



2008 Meeting Minutes Small Business/Self Employed Issue Committee

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Taxpayer Advocacy Panel SB/SE Committee Annual Meeting Minutes December 4, 2008

Attendance

Kirsten Ball
Harlan Barnett
JoAnn Gibbons
Helder Gil
Richard Grzebinski
Merijane (MJ) Lee
Jose Martinez
Homer Sewell
Thomas Walker
Bruce Zgoda
Richard Coonradt
Christopher Freeman

Staff

Judi Nicholas, TAP Program Manager
Dave Coffman, TAP Program Analyst
Marla Ofilas, TAP Secretary
Nina Pang, TAP Analyst
MaryAnn Delzer, TAP Program Analyst

SB/SE Program Owners

Martha Tobias, Program Analyst
Tonjua Menefee, FA program Analyst
Phyllis Grimes, SB/SE Program Manager

Absent

James Brock



Opening/Welcome/Announcements

Bruce opened the meeting and welcomed the members. Marla took roll and introductions were made.

Judi indicated MaryAnn Delzer will be acting as the Seattle Program Manager while she is on a 60 Day detail.

Ground Rules

It was decided that it is not necessary to identify specific ground rules.

Define Roles and Responsibilities - Judi Nicholas

Judi indicated last year the Office of Burden Reduction had this committee and they have since split. There will not be any carry over issues from last year...program owners will provide info regarding projects

Staff Responsibilities – Once sub-committees are established an analyst will be assigned to each. Judi clarified that the Seattle staff will be the point of contact for administrative issues in relation to this committee.

Monthly Tele-conferences – It is important that members make every attempt to be on all scheduled tele-conference meetings, which includes sub-committee calls. Members are asked to contact staff if unable to attend any scheduled meetings.

Establish A Meeting Quorum

The decision for meeting quorum was set for the presence of at least half of the committee members. Sub-committee meetings do not require a quorum.

Chair /Vice Chair Elections

Nominations for Chair - Richard C. nominated MJ. There were no other nominations. MJ was appointed Chair.

Nominations for Vice Chair - Thomas Walker was nominated and accepted the nomination. There were no other nominations made and Thomas was appointed Vice Chair.

Establish Conference Call Meeting Dates

DECISION: Monthly tele-conference calls will be held the 4th Thursday of each month at 11:30 ET/8:30 am Pacific time. The first call will be held January 22nd.

Once sub-committees are formed they can decide on their respective meeting date and time.

Face-to-Face Meeting Dates and Location

DECISION – The meeting will be held June 25-27th The location is to be determined.



Suggested locations – Dallas, Chicago, Denver and Kansas City

ACTION: Staff will complete cost comparisons to determine the location.

SB/SE Projects for 2009

Phyllis gave a brief overview of the SB/SE operating division.

Tonjua and Martha discussed the issues the committee will address for 2009.

IRS employees, serving as subject matter experts, joined the discussion via teleconference. They provided some background on the issues and explained the key problems that the committee will need to explore.

Issue - Form 940 and 941 E-file

Program Focus – The program owners indicated they would like the committee to focus on the following in relation to this issue.

- Marketing
- Increase the rate of business e-filers
- Identify/address common barriers to business e-filing (i.e. time cost, ease of use etc.)
- Conduct a feasibility study

ACTION: Justin McCarty (SME) will send a copy of his PowerPoint presentation

Issue - Form 1099 A and Form 1099 C (Acquisition and Abandonment of Secured Property and Cancellation of Debt)

Program Focus - The program owners indicated they would like the committee to focus on the following in relation to this issue.

- What can the IRS do to lessen the taxpayer's burden when they experience a cancellation of debt?
- What additional information can be provided to taxpayers?
- How can we communicate the impact on taxpayers?
- How should this information be marketed?

Expectations of the panel

MJ asked for timeframes in coming up with recommendations on the two issues. The program owners indicated the 12 months should be sufficient.

Sub-committee Assignments

Cancellation of Debt – Dave Coffman, Analyst, panel members for this sub-committee will be Tom Walker (Leader), Kirsten Ball, Harlan Barnett, Richard Coonradt, Gil Helder, and Richard Grzebinski.



940/941 E-file – Janice Spinks, Analyst, panel members for this sub-committee will be JoAnn Gibbons (Leader), Homer Sewell, MJ Lee, James Brock, Jose Martinez and Chris Freeman.

Janice and Dave will contact the members in January to schedule meetings for the sub-committees.

Closing

MJ thanked everyone for their participation and indicated she feels both issues before the committee are worthwhile and the committee will work diligently in developing recommendations.



SB/SE Burden Reduction Issue Committee
November 13, 2008
2:00 P.M. EST
Teleconference

Program Owner

- Kieliszek, Charlotte
- Menefee, Tonjua

Designated Federal Official

- Knispel, Marisa

Committee Members Present

- Barry Shaun
- Brock, James
- Lee, Merijane
- Maisch, Steven
- Marguiles, Howard
- Marker, Patrice
- McQuiston, Robert
- Mull, Robert
- Shah, Rajiv - Vice-Chair
- Zgoda, Bruce - Chair

Committee Members Absent

- Blanchard, Gregory
- Clapp, Marilynn
- Gurse, Greg
- Jason, Julie

TAP Staff

- Babb, Rose
- Knispel, Marisa
- Odom, Meredith

Roll Call

Quorum Met

Other Attendees including the Public

None

Welcome

Marisa welcomed everyone and introduced the new TAP secretary in the Brooklyn office.

Review Agenda

Zgoda thanked everyone for their efforts this year for the accomplishments of this Committee. He



introduced Tonjua Menefee to provide us a summary of the issues that this Committee will be discussing in 2009.

Program Owner's Presentation

Before Menefee introduced the 2009 topics, Kieliszek thanked the Committee members for their work and dedication and indicated that in spite of some difficulties at the beginning of the year, they accomplished much.

2009 Issues- Menefee indicated the SB/SE organization recommended five issues to the TAP for the upcoming year. These five issues, if implemented, could provide relief to our taxpayers and enhance our compliance system.

1. Extend Rental Tax Credit – requires legislation around EIN/SSN reporting by landlords
2. Improve communications with Limited English Proficient (LEP) taxpayers by hiring more bi-lingual auditors where appropriate
3. Make recommendations on how to increase e-filing of Forms 940 & 941; analyze the feasibility of "free filing" using the FreeFile Alliance model
4. Taxability (or not) of cancelled debt by insolvent taxpayers and how the Service handles these cases
5. Development of guidelines for rescinding stat notices when the taxpayer files an amended return in response to a 90-day letter

Subcommittees Report-Out:

Subcommittee on Schedule C Issues

Lee discussed the subcommittee's work on the Exam Video and discussion ensued on the topic. Lee's suggestion is to put the taxpayer at ease prior to the audit and state the possible reasons for the audit. Zgoda indicated that the taxpayers' rights should be stated in the video.

Lee also talked about their discussion on the "nanny tax" – an issue originated by Shah. This is an interesting issue and one that merits further discussion next year.

Subcommittee on Aging Issues

Margulies reported that their subcommittee teleconference was cancelled since they could not have a Subject Matter Expert join them on the Ready Return Program discussion. He mentioned the existence of a Feasibility Study conducted by the IRS on this Program at the federal level and added that their teleconference was rescheduled for November 25th.

Public Participation

None

Farewell

Again, Zgoda thanked all the members for their support and their work and indicated that he would be seeing some of us at the Annual Meeting.

Louis Morizio informed the TAP members that the Brooklyn office will not be working with the SBSE Burden Reduction Issue Committee next year. Judi Nicholas's office in Seattle will be working with them.



**SB/SE Burden Reduction Issue Committee
Teleconference Minutes
October 9, 2008**

Program Owner

Charlotte Kieliszek
Tanya Manafee

Attendance

James Brock
MJ Lee
Patrice Marker
Bob McQuiston
Robert Mull
Rajiv Shah
Bruce Zgoda

Absent

Shaun Barry
Gregory Blanchard
Marilynn Clapp
Greg Gurse
Julie Jason
Steve Maisch
Howard Margulies

Staff

Louis Morizio, TAP Program Manager
Audrey Jenkins, TAP Analyst
Marla Ofilas, TAP Secretary

Welcome

Bruce welcomed the members. Roll call was taken and a quorum was not met. Bruce announced that his time on the teleconference will be brief and MJ will take over.

2009 Committee Chair Election

Bruce asked the members to begin thinking of electing a new committee chair. During the TAP Annual meeting, the committee members will elect a new chair. Bruce reminded the members that the chair training would follow the annual meeting. Those that are interested in becoming committee chair will need to plan accordingly.

Program Owner

Charlotte introduced Tanya Manafee and explained that she is now the point of contact. Tanya is a liaison with IRSAC and IRPAC and has experience working with advisory groups. Tanya explained her background to the committee.

The committee members welcomed Tanya.

Bruce asked what issues the committee would work on in the future. Tanya commented that she reviewed the list of issues previously worked and was interested in the SBSE links and the content of home-based businesses.

Louis explained to Charlotte and Tanya that the TAP issue committees receive their issue assignments from the Program Owner. The committee will need to know the issues that the Program Owner will



assign to them by the TAP's Annual Meeting in December. Charlotte explained that she will be working with Phyllis Grimes to accomplish this.

Subcommittee Report-Out

Since the subcommittees were not prepared to provide a report-out at this time, the full committee decided to review the pre-read materials that Marisa provided. In addition, a quorum was not met for this meeting and therefore, no decisions on the proposed recommendations can be reached at this time. Louis suggested that the members review the pre-read material that contains these recommendations and email Marisa their comments.

ACTION: The members agreed to provide their input to Marisa via email.

Bob Mull reviewed the Ready Return Proposal and explained that many countries' governments complete the tax return for their taxpayers except the United States. The Aging Issues Subcommittee felt that the IRS should execute an experiment, like it has been done in California, where federal tax returns for selected persons are completed automatically. This would address the high incidence of errors with manually prepared tax returns by senior Americans.

Charlotte suggested that instead of looking at a geographic roll out, the committee consider targeting people that were eligible for tele-file, which is no longer available. Bob agreed with Charlotte. Bob requested a subject matter expert speak with the subcommittee. Charlotte agreed and will work with Marisa to locate a SME. Charlotte also asked the committee to account for resistance from software vendors who provide return preparation software to taxpayers (Turbo Tax, etc.) because the government would be taking business away from them with such an experiment.

The committee continued their discussion. Charlotte agreed to speak with Phyllis and find written material regarding this issue that could assist the committee in making a recommendation.

ACTION: Charlotte will locate a SME and written material regarding IRS preparing returns for taxpayers.

M.J. explained that the committee met and discussed the proposal to add a link on the SBSE website targeted to taxpayers with home-based business that file a Schedule C-EZ. This Schedule's filer must wade through a great deal of information that is extraneous because he or she does not have employees. This information posted on the website could reduce this burden and result in finding the information they need quickly.

Since a quorum was not met, M.J. proposed to approve this recommendation via email.

ACTION: The full committee will provided comments via email to Marisa.

Public Participation

None.

Closing

M.J. closed the meeting and thanked everyone for their participation.



**SB/SE Burden Reduction Committee Meeting Minutes
September 11, 2008
Teleconference**

Program Owner

- Kieliszek, Charlotte

Designated Federal Official

- Knispel, Marisa

Committee Members Present

- Barry, Shaun
- Brock, James
- Gurse, Greg
- Lee, MJ
- Maisch, Steve
- Margulies, Howard
- Marker, Patrice
- McQuiston, Robert
- Mull, Robert
- Shah, Rajiv - Vice Chair
- Zgoda, Bruce - Chair

Committee Members Absent

- Blanchard, Gregory
- Jason, Julie

TAP Staff

- Odom, Meredith

Other Attendees

- Michael Bess, SBSE Senior Tax Analyst
- Taylor, Dillon

Welcome

Zgoda welcomed everyone to the call.

Roll Call

Quorum Met

Review Agenda

Reviewed



Program Owner Presentation

Kieliszek spoke about an issue she had previously mentioned to the Committee: the fact that the majority of IRS Math Error notices are issued to senior citizens who are filing paper tax returns. Because they are not filing or using software preparation kits, several items on their returns are miscalculated.

Kieliszek requested that the Committee -Aging Issues Subcommittee- discuss this problem and provide ideas on how to entice our aging Americans to use electronic means of preparing tax returns and to examine what is preventing these taxpayers from using electronic means.

Subcommittee Report-Out Subcommittee on Schedule C Issues

Brock informed the members that this Subcommittee discussed his idea of a new program whereby the IRS would assist new small business owners prepare and file their required tax returns during the first two or three years in business. He indicated that a proposal on this idea would be sent to the IRS via the TAP's Area 2 Committee. Knispel had written a different version of the proposal for this Committee to review but since Area 2's decision was made, we will wait to learn of the outcome of their proposal. Meanwhile, Knispel will send all members both versions for their review. Kieliszek mentioned that Jim's idea is good but we need to think of logistics and resources to accomplish it.

Kieliszek commented on the Schedule C Loss- Hobby vs. Business Income Check Sheet that was submitted to her. She requested that the members create a flow chart to be used instead of the check sheet.

Lee will write a proposal regarding Schedule C- EZ information on the IRS website.

This Subcommittee's new assignment will be working with Exams on the script for an Audit Video to inform taxpayers on the process of an audit, documentation needed, time required, representation, etc. We will meet with Nancy Como or someone from her staff to discuss this assignment in the near future.

Subcommittee on Aging Issues

Margulies informed everyone that the Subcommittee had not met this month and thus, he has nothing to report.

Public Participation

Taylor thanked all for allowing his participation in their meeting.

Closing

Zgoda thanked all for participating.



**SBSE Burden Reduction Issue Committee Meeting Minutes
August 14, 2008
Teleconference**

Program Owner

- Kieliszek, Charlotte

Designated Federal Official

- Morizio, Louis

Committee Members Present

- Blanchard, Gregory
- Brock, James
- Gurse, Gregory
- Lee, MJ
- Margulies, Howard
- Marker, Patrice
- McQuiston, Robert
- Mull, Robert
- Shah, Rajiv
- Zgoda, Bruce

Committee Members Absent

- Barry, Shaun
- Clapp, Marilyn
- Jason, Julie
- Maisch, Steven

TAP Staff

- Knispel, Marisa
- Odom, Meredith

Other Attendees

None

Welcome

Zgoda welcomed all participants.

Roll Call

Quorum Met

Review Agenda

Program Owner Presentation

Kieliszek thanked the members for all the work they do and indicated she is very pleased with the



suggestions the members have made so far. She announced that in spite of the organizational changes, she will remain as our liaison to the IRS until the end of the year when someone will replace her.

Audit Process-video

A teleconference was held with Zgoda, Kieliszek and Nancy Como of the Examination Policy division to discuss a survey the IRS conducted to identify areas within the process of an audit process that need to be improved or enhanced. The IRS is considering creating a video on what to do if a taxpayer is audited to provide a visual aid to the taxpayer. At the same time, the video will educate taxpayers on the audit process. Como asked Zgoda if the members would be interested in providing ideas for this video to which he responded it would be a good assignment for the group.

Subcommittee Report-Out:

Subcommittee on Schedule C Issues

Check Sheet for Hobby Losses

Blanchard explained the Subcommittee project on this Check Sheet for taxpayers to use and identify whether an activity is considered a hobby or business income and determine if a loss is deductible. Two versions of the Check Sheet were produced, an Xcel spreadsheet and a Word version. The members of the Committee were asked to select which would be a better version – the chose the latter.

Subcommittee on Aging Issues

Margulies informed the members that their letter on the Social Security issue was referred to Systemic Advocacy using the SAMS database and following the instructions of NTA's counselor Christopher Lee.

Zgoda indicated that when the project of the audit video is assigned to the Committee, it would be assigned to the Aging Subcommittee.

Potential New Issue

Brock presented the members with a new issue of having VITA provide service to new and existing small business. This will assist in record keeping and help them in preparing forms such as Form 940 and Form 941 and comply with their tax obligations.

Public Participation

None

Closing



**SBSE Burden Reduction Issue Committee Meeting Minutes
July 10, 2008
Teleconference**

Program Owner

- Kieliszek, Charlotte

Designated Federal Official

- Morizio, Louis

Committee Members Present

- Barry, Shaun
- Brock, James
- Gurse, Gregory
- Jason, Julie
- Lee, MJ
- Margulies, Howard
- Maker, Patrice
- McQuiston, Robert
- Mull, Robert
- Shah, Rajiv
- Zgoda, Bruce

Committee Members Absent

- Blanchard, Greg
- Clapp, Marilyn
- Maisch, Steve

TAP Staff

- Knispel, Marisa
- Odom, Meredith

Other Attendees

None

Welcome

Roll Call

Quorum Met

Welcome

Zgoda welcomed everyone.

Program Owner Presentation

Kieliszek informed the members that the IRS Commissioner has selected Office of Taxpayer Burden (OTBR) Director Jodi Patterson to lead an initiative to improve IRS written communications such as notices sent to taxpayers. While Patterson is on the detail, Kieliszek will act as Director of the OTBR



and she will also continue to act as liaison for the TAP with this Office. Kieliszek also reported that as of October 1st the OTBR will no longer be part of the Small Business Self-Employed (SBSE) organization but will report directly to the IRS Deputy Commissioner Linda Stiff. When this takes occurs, the TAP will eventually have a new liaison from the SBSE. The reason for the re-organization is that the OTBR is an enterprise that affects both individual taxpayers and businesses and in order to obtain cooperation from all IRS business entities, it must be moved under the Office of the Commissioner.

Kieliszek also informed the members on some recent research: 2/3 of the population files the Schedule C EZ while 1/3 files the Schedule C.

She also reported that the examination division is working on a video on How to Prepare for an Audit and she will have the TAP act as a focus group on this project to provide feedback.

Lastly, Kieliszek indicated that at a symposium she recently attended she learned that aging Americans receive more IRS math error notices than any other group. The most common cause for these errors is caused in the computation of capital gains. She also learned that 95% of these seniors do not prepare their tax returns electronically (this includes computer software) but they file paper tax returns. The volume of these math error notices caused by miscalculating capital gains was 243,000 tax returns. The second most common error notices were sent to those with Earned Income Tax Credit miscalculations (242,000 tax returns) and the third most common dealt with the taxability of Social Security (200,000 tax returns). Most of these errors, Kieliszek pointed out, could be avoided with the use of electronic filing (including software).

Subcommittee Report-Out

Subcommittee on Schedule C Issues

Brock discussed the Check Sheet to be used for Schedule C losses. The Check Sheet is a simple list of 9 questions with a Yes or No format. McQuiston provided some suggestions to revise the list, (See attached)

Subcommittee on Aging Issues

Margulies informed the members that the Subcommittee decided to revise the context of the letter to NTA Nina Olson pending recent legislation (HR6242). The group discussed HR6242 that aims to repeal Social Security benefits. McQuiston volunteered to write the first draft of this letter.

The subcommittee also reviewed some IRS notices sent to senior citizens. One of these notices involved a reminder to pay estimated to avoid penalties. Another notice alerted a 70 year-old taxpayer of his upcoming Required Minimum Distribution (RMD) at 70 ½ and that he would incur penalties in the event of not following the required regulation.

Public Participation

None

Closing

Zgoda thanked everyone for their participation



**SBSE Issue Committee Meeting Minutes
6/12/08 - 2:00PM
Teleconference**

Program Owner

- Kielszek, Charlotte

Designated Federal Official

- Knispel, Marisa

Committee Members Present

- Barry, Shaun
- Brock, James
- Clapp, Marilyn
- Gurse, Gregory
- Jason, Julie
- Lee, MJ
- Margulies, Howard
- Mull, Robert
- Shah, Rajiv
- Zgoda, Bruce-Chair

Committee Members Absent

- Blanchard, Gregory
- Maisch, Steve
- Marker, Patrice
- McQuiston, Robert

TAP Staff

- Odom, Meredith

Other Attendees

- Jones, Allen
- Welsh, Cathy

Welcome

Zgoda welcomed everyone to the call

Roll Call

Quorum Met

Review Agenda

Program Owner Presentation

Kielszek thanked everyone in the Committee for expressing their frustration at the face-to-face



meeting on the lack of guidance received from the Office of Taxpayer Burden Reduction (OTBR) and she is looking forward to a change in direction and improvement.

Welch indicated that she currently does not have a response to the questions the Aging Issues Subcommittee addressed to her and as soon as she receives the researched information, she will share it.

Subcommittees Report-Out

Subcommittee on Schedule C Issues – Clapp addressed the Committee with the following two items for consensus to be addressed by Chair Zgoda to OTBR Director Jodi Patterson:

- **Reply to Steinberg’s Letter** – Knispel had shared with the members a letter composed by Blanchard and addressed to Director of OTBR Patterson in reply to the recommendations that Steinberg Enterprises, LLC made on the issue of the burden found on the Schedule C.
- **Basic Tips for Schedule C-EZ** – MJ Lee composed a checklist titled “Schedule C-EZ at a Glance” providing an easy-to-understand list of tips for people who are or could be using this Schedule. The list can be used as a bookmark or half-page flyer and perhaps distributed at VITA and TCE sites.

Both documents were approved by the full Committee.

Clapp also informed the Committee that they are working on other issues such as:

1. a checklist that will define a “hobby” and distinguish it from “business income”. This checklist can be included in the IRS website.
2. A calculator for depreciation that could also be placed in the IRS website to facilitate the calculation of depreciation or the definition of a depreciable asset. If the calculator cannot be created for some reason, the Subcommittee will recommend that a link to another website’s calculator be provided within the IRS.gov.

Subcommittee on Aging Issues

Margulies informed the Committee his latest revision of the Excel spreadsheets that could be used to calculate the taxable portion of Social Security benefits.

He would also like to address some legislative issues concerning Social Security (such as increasing the threshold for inflation) in a letter to National Taxpayer Advocate Nina Olson.

Welsh has been trying to set up a meeting with other IRS personnel to discuss Margulies’ spreadsheet and Mull’s Power Point (also to aid in taxability calculation). These have already been shared with the IRS personnel responsible for creating a calculator on the IRS.gov website that will be used to calculate the tax, if any, on the benefits.

Clapp suggested that a calculator should be created to assist the taxpayer already receiving Social Security benefits with the amount of income he or she can earn before the benefits become taxable.

Public Participation

None

Closing and Actions

Zgoda will address Blanchard’s letter and Lee’s proposal to Patterson.

The Aging Issues Subcommittee meeting of June 16th has been cancelled until further notice from Knispel.



**SBSE Issue Committee Meeting Minutes
May 8, 2008
Teleconference**

Program Owners

- Kieliszek, Charlotte
- Welsh, Kathy

Designated Federal Official

- Knispel, Marisa

Committee Members Present

- Brock, James
- Clapp, Marilyn
- Gurse, Gregory
- Jason, Julie
- Maisch, Steven
- McQuiston, Robert
- Mull, Robert
- Shah, Rajiv
- Zgoda, Bruce

Committee Members Absent

- Barry, Shaun
- Blanchard, Greg
- Lee, MJ
- Marker, Patrice

Welcome

Zgoda welcomed everyone to the call.

Roll Call

Quorum Met

Review Agenda

Program Owner Presentation

Analyst Kathy Welsh who is responsible for issues on the aging that the Office of Taxpayer Burden Reduction is currently examining, told us that her team met in April to discuss 1) improving IRS' communication on the web with senior citizens and retirees, 2) developing an online calculator on irs.gov to calculate the taxable portion of Social Security benefits, 3) increasing the threshold for Social Security (a legislative issue) and facilitating the explanation and calculation of the taxability with the use of the Worksheet and the PowerPoint and chart that TAP has developed, 3) developing an online calculator to calculate the Required Minimum Distribution (RMD), 5) improving the Form 1099-its format and content.

Welsh indicated that she is trying to schedule a teleconference with her team, IRS Counsel, Forms & Publications and the TAP to discuss the third item aforementioned. Discussion ensued on the RMD



from a question Julie Jason asked in reference to IRS data on the penalties for either failing to receive/report the distribution and for reporting the incorrect distribution.

The subject of Social Security taxability, specifically the problem in calculating the taxable portion and also the fact that the threshold has not been increased for inflation since its inception in 1986 were also discussed. Welsh will request permission from the IRS to share with the TAP the agency's legislative studies on this subject.

Subcommittee Report-Out

Subcommittee on Schedule C Issues – Clapp reported.

IRS launched a news release on its campaign addressing new business owners. Since the release (i.e. the IRS) is already addressing some of the issues that concern this subcommittee, the members would appreciate more direction from the Program (Allen Jones) on these or other issues related to the Schedule and or new business owners.

A new item that the subcommittee would like to address is the fact that irs.gov does not provide a link to obtain an Employer Identification Number (EIN). Also, they would like to recommend that the EIN unit send a package to those EIN applicants when they call their toll-free number.

Clapp also stated that a reason for the underutilization of the Schedule C-EZ is that this form does not allow for NOL (Net Operating Loss) carry forward/ carry back provisions and they would like to recommend the IRS change the Schedule's format that would accomplish this such as an increase in the expense limit from \$5,000 to \$10,000. Accomplishing this will encourage more taxpayers to file.

Subcommittee on Aging Issues – Margulies reported

Welsh, the Program Owner for this subcommittee, had already informed meeting participants on this subcommittee's work. Margulies spoke about a TIGTA study on the issues of the elderly.

Public Participation

None

Closing

Zgoda thanked everyone for attending.



**SBSE Issue Committee Meeting Minutes
April 10, 2008
Teleconference**

Program Owner

- Kieliszek, Charlotte

Designated Federal Official

- Morizio, Louis

Committee Members Present

- Brock, James
- Clapp, Marilyn
- Gurse, Gregory
- Lee, MJ
- Maisch, Steven
- Marker, Patrice
- McQuiston, Robert
- Robert Mull
- Zgoda, Bruce

Committee Members Absent

- Barry, Shaun
- Blanchard, Greg
- Jason, Julie
- Shah, Rajiv

TAP Staff

- Knispel, Marisa
- Odom, Meredith

Other Attendees

- Grimes, Phyllis
- Jones, Allen
- Welsh, Kathy

Welcome

Zgoda welcomed everyone to the call.

Roll Call

Quorum Met

Review Agenda

Program Owner Presentation

Grimes discussed SBSE's Education and Outreach Campaign focusing on the Schedule C filer which



addresses the new business owner who may be filing this Schedule for the first time. The goal of the Campaign is to improve compliance and reduce the tax gap by enhancing education and outreach. It will take place in three phases.

Phase I will be launched in April of this year at the National Small Business Week. This event is important for the small business community because it highlights the fact that small businesses are the force behind the economic growth in the United States. The Small Business Self-Employed organization has a communication plan that outlines how the information will be distributed to the public. There is a list of key messages and talking points and a news release. Information will also be distributed electronically such as on the first page of irs.gov and through Electronic News for tax professionals and small businesses. Information will also be disseminated via programs such as Tax Talk Today and Small Business TV. There will be a Phone Seminar which is a national teleconference to spread the word that will be held on May 21stand a Congressional Update as well.

Phase II is the Media Phase. A "Your Business" tax kit will be developed and distributed to financial institutions hoping that they will share it with new business owners in their communities. This product should be ready by August or September of this year.

Phase III aims to expand the current VITA Program in order to include Schedule C preparation. It also aims to establish self-help workshops in the Taxpayer Assistance Centers to provide taxpayers the help they need.

Grimes asked the Committee to review the handouts (see attachments) and to provide her with any feedback. She also asked them to think of other distribution channels to get all this information out to the public.

Subcommittee Report-Out

Subcommittee 1 – Schedule C Issues

Clapp informed the members that the subcommittee is working on issues such as worker classification, payroll and estimated tax payments. They are also considering a checklist to be included in the Publications 583 and 344. The checklist will contain important information in case taxpayers don't read the entire publication. Zgoda is developing this checklist. He is also composing a compliance notice that could be sent to new businesses to assist them in remaining compliant.

Subcommittee 2 – Aging Issues

Margulies informed the members that at their last meeting, the subcommittee reviewed the Power Point presentation and the chart that could be alternatives for the Social Security Worksheet. Kathy Welsh and her team are currently reviewing these documents. The subcommittee also discussed other issues that affect senior citizens such as the Required Minimum Distribution (RMD)

Welsh confirmed that her team and Counsel as well as employees of Forms & Publications are reviewing the aforementioned documents and hope to complete the review within the next two weeks. Her team, Welsh said, is anxious to learn the suggestions from the TAP on educational materials regarding the RMD

Welsh informed the members of the IRS' work on the Office-in-Home deduction in 2005. Her team had proposed a standard rate (using data from the Census Bureau) with the idea of not using depreciation. However, Treasury did not agree. The issue is also being considered by the National Taxpayer Advocate Nina Olson.

Morzio reminded the Committee that, as TAP members, they are not allowed to work on legislative issues.



Public Participation

None

Closing

Zgoda thanked everyone for attending.



SB/SE Burden Reduction Issue Committee Meeting Minutes March 13, 2008

Program Owner

- Jones, Allen

Designated Federal Official

- Louis, Morizio

Committee Members Present

- Barry, Shaun
- Blanchard, Gregory
- Brock, James
- Clapp, Mairlynn
- Gurse, Gregory
- Jason, Julie
- Lee, MJ
- Maisch, Steven
- Margulies, Howard
- Marker, Patrice
- McQuiston, Robert
- Mull, Robert
- Shah, Rajiv
- Zgoda, Bruce

Roll Call

Quorum met

TAP Staff

- Knispel, Marisa
- Odom, Meredith

Other Attendees

- Jones, Allen
- Kieliszek, Charlotte
- Welch, Peggy

Welcome

Zgoda welcomed everyone.

Program Owner Presentation

Summary on Burden Data for Schedule C Filers

Jones provided the members with a summary of the research performed by OPERA (Office of Program Evaluation and Risk Analysis) on the burden found by Schedule C filers. The data presented is based on a survey conducted among 4,400 business owners in the year 2000.



Jones indicated that the main question is how the IRS defines “burden”. The factors taken into account to define burden are:

- Understanding the tax rules
- Tax Planning
- Recordkeeping
- Obtaining the forms
- Completing the forms
- Contacting the IRS for Assistance
- Money spent on tax information, software and preparers

Kieliszek indicated that burden can be summarized as “time + money”.

Within the Schedule C, Jones added, items such as wages, other income, mortgage interest and depreciation where those that most respondents seemed to consider most “burdensome”. Jones continued to explain the Summary (attachment) and indicated that for wages reported on line 26 of the Schedule, there was more burden when a paid preparer was used and for the business use of the home deduction there was less burden when the paid preparer was used.

The Summary was provided to the Subcommittee working on the Schedule C Issues prior to this meeting for their discussion.

Subcommittee Report-Out

Subcommittee on Schedule C Issues of Burden

This subcommittee met on March 5th. Among the issues of their discussion was providing more taxpayers with publications such as Publications 583 and 334 which provides much information to Schedule C filers on how to fulfill their tax responsibilities. They also decided to create a top-10 list of the most common issues that an employer or new business would face and simplifying the information provided on the issues to improve communication. Another decision was to create an algorithm for depreciation that would assist taxpayers in deciding what type of depreciation is most beneficial to select. A follow-up on a suggestion made by member Patrice Marker was to recommend a required attachment to the tax return when depreciation is used to indicate the cost of the item prior to depreciation and the method of depreciation selected. This suggestion would assist tax preparers when tax preparers change from year to year.

One last suggestion this subcommittee would like to make is for the Schedule C- EZ to allow reporting of a net operating loss. Along with this issue, an item of discussion was the definition of a profit business vs. a hobby. Since the IRS considers that a business “for profit” is one that has profited three out of five years of continuing operations, it should follow that a business should be allowed to report a loss using the simplified Schedule C-EZ.

This Subcommittee will meet on April 2nd, at 1:00 PM ET.

Subcommittee on Aging Issues

This subcommittee discussed the worksheet to calculate the taxability of Social Security. Mull and Margulies took two separate approaches to improve the explanation between income and taxable social security. While Mull created a flowchart, Margulies created a data chart.

Analyst Kathy Welsh of the Office of Taxpayer Burden Reduction liked both ideas and will share the charts with her team for decision.

This Subcommittee will meet on April 1st at 12:00 PM ET.



Public Participation

None

Closing

Zgoda thanked all participants. The next Committee meeting will be April 10, 2008 at 2:00 ET



**SB/SE Burden Reduction Issue Committee Meeting Minutes
February 14, 2008
2:00 P.M. ET
Teleconference**

Welcome

Zgoda welcomed all participants.

Roll Call

Quorum Met

Member Present

Barry, Shaun
Brock, James
Clapp, Marilyn
Gurse, Gregory
Jason, Julie
Lee, MJ
Maisch, Steven
Margulies, Howard
Marker, Patrice
McQuiston, Robert
Mull, Robert
Shah, Rajiv
Zgoda, Bruce

Staff Present

Morizio, Louis
Knispel, Marisa
Odom, Meredith

Quorum met

Program Owners

Jones, Allen
Welsh, Kathy

Review Agenda

Program Owner Presentation

Aging Issues

Analyst Kathy Welsh stated that the IRS would like to address the issues impacting the aging community. A small team, she explained, met on January 31st to work with the IRS research organization to sort through all of these issues.

The scope of the team was expanded to other IRS functions (other than research and the Office of Burden Reduction) including Counsel. They will look at items such as calculation tools, tax forms, tax worksheets and instructions. They will also consider what can be done legislatively as well as regulations with the aim of simplifying these issues.

These are 3 main areas that need improvement:

- Social Security calculations
- Required Minimum Distributions penalties



- Communication and Education on issues such as filing requirements when a spouse dies and income levels change

Welsh requested the TAP's assistance in bringing ideas to ameliorate and improve these issues. The team will meet again in April, Welsh said, and suggested the start their work on the Social Security issue focusing on the worksheet to calculate taxability and its instructions.

Subcommittee 1 – Schedule C Issues of Burden

Clapp reported that this subcommittee will meet on the first Wednesday of each month at 1:00pm ET. Each member of the subcommittee was given the task of reporting their individual areas of concern on the Schedule C and the Schedule C EZ. This is what they reported:

1. Expanding the use of the Schedule C EZ. One way would be by increasing the threshold which is currently \$5,000.
2. The TAP should know what the actual errors are on each line of the Schedule C in order to make better recommendations. Jones will provide the Committee with these statistics that are currently being identified by the IRS' research organization.
3. Allowing the change of a company's name electronically.
4. Education on the Schedule C is a major concern. Jones had expressed to the subcommittee the idea of presenting this issue to Phyllis Grimes of SPEC (Stakeholder Partnership Education and Communication).

Subcommittee 2 – Schedule C Issues of Burden

Margulies reported that this subcommittee discussed 1) raising the threshold on Schedule C-EZ, 2) simplifying depreciation by having a tool to calculate it or just by allowing one method such as the Straight Line Method to calculate it, 3) office-in-the-home deduction, 4) allowing the carryover of data on the Form 4797 from one year to the next. This would allow continuity from one tax professional to another who may be the new tax return preparer.

Formation of New Subcommittees

Schedule C Subcommittee – Blanchard, Brock, Clapp (Chair), Gurse, Lee, Shah

Aging Issues Subcommittee – Barry, Jason, Maisch, Margulies (Chair), Marker, McQuiston, Mull, Zgoda

Knispel will solicit dates for a teleconference for the Aging Issues Subcommittee.

Morzio suggested that those members who were on the Schedule C Subcommittee and are now in the Aging Committee continue to send their suggestions to Clapp.

Face to Face Meeting

Knispel informed the members that Denver, CO seems to be the best location to hold the face-to-face meeting on May 28 – 31, 2008.

Public Participation

None

Closing

Zgoda informed the committee that January 31st was EITC Day. Zgoda and Whiteside from Area 1 did an outreach in Buffalo, NY.

Jones is pleased the committee decided to work on some of the issues that were presented by Welsh. Jones will participate in subcommittee meetings if needed. If the committee needs any data, let Jones



know. Jones will meet with the research team on February 28th in reference to the Schedule C. Jones will provide the committee with the data from the meeting as soon as he receives it.