

2005 Meeting Minutes SB/SE Issue Committee Meetings

- July 7, 2005
 - June 10-11, 2005
 - May 5, 2005
 - April 7, 2005
 - March 3, 2005
 - February 3, 2005
 - January 6, 2005
-

SBSE Issue Committee Meeting Minutes

July 7, 2005

Program Owner

- Bayder, Helene — Management and Program Analyst
- Chesman, Michael — Director, Office of Taxpayer Burden.

Designated Federal Official

- Ramirez, Sandra — Manager, Brooklyn, NY

Committee Members Present (These attendees count for quorum)

- Brubaker, Paul — York, PA
- Hafer, Donna — Burlington, KY
- Moore, Bradley — Decatur, GA Vice Chair
- Nagel, Paul — Glen Cove, NY Chair
- Oatley, Owen — Holly Hill, FL

Committee Members Absent

- Balcom, Margaret — Concord, CA
- Bell, Aaron — Kenmore, NY
- Bly, Bill — Wayne, PA
- Cassady, Charlotte — Talbotton, GA
- Duquette, Paul — Amherst, WI
- Forst, Robert — Encino, CA
- Hoffman, Steven — Columbus, OH
- Miller, Stanley — St Louis, MO
- Perkins, Howard — Suisun City, CA



- Rue, Thomas — Mechanicsville, VA
- Suther, Mary — Dallas, TX
- White, William — St Joseph, MO

TAP Staff

- Jenkins, Audrey — Analyst
- Knispel, Marisa — Analyst
- Odom-Russell, Meredith — Management Assistant
- Ramirez, Sandra — Manager

Other Attendees

- Dacal, Rafael — Operations Analyst
- Garner, Ruth — Research, Analysis & Statistics, Analyst
- Gardner, Sidney — SBSE SPOC
- Gunter, Diana — Senior Tax Analyst
- Moore, Debbie — Social Scientist
- Sabatelli, Deborah — SBSE Analyst

Welcome

Roll Call (quorum not met)

Review Agenda

Approval of Meeting Minutes

Minutes will be sent by email to all members for approval.

Chair Report

Program Owners

Bayder introduced everyone on the call. She indicated that a few IRS people had joined the meeting to provide information on the tasks given to members.

Agenda Items

Subcommittee 1

Bly completed the final report on the subcommittee's review of Letter 2205 and Letter 3572, Publication 3498 and Publication 1, and Notice 609. The report, he says, is self explanatory. Bly recommended the words "audit" and "examination" be replaced with the phrase "verify documentation" or similar wording. Brubaker suggested that a subject matter expert review the report and provide feedback to the subcommittee. Gunter requested a copy of the report be sent to her and once reviewed; she will provide feed back by the end of next month. Knispel will send her the report. Hafer commented on the Information Document Request and Bly reminded her this Document was not their charge, only the notices.

Subcommittee 2

Oatley reported on the issue of Prioritization of SBSE Notices. He explained that it is easier to analyze IRS notices that are sent to individuals since they contain more data. The Office of Taxpayer Burden Reduction is trying to determine the factors that should be considered in prioritizing these notices.



Oatley spoke about the New Zealand method of analysis and explained that this method would allow for an easier survey on the factor of customer satisfaction. The problem with our task, Oatley explained, is getting the measurable data to decide on the best method to prioritize these notices. The committee recommends a methodology be set up similar to the one used on individual notices because this methodology incorporates assigning values. Dacal discussed the process used by the IRS to measure customer satisfaction which involves measuring the amount of time a business taxpayer may spend replying to a notice. IBM has a contract with the IRS, Dacal said, to survey and measure burden for small businesses with ten million dollars or less in assets. They have recently started working on measuring post-filing burden that includes all notices. Their work will also focus on employment taxes and tax forms like 940, 943, etc. Post-filing burden study looks at the attributes as part of a transaction with the IRS. In this survey, there will be between five and ten thousand business taxpayers interviewed as well as practitioners. The question is who is creating the burden: the IRS or the taxpayer? In the post-filing arena, there is no data collected and thus, no requirement for the IRS to collect any of these measurements. Recently, notices have been redesigned to let taxpayers know the amount of letters or notices that were sent to them. Moore, who is currently working on the project with the IRS team, indicated that they will report their findings to SPOC Gardner shortly and suggested sharing her report with the subcommittee to get their feedback and suggestions. The subcommittee members agreed to this.

Ruth thanked the Committee members on behalf of Mike Chesman, Lisa McLane and Chris Hess for participating in the mail-out strategy survey last June and providing insightful feedback. The research team, she indicated, has summarized and included their responses in the final report which will be shared with the TAP for further input.

Decision: A new sub-committee needs to be formed for the 940 issue. The former notice committee will be the new 940 issue committee.

All action items should be consolidated for review and follow up during the next meeting.

Closing/Assessment

The meeting adjourned at 4:00 PM. The next meeting will be on September 1, 2005 at 3:00 PM ET.



SBSE Issue Committee Meeting Minutes

*June 10 and 11, 2005
Philadelphia, PA*

June 10, 2005

Opening of the Meeting

Nagel opened the meeting and welcomed all the members. All participants introduced themselves. In the absence of a quorum, Nagel announced that the May meeting minutes could not be approved. DFO Ramirez further explained the legal implications of lacking a member quorum. She explained that decisions on issues would have to be postponed until a quorum of members was present.

Roll Call

Panel Members Attending

- Bill Bly, Wayne, PA
- Paul Brubaker, York, PA
- Paul Duquette, Amherst, WI
- Donna Hafer, Burlington, KY
- Bradley Moore, Decatur, GA
- Paul Nagel, Glen Cove, NY, Chair
- Owen Oatley, Holly Hill, FL
- Howard Perkins, Suisun City, CA

Panel Members Absent

- Margaret Balcom, Concord, CA
- Aaron Bell, Kenmore, NY
- Charlotte Cassady, Talbotton, GA
- Robert Forst, Encino, CA
- Steven Hoffman, Columbus, OH
- Stanley Miller, St. Louis, MO
- Steve Rue, Mechanicsville, VA
- Mary Suther, Dallas, TX
- William White, St. Joseph, MO

Quorum was not met.

TAP and IRS Attendees

- Helene Bayder, SB/SE Program Owner
- Michael Chessman, TAP SBSE Liaison
- Bernie Coston, TAP Director
- Ruth Garner, Research, Analysis & Stats Analyst
- Chris Hess, Research, Analysis & Stats Analyst
- Marisa Knispel, TAP Program Analyst
- Lisa McLane, Office of Taxpayer Burden Reduction Analyst
- Sandra Ramirez, DFO



National Office Report

Coston talked about the ongoing recruitment of TAP members. He said that recruitment was successful and over 400 applications for membership were received. TAP Managers and Senior Analysts had recently met in Milwaukee to rank the applications and identify the best qualified applicants for interviewing. The interviews will be conducted by a panel composed of a TAP Manager, a TAP member and a Local Taxpayer Advocate. They will be conducted via telephone. The candidates selected will be referred to the IRS Commissioner Everson and to Secretary of the Treasury Snow for final decision. He added that next year's recruitment process will be focused on those states where TAP members are needed.

Coston explained that a small group of TAP members also had the opportunity to meet recently with the IRS Commissioner to discuss the closing of the IRS' Taxpayer Assistance Centers (TACs). Among the IRS representatives present at this meeting were Wage & Investment Commissioner Dalrymple and NTA Advisor Ken Drexler. SBSE Committee Member Paul Brubaker, who was present at this meeting, provided a synopsis. A major success, Brubaker explained, was that Commissioner Everson has invited the TAP to meet with him twice a year to discuss issues. Another success was the Commissioner's pledge to consider the TAP members' opinion on the issue of the TACs closings prior to making the final decision.

Coston also announced that SBSE Member Paul Duquette was selected to travel to Atlanta and work with SPEC (Stakeholder, Partnership, Education and Communication) Director Mark Pursley to rewrite the instructions of Tax Wise (this software is used by the VITA Program).

Coston spoke about this year's TAP Annual Meeting and promised to allot time at this meeting for the various TAP Committees to meet and plan their year.

Brubaker suggested that the TAP Communications Issue Committee address the issue of outreach by creating a TAP marketing package to be used by TAP members in outreach events. Duquette suggested that the TAP members should receive a monthly update about the TAP Communications Issue Committee just as it is done about the Joint Committee at each Area committee meeting.

Bayder informed the Committee that Leonard Steinberg of Area 2 was selected to give testimony on Capitol Hill regarding the issue of the tax gap.

Program Owner Presentation

Bayder thanked the Committee for the invaluable input and feedback on the SBSE issues that were presented to them. She summarized the Committee's recommendations on these issues and informed the members that some of their recommendations have been accepted and will be implemented by the IRS. Examples of these are: 1) the recommendation to include a statement about the Disability Act on Form 4868, 2) the recommendation to indicate the amount of time given with the individual extension (6 months) on the title of Form 4868, 3) and some of the recommendations that were made on the instructions of the various forms that the Committee has studied.

Mail-Out Strategy

Lisa McLane of the Office of Taxpayer Burden Reduction made a presentation on the IRS' mail-out strategy. This strategy originated from a study of the number of Forms 940 that were mailed to the public. The number of forms was compared to the number of Form 940 that was actually filed. The objective of the mail-out strategy is to measure the number of forms and notices that the IRS mails out and compare this number to those completed by the taxpayers and received by the IRS. The purpose is to determine how taxpayers want to receive tax information in order to meet filing and tax requirements. The IRS organizations of OPERA (Office of Program Evaluation and Risk Analysis) and OTBR (Office of Taxpayer Burden Reduction) are evaluating this initiative. OPERA Analyst Chris Hess indicated that IRS has been studying more effective ways for taxpayers to receive tax products over



the last years at the same time, reducing the amount of paper forms that are mailed. This has been accomplished in part by e-filing.

Analyst Chris Hess and Ruth Garner, both of the OPERA organization, proceeded to use the Committee as a focus group on the mail-out study. A series of questions were asked of the members and their responses were recorded. The analysts explained that the survey was also presented to other public groups and to other advisory committees to the IRS such as IRSAC and IRPAC.

Following the mail-out presentation and the survey, the members discussed the issue of mailing out various IRS forms and publications such as Package X, which the IRS will discontinue mailing out.

Form 940, Unemployment Tax Form

Lisa McLane spoke about the redesign of Form 940 which started in May 2004 following the Form 941 redesign. The effort is led by the OTBR with a team of cross-functional subject matter experts and partners from the Department of Labor and the Department of the Treasury. The objective of the redesign is to convert the form and its instructions to a plain language format thereby reducing taxpayer burden and hopefully increasing voluntary compliance. The team working on the Form visited the Cincinnati and Ogden IRS Campuses and several state offices to study the processing of this tax return and gather feedback for the redesign. The team concluded that Form 940 and Form 940EZ should be combined and that the instructions should be simplified and placed on the Form, not separately. The worksheet that appears on the Form's instructions was also revised. The team's deadline is set for September, 2005 and they hope to rollout to the public the new Form 940 by 2006.

Subcommittee Reports

Prioritization of Notices — this team led by Owen Oatley reported that they have not concluded their study. A problem is that not much data exist that measures the standard factors that must be considered in establishing a methodology to prioritize the review and revision of IRS notices. Among these factors are: taxpayer burden in cost and time, taxpayer satisfaction, IRS burden and impact to IRS operations. Oatley suggested considering other factors such as volume, revision date, etc to weigh into the standard and to average the results. Knispel suggested that the group meet with James Cesarano, Wage & Investment Notices Program Owner for the TAP Issue Committee, to discuss the methodology used by this other IRS organization in prioritizing their notices for review and revision. The team has agreed to this in order to continue their work on the issue.

Exam Field Notices — this team continues to work on reviewing the notices that are sent to taxpayers in preparation for an audit. They have requested from Analyst Jenkins samples of Form 4564, Information Document Request that have actually been sent to taxpayers. The subcommittee's next teleconference is scheduled for June 23rd.

Closing Assessment

Vice Chair Moore thanked all the presenters and participants and opened the floor for comments. Meeting closed at 4:57 PM ET.

Public Input

None.



June 11, 2005

Roll Call

Panel Members Attending

- Paul Brubaker, York, PA
- Paul Duquette, Amherst, WI
- Donna Hafer, Burlington, KY
- Bradley Moore, Decatur, GA
- Paul Nagel, Glen Cove, NY, Chair
- Owen Oatley, Holly Hill, FL
- Howard Perkins, Suisun City, CA
- Mary Suther, Dallas, TX
- William White, St. Joseph, MO

Program Owner Presentation

Chesman said he was very grateful to all the SBSE Committee members for their willingness to work on the issues presented to them and for their enthusiasm and commitment. He explained that the IRS occasionally meets with practitioner groups and with taxpayers to discuss the tax system. However, these meetings should occur more often.

Chesman spoke on various issues: the IRS budget, the reorganization of the IRS through the years, the influence of politics in the tax system, etc.

He explained that the issue of Rounding Off is a legislative issue and it may take long for its consideration and implementation. The OTBR (Office of Taxpayer Burden Reduction) has scheduled September, 2005 as the deadline to conclude their report to Congress on this issue.

Survey

TAP Director Coston presented the group with a survey on the Privatization of Debt Collection. (Confidential information)

Closing Assessment

Following another subcommittee breakout to offer the members more time to work in their respective subcommittees and also following a round robin for comments, the meeting closed. Chair Nagel thanked all the presenters and participants.

Action Items:

- Jenkins will mail samples of Form 4564, Information Document Request, to the members of the Exam Field Notices Subcommittee.
- Knispel will contact W&I Notices Program Owner to establish a date and time for a teleconference with the Prioritizing Notices Subcommittee.

Next Meeting:

A teleconference will be held on July 7, 2005 at 3:00 PM ET.



SBSE Issue Committee Meeting Minutes

May 5, 2005

Opening of the Meeting

Nagel opened the meeting and welcomed all the members.

Roll Call

Panel Members Attending

- Margaret Balcom, Concord, CA
- Aaron Bell, Kenmore, NY
- Bill Bly, Wayne, PA
- Paul Brubaker, York, PA
- Paul Duquette, Amherst, WI
- Donna Hafer, Burlington, KY
- Steven Hoffman, Columbus, OH
- Bradley Moore, Decatur, GA
- Paul Nagel, Glen Cove, NY, Chair
- Owen Oatley, Holly Hill, FL
- Mary Suther, Dallas, TX
- William White, St. Joseph, MO

Panel Members Absent

- Charlotte Cassady, Talbotton, GA
- Robert Forst, Encino, CA
- Stanley Miller, St. Louis, MO
- Howard Perkins, Suisun City, CA
- Steve Rue, Mechanicsville, VA

Quorum was met.

TAP and IRS Attendees

- Helene Bayder, SB/SE Program Owner
- Michael Chesman, TAP SBSE Liaison
- Shelley Foster, SBSE Program Manager
- Sid Gardner, SBSE SPOC
- Dianna Gunter, SBSE Senior Analyst
- Marisa Knispel, Acting DFO
- Rafael Dacal, SBSE Analyst
- Debbie Moore, Social Scientist
- Deborah Sabatelli, SBSE Analyst
- Kathryn Wheeler, SBSE Analyst

April Meeting Minutes

The minutes were approved.



Program Owner Presentation

Bayder announced that we would have two new issue presentations. The first presenter is the SBSE SPOC Sid Gardner who would speak on prioritizing SBSE notices and the second, Shelley Foster, who would speak about the letter the IRS sends to taxpayers to schedule an appointment for an exam or audit.

Gardner introduced himself and explained the purpose of his team. In 2004, the IRS recognized that notices sent to taxpayers on business issues had problems with clarity and accuracy. In the past, notices were designed based only on volume but currently volume and other factors are used in designing notices and in identifying notices that need improvement. The SBSE SPOC's (Single Point of Contact for Notices) goal is to develop a process to identify notices that should be redesigned and to prioritize the redesign efforts considering factors such as taxpayer burden, taxpayer satisfaction, IRS burden and the impact on the IRS operating divisions, financial impact to the IRS, taxpayer compliance and effectiveness of the notices. The SPOC needs the TAP to explore ways to improve these notices by considering factors such as taxpayer burden and satisfaction.

Social Scientist Debbie Moore continued elaborating on the issue. Moore explained that the SBSE researched oversight reports, websites and processes on notice redesign and they concluded that the purpose in the design of a notice is to communicate effectively with taxpayers. In order to do this, the SBSE needs to take into consideration the perspective of the taxpayers and their representatives. This is why the SBSE needs the TAP's input: to reach the taxpayers' perspective mainly related to the taxpayer satisfaction factor. Moore also invited the members to share any ideas or comments they might have on the other factors the team must use in their task. Moore added that the team is in the process of completing their assignment and requested feedback from the TAP in prioritizing these SBSE notices by June 30th. Chesman suggested the members consider the tone of the notices in their review.

Following this presentation, the members discussed the progress of the current subcommittees and their respective issues in order to prioritize their work. The subcommittee working on the issue of Rounding-Off reported that Pat Hammond will reconvene with the TAP to offer a summary of their research and progress at the end of July. Hammond would also appreciate any additional input from the TAP in the meantime. Bly clarified that Analyst Erik Miller was performing research on revenue generation and its cost implications before the IRS team could conclude their study. As soon as this research is ready and the study concluded, the subcommittee members will receive Hammond's feedback and continue working on the rounding-off issue as deemed necessary. Bly also reported on the subcommittee working on the collection Form 433-A. He explained that the members submitted their recommendations to Supervisory Revenue Office Rick Chizum and await the final draft of this Form before continuing discussions. The subcommittee observed, Bly explained, that Form 433-A requests information from the wage earner and the self-employed taxpayer in separate sections of the Form and recommended that these two sections be consolidated or that the Form be separated into two forms. Another idea was creating a third form for Schedule C filers and small corporations. Duquette, as chair of the subcommittee working on collection Form 433-B, reported that the members recommended that the Form request accounts payable as it already requests the accounts receivable from the taxpayer. They also recommended simplifying the accounts receivable information requested on the Form with a limit on the dollar amount of these receivables thereby avoiding negligible dollar amounts. One last recommendation made by Oatley to the IRS was to add the question: "Do you anticipate a decrease in business income...?" to the Form. This subcommittee has also completed their work until further request from the IRS. Due to the small size and similar issues on both subcommittees, Knispel suggested combining them as one.

The second presentation by the Program Owners was made by Shelley Foster, Exam Operations Support Manager, on the correspondence sent to taxpayers to notify and prepare them for an examination. Foster explained the difference between a tax compliance officer who audits tax returns such as Form 1040, Schedules C,D and F and the revenue agent who is a field examiner auditing corporations and more complex tax returns. Foster also explained that two years ago the IRS



revamped the examination process under the Exam Reengineering effort in order to make all audits consistent for the IRS personnel who conducts them. The process of contacting the taxpayer for an audit involves a contact letter, enclosures and an explanation of the taxpayer's rights. The Internal Revenue Manual (IRM) also requires that the auditor ascertain the taxpayer's filing requirements and probes for certain income-related questions. In surveys done by the IRS about the examination/audit process, dissatisfaction was found on 1) the length of the audit and 2) the fact that many taxpayers did not clearly understand the examination process.

The purpose of Foster's team is that of improving the appointment letter sent to the taxpayer to establish an appointment for the audit. The aim is to convey enough information on this letter so that the taxpayer understands the process of the audit and be prepared for it.

Duquette asked, "Could we just have one letter as opposed to two appointment letters?" (pre-read material, Ltr 2205A and Ltr 3572) Forster explained that the two letters are designed according to the sophistication of the taxpayer. Letter 3572 is simpler and includes topics such as the EIC while Letter 2205A is designed for taxpayers with more sophisticated business knowledge. Nagel suggested that the print in which the letters are written is hard to read for older taxpayers and that it be larger. Foster said that this is a good recommendation. Foster continued saying that the IRS is aware that taxpayers do not read enclosures, just the appointment letter. Therefore, we are trying to prepare the taxpayer to understand the process of the audit and thereby reduce the length of the audit making it more efficient to all involved. Brubaker complemented Foster on the context of these letters and enclosures and in the order of importance. Foster indicated that much research was done in redesigning these letter and that the reengineering has also contributed providing consistency to the audit process.

Election of a Vice-Chair

Brad Moore was elected vice-chair of the SBSE Committee.

Other Issues

Nagel suggested holding an administrative teleconference on Thursday, June 2nd at 3:00 PM ET.

Closing/ Assessment

Nagel thanked the members and the IRS staff for their participation. Meeting closed at 4:16 PM ET.

Public Input

None.

Action Items

Knispel and Jenkins will arrange two subcommittee teleconference to discuss the issues presented today.

NEXT MEETING:

Next teleconference will be on Thursday, June 2nd at 3:00 PM ET to discuss the agenda for the face-to-face meeting that will take place in Philadelphia, PA on June 10th and 11th .



SBSE Issue Committee Meeting Minutes

April 7, 2005

Opening of the Meeting

Nagel opened the meeting and welcomed all the members.

Roll Call

Panel Members Attending

- Margaret Balcom, Concord, CA
- Aaron Bell, Kenmore, NY
- Bill Bly, Wayne, PA
- Paul Brubaker, York, PA
- Charlotte Cassady, Talbotton, GA
- Paul Duquette, Amherst, WI
- Donna Hafer, Burlington, KY
- Paul Nagel, Glen Cove, NY, Chair
- Owen Oatley, Holly Hill, FL
- Mary Suther, Dallas, TX
- William White, St. Joseph, MO

Panel Members Absent

- Robert Forst, Encino, CA
- Steven Hoffman, Columbus, OH
- Stanley Miller, St. Louis, MO
- Bradley Moore, Decatur, GA
- Howard Perkins, Suisun City, CA
- Sallie Richardson, Taylorsville, UT
- Steve Rue, Mechanicsville, VA

Quorum was met.

TAP and IRS Attendees

- Helene Bayder, SB/SE Program Owner
- Michael Chessman, TAP SBSE Liaison
- Darren Guillot, SBSE Program Manager
- Patricia Hammond, SBSE Office of Burden Reduction
- Audrey Y. Jenkins, TAP Analyst
- Erik Miller, SBSE Operations Research Analyst
- Sandra Ramirez, Designated Federal Official (DFO)
- Kathy J. Welsh, SBSE Program Analyst

March Meeting Minutes

Approved, pending these changes: 1) page 3, date in second paragraph should be "October 15th" not "April 15th", 2) page 4, under Joint Committee Report should read, "IRS Commissioner's Advisory Council's" report and 3) page 2; Oatley to provide an "outline" not "notes" to Meglan Knight (regarding subcommittee Form 7004).



Program Owner Presentation

Bayder announced that two new issues would be introduced at today's meeting. One is a legislative proposal on the issue of rounding. She introduced Pat Hammond who is working on behalf of the Office of Taxpayer Burden Reduction (OTBR) and Operations Research analyst Erik Miller. They are looking for feedback from the Committee on the issue of making mandatory the rounding of dollar amounts on all tax forms.

Pat Hammond thanked the Committee for allowing her the time to talk about the issue of rounding. A pre-read handout that summarizes the OTBR proposal was distributed to all the members prior to the meeting. Hammond explained that currently taxpayers have the choice to use cents or whole dollars on their returns, forms or statements. However, the Office of Taxpayer Burden Reduction is studying the legislative proposal to make the use of whole dollars mandatory as a way to reduce the burden to taxpayers. The proposal would affect all tax forms: individual, trust fund (e.g., form 941), corporate and all information returns (e.g. W-2, 1099s, etc). International taxing agencies that require rounding and their system of taxation such as those of Canada, Great Britain and Australia were researched. U.S. state taxation agencies were also surveyed. The results of the survey showed that of the 71% of responders, 64% of these agencies require the majority of their dollar figures or all of their figures to be rounded. The survey also indicated that 62% of these agencies encountered no difficulty in making rounding to whole dollar mandatory. The majority of the surveyed agencies also reported a cost savings as a byproduct. Team members such as analyst Erik Miller are trying to present a persuasive proposal by showing burden reduction and cost savings to the IRS (e.g. savings in processing costs) if rounding is implemented.

Hammond asked the members for their help in addressing the five questions contained in the handout and in formulating a strategic approach for this proposal. Following Hammond's presentation, some members asked questions on the proposal and made comments on the issue. A comment made was that the IRS should mandate all software providers to require rounding on their programs. Another comment was on the updating all the IRS forms and publications. Hammond indicated that the updates are periodic and therefore the cost to change these is not an issue. Chessman indicated that the OBR would be working with the Communications and Liaison department to disseminate the new requirements to taxpayers. Another issue, Bly suggested, is that of mandating rounding to the software prep folks. Hammond responded that she will be interviewing the National Accounts manager of the IRS who is the primary contact for the software prep folks. Hammond added that the number of taxpayers who do not round is falling – only 7% of filers report cents on their returns - yet trust fund returns have a high level of reporting to the cent. A member mentioned that may be because the states want figures entered to the cent on those types of returns. White suggested that the only way for rounding to work is by requesting that all forms from financial institutions use rounding as well as payroll forms, social security forms, etc. so that the total equal the sum of its parts. Oatley commented that some taxpayers won't round to avoid falling into a higher bracket although it would cost them something like an additional \$5.00 or less. Hammond thanked the members and added that she would be available to discuss the issue with the subcommittee working it. Chessman explained that the IRS would present the proposal to the IRS' Communications & Liaison function who would deliver it to Treasury with the hopes that Treasury would concur and then the proposal would have to get attached to a tax bill and when and if the bill passes – then the change could take effect. Thus in order to be successful, the IRS must present a strong and convincing business case for the proposal.

Brubaker volunteered to chair or take the lead on this new subcommittee. Hafer, Oatley, and Cassady also joined this subcommittee. Knispel will help arrange a subcommittee meeting.

The second presenter, Darren Guillot, a Collection Manager, introduced the issue of revising the Collection Information Statement (CIS). The purpose of revising both the individual (Form 433-A) and business (Form 433-B) collection information statements is to reduce the burden for taxpayers who owe overdue taxes and must complete the CIS. The CIS allows the IRS to seek resolution and relief for the taxpayer whether it is by granting an installment agreement or an offer-in-compromise. Currently, the IRS is developing an Automated Collection Statement, but it may be a year before it is



put in place. The immediate concern is the revision of the CIS and so, IRS formed a team in January to look at doing this. The team has a deadline - the end of May - which is when the Form 656 is scheduled for revision. The Form 656, Application for Offer-in-Compromise, makes reference to and relies on these CIS forms for processing of the form 656. Guillot asked that the committee submit their written recommendations by May 15. so that the Committee's response could be incorporated in the draft of the revised Form. Guillot indicated that if the committee could meet that deadline - he would still accept the recommendations and consider them for the next revision period.

White volunteered to lead the form 433-A subcommittee and Balcom the 433-B subcommittee.

Report from Subcommittee #3

Duquette indicated that their meeting on March 28th was very productive. The group proposed five recommendations on Form 944. Duquette reviewed these recommendations briefly and Welsh explained the SBSE's response and/or action to each of the recommendations. One of the recommendations was placing the Form 944 instructions on the front page of the form to fill out the empty space. Welsh thanked the subcommittee for their input.

Other Issues

Nagel requested more candidates for the Committee's vice-chair position since only one person has expressed interest.

Closing/ Assessment

Nagel thanked the members and the IRS staff for their participation. Meeting closed at 4:10 PM ET.

Public Input

None.

Action Items

Knispel and Jenkins will set subcommittee teleconferences for the three new subcommittees during the month of April and inform all SB/SE members so that they may join the subcommittees.

Knispel and/or Jenkins will mail Forms 433-A and 433-B to all the members.

NEXT MEETING:

Next teleconference of the SBSE Committee will be on Thursday, May 5th at 3:00 PM ET.



SBSE Issue Committee Meeting Minutes

March 3, 2005

Opening of the Meeting

Nagel opened the meeting and welcomed all the members. He announced that Knispel would not be able to join the meeting and Audrey Jenkins will be taking minutes instead.

Roll Call

Panel Members Attending

- Margaret Balcom, Concord, CA
- Aaron Bell, Kenmore, NY
- Bill Bly, Wayne, PA
- Paul Brubaker, York, PA
- Charlotte Cassady, Talbotton, GA
- Paul Duquette, Amherst, WI
- Robert Forst, Encino, CA
- Donna Hafer, Burlington, KY
- Edward Hanna, Tampa, FL
- Steven Hoffman, Columbus, OH
- Bradley Moore, Decatur, GA
- Paul Nagel, Glen Cove, NY, Chair
- Owen Oatley, Holly Hill, FL
- Sallie Richardson, Taylorsville, UT
- William White, St. Joseph, MO

Absent

- Stanley Miller, St. Louis, MO
- Howard Perkins, Suisun City, CA
- Steve Rue, Mechanicsville, VA
- Mary Suther, Dallas, TX

Quorum was met.

TAP and IRS Attendees

- Helene Bayder, SB/SE Program Owner
- Michael Chessman, TAP SBSE Liaison
- Audrey Jenkins, TAP Analyst
- Meglan Knights, Analyst, Office of Taxpayer Burden Reduction
- Sandra Ramirez, Designated Federal Official (DFO)
- Kathy J. Welsh, SBSE Program Analyst

Program Owner Presentation

Knights thanked both Subcommittee #1 and #2 for their participation and comments on the issue of extensions. She requested that Subcommittee #2 provide her with a written outline of their recommendations on the issue of filing extensions for businesses (as Subcommittee #1 has done) to assist her in following up with the subject matter experts. Knights began by briefing the Committee on



the recommendations made by the Subcommittee #1 on the issue of modifying Form 4868. The recommendations and the IRS responses to these are as follows: 1) The Subcommittee recommended incorporating the "Specific Instructions" currently found on page 3 on page 1 of the Form 4868 instructions where blank space was available. The IRS' Forms & Publications prefers keeping the information on e-filing and e-paying with the extension on page 1 and thus, there is no space available to make the change, 2) The Subcommittee also recommended providing specific wording to describe the length of time given with the extension on the title of Form 4868. The Forms & Publications department agreed to highlight the description of the length of time given with the extension on the Form 4868 instructions rather than changing the title. 3) Another recommendation made was including new wording to define the extension given to taxpayers who are "out of the country" found on line 8 of the Form. Forms & Publications believes it would be best keeping the explanation as part of the Form's instructions. A firm decision was not made yet. 4) The Subcommittee also recommended allowing the filing of the individual extension via the IRS website. The IRS's Electronic Tax Administration did not agree with this recommendation and thus, filing the extension will continue via paper with the Form 4868 or by e-filing the extension using a paid tax preparer.

Subcommittee #1 Chair Brubaker made some additional comments on the recommendations made by this Subcommittee. He indicated that one concern is the fact that when taxpayers download the extension Form 4868 using the IRS website, they only tend to use the first page (Form 4868) and disregard the instructions to the Form. The Subcommittee members suggested that since the new draft of the Form 4868 will exclude the tele-file information, the blank space left on the front page of the Form could be the opportunity to include instructions essential when filing for an extension.

In response to Subcommittee #1's comments and their recommendation on filing Form 4868 electronically, Chessman clarified that decisions on electronic filing are not made by the SBSE organization but by the Electronic Filing Administration (ETA). The SBSE has no jurisdiction on decisions made by the latter.

Another issue discussed by the Subcommittee #1, Hafer added, was that of a taxpayer receiving confirmation when filing for the extension of time to file. Currently, only taxpayers who make a tax payment with a credit card can receive this confirmation on applying for extensions and Hafer believes that the options should be given to others.

Brubaker asked the Program Owner whether it would be possible for the members of this Subcommittee to participate and be updated on the Project's progress in modifying Form 4868. Bayder and Chessman agreed to keep the Subcommittee updated.

The Subcommittee #1's report concluded with Knights indicating that the members have completed their task. Knights thanked the members again.

Knights continued by reporting on the recommendations and comments made by the Subcommittee #2 whose members had a teleconference to discuss the issue of the filing extensions for businesses. The main issue for this Subcommittee, Knights said, was Form 7004 however; the members were also concerned with the extension of time to file partnership tax returns. Oatley elaborated on the issue of concern regarding the partnerships' extension to file. The main issue in establishing the length of this extension is the effect on the partners' receiving their Schedule K-1 timely in order to file their individual tax return by October 15th. This concern is a barrier to the IRS's aim of creating uniformity with extensions to file business tax returns and a barrier in finding simplicity in the process, Oatley said. Bayder and Chessman agreed. Both concluded that Subcommittee #2's work on the assigned issues is complete and thanked the members.



Welsh had recently participated with the members of Subcommittee #3 in a preliminary teleconference to discuss Form 944. Jenkins has arranged another teleconference on March 28th at 11:00 AM ET.

Duquette, the elected chair of Subcommittee #3, reported that their first teleconference was to discuss housekeeping issues such as chair selection and date and time of the Subcommittee's future teleconferences. Even though they briefly discussed the Form 944, they had many questions arising from their spirited discussion. Questions, for instance, related to line 7a and line 1 of the Form. The members discussed possible recommendations related to these lines. Chessman agreed that line 1 of the Form 944 is a controversial line. The data provided on this line would be used by the IRS and by the Census Bureau. Duquette added that another concern was on the importance of keeping Part II of the Form. Is Part II necessary and why does it request the taxpayer to provide his monthly tax liabilities? Welsh replied that the reason for keeping the Form's Part II is a regulatory one and that it may impact some taxpayers. For example, if a Form 944 filer should reach the \$2,500 employment tax limit during the year, he is subject to make monthly deposits. This Part was kept on the Form 944 to protect the government's interest and to provide better guidelines in measuring the taxpayer's monthly tax liabilities, Chessman added. Duquette concluded his report saying that Jenkins will mail an information package on the Form 944 and other issues to be considered to all the Subcommittee #3 members for their review.

Oatley raised the question of what will happen if a taxpayer exceeded the \$1,000 limit required in filing the Form 944 - will the taxpayer be requested to file the Form 941 if this happens or will he receive a penalty? Welsh explained that if a Form 944 filer believes his tax liability will change early in the year to surpass the \$1,000 limit, he should advise the IRS. If the taxpayer is unaware the possible change, he could file Form 944 and pay the tax by January 31st without incurring a penalty. He would then be advised by the IRS. The only danger, Welsh indicated, is when the taxpayer surpasses the \$2,500 limit at which point he should be filing Form 941, not Form 944, to avoid a penalty. Once the taxpayer begins to file Form 941, he will be notified by the IRS of his tax obligations and advise to file Form 941.

Bayder indicated that possible issues to be shared with the SBSE Committee in future teleconferences are: 1) a legislative issue and, 2) Form 940, FUTA tax.

Nagel congratulated Subcommittees #1 and #2 on their work and invited their members to join the upcoming Subcommittee #3 teleconference.

Chessman and Bayder also thanked the Subcommittees.

Other Issues

Nagel announced that the face-to-face meeting for the SBSE Committee will be in Chicago from June 9th to 11th.

June 9th is a travel day and so will the 11th after 12:00 PM. The TAP staff and Program Owners will work on the agenda for this meeting.

Approval Of January and February minutes

The minutes were approved by consensus pending a change on the fifth paragraph of page 2 of the February minutes.

Joint Committee Report

Oatley reported that a topic discussed at the last Joint Committee teleconference was that of the IRS Commissioner's Advisory Council's report as a tool in research. Another issue was the creation of a tracking system or process for the implementation of recommendations made by the TAP that were accepted by the IRS. Last, a TAP member has created a format to use when making legislative



recommendations to the National Taxpayer Advocate. The format was discussed. Ramirez explained that in the past, the TAP addressed their legislative concerns by writing a letter to NTA Olson. The new format will allow more uniformity in raising these legislative concerns and tracking any recommendation.

Closing/ Assessment

Nagel thanked the members and the IRS staff for participating on the call.

Public Input

None.

Action Items

Jenkins will email an invitation to the entire SBSE Committee to attend the Subcommittee #3 teleconference on March 28th at 11A.M. ET.

NEXT MEETING:

Next teleconference of the SBSE Committee will be on Thursday, April 7th at 3:00 PM ET.



SBSE Issue Committee Meeting Minutes

February 3, 2005

Opening of the Meeting

Nagel opened the meeting and welcomed all the members. He announced that Sandi McQuin will be acting DFO for this meeting. McQuin briefly explained the current stage in the process of selecting members for the newly formed TAP Communications Issue Committee. Nagel stated that this Committee will be beneficial to the organization by considering the issue of advertising the TAP.

Roll Call

Panel Members Attending

- Clayton Agena, Honolulu, HI
- Nancy Allen, Roswell, GA, Vice Chair
- Margaret Balcom, Concord, CA
- Aaron Bell, Kenmore, NY
- Bill Bly, Wayne, PA
- Paul Duquette, Amherst, WI
- Robert Forst, Encino, CA
- Donna Hafer, Burlington, KY
- Edward Hanna, Tampa, FL
- Steven Hoffman, Columbus, OH
- Bradley Moore, Decatur, GA
- Paul Nagel, Glen Cove, NY, Chair
- Owen Oatley, Holly Hill, FL
- Charles Silva, Provincetown, MA
- Lynwood Sinnamon, Arlington, VA
- Mary Suther, Dallas, TX
- William White, St. Joseph, MO

Absent

- Paul Brubaker, York, PA
- Charlotte Cassady, Talbotton, GA
- Stanley Miller, St. Louis, MO
- Howard Perkins, Suisun City, CA
- Sallie Richardson, Taylorsville, UT
- Steve Rue, Mechanicsville, VA

Quorum was met.

TAP and IRS Attendees

- Helene Bayder, SB/SE Program Owner
- Michael Chessman, TAP SBSE Liaison
- Meglan Knights, Analyst, Office of Taxpayer Burden Reduction
- Audrey Jenkins, TAP Analyst
- Marisa Knispel, TAP Analyst
- Sandra L. McQuin, Acting Designated Federal Official (DFO)



- Kathy J. Welsh, SBSE Program Analyst

Program Owner Presentation

Bayder asked the members for any feedback on the Filing Extension Project. Silva indicated that the TAP's Area 1 had written a recommendation to make the automatic extension to file the individual tax return a six-month extension. Bayder was aware of this recommendation since receiving a copy of the proposal Knispel shared with her. Nagel suggested that the title of the Form 4868 needs to be changed to indicate that the extension is now an automatic six-month extension; the current form does not indicate the time given to the applicant. Bayder promised to share the first draft of the new Form 4868 with the Committee.

Hanna spoke about establishing an extension period to file Form 1065 for partnerships. Knights replied that the main factor in considering extensions for Form 1065 is the fact that the individual partners are required to file their Form K-1s with the Form 1040 by April 15th. Some discussion ensued on this issue.

White added that the problem with the existing extensions is the lack of consistency in their filing deadlines, therefore defeating the purpose of simplification.

Chessman said that compliance is a concern for the IRS when related to the issue of extensions. The SBSE has also studied the automatic six-month extension that states like California and Kansas provide to file the state tax returns and found that these states have no compliance problems. Compliance in filing or paying state tax was not affected by giving a six-month vs. a four-month extension in these states.

Hanna continued his discussion on the variety of filing deadlines that currently exists. Chessman would like to survey this Committee to get their opinion on the partnership's due date. Should the due date be September 15th or should it be October 15th?

SBSE Program Analyst Kathy Welsh briefed the Committee on the Employers Annual Federal Tax Program aimed to reduce the small business taxpayer's burden by establishing a new rule and process to file and pay employment tax annually instead of quarterly. She explained that the annualization of Form 941 stemmed as an initiative from the work done with the Redleaf National Institute. This Institute is a non-profit organization that supports the in-home day care provider industry. The idea of annualizing Form 941 has been considered in the past by the IRS but it never came to fruition. However, the same idea has been already implemented with agricultural employers, Form 940 filers and also with individual taxpayers who are not required to pay estimated taxes when they owe less than \$1,000 annually. The Program began in 2003 and it is projected for completion in December, 2005 with a target date of January, 2006 for implementation. The Program involves the creation of a new form, Form 944, to annualize the Form 941 so that the taxpayer will only have to file one instead of four tax returns and also make only one payment with the return instead of four. This will significantly reduce the taxpayer's burden by reducing the number of hours to complete, file and pay these employment taxes. However, we must keep in mind that the taxpayers who are eligible to file Form 944 are only those who owe less than \$1,000 per year as their total employer tax liability. The IRS has identified that there are over a million taxpayers who fall under this category.

Chessman indicated that until now, the only methodology the IRS had in measuring taxpayer burden was by the line by line study and analysis of each IRS form along with the number of hours involved in the completion and filing of each of these forms. The IRS has now come up with different approaches to measure burden reduction. Other projects that the IRS's SBSE organization is currently working on, for example, are: 1) Form 940 series, 2) activities that relate to a tax return, such as the study on the number of notices that must be sent to the self-employed taxpayer before he or she complies in filing or paying the tax.



Welsh indicated that annualizing the Form 941 may actually avoid late filing penalties and deter non-filing. Welsh will share the draft of the new Form 944 with all the members. Nagel suggested, and everyone agreed, that the Subcommittee #3 which is currently considering the issues of streamlining business tax returns also consider the new Form 944 issue since it falls within the same category of business tax returns.

Other Issues

Nagel asked each member (through roll call) whether they wanted to hold a full Committee meeting each month or alternate between subcommittee and full Committee meetings. Consensus was reached to have a full Committee meeting per month. Knispel explained how the subcommittee meetings will be scheduled and how the subcommittees must report out to the full Committee at their monthly meeting. She also indicated that during their first subcommittee meeting, the members should choose a subcommittee chair and a date and time to hold their meeting each month.

The members briefly discussed selecting a face-to-face date and location. Knispel will coordinate with the Program Owners and then email the members to select date and location. May and June are months to consider according to all participants.

Nagel asked McQuin when will the members know who was selected to be part of the new TAP Communications Issue Committee. McQuin replied that a response will be given early the following week.

Closing/ Assessment

Nagel thanked the members and the IRS staff for participating on the call.

Public Input

None.

Action Items

Knispel will email all the members prospective dates and location for the FTF meeting.

Welsh will share the new Form 944 with the Committee.

NEXT MEETING:

Teleconference on Thursday, March 3rd at 3:00 PM ET.



SBSE Issue Committee Meeting Minutes

January 6, 2005

Opening of the Meeting

Nagel opened the meeting and welcomed all the members. He noted some additions to the agenda by introducing TAP Chair Gwen Handelman and TAP Director Bernie Coston who would be speaking about the possible restructuring of the SBSE Issue.

SBSE Issue Committee Configuration/Support

Handelman explained the reasons behind the Joint Committee supporting the idea to increase membership on the SBSE Committee. It would help alleviate the unusually higher number of members on all the other Issue committees due to the SB/SE Program Owner's last minute decision to support not two issue committees but only one committee. As an enlarged Issue committee, the SB/SE Issue committee could function as two committees for internal TAP purposes while the SB/SE program owners could service it as one committee. Handelman explained in more detail the idea of dividing the existing members into two full, self-reliant subcommittees that would have their chairs represent them on the Joint Committee but which, for purposes of the FACA (Federal Advisory Committee Act), would work under the umbrella of the SBSE Issue Committee. The two subcommittees would work on SBSE (Small Business, Self-Employed) issues and be under the guidance of the same SBSE Program Owner – Helene Bayder.

Coston briefly reiterated Handelman's explanation of the plan and added that the Program Owner's support was needed in order for this organizational arrangement to work. He indicated that further discussions within TAP would occur regarding this possible restructuring during the course of the following weeks.

Roll Call

Panel Members Attending

- Clayton Agena, Honolulu, HI
- Nancy Allen, Roswell, GA, Vice Chair
- Margaret Balcom, Concord, CA
- Aaron Bell, Kenmore, NY
- Bill Bly, Wayne, PA
- Paul Brubaker, York, PA
- Charlotte Cassady, Talbotton, GA
- Paul Duquette, Amherst, WI
- Donna Hafer, Burlington, KY
- Edward Hanna, Tampa, FL
- Steven Hoffman, Columbus, OH
- Bradley Moore, Decatur, GA
- Paul Nagel, Glen Cove, NY, Chair
- Owen Oatley, Holly Hill, FL
- Howard Perkins, Suisun City, CA
- Charles Silva, Provincetown, MA
- Mary Suther, Dallas, TX
- William White, St. Joseph, MO



Absent

- Robert Forst, Encino, CA
- Stanley Miller, St. Louis, MO
- Sallie Richardson, Taylorsville, UT
- Steve Rue, Mechanicsville, VA
- Lynwood Sinnamon, Arlington, VA

Quorum was met.

TAP and IRS Attendees

- Helene Bayder, SB/SE Program Owner
- Michael Chessman, TAP SBSE Liaison
- Meglan Knights, Analyst, Office of Taxpayer Burden Reduction
- Dave Coffman, TAP Analyst
- Audrey Jenkins, TAP Analyst
- Marisa Knispel, TAP Analyst
- Judi Nicholas, TAP Program Manager
- Sandra Ramirez, Designated Federal Official (DFO)

Program Owner Presentation (Side note: Pre-read documents were e-mailed to the committee, specifically, the draft versions of the new extension forms and the proposals noted below)

Helene Bayder of the SBSE Office of Taxpayer Burden Reduction and Program Owner for the TAP's SBSE Issue Committee thanked the members for their interest in resolving the SBSE issues that the IRS currently faces. She introduced Meglan Knights, also of the Office of Taxpayer Burden Reduction, who would explain the Extension Project. The Filing Extension Project seeks to simplify the process and the forms that certain businesses and that individuals use to apply for extensions of time to file their income tax returns. Knights would like the committee's feedback and recommendations on this topic and on the IRS' current suggestions/plan for the changes.

An impetus to change the process and forms came from a Treasury Inspector General for Tax Administration (TIGTA) audit and report that noted that the IRS may want to establish a uniform October 15 due date for ALL extensions (since by law a taxpayer is granted up to a 6 month extension, when requested, from the usual April 15th date). TIGTA also suggested that the IRS reduce the number of existing extension forms from the current approximately 12 forms to a lesser number as by providing so many forms the IRS may have complicated the process or made it burdensome rather than convenient.

In their own review, the IRS found that they were asking for information from the applying taxpayer that was not being used by the IRS in the extension approval process.

To further bolster the argument for reducing the number of extension forms, IRS noticed that the extension of time to file the Form 1120 (the corporate income tax return) only requires the filing of one form (Form 7004) to receive a 6-month extension while all other taxpayers (non-corporate tax filers) need to submit two extension forms to receive the full six month extension.

The Extension Project also looked at filing trends of years 2000 – 2002. In doing this, they realized that the extensive process was a worthwhile burden reduction opportunity.

The Project team is making the following proposals:



1. Create a uniform six-month extension for ALL non-corporate taxpayers. This will result in the consolidation of six of the current extension forms.
2. Remove the signature requirement and request for explanation on the extension forms.
3. Decrease the number of forms by consolidating the two extension forms for individuals from two to one and combine four of the business extension forms into one.

Proposed date to launch the changes is January 2006. As of that date, an individual requesting an extension of time to file would only submit one form for the full six-month extension. Knights took questions at this time.

White asked; why can't taxpayers just file (without requesting extensions) since there is no such thing as an extension of time to pay the income tax? Why not let taxpayers file late and pay the late filing (which is a really a late paying) penalty without submitting an extension form? Knights noted that corporations are required to pay before they are granted an extension to file and for individuals the Tax Code dictates that a request for extended filing date be submitted for approval by the IRS. Chessman added that filing of the extension form not only allows the IRS to track taxpayers and ensure voluntary compliance, but that also for Statute of Limitations purposes that are implications dependent on whether an extension was filed or not filed with IRS. Nagel noted that taxpayers at times need to file an extension and show one was filed for other reasons.

Knights concluded her presentation by saying that the Project's proposal would create significant advantages in reducing the cost to the IRS by 75% and by reducing taxpayer burden (8M hours of time) and the workload levels.

Several members commented that the proposals were positive. Nagel noted to Knights that the draft new Form 4868 (extension to file for individuals) indicated the due date as October 15 but that date did not address the fiscal year filer [whose return is not due April 15 so the extension date would be other than October 15]. He suggested that the title simply note that it is a 6-month extension. Knights took note. Nagel also asked why the extension to file Form 990 (which is only an information reporting return for non-profit organizations) was not part of the project. Deferring to Chessman, he responded that the Forms 8868 and 8857 were not included in the consolidation because the TEGE (Tax Exempt and Government Entities) organization did not wish to be included in the Project.

Chessman indicated that the SBSE would like to have the committee's recommendations within six weeks. Ramirez suggested that subcommittees be formed to work these issues.

Review of Issues from the Schedule C Non-Filer Issue Committee

A list of these issues with their specific explanation was provided to the members as an attachment to the meeting agenda. Bayder went over these issues to explain whether or not they were within the Committee's scope. The issues are:

1. Requiring persons paying non-employee compensation other than in a trade or business to report those payments.

Bayder indicated this issue is not within SBSE's scope and that the National Taxpayer Advocate has recommended a legislative recommendation on this issue in her Report to Congress.

2. Including a payment publication with the tax return package.
This was done in previous years, Bayder said. She did not know, however, whether or not a publication or notice is currently included.
3. Revising notices sent to non-filers.



The IRS is looking at all notices and thus have set long term priorities of which notices will be reviewed and changed/eliminated according to these priorities. **Bayder will follow up on the status of the the nonfiler notices (CP 515 and CP518).**

4. Sending a completed substitute Form 1040 prepared by the IRS to non-filers.

Bayder explained the Substitute for Return (SFR) process that the IRS uses. The unit responsible for this process is currently analyzing the process and addressing their recommendations to the IRS.

5. Increasing compliance of e-commerce users.

A group has just begun looking at issues created by e-commerce (i.e., addressing/ closing the gap between compliance and e-commerce users.) Moreover, it is a controversial or sensitive issue as new or separate treatment can't be doled out by IRS to e-users under current regulations.

6. Increasing penalties for the willful failure to file.

This is a legislative issue, not within our purview to address.

7. Adding a message to the IRS non-filer notices to educate non-filers about Installment Agreements.

Same as #3 above (Bayder will check the priority on these).

8. Simplifying reporting of non-employee compensation.

Bayder explained that the IRS needs to understand the character of income (which simplification may reduce) as is gleamed from the Schedule C (of the Form 1040) and there is the obvious problem of lack of space on the Form 1040 to add lines for reporting this income. Chessman noted that the number of lines and font size reduction has been maxed out. Brubaker noted that our society is actually moving to a contracted (form 1099) state where more and more persons who are not "a business" or "in business" should not be burdened to be treated as such (i.e., required to file Schedule C.) Nagel added that tax preparation chains also charge taxpayers by the number and complexity of forms needing to be filed. White agreed with Nagel and Brubaker.

9. Improve the filing of Form W-4 with the IRS.

Bayder said the IRS is on the verge of completing a critical overhaul of Form W-4 expected to be complete within six months. If the Committee has suggestions Bayder can pass them along to that study group.

10. Facilitate and hasten the filing of Form 1099s for payers/taxpayers.

Chessman said that if the committee or person who made the suggestion can flesh out their recommendation he can follow up with the Electronic Tax Administration function and Compliance on this issue and report to the Committee. **Cassady volunteered to do this and provide it to Marisa to share with the committee for input and review.**

11. Streamlining business tax returns, such as Form 1120S and Form 1065.

Chessman said this is certainly a good issue for this Committee and encouraged the formation of a subcommittee to look at this issue.



12. Improving the IRS website.

Bayder indicated that although it is an award-winning website if the person who made the suggestion could be more specific she could respond more fully.

Formation of Subcommittees

TAP staff will email all members the list of the three issues that the Program owners asked the Committee to consider at this time. Each member is to respond as to which issue they wish to work on with others as a subcommittee. The issues are: 1) extension of time to file the individual tax return, 2) extension of time to file the business tax returns and 3) streamlining business returns – Form 1120S and Form 1065. (The latter could involve the simplification and creation of another form, to be named 1120S-A, that would be a shorter and simpler version of the Form 1120S (comparable to Form 1040A and the longer Form 1040).

Closing/ Assessment

Nagel thanked the members and the IRS staff for participating on the call and conducted a round robin of the members for them to express their opinion of the meeting took place.

Public Input

None.

Action Items

Knispel will email all the members the list of issues for them to select their preference. Members will respond accordingly.

Knispel will e-mail the SBSE roster to the committee.

Bayder will follow up on the status of the nonfiler notices (CP 515 and CP518).

Cassady to draft 1099 recommendation to share with committee.

NEXT MEETING:

Teleconference on Thursday, February 4th at 3:00 PM ET.