as well as to the taxpayer
2. Imposition of a flat taxation rate for filers over the minimum deduction levels on social security (say 50%) would take away the present confusion that the 85% computation introduced
3. Using 1040 schedules in lieu of separate 1040A attachments when filing 1040A would work, but separate Schedules A and B should be provided to ensure that persons electing to take standard deductions wouldn't think that they should or could itemize.
4. Current regulations practically guarantee that illegal aliens have to go underground to get work. After a year of no tax refunds, they aren't going to bother to file at all. IRS and Immigration need to figure out immediately how to handle the problem to their mutual benefit before we wind up with an insolvable situation.

Kathy Welsh did a great job in bringing the group together. I also appreciate the fact that these people took time out of their schedules to participate in the discussions.

Dick Greenberg



**Area 4 Committee Meeting Minutes
February 5, 2003
11:00 A.M. CST
Conference Call**

Present:

- Bob Burke
- David Cain
- Ivan Cotman
- Dan Drumel
- Robin Gausebeck
- Glenn Hall
- Larry Lexow
- Leslie Malcolmson
- Dick Murphy
- Bob Meldman
- Nancy Quarles
- Mary Ann Delzer, DFO

Not Present:

- James Abraham
- Frank Claudman
- Thad Davis
- Dick Greenberg
- Carl Hansen
- Joe Meissner
- Richard Morris
- Teresa Smedley

Review Approve Minutes

- Minutes were approved as is.

Public Input

- None

Discussion of Issues

• Form 990

Murphy gave the following report from the subcommittees minutes/action plan:

Present were: Joe Meissner, Subcommittee Chair, Mary Ann Delzer, Robert Burke, Richard Greenberg, Leslie Malcolmson, and Richard Murphy.

The subcommittee set a number of items on which to take further action.



- A. *Agreed to schedule a meeting w/ one or some of the "Owner(s)" of Form 990. Mary Ann agreed to facilitate this process to bring the individual(s) together with the Subcommittee. Among the purposes of the discussion would be: (1) to determine if changes to the form are being contemplated, or if change would be welcome; (2) to receive guidance and gain understanding about various elements of Form 990 and its schedules, and current filing threshold limits; and (3) to discuss the abatement process.*
- B. *Richard Greenberg agreed to email the members of the committee the results of his discussions with various groups about their comments on improvements to Form 990. These would be added to the correspondence of John Boehm, Chairperson for Midwest Citizen Advocacy Panel that listed a number of other recommendations reviewed by the Subcommittee.*
- C. *Mary Ann agreed to send a copy to all Subcommittee members of what Richard Greenberg submitted to the Nonprofit Financial Center for posting on their website to seek input on recommendations for improving the Form 990. Subcommittee members would look into organizations that may wish to submit other ideas as well. The Subcommittee set the deadline of 5-31-03 for submitting recommendations via this process.*
- D. *Finally, the Subcommittee agreed to hold another conference call on Wednesday, March 12, 2003 at 10:30 EST, and 9:30 CST.*

• **SIMPLE IRA**

Delzer is waiting a call from Paul Schultz, Director, Rulings & Agreements, regarding this CAP recommendation. Treasury objected about this before, as it would not be in the best interest of employees.

• **"Just in Time" Notification**

Smedley was not able to make the call.

ACTION: Delzer will advise the committee to consolidate their thoughts in a report for the committees consideration in April.

• **Excise Tax Paid by Private Foundations** Malcolmson is still working on this.

• **Taxpayer Correspondence**

Hansen was not able to report.

ACTION: Meldman asked Drumel to contact Hansen to set up a conference call.

• **Increase Capital Loss**

Morris presented this issue to the Joint Committee and they asked for more information. Delzer reported Area 6 is interested in the issue too.

ACTION: Delzer to contact Area 6 to see if there is interest in a joint proposal.

• **Elimination of Supporting Forms 1040A** Abraham was unable to make the call. No subcommittee meeting has been held yet. **ACTION:** Gausebeck volunteered to take the lead on this.

• **Increase Acceptance E-file Returns** No work completed on this issue yet. Issue is when a return rejects, why can't IRS accept the return and code it for future corrections, so the does not have to be mailed. **ACTION:** Cain volunteered to take over as chair for this issue after the filing season.

New Issues

Meldman and Morris attended a WICPA meeting and heard several issues from them.

TAS limited authority - When you check the box as the Preparer, you are still limited to the first adjustment. Why can't this authority be adjusted to go all the way to an audit?

Committee: Meldman (chair), Gausebeck, and Cain



1099 S reporting - There is some confusion as to who has the responsibility to issue the form 1099S. Need better FAQs or 1099S Filing Instructions. Meldman will follow-up with the initiator of the issue for more information:

Certain of our clients are title companies that serve as settlement agents, and that do a substantial amount of 1099 reporting on the sale of real estate. They would like revised instructions from the Service that provide more detail on reporting requirements, exemptions, and the interplay between 1099 and 1031 exchanges. I would be happy to collect questions and comments from the industry.

Committee: Quarles (chair), Cain, and Drumel. They will research after filing season ends.

Outreach

Murphy - Arranged a meeting with Chet Blair on March 5.

Cain - Had a meeting with Teresa Post.

Drumel - Shared that during his EITC Committee they will have someone from SPEC make a presentation at the next meeting.

Meldman/Morris - Attended a WICPA meeting.

Gausebeck - With an invitation from Tom McMurray, she will be attending two congressional staffing seminars to present TAP information.

Action Items Delzer advised the committee she has contacted Susan Morgenstern, Cleveland Legal Aid Society, for her written comments about her concerns about the Refund Anticipation Loan programs.

Delzer is still working on the backup withholding issue and will report in March requested a copy of the notice.

Future Meeting Planning In April the TAP will meet face-to-face in Cincinnati. There will be a tour of the Service Center on Tuesday morning. The committee will have to divide into a couple groups as they limit the tours to ten people. Delzer will ask for presentations from the accounts management and the compliance areas as well.

Members will travel in April 27, 2003. April 28, 2003 will be a meeting day, 9am - Noon and 1pm to 4pm. Members will visit the Service Center in the morning of April 29, 2003, and continue their meeting from 2:00-5:00pm.

ACTION: Delzer will try to acquire a copy of the pipeline processing video.

Miscellaneous

Drumel had a story from the paper on 1/26/02, about being able to file directly with the IRS and IRS would already have the W-2 information for taxpayers. What ever happened to this?

ACTION: Delzer will follow-up and see what the plans are for such a system.



Area 4 Committee Meeting Minutes January 8, 2003

The TAP members for the Area Four Committee met via telephone on Wednesday, January 8, 2003. The purpose of the meeting was to discuss taxpayer issues.

Members in Attendance:

- James Abraham
 - Robert Burke
 - David Cain
 - Frank Claudman
 - Ivan Cotman
 - Daniel Drumel
 - Robin Gausebeck
 - Richard Greenberg
 - Larry Lexow
 - Leslie Malcolmson
 - Robert Meldman
 - Dick Murphy
 - Teresa Smedley
 - Richard Morris
-
- TAP Analyst: Mary Ann Delzer
 - TAP Program Manager: Sandy McQuin

Members Absent: Thad Davis, Glenn Hall, Carl Hansen, Joseph Meissner, Nancy Quarles

Roll call was taken.

Minutes approved from the 12/4/2002 meeting.

Discussion of Issues

Meldman began the issues discussion with comments about the focus the panel should take. The mission is to look at systemic problem at the IRS and are not a lobbying group taking on legislation. Can pass legislative issues through the Joint Committee and the to the National Taxpayer Advocate (NTA) for possible inclusion in the Report to Congress. Primary function should be to look at systemic and procedural problems that can be resolved within the IRS.

Abraham stated that taxpayers have many concerns that Congress should know about. Malcolmson stated she felt she was the one person on the panel who represented the private foundations and some problems require legislation.

Cotman stated the TAP should use the Joint Committee to forward these issues. Greenberg agreed that the TAP can most effective on systemic issues. Smedley thought the panel would only experience frustration if tried to take on legislative issues and should focus on systemic issues.

Meldman expressed concern that the members not give the public the idea that the TAP can change legislation and so need to maintain credibility. Morris stated focus should be on grassroots customer



satisfaction and service. The TAP has the opportunity to relate their recommendations to the Commissioners of the Operating Divisions for real improvement.

Form 990 - Committee plans to meet in January.

ACTION: Meissner will report during the February meeting.

SIMPLE IRA - Lexow shared that the CAP had received correspondence last March from Carol Gold, Director Employee Plans, indicating that she had requested Treasury review of the position taken in Notice 98-4.

ACTION: Delzer will follow up with Gold and report back to sub-committee.

Just-in-time Notification - Smedley shared that the committee had one meeting about how the IRS can share information with individuals and business in a more timely fashion in preparation for the filing season. Claudman has prepared a report for the committee from his the point of view working for H&R Block.

ACTION: Smedley will hold a conference call and the sub-committee will report in February.

30% Depreciation - Abraham requested Gausebeck send him the research done on the issue as he has had questions as well from practitioners.

ACTION: Gausebeck will forward research to Abraham.

Simplification/reduction of excise tax paid by private foundations - Malcolmson proposed that she write a proposal for the Joint Committee as this is a legislative issue. **ACTION:** Malcolmson to prepare a report for presentation to Joint Committee.

Taxpayer Correspondence - No subcommittee meeting held.

ACTION: Delzer to coordinate with panel member from Area 7 and facilitate a meeting before February meeting.

Increase in Capital Loss - Abraham presented his recommendation for increasing the capitol loss deduction. Agreement to send forward to the Joint Committee as it is a legislative issue.

ACTION: Delzer to send report to Joint Committee for their consideration.

New Issues

Delzer reported four issues were received since the last meeting.

1. Abraham presented the issue: Transfer of 401Ks and IRA's to educational non-profit entities. Taxpayers can not donate the proceeds of these plans without paying the tax due. Discussion around concern that this is a legislative issue as well and that educational institutions and charities have lobbyist to work this issue.
No ACTION.
2. Abraham presented the issue: Elimination of supporting forms for 1040A. Issue brought up by VITA and TCE volunteers who see a savings in training time and printing/processing to use the 1040 forms/schedules as opposed to those specifically designed for the 1040A. Formed sub-committee-Abraham (chair), Cain, Gausebeck, Malcolmson, Greenberg.
ACTION: Abraham will hold sub-committee meeting.
3. Abraham presented the issue: Change to acceptability procedures for electronic filing. Issue brought up by VITA and TCE volunteers who assist people with electronic filing. Often returns reject when a dependent has been claimed on another return. IRS advises taxpayer must then file a paper return. Whether paper or electronic return, the information is the same on the return and determination is ultimately left at IRS. Why not allow electronic filing? Formed sub-committee-Cotman (chair), Abraham, Murphy, Cain.
ACTION: Cotman will hold sub-committee meeting.



4. Web comment received concerning refund claims of non-profits for excise tax paid for telecommunication services.

ACTION: Delzer to research refund process and determine extent of problem and report at March meeting.

Action Items

Delzer reported on the process of how backup withholding notices are to flow from the payor to the taxpayer, after the payors have been notified by the IRS.

ACTION: Delzer to research how the IRS communicates to payors as to what/how the backup withholding notices are to look. Delzer to report March meeting.

Outreach Report

Greenberg reported he developed a statement at the request of one of his non-profit contacts. Greenberg shared the text of the message. Meldman suggested the statement should be shared with the Joint Committee marketing team to develop a uniform message.

ACTION: Delzer to forward Greenberg web statement for Joint Committee consideration.

Murphy shared with his local government/business reporters the filing season message press releases for the benefit of local subscribers.

Meldman and Morris will attend Sargent's Tax Camp, sponsored by WICPA, in De Pere on January 13, 2003.

Office Report

Delzer is working on pulling together the face-to-face meeting in Cincinnati. The plan is to include a service center tour and business/public meeting. The date of the meeting will still be during the week of April 28, 2003.

ACTION: Delzer to continue to plan Cincinnati trip and give update at February meeting.

Public Comment

Susan Morgenstern, Attorney at Law, Legal Aid Society of Cleveland presented her concerns about the Refund Anticipation Loans (RAL) being offered by many tax professionals, which can turn into multi-year loans at very high interest rates.

Claudman clarified that the interest rates may be 200% annually, but most loans are for 2-5 days and so the interest is prorated or is terminated if the debt indicator alerts of a refund offset.

Morgenstern stated that she has had an experience where a client has been audited and the refund has been delayed for more than 7 months.

Morris stated that the NTA has expressed her concerns about the RAL program. This issue does impact a part of the population that do not have bank accounts and so can not take advantage of direct deposit.

ACTION: Delzer will contact Morgenstern to assist her in writing a letter which the panel can forward to the Joint Committee in support of the NTA's position on the issues.

Attachments:



Author Abraham; Limitations on Income Tax Deductions on Capital Losses
Author Abraham; New Tax Issues
Author Greenberg; Web statement

Next Scheduled meetings:

February 5, 2003, 11:00 a.m. CT

Agenda items due to Delzer by January 24, 2003

1. Sub-committee reports
2. New issues
3. Outreach report
4. Office report