



# **2006 Annual Report**

## **Mission Statement**

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

## **Vision Statement**

Citizen volunteers valued for improving IRS services.



## Preface

The Internal Revenue Service (IRS) provides a range of services to help people comply with their tax obligations and make it easier to participate in the tax system. The Taxpayer Advocacy Panel (TAP) was established to improve IRS responsiveness to taxpayer needs and to provide advance input on key program changes that impact customer service. TAP is an independent advisory group, established in conformance with the Federal Advisory Committee Act (FACA), with volunteer members from all over the country appointed by the Secretary of the Treasury to represent each state, the District of Columbia, and Puerto Rico.

TAP was created in 2002, replacing four Citizen Advocacy Panels that represented only ten states. In response to a review of IRS advisory committees, Treasury recommended nationwide expansion of the Citizen Advocacy Panels and the new name. Although TAP is constituted as an independent advisory committee, the Department of the Treasury, IRS, and National Taxpayer Advocate (NTA) oversee TAP, and the Taxpayer Advocate Service (TAS) provides the funds and technical, administrative, and clerical support essential to accomplish TAP's objectives. The original TAP charter has been amended to reflect new realities such as the changing number and size of TAP's committees and extension of members' terms from two to three years. Nevertheless, the basic structure and operating policies remain much the same as originally designed.

TAP's primary functions are to solicit grassroots (taxpayer initiated) issues and formulate recommendations for improving IRS service to taxpayers. TAP elevates grassroots issues to the IRS employees charged with directing particular programs (program owners) and also responds to requests from program owners for advance input on IRS strategic initiatives. To fulfill TAP's dual roles, each TAP member serves on one of seven geographically-based "Area Committees" and also on an "Issue Committee." Area Committees act as listening posts to capture grassroots issues from taxpayers and forward them to IRS program owners. Issue Committees allow TAP members to provide feedback directly to program owners on issues identified as strategic initiatives by the Wage and Investment (W&I) Operating Division, which has responsibility for individual taxpayers, the Small Business/Self-Employed (SB/SE) Operating Division, and the TAS. Each Area and Issue Committee selects a Chair that, along with the TAP Chair and Vice Chair, who are elected by the entire TAP membership, make up the Joint Committee. The Joint Committee was established to provide management and administrative direction for TAP.

The TAP charter requires that TAP annually provide the Secretary of the Treasury, the Commissioner of Internal Revenue, and the National Taxpayer

Advocate with a written description of TAP's objectives and a self-assessment of TAP work relative to its objectives. This report assesses TAP's activities and accomplishments relative to the following objectives:

- Provide the opportunity for citizens to participate in the improvement of the United States tax administration system and the organization of the IRS
- Serve as a conduit for grassroots input to help the IRS improve responsiveness to taxpayer needs
- Act as a sounding board for the IRS to help monitor the quality of taxpayer service
- Be a valuable partner to the IRS
- Provide an effective forum for direct citizen input into IRS programs and procedures

The report includes a description of the 58 new recommendations TAP prepared for IRS consideration in 2006 (Appendix A), a summary of IRS responses received in 2006 regarding TAP recommendations submitted to the IRS in prior years (Appendix B) and a record of all the TAP recommendations forwarded to the IRS since TAP was established in 2002 (Appendix C). TAP's fiscal year runs from October 1 to September 30. However, as a practical matter, TAP's operational year runs from Annual Meeting to Annual Meeting. Until this year, TAP member work for each year did not begin in earnest until after the TAP Annual Meeting when the most recently appointed members were provided orientation, the TAP leadership – TAP Chair and Vice Chair and Committee Chairs – were elected, and the committee structure for the year was established. At the end of 2006, a new process was implemented to allow continuous work by the committees. Part of the Annual Meeting was devoted to Area and Issue Committee meetings, allowing the work that was in progress to continue, with the new members being integrated into the effort. This reduced the lack of productivity between the Annual Meeting and the next Area and Issue Committee meetings.

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## Executive Summary

The Taxpayer Advocacy Panel (TAP) has approximately 100 demographically diverse volunteer members who are organized into multiple committees. Each member serves on an Area Committee that is geographically based. Area Committees are charged to serve as listening posts to bring grassroots issues to Internal Revenue Service (IRS) decision makers. Members also serve on an Issue Committee that responds to priorities identified by the IRS. Issue Committees provide direct taxpayer input on IRS strategic initiatives and administrative and procedural issues.

In 2006 the IRS and TAP established seven Issue Committees:

- The Ad Hoc Committee worked directly with the IRS on issues related to forms and publications and the Multilingual Initiative.
- The Burden Reduction Committee partnered with the IRS Small Business Self Employed (SBSE) Office of Taxpayer Burden Reduction as a stakeholder to provide input on burden reduction issues.
- The Communication Committee developed strategies, products and initiatives to improve both internal and external communications.
- The Earned Income Tax Credit (EITC) Committee provided feedback to the EITC Program staff on EITC products and services.
- The Notice Simplification Committee responded to requests for improvement of IRS Notices.
- The Volunteer Income Tax Assistance (VITA) Committee worked to improve the partnership between the IRS and various community sponsored free tax preparation programs.
- The Taxpayer Assistance Center (TAC) Committee worked with the IRS to improve TAC operations.

These Committees are closely linked to those responsible for directing particular programs (called “program owners”). TAP Area and Issue Committees provide unique opportunities for members to identify and analyze service-wide issues. Each Area and Issue Committee selects a Chair and these chairs, along with the TAP Chair and Vice Chair elected by the entire membership, serve on the Joint Committee. The Joint Committee serves as an administrative body and is empowered to speak on behalf of TAP as a whole.

In 2006, TAP Area and Issue Committees generated 58 new recommendations to the IRS. Summaries of these elevated recommendations and the IRS’ responses are presented in Appendix A. The recommendations were well thought out and presented opportunities for the IRS to improve its service to



taxpayers through increased awareness and changes in systems and forms. In addition to that effort, the committees were very involved in many other activities, including preparing recommendations in response to requests from the Commissioner and hosting Town Hall Meetings with the National Taxpayer Advocate (NTA) to solicit input from citizens. The Joint Committee provided testimony to the IRS Oversight Board twice and met with IRS Commissioner Everson. The Commissioner asked for input on five specific issues:

- Internal Revenue Code Section 7216 (Regulations)
- Return Preparers' Regulations (Licensing)
- The direction for Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE)
- Outsourcing to Private Collection Agencies
- The availability of "Free-File" for taxpayers

TAP members responded with insightful and thoroughly researched position papers and received positive comments from the Commissioner's Office regarding the effort. The Letter to Commissioner Everson and TAP's recommendations for easing taxpayer burden on each of the five issues is presented in Appendix E.

In addition to committee work, TAP members spoke and distributed TAP materials directly to thousands of people and significantly more learned about TAP through media coverage of TAP activities. This provided taxpayers an opportunity to communicate with TAP members who can present their issues and concerns to the IRS. Communication with the public is a continuing and very successful effort to connect with taxpayers to identify ways to improve IRS services.

In late 2005, the TAP Director asked Area Committees to host public "Town Hall" meetings at which the National Taxpayer Advocate, Nina Olson, appeared. The first Town Hall meeting was conducted by Area 2 in Philadelphia on December 7, 2005, in conjunction with the Low Income Taxpayer Clinic (LITC) conference that TAS conducts annually. A total of seven Town Hall Meetings were held in the following locations across the nation:

- Philadelphia, Pennsylvania
- San Diego, California
- Davenport, Iowa
- Jackson, Mississippi
- Fargo, North Dakota
- Cranston, Rhode Island
- Cincinnati, Ohio

The meetings, moderated by the National Taxpayer Advocate, were attended by TAP volunteers, IRS representatives, the TAS' Local Taxpayer Advocates (LTA),

members of the public, and Congressional staff members. The Town Hall Meetings provided taxpayers with an excellent opportunity to voice their concerns directly to members of the TAP and the National Taxpayer Advocate.

The Joint Committee also worked effectively with TAP staff on many administrative issues, including improving TAP Annual Meetings, the recruitment and application process, external and internal communication, and follow-up on recommendations submitted to the IRS. The assistance and support of the TAP staff was extraordinary and much appreciated by the Joint Committee as well as the TAP members. Several positive changes in administrative areas were implemented this year. Training for committee chairs was developed and conducted in January of 2006. The number of new members selected each year was stabilized at approximately 33 percent with new members being contacted and briefed prior to the Annual Meeting. At the end of 2006, the Annual Meeting format was modified to provide the opportunity for continued committee work during the meeting which allows for more productive time for the committees. The use of sub-committees to screen new issues and the creation of a Quality Review Sub- committee enhanced the issue selection process and the quality of referrals submitted to the IRS. Committee meetings for the coming year were pre-scheduled by TAP staff which will result in increased efficiency for both TAP members and staff.



## **I. Administration**

The administrative foundation for TAP was defined by Department of the Treasury's National Citizen Advocacy Panel Design Team in 2002, and since then TAP members and staff have worked to build an organization that would effectively capture and communicate to IRS decision makers grassroots issues about taxpayer services. TAP members (Appendix F) and TAP staff (Appendix G) work in partnership to improve TAP's administrative structures, policies and procedures to achieve these ends.

The TAP National Office staff of three analysts and a secretary, headed by TAP Director Bernie Coston, are located in Atlanta, GA; Plantation, FL and Washington, D.C. Four TAP Program Managers, eight Analysts and four Secretaries are located in four field offices in Brooklyn, NY; Milwaukee, WI; Plantation, FL and Seattle, WA.

The TAP Chair and Vice Chair participated in monthly teleconferences with the TAP Director, National Office staff and TAP Program Managers. The TAP Director apprised the Joint Committee about the progress of administrative matters such as recruitment, annual meeting planning, the travel budget, etc. The Joint Committee worked effectively with TAP staff on many issues, including improving TAP Annual Meetings, the recruitment and application process, external and internal communication, and follow-up on recommendations submitted to the IRS. The TAP elected leadership and members would like to thank Director Coston and his outstanding staff for their assistance during 2006.

### **A. TAP Meetings**

Meetings are the core of how TAP functions. The business of TAP is largely conducted through personal or teleconference meetings. Teleconference meetings are audio-only telephone conference calls.

TAP members participate on at least two committees and, in addition, the chairs serve on the Joint Committee. The scheduled for all committee meetings is established as early in the fiscal year as possible to avoid scheduling conflicts and ensure timely posting to the Federal Register. According to the TAP charter, committees must hold regular meetings at least quarterly. The Committee Chair, Area Program Manager, Designated Federal Official (DFO), and Issue Program Owner determine the frequency of meetings based upon the committee workload.

TAP Annual Meetings are organized and directed by the NTA, the TAP Director, TAP Staff and TAP members, to provide a yearly opportunity for all members to

meet as one organization, for new members to receive necessary orientation, and for all members to receive training regarding the IRS and TAP operating policies and procedures. The Annual Meeting for the 2006 year was held in Washington, D. C. in January 2006.

### **B. Elevated Recommendations**

The primary activity of TAP members is to support the TAP mission by developing issues and elevating recommendations that will improve IRS service and customer satisfaction. Area and Issue Committees work on issues so each TAP member may work on a variety of issues simultaneously. To maintain TAP's independence and credibility, the work of TAP must be directed and largely accomplished by its citizen volunteer members.

An issue is an idea, suggestion, or problem that is raised to TAP by a taxpayer or the IRS. Area Committees examine issues identified through various sources and make their recommendations to the Joint Committee. Issue Committees receive nationwide issues directly from IRS program owners. Issue Committee members may have the opportunity to propose additional issues to IRS program owners through the course of their Committee's work.

Individual taxpayer problems or issues not related to the IRS are not within TAP's jurisdiction for consideration. The TAP mission does not include considering IRS employee problems, the IRS budget, legislative issues, state issues, or issues that do not directly relate to improving service and customer satisfaction.

TAP is not chartered to address legislative issues. However, it is not unusual for TAP members to hear about problems that can only be addressed through changes in the tax laws. Those issues can be elevated to the National Taxpayer Advocate, who makes legislative proposals directly to Congress via an Annual Report to Congress.

Those issues the committee decides to work are researched further, developed into a recommendation, and elevated to the Joint Committee on the Joint Committee Issue Referral Form. The Joint Committee reviews area recommendations and forwards them to the IRS as appropriate. The Joint Committee tracks the IRS responses to Area Committee recommendations and provides feedback to the originating committee until the IRS decides either to accept a recommendation, in full or in part, or rejects it. Recommendation status definitions can be found in Appendix D.

IRS program owners determine the focus of Issue Committees. The program owners meet with their assigned Issue Committees to set and prioritize the Committee's focus. The Committee then analyzes the issue(s) presented for their consideration by the program owner and develops and reports a recommendation or set of recommendations. After reviewing the

recommendation(s), the program owner provides preliminary feedback and the Committee evaluates the feedback. The Committee then either closes the issue or prepares a counter response. Copies of recommendations are forwarded to the Joint Committee for informational purposes.

Area and Issue Committees evaluate the IRS responses. If a recommendation was rejected, the committee either decides to prepare a follow-up response or assigns the recommendation to the appropriate closed status. If the IRS response indicates that a recommendation was fully or partially accepted, the committee then decides either to close the issue or monitor the recommendation until implementation. If a committee decides to monitor an accepted recommendation, the committee assigns a member or subcommittee to follow up on the recommendation and report on the progress toward its implementation at the time the committee provides input to the TAP Annual Report.

### **C. Recruitment**

Recruitment is a critical ongoing activity to ensure that TAP is continually supplied with representatives from all 50 states, the District of Columbia, and Puerto Rico who have diverse backgrounds and the needed talent and experience to be effective advocates for taxpayer issues. TAP members must be US citizens, current on their tax filings and payments, and willing to volunteer 300 to 500 hours a year for a term of three years. Applicants are expected to be experienced in resolving problems, formulating and presenting proposals, and representing the interests of others. In addition, they must demonstrate the ability to work as team members and have good oral and written communication skills. Originally, TAP members were appointed for two-year terms. However, upon the recommendation of the Joint Committee, the terms of approximately half of the original members were extended to three years and the TAP Charter was amended to prescribe three-year terms to accommodate the goal of achieving staggered terms, with approximately one-third of TAP members' terms expiring annually. The 2006 Annual Meeting saw the first of the three year rotation begin with approximately 33 percent of the TAP members being replaced that year.

Recruitment of new TAP members is directed by the TAP National Office, which is responsible for publicity, making applications available, screening applicants, and steering applications through the various levels of the appointment process (approval by the National Taxpayer Advocate, Commissioner of Internal Revenue, and Treasury Department).

In an effort to obtain useful information for improving communications with prospective members, modifying TAP's recruitment practices, and helping in the selection of TAP members, in 2004 the Joint Committee and National Office designed and began circulating exit surveys to all members who left TAP. The

use of these surveys has improved the knowledge of staff as to how to better recruit and provide service to TAP members.

A significant improvement in the orientation of new members occurred at the end of 2006. New members were briefed by phone by current TAP members and staff and then invited to participate in any teleconferences that occurred prior to the Annual Meeting. One of the improvements instituted for future Annual Meetings was training for new members that focused on the key issues they need to know and conducting full committee meetings during the Annual Meeting. This was intended to introduce new members to committee work in person, rather than by teleconference. This also gave new and returning members the opportunity to network during the conference and discuss any questions that the new members might have.

### D. Communication

In 2005, TAP established a Communication Committee to enhance its communication processes. In 2006, the Communications Committee revised the TAP Handbook to provide a better resource for TAP members and added an Outreach Toolkit which included “success stories” that TAP members can use when speaking with groups. In addition, the Communications Committee took on the substantial process of improving their internal communications system, an on line portal named TAPSpeak, to be much more user friendly and flexible.

TAP’s principal communication issues are: increasing grassroots feedback from taxpayers, improving IRS responsiveness and receptivity to TAP recommendations, and improving communication among TAP members and between TAP members and staff. Elevated recommendations are TAP’s most important form of communication with the IRS. At times, IRS responses to TAP’s recommendations have been delayed and sometimes cursory and unreceptive. During 2006, the communications with IRS management improved significantly, resulting in better workflow between TAP and the IRS. In addition, the Commissioner met personally with representatives of the Joint Committee.

**TAP Member Handbook.** A TAP Member Handbook was first prepared for distribution to all members at the 2004 Annual Meeting for use as an educational tool during the new members’ orientation session and for all members to use as a resource throughout the year. The Handbook has been revised and updated twice since that time through the Communications Committee and serves as an excellent tool for use by TAP members.

The handbook outlines Federal Advisory Committee Act (FACA) requirements, member responsibilities, TAP policies and procedures, guidance and information to assist TAP members in the performance of their responsibilities, and guidance for committee and sub-committee chairs and vice chairs, as well as samples of

various forms and other documents TAP members need to complete in the course of their TAP duties.

**Monthly Committee Report Forms.** The monthly committee report form is a means to keep all committees abreast of what other committees are doing. In 2006, the Joint Committee approved changes to the monthly committee report form to improve the accuracy and completeness of TAP data collection on issues under consideration and outreach activities.

**TAPSpeak Recommendations.** TAPSpeak is a web-based collaborative workspace that allows TAP members and staff to post and review documents, conduct threaded discussions, and post events to a calendar within a secure environment. In 2005, the Communication Committee identified ways to improve TAPSpeak, either by staff or vendor modifications, assessed the value of the system, and recommended future actions. In 2006, the Joint Committee approved the Communication Committee recommendation that TAPSpeak be modified to significantly improve its usefulness to TAP members and staff. The specific changes and enhancements were developed in 2006, to be implemented during 2007.

**Chair Training.** In an effort to improve communication and knowledge regarding TAP procedures, TAP staff developed training for committee chairs. The first chair training session was conducted in January 2006. Training covered a range of issues from forms and reports to issue development. During Joint Committee meetings this year, committee chairs identified additional areas where it would have been helpful to have received training. Staff has indicated that the training module will be modified to meet those needs.





## II. Committee Activities

The substantive work of TAP is accomplished principally by the Area and Issue Committees, which research issues and formulate recommendations to the IRS about how to improve customer service and satisfaction. The Joint Committee decides whether to elevate Area Committee recommendations, approves TAP policy and procedural changes, and communicates consensus views on behalf of TAP as a whole. TAP committees are supported by a staff of IRS managers, analysts and secretaries. Although the content of TAP's recommendations and correspondence is determined by TAP members, staff have an opportunity for input, and the actual transmission and delivery of all TAP recommendations and external correspondence is generally handled by staff.

TAP committees conduct monthly meetings via teleconference and meet face-to-face at least once a year. Monthly full committee meetings are supplemented by sub-committee teleconferences. Committees generally assign issues to sub-committees for initial consideration, and the sub-committee presents a recommendation for full committee review, revision, and approval. Committee decisions are made by consensus. Committee members are responsible for preparing the substance of TAP recommendations and other work product and assume much of the responsibility for word processing and communicating with each other. A significant amount of communication among members and between members and staff is accomplished via email.

In 2006, TAP Area and Issue Committees generated 58 new recommendations to the IRS, 24 (41.4 percent) of which came from Area Committees as grass-roots issues raised by taxpayers. Since its inception in October 2002, TAP has sent 250 separate recommendations to the IRS (127 or 50.8 percent from Area Committees and 123 or 49.2 percent from Issue Committees). The committees were very active in other areas also, providing input directly to the Commissioner of the IRS through the Joint Committee and participating in Town Hall Meetings with the National Taxpayer Advocate. In addition, the Joint Committee was very active speaking on behalf of the TAP membership.

### A. Joint Committee

The Joint Committee is comprised of the TAP Chair and Vice Chair, who are elected by the entire membership, and the Area and Issue Committee Chairs, who are chosen by the respective Committee members. The DFO for the Joint Committee is the TAP Director. The analyst assigned to the Joint Committee maintains an issue database, reviews and distributes all Joint Committee reports and correspondence, and otherwise assists the TAP Chair and other Joint Committee members with the considerable volume of paperwork. The Joint

## II. Committee Activities

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Committee's purpose is to act on behalf of the TAP membership to advance the TAP mission, most importantly; review and elevate recommendations from TAP committees, adopt and recommend policy and procedural changes, coordinate Area and Issue Committee activities, represent the consensus views of TAP in public statements, timely communicate decisions to TAP members, and prepare and distribute the Annual Report.

During 2006, the Joint Committee implemented several modifications continuing the effort to improve TAP operations as well as the quality of the recommendations produced by TAP. Area and Issue Committees were encouraged to develop sub-committees to address each issue received and also address the quality of the recommendations elevated to the Joint Committee. Changes were also made to the meeting structure to make them more efficient, the most significant of which was modifying the Annual Meeting to facilitate full committee meetings as part of the Annual Meeting. This addressed a key issue that had been present for the past few years, that of not having enough face-to-face committee time, which is the most productive committee time with respect to the development of issues for elevation.

As a means to keep all committees abreast of what other committees are doing, each Committee Chair submits a monthly report describing the issues under consideration by the Committee and its activities for the month. Area Committee Chairs attach recommendations to their monthly reports for Joint Committee review. After approving Area Committee recommendations, the Joint Committee forwards them with a transmittal letter to the appropriate IRS operating division. The Joint Committee returns to the Area Committee recommendations that are not fully developed or do not conform to the referral standards. The Joint Committee also monitors IRS responses to Area Committee recommendations. Monthly reports submitted by Issue Committee Chairs include recommendations they have submitted directly to program owners for information purposes only and not for review.

This year, the Joint Committee met monthly via teleconference and had two face-to-face meetings. The Joint Committee reviewed and approved 58 new recommendations (Appendix A) and also notified Area Committees of IRS responses to recommendations.

In addition, the Joint Committee responded directly to IRS Commissioner Mark Everson regarding five specific issues on which he requested direct input from the Taxpayer Advocacy Panel (Appendix E). The Vice-Chair of TAP testified twice before the IRS Oversight Board.

The Joint Committee also coordinated TAP participation in development of a five-year service strategy, entitled the Taxpayer Assistance Blueprint. Under the auspices of Director of Customer Assistance, Relationships, and Education, the

Blueprint established an operational roadmap for customer service for presentation to Congress.

### **B. Area Committees**

Each TAP member serves on one of seven Area Committees that represent a designated geographic area corresponding to a TAS Area. A map of the TAP Areas and the number of members representing each area is provided in Appendix H. Although the primary work of Area Committees is identifying and elevating grassroots issues, occasionally Area Committees may be asked to provide direct citizen input to the IRS.

To assure compliance with FACA requirements, a Local Taxpayer Advocate (LTA) is assigned to each Area Committee to serve as the Designated Federal Official (DFO). Area Committees act as "listening posts" to identify grassroots issues to consider in committee meetings. At each Area Committee meeting, individual taxpayers are afforded the opportunity to bring grassroots issues forward to discuss with members. Outreach is a primary responsibility of Area Committees and a means to obtain grassroots issues. In addition to the DFO, other LTA's may also participate in area teleconferences and face-to-face meetings. Occasionally, LTA's bring issues to TAP for consideration.

Area Committees consider every problem and suggestion that are received by the phone, website, meeting, or directly to a TAP member. After Area Committees research and analyze the issues, those that merit submission to the IRS are forwarded to the Joint Committee. After approval by the Joint Committee, the recommendations are submitted to the appropriate IRS operating division liaisons or directly to program owners. Many Area Committees have established sub-committees to review new issues and to perform quality control review for issues being elevated to the Joint Committee. These processes enhance the quality of the recommendations being elevated to the IRS. Summaries of this year's recommendations and the IRS responses are presented in Appendix A.

Area Committee members also perform outreach. In 2006, TAP members visited and spoke at many sites across the nation, including service clubs, business owner organizations, practitioner associations, media groups, and various other organizations. They also participated in media interviews and wrote articles for mass distribution through other media.

During 2006 the Area Committee members hosted Town Hall Meetings for the National Taxpayer Advocate. A total of seven Town Hall Meetings were held across the nation, beginning in Philadelphia, PA, followed by San Diego, CA; Davenport, IA; Jackson, MS; Fargo, ND; Cranston, RI; and Cincinnati, OH. In addition to TAP members and the NTA, the meetings were attended by IRS representatives, LTA's, citizens, local dignitaries, and Congressional staff

members. The Town Hall Meetings provided taxpayers with a unique opportunity to voice their concerns directly to members of the Taxpayer Advocacy Panel and the National Taxpayer Advocate.

During 2006, TAP generated 24 Area Committee recommendations for IRS consideration. Of the 24 recommendations, TAP received ten final or substantive responses with 40 percent (4) being either partially or totally accepted by the IRS and only one having been rejected. The five remaining responses are pending review by TAP to determine if the originating Area Committee wants to provide additional information to the IRS and request further follow-up. Summaries of these elevated recommendations and the IRS responses are presented in Appendix A of this report.

Our panel members have responded in a very positive manner to the increased focus on Outreach activities in 2006. The number of Outreach events significantly outpaced previous years. The breakdown of these activities vividly shows the increasing latitude taken by TAP members in order to have more of the public become aware of TAP and its mission. There were 94 one-on-one's, 426 group discussions or speaking engagements, 10 forum, convention or national meetings and 38 media events covering newspaper, radio and television. That's an average of over five Outreach events per TAP member and in reality; several of the members perform over five Outreach events per month. Obviously, the word about TAP is getting out to more and more people each year.

The list of professional, service, civic and fraternal groups visited reads like a Who's Who of America. Our members have appeared at Tax Forums, Town Hall meetings, July 4<sup>th</sup> parades and local farmer's markets to collect suggestions from the public of ways to improve IRS service and customer satisfaction. You will find the TAP "Speak Up" brochure and TAP marketing items on the desk of many of the country's civic leaders who have been visited by our panel members in an effort to obtain their assistance in getting the word out about TAP and its efforts.

Panel members have been the subject of countless newspaper articles announcing their appointment to the panel by the Secretary of the Treasury as well as about their activities on the local level. Our panel members are not camera shy either. A number of them made regular appearances on local and national TV describing their activities while re-telling the "Success Stories" of TAP. One of our members appeared on a weekly radio show where he addressed the tax needs of the Hispanic Community and how TAP has elevated a number of suggestions to the IRS directly related to these issues.

Area Committees have encouraged all their members to make a definite commitment to Outreach on a monthly basis. Their activities against these commitments is tracked and reported at each month's meeting. This concept is rapidly being adopted by all seven Area Committees.

Our TAP web site, [Improveirs.org](http://Improveirs.org), has enjoyed increased activity this past year. The number of sessions on the web site in 2006 increased by 62 percent over 2005. One can deduce from this that our Outreach activity has spread the word about TAP and this quick and easy way for the public to get their suggestions into the system. TAP has also benefited from a direct link on the [IRS.gov](http://IRS.gov) [Taxpayer Advocate Service \(TAS\) web site to the TAP web site](#). Our toll-free call center received almost 6,000 calls this past year which reflects the results from increased Outreach effort and publicity from the TAP poster and panel member activity.

The visible results of the increase in Outreach activities have had a very positive impact on every TAP Panel member. This will hopefully motivate members to continue in their efforts to increase the number and variety of Outreach events conducted in 2007.

Area Committee accomplishments, issues under consideration, outreach activities, and opportunities for improvement are listed in Appendix I, Area Committee Chair Reports.

### C. Issue Committees

Issue Committees work directly with IRS employees charged with the responsibility for particular programs, known as program owners. Issue Committees provide verbal or written responses on various topics referred to them for consideration. Issue Committees include representatives from each of the geographically based Area Committees to provide a diversity of perspectives.

In 2006, the IRS established seven Issue Committees. The Ad Hoc Committee worked directly with the IRS on issues related to forms and publications and the Multilingual Initiative; the Burden Reduction Committee partnered with the IRS Office of Taxpayer Burden Reduction as a stakeholder to provide input on burden reduction issues, the Communication Committee worked to develop effective communications strategies for use internally and externally, the EITC Committee provided feedback to the EITC Program staff on EITC products and services, the Notice Simplification Committee responded to requests for improvement of IRS notices, the VITA Committee worked to improve the partnership between the IRS and various community sponsored free tax preparation programs, the TAC Committee worked with the IRS to improve TAC operations. During 2006, Issue Committees submitted 34 recommendations directly to IRS program managers. These recommendations can be found in Appendix A of this report.

The purpose and scope, accomplishments, issues and tasks currently under consideration, and opportunities for improvement are listed in Appendix J, Issue Committee Chair Reports.



### III. Message from the Panel

During 2006, the Taxpayer Advocacy Panel experienced significant growth and improvement from the previous year, reflecting the changes that were instituted during 2005. In 2005, more than half the TAP members were newly appointed and the learning curve for new members was steep. By 2006, the new members had acquired significant knowledge of TAP operating procedures and were fully up to speed and proficient in their responsibilities as members of the panel. A smaller number, about 33 percent, joined the panel in 2006. When these new members came on board there was a plan in place to bring them up to speed much faster. As a result, the efficiency and quality of work produced improved significantly. Due to the groundwork established in 2005, TAP communications with IRS staff matured in a very positive way, with TAP members and IRS staff working together in a cohesive fashion. TAP members had demonstrated the value of more involvement in administrative matters and the IRS staff responded positively by inviting more interaction and asking for more advice. The results were beneficial for the IRS and the taxpayer.

TAP members elected a new Chair and Vice Chair at the January 2006 Annual Meeting, and new Chairs took the reins of the majority of TAP's Area and Issue Committees. Integrating new members into committees and managing the larger panel were initial priorities. A new training program for Committee Chairs was instituted to better prepare them for their role as leaders. Additional areas for future chair training were identified throughout the year which will help better prepare Chairs for their duties.

TAP leadership and staff continued an agenda of administrative action, drawing on lessons learned to improve recruitment and appointment of new members. Additionally, improvements were made in the areas of new member orientation and training, outreach and marketing of TAP to the public, internal communications, issue research, documentation of recommendations and follow-up on recommendations submitted to the IRS.

The Communication Committee was created to address the issue that TAP is relatively unknown to taxpayers, practitioners, and IRS employees. The Committee continued to develop outreach and marketing activities to generate grassroots ideas about how to improve taxpayer services for TAP to research and make recommendations to IRS program managers.

During 2006 TAP's Area and Issue Committees generated 58 recommendations for improved taxpayer service to IRS Program Managers. TAP also advocated for taxpayers in various other ways during the year by:



### III. Message from the Panel

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- Communicating directly with IRS Commissioner Everson to discuss the services provided by the IRS and responded to his direct request for input regarding five specific issues affecting taxpayers.
- Participating in the IRS development of a five-year service strategy, entitled the Taxpayer Assistance Blueprint. TAP members provided significant input for this Blueprint which will establish an operational roadmap for long-term improvements in taxpayer service, customer satisfaction and reduction in taxpayer burden.
- Providing testimony to the IRS Oversight Board on specific areas regarding the IRS.
- Hosting seven TAP/TAS Town Hall meetings moderated by National Taxpayer Advocate, Nina Olson. These meetings focused on issues important to the taxpayers attending and provided an opportunity for taxpayers to speak directly to the NTA and the TAP members present. Many new issues for consideration by TAP were brought up by taxpayers during the Town Hall meetings and are being researched by the Area Committees.

In retrospect, 2006 has been an extremely productive year for TAP as well as taxpayers. TAP demonstrated its ability to be a valued partner to the IRS by contributing a substantial number of sound recommendations for improvement in forms, publications, services and burden reduction. The respect gained from these recommendations and other suggestions has led to more opportunities for input by panel members to the IRS Commissioner and Program Owners. This cooperative arrangement has greatly enhanced the ability of TAP to be an effective advocate for changes that will benefit taxpayers and the IRS.

When I accepted the position of TAP Chair, my stated goal was to improve on what had been done previously and to provide a foundation for future Panels to better assist the IRS in improving taxpayer service and customer satisfaction. I believe that goal was achieved and I commend all of the members of TAP, as well as the TAP staff, for their efforts and dedication. The work performed by the Panel in 2006 was exceptional, and all of the members should be proud of their accomplishments.

Larry T. Combs  
TAP Chair

## Appendix A. Recommendations Elevated in 2006

Appendix A sets forth summaries of all TAP Recommendations approved for IRS consideration in 2006. Where applicable, the IRS response also is summarized.

<b>TAP B06-002</b>	<b>Form 2553 Subchapter S Election</b>	<b>Status:</b>	Elevated Directly by Committee	
<b>Date Elevated to IRS:</b>	3/16/2006		<b>Date Response(s) Received:</b>	5/2/2006
<b>Issue Statement:</b>	The IRS experiences an average of 46,000 unpostable 1120S Income Tax Returns per year due to missing, or incomplete or unposted Subchapter S elections. This creates a major burden on the IRS as well as on the taxpayers who must clear up the status of their corporate tax filings. The root cause appears to be a complex and burdensome set of requirements for seeking Subchapter S elections using Form 2553.			
<b>Proposal:</b>	The Burden Reduction Committee proposed two options: eliminate Form 2553 and its requirements altogether, or permit the election at the time the entity files its first return and simplify Form 2553 by eliminating duplicate information requirements and the need for signatures of shareholders of record.			
<b>Response Notes:</b>	IRS acknowledged the committee recommendations on the Sub- S Issue sent in March and thanked the committee for the work done. The recommendations were apparently well received by the staff team working on the issue.			

<b>TAP A06-001</b>	<b>W4 &amp; W4P</b>	<b>Status:</b>	Elevated Directly by Committee	
<b>Date Elevated to IRS:</b>	3/22/2006		<b>Date Response(s) Received:</b>	3/9/2006
<b>Issue Statement:</b>	The Form W-4, Employee's Withholding Allowance Certificate, ignores pension income which causes confusion to taxpayers who have a job but are also getting a pension and social security.			
<b>Proposal:</b>	Add a reference to form W-4P, Withholding Certificate for Pension or Annuity Payments, to the Form W-4.			
<b>Response from:</b>	Bob Erickson, Senior Technical Advisor, Tax Forms & Publications			
<b>Response Notes:</b>	The Forms and Publication Unit is currently in the process of adding a sentence to the 2007, Form W-4, Employee's Withholding Allowance Certificate, under "Purpose" indicating: "File the Form W-4P to adjust your withholding for pensions."			

## Appendix A: Recommendations Elevated in 2006

<b>TAP E06-051</b>	<b>EITC Awareness through Employers</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS:</b>	4/17/2006		
<b>Issue Statement:</b>	The IRS is concerned that many taxpayers who are eligible for the Earned Income Tax Credit (EITC) do not claim the credit. Some large corporate employers have employees who qualify for the credit.		
<b>Proposal:</b>	The IRS should send correspondence to large corporations encouraging them to point out the benefits of the EITC to their employees and provide them with handy reference tools to use to help their employees learn about the credit.		

<b>TAP A06-045</b>	<b>Publication 4492, Improvement</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Issue Statement:</b>	Review Publication 4492, Information for Taxpayers Affected by hurricane Katrina, Rita, and Wilma for clarity and conciseness which is easily understood by most taxpayers.		
<b>Proposal:</b>	The Committee reached general consensus that the Publication is good and the average taxpayer can navigate the various provisions enacted for the disaster relief. The Committee provided specific recommendations on improving the publication.		

<b>TAP A06-046</b>	<b>Publication 1, Improvement</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS:</b>	4/19/2006		
<b>Issue Statement:</b>	Review Publication 1, Your Rights as a Taxpayer, and provide suggestions for improvement.		
<b>Proposal:</b>	The Committee agreed the publication was good but did suggest specific improvements to make the publication more understandable to taxpayers.		

<b>TAP N06-008</b>	<b>CP 39, 42, 75, 75A, CP 88 DAT Scoring</b>	<b>Status:</b>	Closed
<b>Date Elevated to IRS:</b>	4/24/2006		
<b>Issue Statement:</b>	The Committee was asked to score the readability and usability of the following notices: CP 39 Balance Due, Overpayment Applied to Balance Due - Secondary SSN, CP 42 Overpaid, Secondary SSN Offset Notice, CP 75 Taxpayer Inquiry, Exam Initial Contact Letter – EIC – Refund Frozen, CP 75A Taxpayer Inquiry, Exam, and the CP 88 Taxpayer Inquiry, Taxpayer Delinquent Investigation (TDI) Refund Hold, using the IRS Document Assessment Tool.		
<b>Proposal:</b>	The Notices Committee submitted their scoring of the notices.		
<b>Response Notes:</b>	Notices are scored in three main categories: Message & Task, Logical Structure, and Presentation. The score is used by the IRS to make decisions on revising the notices, and/or when necessary, assessing the benefit(s) of revising the notices. This activity is completed and this Item is closed.		

## Appendix A: Recommendations Elevated in 2006

<b>TAP B06-049</b>	<b>Amended Employment Tax Forms</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS:</b>	5/2/2006		
<b>Issue Statement:</b>	Currently the Form 941c, Supporting Statement To Correct Information, is not a stand alone form, it must be filed with a Form 843, Claim For Refund and Request for Abatement, to claim a refund with interest and a current period employment tax form when additional tax is owed or an overpayment is to be credited with no interest. Processing the Form 941c with the current period employment tax forms creates problem because the current tax period is adjusted for the tax liability rather than the actual period in which the adjustment occurred while the wage adjustments are corrected in period (or year) in which the error occurred.		
<b>Proposal:</b>	the Committee gathered information from a team of internal and external stakeholders that supported processing Form 941C as a stand-alone form.		

<b>TAP A06-006</b>	<b>Publication 553, Review</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS:</b>	5/11/2006		
<b>Issue Statement:</b>	Review Publication 553, Highlights of 2005 Tax Changes, and provide the IRS Tax Forms and Publications Program Owners with evaluation after review.		
<b>Proposal:</b>	On Page 8, (or perhaps on Page 1), add an alert in all capitals that says: It would be useful to note to that all 2006 tax information is preliminary and accurate as of the publication date, and that congress can make changes at any time		

<b>TAP A06-007</b>	<b>Form 8857, Review</b>	<b>Status:</b>	Closed
<b>Date Elevated to IRS:</b>	5/11/2006		
<b>Issue Statement:</b>	Review Form 8857 and provide the IRS Tax Forms and Publications Program Owners with evaluation after review.		
<b>Proposal:</b>	There are no recommendations to be made at this time; we found that this is a very simple form and easy to complete.		

<b>TAP V06-056</b>	<b>Form 13614 Intake Form</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS:</b>	5/12/2006		
<b>Issue Statement:</b>	IRS quality review checks have shown that use of the Form 13614, SPEC Intake Form, improves the quality of the returns prepared at volunteer sites. Some volunteers are reluctant to use the intake form.		
<b>Proposal:</b>	The VITA Committee recommended the program owners sell the reasons for and benefits of using the intake form 13614, to the field. In addition, the program owners agreed to revise the form wherever possible to more nearly reflect the "TaxWise" main information page, thus simplifying the volunteer's task when transcribing information from the form to the software.		

## Appendix A: Recommendations Elevated in 2006

<b>TAP B06-005</b>	<b>Office-In-Home Deductions</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS</b>	5/20/2006		
<b>Issue Statement:</b>	The current requirements and forms to use Office-In-Home (OIH) deductions are complex and burdensome and taxpayers would benefit from a simple alternative offered as an option.		
<b>Goal Statement:</b>	<p>Our goal is to propose changes that:</p> <ul style="list-style-type: none"> <li>a) Could be implemented without a need for legislative action</li> <li>b) Reduce taxpayer burden and achieve significant cost savings by offering an option for those who choose to use it, by eliminating the need to file Form 8829, and</li> <li>c) Reduce the burden on the IRS in processing the more cumbersome forms</li> </ul>		
<b>Proposal:</b>	The Taxpayer Burden Reduction (TBR) committee of TAP proposes an optional flat dollar amount based deduction as an alternate to the current method of using Form 8829 to achieve this goal.		

<b>TAP N06-009</b>	<b>CP Notice 79 Scoring</b>	<b>Status:</b>	Closed
<b>Date Elevated to IRS</b>	5/23/2006		
<b>Issue Statement:</b>	The Committee was asked to score the readability and usability of the CP Notice 79 , Taxpayer Inquiry, Earned Income Credit Eligibility Requirement, using the IRS Document Assessment Tool.		
<b>Proposal:</b>	The Notices Committee submitted their scoring of the notice.		
<b>Response Notes:</b>	Notices are scored in three main categories: Message & Task, Logical Structure, and Presentation. The score is used by the IRS to make decisions on revising the notice, and/or when necessary, assessing the benefit(s) of revising the notice. This activity is completed and this Item is closed.		

<b>TAP N06-010</b>	<b>CP Notices 16, 30, 31, 45, 49, 54B, 54Q, and 60 Scoring</b>	<b>Status:</b>	Closed
<b>Date Elevated to IRS</b>	5/24/2006		
<b>Issue Statement:</b>	The Notice Committee scored the readability and usability of the following notices: CP 16 Overpaid, Overpayment with Offset, CP 30 Overpaid, Estimated Tax Penalty Notice, CP 31 Taxpayer Inquiry, Undelivered Refund Check Notice, CP 45 Taxpayer Inquiry, Credit Elect Change, CP 49 Overpaid, Overpayment Adjustment - Offset, CP 54Q SSN and Name Inquiry - Second Request, CP 54B Taxpayer Inquiry, Inquiry Regarding Name and SSN - Refund Delayed, and CP 60 Balance Due, Credit Reversal Adjustment Notice, using the IRS Document Assessment Tool.		
<b>Proposal:</b>	The Notices Committee submitted their scoring of the notices.		
<b>Response Notes:</b>	Notices are scored in three main categories: Message & Task, Logical Structure, and Presentation. The score is used by the IRS to make decisions on revising the notice, and/or when necessary, assessing the benefit(s) of revising the notice. This activity is completed and this Item is closed.		

## Appendix A: Recommendations Elevated in 2006

<b>TAP B06-048</b>	<b>Innocent Spouse Relief</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS</b>	6/5/2006		
<b>Issue Statement:</b>	In their current state, both Form 8857 and the instructions for filling them lead to high rates of rejected claims because of ineligibility, or errors and omissions by taxpayers. Consequently the burden on taxpayers and the IRS in processing them are high.		
<b>Goal Statement:</b>	<p>Our goal is to propose changes to the draft of the new and improved version of Form 8857 and related instructions that:</p> <ul style="list-style-type: none"> <li>a) Facilitate easier and correct determination by the taxpayers of their eligibility for this relief as well as fully understanding the information requirements by the IRS,</li> <li>b) Make it easier for taxpayers to submit Form 8857 properly filled out the first time around,</li> <li>c) Reduce the burden on taxpayers and the IRS in processing Form 8857, and</li> <li>d) Achieve significant cost savings by minimizing, if not totally eliminating the back and forth correspondence when the IRS processes them.</li> </ul>		
<b>Proposal:</b>	<p>The TBR committee's observations on the revised Form 8857 and related instructions are as follows:</p> <ul style="list-style-type: none"> <li>• The proposed revisions should solve many of the preparation and filing problems which had been identified with current Forms 8857 and the follow up questionnaire 12510</li> <li>• The reading level has been lowered.</li> <li>• It appears that the form can be filled out without referring to the instructions.</li> <li>• The draft Form 8857 now contains information which previously required a follow-up questionnaire (Form 12510).</li> <li>• These changes make it more likely that taxpayers requesting Innocent Spouse Relief will make an informed decision as to whether to initially file the form by understanding what information they will need to furnish and that their former spouse must be notified.</li> </ul>		

<b>TAP 206-003</b>	<b>Schedule D and D1 Consolidation</b>	<b>Status:</b>	Pending Review by TAP
<b>Date Elevated to IRS:</b>	6/12/2006	<b>Date Response(s) Received:</b>	6/12/2006
<b>Issue Statement:</b>	Internal Revenue Service's (IRS') requirement to list each trade in Form 1040, Schedule D , U.S. Individual Income Tax Return, Capital Gains and Losses and D-1 Capital Gains and Losses Continuation Sheet for Schedule D imposes an undue burden on taxpayers, and results in increased cost to the IRS in processing tax returns.		
<b>Goal Statement:</b>	Eliminate the need to provide a detailed listing of each trade in Schedules D and D-1, thus reducing the time and cost to both taxpayer and IRS.		
<b>Proposal:</b>	The Taxpayer Advocacy Panel (TAP) recommends that the IRS permit taxpayers to provide a summary of their securities trading activity separated by long and short term in Schedule D, thus eliminating the need for a detailed listing of each trade.		
<b>Response Notes:</b>	Sottile asked this be transferred to Ad Hoc and forwarded Bob Erickson's 10/17/2005 response to Area 2's request for background information on the subject.		

## Appendix A: Recommendations Elevated in 2006

<b>TAP 206-004</b>	<b>"Timely Response Required" on Envelopes</b>	<b>Status:</b>	Elevated, Awaiting Response
<b>Date Elevated to IRS:</b>	6/12/2006	<b>Date Response(s) Received:</b>	6/12/2006
<b>Issue Statement:</b>	Many taxpayers fail to open Internal Revenue Service (IRS) time sensitive notices in a timely manner. Taxpayers not only lose opportunities to contest assessments without going to tax court, but also get stuck with mounting interest and penalties.		
<b>Goal Statement:</b>	Encourage taxpayers to open correspondence in a timely manner to ease taxpayers' burden as well as IRS' burden in pursuing non-responders.		
<b>Proposal:</b>	Require that all IRS correspondence to taxpayers with a due date, include on the outside of the envelope the wording "Timely Response Required" printed in bold font.		
<b>Response from:</b>	James Cesarano, W & I Tax Analyst		
<b>Response Notes:</b>	The first step in responding to this issue is to evaluate whether the message change will have any taxpayer benefits before we deal with other operational issues. The Notice group will follow their usual policy in considering this change as they do any other changes to notices by asking the TAP notice Committee to evaluate the recommendation.		

<b>TAP N06-011</b>	<b>105 C, 239C, and 2273C Correspondex Letter</b>	<b>Status:</b>	Closed
<b>Date Elevated to IRS</b>	6/13/2006		
<b>Issue Statement:</b>	The Notice Committee scored the readability and usability of the following correspondex letters: LTR 0105C Claim Disallowed LTR 0239C Scrambled SSN Clarification to Taxpayer, LTR 0239CScrambled SSN Clarification to Taxpayer, and the LTR 2273C Installment Agreement Accepted; Terms Explained, using the IRS Document Assessment Tool.		
<b>Proposal:</b>	The Notices Committee submitted their scoring of the letters.		
<b>Response Notes:</b>	Correspondex letters are scored in three main categories: Message & Task, Logical Structure, and Presentation. The score is used by the IRS to make decisions on revising the letter , and/or when necessary, assessing the benefit(s) of revising the letter. This activity is completed and this Item is closed.		

## Appendix A: Recommendations Elevated in 2006

<b>TAP 206-017B</b>	<b>Sch C-EZ Changes</b>		<b>Status:</b>	Elevated, Awaiting Response	
<b>Date Approved by Joint Committee</b>	10/13/2006	<b>Date Elevated to IRS:</b>	6/13/2007	<b>Date Response(s) Received:</b>	6/14/2007 3/2/2007
<b>Issue Statement:</b>	Internal Revenue Service (IRS) trained volunteers who work at free tax preparation sites, Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE), are currently prohibited from preparing Schedules C, Profit or Loss from Business (Sole Proprietorship). The sties can prepare a Schedule C-EZ, Net Profit from Business. However, the Schedule C-EZ can not be used when the expenses are \$5,000 or greater, the schedule shows a loss, or there is more than one Schedule C-EZ.				
<b>Goal Statement:</b>	Increase the number of low-income, self-employed taxpayers who can have their tax returns completed at VITA and TCE sites.				
<b>Proposal:</b>	<p>TAP recommend the following changes:</p> <ol style="list-style-type: none"> <li>1. Allow VITA/TCE to offer a higher level of training or certification test for volunteers who prepare returns at sites serving low-income, self-employed taxpayers. The training could be offered at two levels: <ul style="list-style-type: none"> <li>• complete training on completion of Schedule C; and</li> <li>• basic training that excludes "depreciation of assets" and "business use of home."</li> </ul> </li> <li>2. Increase the limit of expenses to \$10,000 for Schedule C-EZ and index the limit to the cost of living; allow multiple Schedules C-EZ for each taxpayer and allow Schedule C-EZ to be used when a business has a net loss.</li> </ol>				
<b>Response from:</b>	Sandra Kopta, Acting Director, Tax forms and Publications				
<b>Response Notes:</b>	<p>It was noted that increasing the amount of expenses that can be claimed and allowing more than one to be filed by each taxpayer have been considered before. They were not adopted because Treasury's Office of Tax Analysis thought that making the changes would increase non-compliance due to misreporting of expenses.</p> <p>On 5/15/2007 recommendation was referred to Taxpayer Burden Reduction. On 6/28/2007 Per telephone conversation with Allen P. Jones, Project Manager, Office of Taxpayer Burden Reduction, (OTBR), he will review the OTBR project to determine how the \$5,000 limit was chosen and then determine next steps.</p>				

<b>TAP V06-044</b>	<b>VRPP Testing Materials Focus Group</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS</b>	6/15/2006		
<b>Issue Statement:</b>	Develop and ensure the accuracy of the testing materials for volunteer certifications--the test, retest and test answers for the printed and e-learning products, Link & Learn Taxes.		
<b>Proposal:</b>	The team recommended a major revision to the testing concept for the 2006 tax certification process. The team was allowed to define their vision of how the test should be structured. The goal of the certification process is to ensure that volunteers are prepared to provide accurate returns for their clients which requires adequate training, a testing process that ensures the required competencies are achieved and an adequate quality review process be evaluated. TAP members worked with IRS and representatives from TCE/AARP on the project. IRS adopted the recommended revision to the testing concept.		



## Appendix A: Recommendations Elevated in 2006

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<b>TAP A06-047</b>	<b>On-line Pub17- Your Federal Income Tax- Individuals</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS</b>	6/17/2006		
<b>Issue Statement:</b>	IRS requested the Ad Hoc Committee review Publication 17, Your Federal Tax Guide for Individuals. The TAP previously worked on this publication and made a set of recommendations to the IRS. The Committee was asked to review the suggestions and review the progress made so far. The three areas of focus will be: 1) Improve Navigation of the on-line publication; 2) Usage of keywords as a search option, and 3) Ideas for on-line usability.		
<b>Proposal:</b>	The Committee reviewed the publication and suggested IRS advertise this publication with the tax preparers and VITA/TCE volunteers before the next tax season and also that the IRS contact tax practitioners and VITA/TCE volunteers and seek their input based on their experience using the on-line publication during the filing season.		

<b>TAP N06-037</b>	<b>DAT Scoring for CP 23, 24, and 25</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS</b>	7/12/2006		
<b>Issue Statement:</b>	The Committee was asked to score the readability and usability of IRS notices CP 23, Estimated Tax Discrepancy, Balance Due of \$5 or More, the CP 24, Overpaid, Estimated Tax Discrepancy, Overpayment of \$1 or More, and the CP 25, Even Balance, Estimated Tax Discrepancy, Balance Due <\$5, Overpayment <\$1, using the IRS Document Assessment Tool. Notices are scored in three main categories: Message & Task, Logical Structure, and Presentation. The score is used by the IRS to make decisions on revising the notice, and/or when necessary, assessing the benefit(s) of revising the notice.		
<b>Proposal:</b>	The Notices Committee submitted their scoring of the CP 23, 24, and 25 Notices.		

## Appendix A: Recommendations Elevated in 2006

<b>TAP V06-012</b>	<b>Process Based Training Endorsement</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS</b>	7/24/2006		
<b>Issue Statement:</b>	The IRS has developed Process Based Training (PBT) for teaching tax preparation to volunteers. PBT follows the 1040 form and integrates the use of the intake and interview sheet, tax law, and tax preparation, including the use of the TaxWise program. PBT was used for the 2005 tax filing season as a pilot and the pilot is expected to continue this year.		
<b>Proposal:</b>	<p>The VITA Issue Committee thoroughly reviewed Publication 4491, Process Based Training (PBT) and endorsed it as a replacement to Publication 678, Volunteer Student Guide. The Committee believes the close integration between tax law, tax preparation, and the use of the TaxWise program is important to the successful training of tax preparation volunteers. The Committee then suggested some specific changes to the material which will improve the training material.</p> <p>PBT currently targets Basic and Intermediate Volunteer Tax Preparer Training. PBT needs to be augmented to include material for Advanced, Military, and International tax preparers to enable PBT to be used as a full replacement to Publication 678, Volunteer Training Guide. Subject material to be added includes: Pensions, Social Security, Railroad Retirement Benefits, Sale of Stock and Sale of Home.</p> <p>We believe PBT has four important objectives:</p> <ol style="list-style-type: none"> <li>1) Obtaining correct and complete data from the client at the interview stage;</li> <li>2) Using Form 1040, U.S. Individual Income Tax Return, Instructions; Publication 17, Your Federal Income Tax (For Individuals); and Publication 4012, Volunteer Resource Guide, to research client issues at the site when preparing tax returns;</li> <li>3) Completing the data entry into TaxWise; and</li> <li>4) Successfully completing a quality review of the tax return to eliminate errors.</li> </ol> <p>We would like to see additional emphasis on the second objective. We recommend that students use these other three documents (Form 1040 Instructions, Publication 17, and Publication 4012) as part of PBT training. We also recommend that consideration be given to minimizing the presentation of material in PBT, which is available in these other three documents.</p> <p>Reasons for this are: the material is often preliminary in PBT due to publication date requirements; duplication increases the bulk of PBT unnecessarily; it will encourage students to get used to using these other documents; and less updating of PBT will be required.</p>		

<b>TAP N06-038</b>	<b>CP 75 Rewrite</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS</b>	8/1/2006		
<b>Issue Statement:</b>	The Notice Committee was asked to revise the CP 75, Taxpayer Inquiry, Exam Initial Contact Letter – EIC – Refund Frozen.		
<b>Proposal:</b>	The Committee rewrote the CP 75 to make it easy for taxpayers to understand.		

## Appendix A: Recommendations Elevated in 2006

<b>TAP E06-034</b>	<b>EITC Marketing Insert</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS</b>	8/8/2006		
<b>Issue Statement:</b>	Many eligible taxpayers do not claim the Earned Income Tax Credit (EITC). This is due to the lack of awareness of the credit and/or its requirements. There is also a number of improper claims made for the credit.		
<b>Proposal:</b>	TAP recommended a marketing insert be distributed to tax preparers and large corporations to provide a handy reference tool, either by hard copy or via email, that may heighten EITC awareness.		

<b>TAP E06-052</b>	<b>EITC Tax Return Preparers' Marketing</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS</b>	8/8/2006		
<b>Issue Statement:</b>	The IRS is concerned that many taxpayers who are eligible for the Earned Income Tax Credit (EITC) do not claim the credit. Many low-income wage earners have their tax return prepared by a paid practitioner.		
<b>Proposal:</b>	The IRS should put an insert in all mailings to tax return preparers explaining the benefits of the EITC to their clients and provide preparers with a handy reference tool that list EITC publications and the EITC check list, either by hard copy or via email, which may heighten awareness of the credit.		

<b>TAP A06-030</b>	<b>Forms 1099-INT and 1099-DIV</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS</b>	8/17/2006	<b>Date Response(s) Received:</b>	8/17/2006
<b>Issue Statement:</b>	TAP researched whether tax exempt-interest dividends reported to taxpayers by regulated investment companies (mutual funds) should be reported on Form 1099-INT, Interest Income, or Form 1099-DIV, Dividends and Distributions.		
<b>Proposal:</b>	Tax-exempt interest should be required to be reported on Form 1099-INT.		
<b>Response Notes:</b>	August 17, 2006, email from Margaret Salow, Tax Law Specialist, Reviewer, Specialty Tax Forms and Publications thanking Ad Hoc for our input and comments.		

<b>TAP N06-039</b>	<b>CP79A and 76 Scoring</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS</b>	8/28/2006		
<b>Issue Statement:</b>	The Committee was asked to score the CP 79A, Taxpayer Inquiry, Earned Income Credit Two Year Ban, and the CP 76, Taxpayer Inquiry, EIC Recertification Letter - Refund Issued. Notices are scored in three main categories: Message & Task, Logical Structure, and Presentation. The score is used by the IRS to make decisions on revising the notice, and/or when necessary, assessing the benefit(s) of revising the notice.		
<b>Proposal:</b>	The Committee submitted their scoring of the CPs 79A and 76.		

<b>TAP N06-040</b>	<b>CP 53 Scoring</b>	<b>Status:</b>	Elevated Directly by Committee
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## Appendix A: Recommendations Elevated in 2006

<b>Date Elevated to IRS</b>	8/28/2006
<b>Issue Statement:</b>	The Committee was asked to score the CP 53, Taxpayer Inquiry, Notice of EFT Refund. Notices are scored in three main categories: Message & Task, Logical Structure, and Presentation. The score is used by the IRS to make decisions on revising the notice, and/or when necessary, assessing the benefit(s) of revising the notice. Taxpayer Inquiry, Notice of EFT Refund
<b>Proposal:</b>	The Committee submitted their scoring of the CP 53.

<b>TAP V06-055</b>	<b>Link and Learn</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS:</b>	9/6/2006		
<b>Issue Statement:</b>	Link and Learn taxes is a web-based tax return preparation site sponsored by the IRS. It is primarily designed for volunteer tax return preparers but is open to any member of the public.		
<b>Proposal:</b>	<p>After reviewing content and testing on line capabilities, the VITA Committee made the following recommendations to enhance the IRS's Internet based "Link and Learn Taxes" tutorial:</p> <ul style="list-style-type: none"> <li>• Host the Link and Learn system on a non-IRS site.</li> <li>• Continue to allow students to self-pace.</li> <li>• Provide access to necessary blank forms.</li> <li>• Provide tax calculation software.</li> <li>• Rework Link and Learn system to be more user friendly to students using dial-up, eliminating pictures whenever possible.</li> <li>• Load the Link and Learn system on disk and make it available to students upon request. Users could then load the system on their own personal computer and would not be dependent on internet response time to move from frame to frame.</li> </ul>		

<b>TAP N06-041</b>	<b>CPs 17 and 30A Scoring</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS</b>	9/7/2006		
<b>Issue Statement:</b>	The Committee was asked to score the CP 17, Taxpayer Inquiry, Refund of Unfrozen Excess ES Credits and CP 30A, Overpaid, Estimated Tax Penalty Recomputed Notice. Notices are scored in three main categories: Message & Task, Logical Structure, and Presentation. The score is used by the IRS to make decisions on revising the notice, and/or when necessary, assessing the benefit(s) of revising the notice. Taxpayer Inquiry, Notice of EFT Refund		
<b>Proposal:</b>	The Committee submitted their scoring of the CPs 17 and 30A.		

<b>TAP N06-042</b>	<b>CP 51A, 51B, and 51C Scoring</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS</b>	9/8/2006		
<b>Issue Statement:</b>	The Committee was asked to score the CP 51A, Non-Compute, Balance Due of \$5 or more; the CP51B, Non-Compute, Overpayment of \$1 or more, and the CP 51C, Non-Compute, Overpayment of \$1 or more. Notices are scored in three main categories: Message & Task, Logical Structure, and Presentation. The score is used by the IRS to make decisions on revising the notice, and/or when necessary, assessing the benefit(s) of revising the notice. Taxpayer Inquiry, Notice of EFT Refund		
<b>Proposal:</b>	The Committee submitted their scoring of the CPs 51A, 51B, and 51C.		

## Appendix A: Recommendations Elevated in 2006

<b>TAP A06-031</b>	<b>Multilingual Initiative-Limited English Proficiency Needs Assessment</b>	<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Elevated to IRS</b>	9/27/2006	<b>Date Response(s) Received:</b>	10/12/2006	
<b>Issue Statement:</b>	IRS would like to receive grass-roots “frontline” feedback from Limited English Proficient (LEP) taxpayers regarding IRS MLI products and services.			
<b>Proposal:</b>	The IRS should meet with key representatives of the four language groups to review with them the types of publications, brochures, and educational programs and seminars available. The committee recommends that forms be available in all four languages, as is feasible. We also recommend that IRS meet with representatives of Hamni Financial Corporation and NARA Bancorp. Both organizations serve Asian customers, including Chinese, Korean, and Vietnamese speakers. NARA Bank, owned by NARA Bancorp, advertises that it offers internet banking in the Korean language. Similar institutions that service the Russian language community could be contacted. For example, Brighton Beach is a neighborhood in New York where all the store signs are in the Russian language.			
<b>Response from:</b>	Maria Cheeks, MLI Senior Policy Analyst			
<b>Response Notes:</b>	The recommendations made by this committee would be included in the MLI Strategic Plan			

<b>TAP A06-032</b>	<b>Financial Literacy Toolkit (FLT)</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS</b>	9/27/2006		
<b>Issue Statement:</b>	IRS would like to receive feedback from the Ad Hoc TAP members on the IRS' current plan for the development of a Financial Literacy Toolkit, (FLT). The FLT plan and its related information were presented to the Ad Hoc committee at the Washington face-to-face meeting in June 2006		
<b>Proposal:</b>	<p>1 - Make the overall goal of the FLT clearer. Since this toolkit will address more than the specific benefits of filing one's tax return, the new wider goal statement will make a larger audience aware of this toolkit and its critical information.</p> <p>2 – Add more financially specific topics to the subjects for the FLT. Examples of topics are “How to Do a Family Budget”, Including Tax Planning, “How to Identify and Use the Proper Borrowing Agents”, FDIC Insured Banks, “How to Plan for Retirement”, with related saving plans, “How to Prevent Identity Theft”, Protecting Yourself and Family.</p> <p>3 - Review the list of places to distribute the toolkit. A suggested additional location is public libraries, which are often used as meeting places</p>		

<b>TAP E06-053</b>	<b>EITC Marketing to Targeted Immigrant Groups</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS</b>	10/10/2006		
<b>Issue Statement:</b>	The IRS is interested in the future impact of immigration on Earned Income Tax Credit (EITC) claims.		
<b>Proposal:</b>	TAP identified language groups with the largest numbers of immigrants in the United States and helped identify the metropolitan areas where most immigrants settle.		

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<b>TAP 05-037</b>	<b>Availability of Reward, Form 211</b>	<b>Status:</b>	Elevated, Awaiting Acknowledgement
<b>Date Elevated to IRS:</b>	10/31/2006		
<b>Issue Statement:</b>	It is difficult for a taxpayer who reports fraudulent tax activity to determine whether a reward for this information is available.		
<b>Goal Statement:</b>	The Internal Revenue Service (IRS) should readily provide information to taxpayers on how to make a claim for reward in conjunction to a report of tax fraud.		
<b>Proposal:</b>	<p>On the irs.gov web page entitled "How Do You Report Suspected Tax Fraud Activity?" provide a direct link to Form 211, Application for Reward for Original Information, for claiming a reward for reporting suspected fraud. On the same web page, also provide a direct link to Policy Statement 4-27 (formerly P-4-86) for an explanation of when IRS will pay claims for reward and the grounds for rejecting claims.</p> <p>In the "Keyword Search" feature, link the word "reward" and "Form 211" to any search regarding the word "fraud."</p>		

<b>TAP 106-013</b>	<b>Schedule D – Carry Forward Line</b>	<b>Status:</b>	Pending Review by TAP
<b>Date Elevated to IRS Committee</b>	10/31/2006	<b>Date Response(s) Received:</b>	11/24/2006
<b>Issue Statement:</b>	Taxpayers who have a capital loss carried over from the prior year need to include the amount of the carryover in the current year's calculation of their capital loss or gain. This entails getting a copy of the previous year's Capital Loss Carryover Worksheet for the Schedule D, (Form 1040) Capital Gains and Losses. Since the worksheet is not a part of the tax return but is in the instruction booklet, often the worksheet is not available for the next year's calculation.		
<b>Goal Statement:</b>	Have the prior year's capital loss carryover information taxpayers readily available to taxpayers' preparing their current year's returns.		
<b>Proposal:</b>	Add a line for "short-term capital loss carryover" and "long-term capital loss carryover" to the Schedule D. The Taxpayer Advocacy Panel (TAP) suggests adding two lines to Part III, Summary section of the Schedule D as part of the current line 21. The lines to be added would be line 21a, "Short Term Capital Loss Carryover for 200X" and line 21b, "Long Term Capital Loss Carryover for 200X"		
<b>Response from:</b>	Robert Erickson, Senior Technical Advisor, Tax Forms & Publications		
<b>Response Notes:</b>	<p>The issue statement (below) has not been factually accurate since 2003:</p> <p>Taxpayers who have a capital loss carried over from the prior year need to include the amount of the carryover in the current year's calculation of their capital loss or gain. This entails getting a copy of the previous year's Capital Loss Carryover Worksheet for the Schedule D, (Form 1040) Capital Gains and Losses. Since the worksheet is not a part of the tax return but is in the instruction booklet, often the worksheet is not available for the next year's calculation.</p> <p>Prior to 2004, the Schedule D instructions required transferring the capital loss carryover losses from the prior year's worksheet. Because of the issue noted above, we changed the worksheet in the 2004 Schedule D instructions to pick up amounts from the prior year tax return instead of from a worksheet in the instructions. The worksheet is now in the current year instructions for that year's tax return</p>		

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<b>TAP N06-043</b>	<b>CPs 12E and 62 Series Scoring</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS</b>	11/9/2006		
<b>Issue Statement:</b>	The Committee was asked to score the CP 12 E, Even Balance, Math Notice and the CP 62 series of notices for Credit Transfer. Notices are scored in three main categories: Message & Task, Logical Structure, and Presentation. The score is used by the IRS to make decisions on revising the notice, and/or when necessary, assessing the benefit(s) of revising the notice. Taxpayer Inquiry, Notice of EFT Refund		
<b>Proposal:</b>	The Committee submitted their scoring of the CP 12 E and the CP 62 Series.		

<b>TAP B06-050</b>	<b>Employee Misclassification</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS</b>	11/16/2006		
<b>Issue Statement:</b>	Employers sometimes misclassify workers as independent contractors when the classification should be employee. Such misclassification results in the employers passing the burden of payroll taxes to the workers while avoiding paying workers compensation insurance, unemployment insurance, liability insurance and employee benefits. In many cases workers are unaware of their responsibility for paying quarterly estimated tax payments and thus become subject to interest and penalties. Many are also unaware of their responsibility for filing Schedule C and Schedule SE with their annual tax return.		
<b>Goal Statement:</b>	Our goal is to minimize misclassification of workers as independent contractors when they should have been classified as employees.		
<b>Proposal:</b>	TAP offers the following administrative proposals that serve to: A) Educate workers and employers on criteria to be used to correctly determine a worker's status and the tax responsibility of each B) Educate employers on their responsibility for proper classification of workers C) Expand the existing process to share information with other government agencies regarding independent contractors The proposals above were discussed below in detail under three broad categories: Education, Compliance and Enforcement.		

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<b>TAP 306-016</b>	<b>Third Party Authorization Expansion</b>	<b>Status:</b>	Pending Review by TAP	
<b>Date Elevated to IRS:</b>	11/21/2006		<b>Date Response(s) Received:</b>	12/5/2006 1/17/2007
<b>Issue Statement:</b>	Taxpayers are unable to utilize the checkbox authority past the one year period from the original due date of the returns which were extended due to the disaster extension provisions.			
<b>Goal Statement:</b>	The third party authorization period should be one year, but the period should begin with the actual due date of the return based on any valid extension of time for filing.			
<b>Proposal:</b>	The Internal Revenue Service (IRS) should expand the third party authorization to one year from the due date of the return including any valid extensions based on a presidential disaster declaration or a timely filed extension form. Many taxpayers, especially those in disaster areas, are not able to file their returns by the April 15 due date. The third party designation should be valid for one year from the extended due date.			
<b>Response from:</b>	Susan W. Carroll, Director, Accounts Management			
<b>Response Notes:</b>	Although the 1040 Designee (Checkbox) authority was expanded to include sharing information to resolve some account issues, it continue to be nothing greater than disclosure authority to assist in the completion of return processing and resolve issues within a short period of time. A Third Party Designee does not have the authority to represent or resolve issues with Examination or Collections personnel and the Designee authority is currently irrevocable. In addition, Customer Service Representatives would be required to perform additional research to determine when the Check Box authority ends, if the period is extended. This change could cause confusion and inadvertent disclosures.			

<b>TAP 406-019</b>	<b>Forms, Lack of Availability</b>	<b>Status:</b>	Elevated, Awaiting Acknowledgement	
<b>Date Elevated to IRS:</b>	11/21/2006		<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Paper federal income tax forms and instructions are not easily available in most communities and taxpayers find it difficult to find copies			
<b>Goal Statement:</b>	Develop a method for individual taxpayers to acquire the needed paper forms to encourage timely and complete federal income tax filing.			
<b>Proposal:</b>	<ul style="list-style-type: none"> <li>Create a "Form 1040 check-off," similar to that used for Presidential Election Campaign participation. This "check off" should be placed near the top of the Form 1040, U.S. Individual Income Tax Return, and could read simply: "Check here if you would like to receive a 20xx Tax Booklet and Instructions." This data can then be incorporated into the mail file prepared for the following filing season Form 1040 package delivery.</li> <li>Improve communication to taxpayers about the importance of ordering the tax forms and publications they need at the start of the filing season. Recommended methods of communicating this key message are: <ul style="list-style-type: none"> <li>Internal Revenue Service (IRS) news releases</li> <li>Featured postings on irs.gov</li> <li>Reminder postcards mailed to taxpayers</li> <li>Alerts in electronic tax software programs</li> </ul> </li> </ul>			



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<b>TAP 406-029</b>	<b>Forms, Web Availability of OCR</b>		<b>Status:</b>	Closed, Proposal Accepted	
<b>Date Approved by Joint Committee</b>	11/1/2006	<b>Date Elevated to IRS:</b>	11/21/2006	<b>Date Response(s) Received:</b>	11/22/2006 11/27/2006
<b>Issue Statement:</b>	Taxpayers have complained about not being able to download and print Optical Character Recognition (OCR) forms from the Internal Revenue Service (IRS) internet site. From the flow of the web site, taxpayers believe their only option is to call and order the forms by phone, a somewhat lengthy and time consuming process.				
<b>Goal Statement:</b>	Make it easier for taxpayers to order OCR forms on www.irs.gov.				
<b>Proposal:</b>	Replace the current link to the Forms and Publications home page with the actual link "Online Ordering for Information Returns and Employer Returns" on the warning page for OCR forms. The current web site configuration takes three clicks to arrive at the web page where a taxpayer orders the forms online.				
<b>Response from:</b>	Matthew Scott, Printing Services Specialist				
<b>Response Notes:</b>	<p>IRS is in agreement with the proposal and will review and modify verbiage as needed for the OCR coversheets, as well as update the link to the following address:  <a href="http://www.irs.gov/businesses/page/0,,id=23108,00.html">http://www.irs.gov/businesses/page/0,,id=23108,00.html</a>            (Online Ordering for Information Returns and Employer Returns). Once new verbiage (as applicable) is approved, we will begin incorporating the modified coversheet into future releases of approved OCR products for posting to the IRS.gov website.</p> <p>Thank you for the helpful recommendation.</p>				

<b>TAP T06-036</b>	<b>PMG, Improvement and Alternatives</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS</b>	12/13/2006		
<b>Issue Statement:</b>	The Publication Method Guide (PMG) used by tax resolution representatives (TRR) to answer taxpayer questions in the Taxpayer Assistance Centers (TACs) can be cumbersome for both the TRR and the taxpayer. While consistent use of the PMG increases the accuracy of answers, the PMG process is at once too detailed for efficient use by experienced TRRs and too complex for effective use by new TRRs.		
<b>Goal Statement:</b>	Modify the PMG process to improve the experience of both TRRs and taxpayers when using the PMG to answer questions at the TACs and to increase consistent use of the PMG.		
<b>Proposal:</b>	The Field Assistance organization should revise each Tax Law Category (TLC) contained in the PMG to implement the specific detailed suggestions. These modifications can be made in conjunction with the ongoing advances in the PMG's electronic interface or using the current technology. In addition, we recommend that the Internal Revenue Service (IRS) provide additional funding, training, and other resources to the Field Assistance organization so that they can continue to develop a truly interactive version of the PMG that would implement the detailed suggestions.		

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<b>TAP 206-020</b>	<b>Tollfree, Access to Person Option</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Approved by Joint Committee</b>	10/13/2006	<b>Date Elevated to IRS:</b>	1/22/2007	<b>Date Response(s) Received:</b>	1/22/2007 2/20/2007
<b>Issue Statement:</b>	Taxpayers are concerned that the Internal Revenue Service's (IRS) toll-free telephone lines provide only a limited, automated menu and do not always make it clear how to reach a person.				
<b>Goal Statement:</b>	Provide more user-friendly options on the telephone lines for less sophisticated or less knowledgeable taxpayers and always make it clear how to reach a person.				
<b>Proposal:</b>	This proposal recommends the addition of an option to speak with a person to the main menu of all IRS toll-free lines. The Taxpayer Advocacy Panel's (TAP) recommended wording for the menu option is: "Please press 0 (zero) or stay on the line if you need help in directing your call to someone who can assist you."				
<b>Response from:</b>	Frankie Harrell, Program Analyst, Customer Account Services, Program Coordination & Support				
<b>Response Notes:</b>	<p>The IRS is constantly reviewing contact center industry practices to determine the best possible services to our customers within resource constraints in our very complex environment. We work hard to make our telephone menus as clear as possible, but do recognize that there can still be some customer frustrations. We are pursuing a strategic direction that focuses on the delivery of overall enhanced customer service via specialization of employee skills for improved quality, and taxpayer self-assistance options using telephone and internet automation. Within our budget confines, we must diligently try to: deliver as much service as possible via taxpayer self-assistance options; lead as many people as possible to taxpayer self-assistance automation; 'train' our customers to accept automation as a first step; and discern as much about the caller's issue as possible before sending them to a human assistor. Our efforts are consistent with industry practices.</p> <p>In order to provide the ability for a caller to 'zero out' to a screener to direct their call, we estimate that up to 200 additional full-time equivalents (FTE) would be required. Assuming a static or declining budget, applying these resources to screeners, rather than staff actually answering questions, would result in decreased service to the larger customer population. Customers would most likely wait in queue longer to speak with someone knowledgeable in their specific issue, and overall customer satisfaction, as well as other business measures, would decline.</p> <p>There would also be costs associated with the systemic changes necessary to implement this recommendation. A very rough order of magnitude estimate would be approximately \$6 million for programming, additional infrastructure equipment for manually routing more calls, and additional system capacity needed for the larger screener group.</p> <p>Although we agree with the portion of the TAP goal which states 'Provide more user-friendly options on the telephone lines for less sophisticated or less knowledgeable taxpayers' we simply do not have the budget to implement your suggested solution at this time. We must continue to focus resources on the customer demand that cannot be met with automated services. We believe that we should continue to maximize our automation tools and available resources to assist the greatest number of customers, and direct any available resources to answering the caller's issues.</p>				

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<b>TAP 306-026</b>	<b>Spanish Correspondence Availability</b>		<b>Status:</b>	Elevated, Awaiting Preliminary Response	
<b>Date Approved by Joint Committee</b>	10/13/2006	<b>Date Elevated to IRS:</b>	1/22/2007	<b>Date Response(s) Received:</b>	1/30/2007
<b>Issue Statement:</b>	Taxpayers in the United States do not have the option to receive correspondence in Spanish.				
<b>Goal Statement:</b>	Facilitate taxpayers' effective communication with the Internal Revenue Service (IRS) for taxpayers whose primary language is Spanish.				
<b>Proposal:</b>	Limited English Taxpayers should have the option of receiving and sending written communication in Spanish.				
<b>Response Notes:</b>	Customer Account Services (CAS) has taken lead on this response and is coordinating with Multilingual Initiative (MLI).				

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<b>TAP 106-025</b>	<b>Forms and Publications, Search by Keyword</b>		<b>Status:</b>	Elevated, Awaiting Preliminary Response	
<b>Date Approved by Joint Committee</b>	10/13/2006	<b>Date Elevated to IRS:</b>	1/25/2007	<b>Date Response(s) Received:</b>	2/8/2007
<b>Issue Statement:</b>	The Internal Revenue Service (IRS) web site, <a href="http://www.irs.gov">www.irs.gov</a> , allows citizens to download its forms, instructions, and publications. While the web site allows citizens to easily search and download by form and publication numbers or by topic, the web site makes it difficult to search by "keyword," such as the words contained in forms and publications titles.				
<b>Goal Statement:</b>	Make it easier to find relevant forms and publications on <a href="http://www.irs.gov">www.irs.gov</a> .				
<b>Proposal:</b>	<p>The Taxpayer Advocacy Panel (TAP) has received several complaints from taxpayers about the difficulty in finding forms and publications on the IRS' website. To validate these complaints, the ability to search for forms and publications on <a href="http://www.irs.gov">www.irs.gov</a> was tested.</p> <p>The website was searched for Form 1127, Application for Extension for Time for Payment of Tax, by entering "Application for Extension for Time for Payment of Tax" into the &lt;Search&gt; field on <a href="http://www.irs.gov">www.irs.gov</a> (shown in the upper right corner of Figure 2). For this test, it was assumed the taxpayer knew the title of the form but not the form number. The search engine presented over 17,000 possible hits, yet none of the first twenty results presented the form as a possible match even though the wording entered into the &lt;Search&gt; function was the precise title of Form 1127.</p> <p>For taxpayers who do not know the form or publication number but know the title or approximate title, the lack of "search by keyword" function can cause frustration and delays in finding relevant tax forms and publications.</p> <p>The website does have an "Advanced Search" function where one can limit the search solely to forms and instructions, as well as publications. Figure 3 shows the Advanced Search screen. To make searching for forms, instructions, and publications easier, it is recommended that the IRS add an option to the list of search types shown in Figure 1 to include "Search by Keyword." This search capability could be built on the basis of the Advanced Search screen with the "Limit Search To" options of &lt;Forms and Instructions&gt; and &lt;Publications&gt; checked as defaults. The Taxpayer Advocacy Panel (TAP) has received several complaints from taxpayers about the difficulty in finding forms and publications on the IRS' website. To validate these complaints, the ability to search for forms and publications on <a href="http://www.irs.gov">www.irs.gov</a> was tested.</p> <p>The website was searched for Form 1127, Application for Extension for Time for Payment of Tax, by entering "Application for Extension for Time for Payment of Tax" into the &lt;Search&gt; field on <a href="http://www.irs.gov">www.irs.gov</a> (shown in the upper right corner of Figure 2). For this test, it was assumed the taxpayer knew the title of the form but not the form number. The search engine presented over 17,000 possible hits, yet none of the first twenty results presented the form as a possible match even though the wording entered into the &lt;Search&gt; function was the precise title of Form 1127.</p> <p>For taxpayers who do not know the form or publication number but know the title or approximate title, the lack of "search by keyword" function can cause frustration and delays in finding relevant tax forms and publications.</p> <p>The website does have an "Advanced Search" function where one can limit the search solely to forms and instructions, as well as publications. Figure 3 shows the Advanced Search screen. To make searching for forms, instructions, and publications easier, it is recommended that the IRS add an option to the list of search types shown in Figure 1 to include "Search by Keyword." This search capability could be built on the basis of the Advanced Search screen with the "Limit Search To" options of &lt;Forms and Instructions&gt; and &lt;Publications&gt; checked as defaults.</p>				

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<b>TAP 206-014</b>	<b>EFTPS Registration Process</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Approved by Joint Committee</b>	6/30/2006	<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Response(s) Received:</b>	2/8/2007 3/5/2007
<b>Issue Statement:</b>	The registration process for the Electronic Federal Tax Payment System (EFTPS) for individual taxpayers is not simple to use and requires, at best, a two-week wait time. This extended waiting time is specific to individual taxpayers and does not apply to businesses or preparers.				
<b>Goal Statement:</b>	Simplify the process for individual taxpayer's registration and participation in the EFTPS.				
<b>Proposal:</b>	Eliminate the need for bank and identify verification prior to the individual's using the EFTPS to make estimated tax payments. The IRS should use the same process for bank verification as used by those selecting the electronic funds withdrawal method of payment when filing their individual tax return electronically.				
<b>Response from:</b>	Frankie Harrell, Program Analyst, Customer Account Services, Program Coordination & Support				
<b>Response Notes:</b>	<p>Sue Sottile directed to Marlene Pratt asking for confirmation that her office would handle the proposed solution. This recommendation encourages IRS to use the same process for bank verification on EFTPS as the process used by those taxpayers selecting the Electronic Funds Withdrawal (EFW) method of payment when filing their individual tax return electronically. For both EFTPS and EFW, certain entity and banking information is required from the taxpayer to initiate and complete the payment process. When a taxpayer files their return electronically and requests an EFW payment, the entity information is secured from the taxpayer's income tax return and is systemically validated against the IRS Individual Masterfile. In this same validation process, the banking information provided by the taxpayer is validated with the Financial Organization Master File, and the payment is created for EFTPS processing. The taxpayer's payment is associated with their tax return.</p> <p>When a taxpayer enrolls in EFTPS via the internet, the same required entity and financial information is needed to create the EFTPS account and complete the validation process. This initial validation process for EFTPS enrollment takes approximately the same amount of time as the EFW validation process.</p> <p>The primary difference between the two processes is the assignment of the EFTPS Personal Identification Number (PIN) to the taxpayer. The PIN is necessary to authenticate the taxpayers' identity each time they log on to EFTPS and ensures the integrity of their tax payment information. Currently, our security guidelines prevent us from assigning the PIN to taxpayers electronically. All PINs must be sent to the Masterfile address of record via the U.S. Postal Service. At this time, we believe these procedures are necessary to protect sensitive taxpayer information, as well as, maintain the superior standard of integrity of the Treasury's main payment processing system.</p>				

<b>TAP 406-015</b>	<b>Forms, Show Changes on Drafts</b>		<b>Status:</b>	Elevated, Awaiting Acknowledgement	
<b>Date Approved by Joint Committee</b>	6/30/2006	<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	When the Internal Revenue Service (IRS) posts draft versions of a form for public comment, there is no indication of what has changed from the previous version.				
<b>Goal Statement:</b>	Receive more and better quality user feedback on draft forms posted by IRS for comment on IRS website.				
<b>Proposal:</b>	IRS should mark up the draft version so it is easy to identify the changes from the previous version of the form.				

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<b>TAP 206-017</b>	<b>Self-employed and Free Tax Preparation</b>		<b>Status:</b>	Pending Review by TAP	
<b>Date Approved by Joint Committee</b>	10/13/2006	<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Response(s) Received:</b>	2/8/2007 3/2/2007 5/23/2007
<b>Issue Statement:</b>	Internal Revenue Service (IRS) trained volunteers who work at free tax preparation sites, Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE), are currently prohibited from preparing Schedules C, Profit or Loss from Business (Sole Proprietorship). The sties can prepare a Schedule C-EZ, Net Profit from Business. However, the Schedule C-EZ can not be used when the expenses are \$5,000 or greater, the schedule shows a loss, or there is more than one Schedule C-EZ.				
<b>Goal Statement:</b>	Increase the number of low-income, self-employed taxpayers who can have their tax returns completed at VITA and TCE sites.				
<b>Proposal:</b>	<p>TAP recommend the following changes:</p> <ol style="list-style-type: none"> <li>1. Allow VITA/TCE to offer a higher level of training or certification test for volunteers who prepare returns at sites serving low-income, self-employed taxpayers. The training could be offered at two levels: <ul style="list-style-type: none"> <li>•complete training on completion of Schedule C; and</li> <li>•basic training that excludes “depreciation of assets” and “business use of home.”</li> </ul> </li> <li>2. Increase the limit of expenses to \$10,000 for Schedule C-EZ and index the limit to the cost of living; allow multiple Schedules C-EZ for each taxpayer and allow Schedule C-EZ to be used when a business has a net loss.</li> </ol>				
<b>Response from:</b>	Leslye Baronich, Director, Field Operations, Stakeholder Partnerships. Education and Communication (SPEC)				
<b>Response Notes:</b>	<p>SPEC has determined that preparation of Schedule C, as well as more expansive schedules C-EZ, is not feasible in the near term.</p> <p>As you are aware, the IRS has developed a comprehensive volunteer return preparation program quality initiative in response to Treasury inspector General for Tax Administration (TIGTA) and IRS findings of inaccuracies in volunteer tax return preparation services. The IRS and its partners are devoting sizable resources to reverse the error trend. SPEC leadership feels that adding the individual business component to volunteer return preparation program initiatives could result in a negative impact on the recent progress made in improving tax return accuracy. Allowing variations in the return preparation process to different types of sites has impacted our ability to provide consistency, which is critical at this juncture. Allowing some sites to prepare more complex returns would work against us.</p> <p>SPEC certainly believes there is merit in your recommendation to develop an individual business, low income, free tax preparation program. The effort necessitates collaboration between the IRS and new or existing partners</p>				

## Appendix A: Recommendations Elevated in 2006

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<b>TAP 606-018</b>	<b>Form W-10 Employer Identification Number</b>		<b>Status:</b>	Elevated, Awaiting Preliminary Response	
<b>Date Approved by Joint Committee</b>	10/13/2006	<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Response(s) Received:</b>	2/8/2007
<b>Issue Statement:</b>	Child care providers are reluctant to furnish their social security numbers when asked to certify their names, addresses and Taxpayer Identification Numbers (Tin) on Form W-10, Dependent Care Provider's Identification and Certification. They are concerned that providing their social security number will expose them to identity theft				
<b>Goal Statement:</b>	Reduce or eliminate the opportunity for child care providers to have their identities stolen.				
<b>Proposal:</b>	Add to the instructions for Form W-10, Dependent Care Provider's Identification and Certification, the following language: "to minimize identity theft, apply for an Employer Identification Number (EIN)." We recommend this language be inserted in Part I of the Specific Instructions, immediately preceding the "How to get a TIN" section.				
<b>Response Notes:</b>	Sottile recommended that the forms recommendations are handled through the Forms Committee of the Ad Hoc Council, which was set up as a clearinghouse and central point for forms issues.				

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<b>TAP 606-021</b>	<b>Customer Service, Improve Quality</b>		<b>Status:</b>	Elevated, Awaiting Preliminary Response	
<b>Date Approved by Joint Committee</b>	10/13/2006	<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Response(s) Received:</b>	2/8/2007
<b>Issue Statement:</b>	Many taxpayers believe the information given to them by the Internal Revenue Service (IRS) is inaccurate or inconsistent. There is a wide-spread perception that if they contact the IRS more than once about the same issue, they get different answers to their question.				
<b>Goal Statement:</b>	The goal is to create confidence in the public that the IRS provides accurate and consistent information.				
<b>Proposal:</b>	<p>The proposal is to engage in a very public process to: 1) develop a comprehensive IRS-wide plan for continuous quality improvement of customer services; and 2) inform and educate taxpayers about quality improvement efforts and their results.</p> <p>A broadly, representative task force on quality improvement should be formed. Possible task force membership would include representation from: Taxpayer Advocacy Panel (TAP), Internal Revenue Service (IRS), Service Corps of Retired Executives (SCORE), tax preparers, accountants/CPAs, Volunteer Income Tax Assistance (VITA), American Association of Retired Persons (AARP), National Treasury Employees Union (NTEU), and Universities/academia.</p> <p>The Task Force will focus on IRS customer service as provided through the telephone, the web site and walk-ins. Specifically, the task force will improve accuracy and build public confidence by accomplishing the following:</p> <ol style="list-style-type: none"> <li>1. Review current practices and make recommendations to improve the accuracy and consistency of answers.</li> <li>2. Review current training plans and practices and make recommendations to improve.</li> <li>3. Review current quality improvement plans and create a comprehensive plan for on-going efforts to continually improve quality.</li> <li>4. Inform and educate the public about efforts and results in improving accuracy.</li> <li>5. Create a plan for publicizing and changing public perception about quality improvement efforts and results.</li> </ol> <p>Upon completion of the above work, the task force work will forward its recommendations to the IRS Commissioner and conclude its work.</p>				



## Appendix A: Recommendations Elevated in 2006

<b>TAP 106-022</b>	<b>CP 521 Interest Rate</b>		<b>Status:</b>	Elevated, Awaiting Acknowledgement																	
<b>Date Approved by Joint Committee</b>	10/13/2006	<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Response(s) Received:</b>																	
<b>Issue Statement:</b>	Taxpayers on monthly installment agreements with the Internal Revenue Service (IRS) are not always aware of how much penalty and interest is being assessed and paid. Paying through installments to the IRS is costly for taxpayers and many do not have a clear picture of the true cost of their particular installment plan.																				
<b>Goal Statement:</b>	Encourage taxpayers currently in installment agreements with the IRS to use more cost-efficient tools to pay off their tax liability.																				
<b>Proposal:</b>	<p>The IRS should alter the CP-521, Installment Agreement Reminder Notice, to show a monthly breakdown of interest and penalty paid that follows the method being used by most mortgage and credit card companies.</p> <p>One way the IRS could accomplish this is by using a payment breakdown on the CP-521 similar to the following example:</p> <table><tr><td>Interest charge @ 7.5% per annum from 7/1/06 to 7/31/06</td><td>\$ 6.25</td></tr><tr><td>Penalty charge @ 6.0% from 7/1/06 to 7/31/06</td><td>5.00</td></tr><tr><td>Principal payment credited 7/31/06</td><td>188.75</td></tr><tr><td>Total Payment made</td><td>\$200.00</td></tr><tr><td colspan="2"> </td></tr><tr><td>Principal amount (tax owed) by taxpayer as of 7/1/06</td><td>\$1,000.00</td></tr><tr><td>Less: Principal payment made 7/31/06</td><td>188.75</td></tr><tr><td>Principal amount owed by taxpayer as of 7/31/06</td><td>\$ 811.25</td></tr></table>					Interest charge @ 7.5% per annum from 7/1/06 to 7/31/06	\$ 6.25	Penalty charge @ 6.0% from 7/1/06 to 7/31/06	5.00	Principal payment credited 7/31/06	188.75	Total Payment made	\$200.00			Principal amount (tax owed) by taxpayer as of 7/1/06	\$1,000.00	Less: Principal payment made 7/31/06	188.75	Principal amount owed by taxpayer as of 7/31/06	\$ 811.25
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Less: Principal payment made 7/31/06	188.75																				
Principal amount owed by taxpayer as of 7/31/06	\$ 811.25																				

<b>TAP 106-023</b>	<b>Letter 2645C Improvements</b>		<b>Status:</b>	Elevated, Awaiting Preliminary Response	
<b>Date Approved by Joint Committee</b>	10/13/2006	<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Response(s) Received:</b>	2/8/2007
<b>Issue Statement:</b>	Internal Revenue Service (IRS) employees select and choose paragraphs to include when issuing Letter 2645-C, Interim Letter. If the IRS employee does not choose the correct paragraphs when sending the letter to taxpayers, the taxpayer may not fully understand the situation which can lead to problems such as their defaulting on an installment agreement with the IRS.				
<b>Goal Statement:</b>	Ensure that Letter 2645-C clearly communicates to taxpayers what needs to be done.				
<b>Proposal:</b>	<p>IRS employees issuing Letters 2645-C should use the following statement with regard to tax periods for which there is a balance owed: "Penalty and interest will accrue until your issue is resolved. You can reduce the amount of penalty and interest that may accrue by:</p> <ul style="list-style-type: none"> <li>• Making a partial or full payment now. If you choose to make a payment, please write the taxpayer identification number and tax period listed at the top of this letter on your check or money order</li> <li>or,</li> <li>• Making a payment arrangement with the IRS If you do not have funds to pay now.</li> </ul> <p>If the taxpayer is already on an installment agreement, the IRS employee should always include Paragraph # 8 which says: "Your installment agreement is still in effect, so please continue to make your scheduled payments."</p>				
<b>Response Notes:</b>	Directed to SB/SE who handles the Letter 2645C.				

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<b>TAP 106-024</b>	<b>Form 1040V and Estimated Tax Payments</b>			<b>Status:</b>	Closed, Proposal Rejected
<b>Date Approved by Joint Committee</b>	10/13/2006	<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Response(s) Received:</b>	2/8/2007 3/5/2007
<b>Issue Statement:</b>	Taxpayers who file Form 1040, U.S. Individual Income Tax Return, showing a balance due, can send the tax payment with the tax return. However, if the taxpayer needs to make an estimated tax payment as a result of completing the tax return, the estimated tax payment must be sent to a different address than where the tax return is sent.				
<b>Goal Statement:</b>	Make it possible for taxpayers to send their tax return, tax payment and first quarter estimated tax payment to the same address.				
<b>Proposal:</b>	<p>IRS should eliminate the need to mail tax payments due at the same time to two different addresses using two different payment vouchers and also eliminate the need to mail an estimated tax payment separate from the tax return when there is no tax owed for the current year.</p> <p>A line should be added to Form 1040V, Payment Voucher, so the taxpayer can indicate that the first quarter estimated tax payment is included. Further, the Form 1040V should be renamed the Form 1040V-ES to better describe its new purpose.</p> <p>The instructions for the new line on the Form 1040V-ES could read: "If you are also making an estimated tax payment for 200_, indicate the amount of the estimated tax payment on Form 1040V-ES." In addition, the instructions to the new Form 1040V-ES should be changed to indicate the form can be used when:</p> <ul style="list-style-type: none"> <li>a) making a payment for a balance due shown on the current year tax return,</li> <li>b) making the April 15th estimated tax payment or</li> <li>c) making a payment for a balance due on the current year tax return and an estimated tax payment.</li> </ul> <p>A proposed rendition of a Form 1040V-ES payment voucher is attached.</p> <p>Second, third and fourth quarter estimated payments will continue to be sent with the Form 1040ES, Estimated Tax for Individuals.</p>				
<b>Response from:</b>	Frankie Harrell, Program Analyst, Customer Account Services, Program Coordination & Support				
<b>Response Notes:</b>	<p>The Form 1040-V allows individual taxpayers who have a balance due on their Form 1040 to submit their return and payment to the same address; thereby, allowing IRS to process the payments faster. Approximately half of the Form 1040-V's are processed in the lockbox banks and the other half is processed at the Submission Processing Campuses. Neither the Submission Processing Campuses nor the lockbox banks have the capacity to handle all of the mail in one site. We believe your suggestion would create significant capacity issues for processing and a substantial increase in misapplied payments.</p> <p>The Form 1040-ES document is processed through electronic scanning at the lockbox banks. This process not only allows the taxpayer to submit their estimated tax payments but also serves to ensure the payments are accurately posted. Electronic scanning of documents provides the most efficient and cost effective means of processing payments, as it is faster, less prone to key-stroke errors, and less costly to the taxpaying public. Because payments received with a return and estimated tax payments have two different transaction codes, our current technology would not allow a combined document to be scanned. Instead, we would have to process these payments as split payments increasing the need for manual labor. This would dramatically increase the potential for human error resulting in an increase in misapplied payments.</p> <p>In 2005, the statistics for Form 1040-V non-scannable payments at the lockbox banks was 93%. In 2006, the non-scannable rate was 23% and the scannable rate was 75% at the lockbox banks. This demonstrates IRS's continual efforts to reduce manual labor and increase efficiency and accuracy when processing payments.</p>				

## Appendix A: Recommendations Elevated in 2006

<b>TAP 506-027</b>	<b>Forms &amp; Publications Employee Background</b>		<b>Status:</b>	Pending Review by TAP	
<b>Date Approved by Joint Committee</b>	10/13/2006	<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Response(s) Received:</b>	2/8/2007 4/3/2007
<b>Issue Statement:</b>	The Internal Revenue Service (IRS) forms and publications are written in a manner that is confusing and not easily understood. Taxpayers spend numerous hours trying to interpret "IRS" language. IRS personnel charged with the writing of forms and publications do not have educational backgrounds in the areas of English and Journalism.				
<b>Goal Statement:</b>	To increase taxpayer understanding of IRS forms and publications, and thereby, increase compliance.				
<b>Proposal:</b>	<ul style="list-style-type: none"> <li>• Employ persons specifically trained to communicate via the written word such as English or Journalism majors. Increase the pool of potential candidates by posting positions across the country.</li> <li>• Use frontline customer service employees as focus groups during the revision process. In addition, implement call-site data collection to help determine areas of taxpayer confusion and misunderstanding.</li> <li>• Continue to promote adherence to the internally developed IRS Style Guide. In the final review process, place increased emphasis on readability and comprehension in conjunction with technical accuracy.</li> </ul>				
<b>Response from:</b>	Curt Freeman, Acting Director, Tax Forms and Publications				
<b>Response Notes:</b>	<p>For our tax law specialist (TLS) positions, the initiators of our products, we hire individuals with the best tax/accounting training or experience who also have strong writing skills. In fact, we consider good writing skills so important that in recent years we began requiring applicants submit to a writing test at the end of the interview. The IRS Experience with employing writer-editors was that changes made to the products improved the readability, but the text was no longer accurate. The IRS strives to write products at a sixth-grade reading level but the complexity of the tax law does not always allow IRS to do so.</p> <p><b>Alternative Worksites</b> The IRS is updating its processes to be more electronic and less paper-based. However, has not found a way that would allow hiring employees situated throughout the country. New employees attend training and work closely with an on-the-job instructor to learn the job. The production cycle for products is generally close to a full year, so it takes at least that much time for a new employee to go through all the necessary steps for a product just once. It would be cost-prohibitive to bring new employees to Washington, D.C. for that first year.</p> <p><b>Using Frontline Employees as Focus Groups</b> IRS has used focus groups of IRS employees which proved very beneficial in terms of knowledge-transfer. Input from front-line employees needs to be focused, such as solicitation of feedback from those who rely on our products to better service the public. It is also planned to conduct a number of visitations to IRS call sites to obtain feedback on tax products and share updates on tax product changes. IRS has also found that the IRS employee suggestion program is a very effective tool in getting suggestions from front-line customer service employees to improve our products.</p> <p>The IRS uses focus groups of taxpayers to test tax products each year. To ensure results are valid, the products are tested using 2-4 focus groups in up to 6 different cities. Focus groups are generally for 60-90 minutes, and only certain key material can be tested during that time. Because we are testing products written for taxpayers, we generally use taxpayers who self-prepare their returns in the focus groups.</p> <p>In addition, IRS receives valuable customer input from various IRS business units, including the</p>				

## Appendix A: Recommendations Elevated in 2006

	<p>Office of Taxpayer Burden Reduction, National Public Liaison, and Communications, Liaison and Disclosure. All of these offices closely work with external stakeholder groups to solicit continuous taxpayer feedback. This is in addition to the ongoing constructive relationship we have had with the Ad Hoc Committee of the Taxpayer Advocacy Panel.</p> <p>Implement the Use of Call-Site Data Collection We use information collected from call-sites, and will continue to do so. However, such data usually identifies a general area for possible improvement. That is why we intend to visit a number of IRS call sites this spring and summer to obtain more specific, actionable information from the front-line users.</p> <p>Style Guide IRS agreed that adherence to the Style Guide increases readability and will continue to include adherence to the Style Guide as one of the requirements when updating products or creating new ones.</p> <p>Increased Emphasis on Readability and Comprehension in Final Review Process IRS agrees there needs to be as much emphasis on readability and comprehension, in conjunction with technical accuracy, as possible. However, has found that substantive changes made during the final review process are often where mistakes are made. IRS has emphasized to its TLSSs, reviewers, and other employees that all substantive changes need to be made early in the process, and changes at the end of the process should be limited to correcting an error or improving a poorly written passage and will also stress that readability and comprehension should be checked in addition to technical accuracy during the final review process.</p>
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<b>TAP 706-030</b>	<b>TAC Mail Dropoff Procedures</b>		<b>Status:</b>	Elevated, Awaiting Acknowledgement	
<b>Date Approved by Joint Committee</b>	11/1/2006	<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Taxpayer Assistance Centers (TACs) that do not have mail screening capability will not accept documents or packages that taxpayers bring in person to the TAC when the Revenue Officer (RO) or Revenue Agent (RA) who requested the material is absent. This practice complies with an Internal Revenue Service (IRS) directive that protects the safety of IRS employees, but inconveniences taxpayers and could even cause a taxpayer to miss a specific deadline for providing information and consequently become subject to levy and other seizure activities.				
<b>Goal Statement:</b>	Implement a procedure, consistent with the safety of IRS employees, for TACs to accept documents or packages from taxpayers in the absence of the RO or RA who requested the materials.				
<b>Proposal:</b>	<p>Amend the Internal Revenue Manual to direct ROs and RAs who anticipate being absent from the TAC to (a) arrange for another IRS employee at the TAC to accept materials the RO or RA requested from the taxpayer, and (b) specify that "back-up" plan on their voicemail greeting.</p> <p>If a taxpayer attempts to deliver materials in compliance with a request from an RO or RA when that person is absent and has not implemented a back up plan, the Manual should (a) direct other IRS employees at the TAC to document the taxpayer's attempt to deliver materials and (b) direct the RO or RA to extend the deadline for providing the information for a minimum of one week.</p>				

## Appendix A: Recommendations Elevated in 2006

<b>TAP 206-031</b>	<b>Household Employees, Clarity of Instructions</b>		<b>Status:</b>	Closed, Proposal Partially Accepted	
<b>Date Approved by Joint Committee</b>	6/30/2006	<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Response(s) Received:</b>	3/8/2007 3/2/2007
<b>Issue Statement:</b>	Existing instructions do not provide clear instructions to taxpayers on when to stop filing employment tax forms for household employees, such as, nannies, cleaning people, gardeners, caretakers, etc. The instructions also promote taxpayer confusion by using the terms "Household" and "Business" interchangeably.				
<b>Goal Statement:</b>	Internal Revenue Service (IRS) instructions should inform taxpayers they need not file employment tax forms if they no longer have household employees and clarify the use of the terms "Household" and "Business" used in the forms, instructions and publications				
<b>Proposal:</b>	<p>TAP recommends the following changes to the Publication 393, 200x Federal Employment Tax Forms, and other employment tax forms, instructions and publications:</p> <ol style="list-style-type: none"> <li>1) Include on the front of future Publications 393, 200x Federal Employment Tax Forms, a statement such as: "You need NOT file employment tax forms for the tax year in which you did not pay wages above \$xxx to any household employees."</li> <li>2) Define and use the term "Household/Business" instead of using the terms "Household" and "Business" separately and interchangeably on the Form 941, Employer's Annual Federal Unemployment (FUTA) Tax Return, in the Form 941 Instructions and in the Publication 393. Alternatively, use only the term "Business" and define it as referring to both business entities and household employers for purposes of employment taxes.</li> <li>3) Move Item #16 on Page 2 of Form 941 (check box for "Final" filing of Form 941) to the top of the front page of the form, similar to its placement on the Form 1065 Schedule K-1 Partner's Shares of Income, Credits, Deductions, etc.</li> <li>4) Change text to make it clear that taxpayers should label their last Form 941, Employer's Quarterly Federal Tax Return, as "FINAL." A section in the instructions appropriately labeled: "If this is the last year you employ household help" would highlight this information for the taxpayer.</li> </ol>				
<b>Response from:</b>	Carole A. Barnette, Acting Review Chief, Business Branch				
<b>Response Notes:</b>	<p>The recommended statement to include on the front of future Publications 393, 200x Federal Employment Tax Forms, a statement such as: "You need NOT file employment tax forms for the tax year in which you did not pay wages above \$xxx to any household employees "would not be accurate if the employer has household employees and other employees. The employer may include both on Forms 941, 940, etc. However, we could include language stating that Schedule H (Form 1040), Household Employment Taxes, will be sent automatically if Schedule H was filed in the previous year.</p> <p>IRS uses the term business on Form and Instructions for the 941 because the products are for an audience that overwhelmingly consists of business entities and not household employers. While employers can choose to file Form 941 for household employment or include taxes for their household employees on Form 941, the form is not designed for use by household employers and the instructions refer these employers to Schedule H (Form 1040), Household Employment Taxes, and Publication 926, Household Employer's Tax Guide because it is simpler and easier.</p> <p>The IRS will consider placing a check box for "Final" filing of Form 941 conspicuously on the front page.</p> <p>The redesigned Form 941 is processed by optical character recognition (OCR) equipment. Because of the technical requirements of that technology, addition of "FINAL" would not necessarily be noticed on a return and could interfere with or cause errors in processing.</p>				

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<b>TAP 406-035</b>	<b>Form 4506, Request Copy of Tax Return</b>		<b>Status:</b>	Elevated, Awaiting Acknowledgement	
<b>Date Approved by Joint Committee</b>	12/6/2006	<b>Date Elevated to IRS:</b>	2/8/2007	<b>Date Response(s) Received:</b>	
<b>Issue Statement:</b>	Taxpayers have expressed concern about third party use of copies of their tax returns and transcripts requested by filing Forms 4506, Request for Copy of Tax Return and 4506-T, Request for Transcript of Tax Return.				
<b>Goal Statement:</b>	Raise taxpayers' awareness of the consequences of requesting that tax return information be delivered to a third party.				
<b>Proposal:</b>	In bold type, highlight both the cautionary statement in Line 5 and the separate caution statement immediately above Line 6 on Form 4506 and 4506-T to make clear that a signature gives the third party listed (e.g.--a mortgage company) the right to receive all pertinent data on the specified tax return(s).				

<b>TAP 206-028</b>	<b>Form 1099 Free Electronic Filing</b>		<b>Status:</b>	Elevated, Awaiting Acknowledgement	
<b>Date Approved by Joint Committee</b>	11/1/2006	<b>Date Elevated to IRS:</b>	7/2/2007	<b>Date Response(s) Received:</b>	11/24/2006
<b>Issue Statement:</b>	<p>Charitable organizations and small businesses with fewer than 250 Forms 1099-MISC, Miscellaneous Income, are required to use third party providers to file them electronically with the Internal Revenue Service (IRS).</p> <p>Note: This recommendation was sent to Sue Sottile on 11/16/2006; she requested the recommendation be forwarded to the Director of the Martinsburg Computing Center for consideration.</p>				
<b>Goal Statement:</b>	Enable charitable organizations and small businesses to file Forms 1099-MISC electronically at no cost. The information and instructions on how to do so should be easily accessible.				
<b>Proposal:</b>	<p>Implement a system similar to the Social Security Administration (SSA) Business Services Online that would allow those filing small numbers of forms to do so electronically at no cost.</p> <p>If the cost to do this or the time required to implement the new system makes this impractical in the short term, TAP recommends the IRS arrange free filing through authorized providers for small churches, other non-profit organizations and small businesses.</p> <p>Information and filing instructions should be easily accessible to all qualifying organizations.</p>				



## Appendix B. IRS Responses Received in 2006 for Recommendations Forwarded to IRS in Prior Years

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### Appendix B. IRS Responses Received in 2006 for Recommendations Forwarded to IRS in Prior Years

This Appendix sets forth summaries of all TAP recommendations forwarded to the IRS in prior years to which TAP received a response from the IRS in 2006.

<b>TAP 04-054</b>	<b>Expanding Third Party Authorization Term</b>	<b>Status:</b>	Closed, Proposal Rejected
<b>Date Elevated to IRS:</b>	10/18/2004	<b>Date Response(s) Received:</b>	4/30/2005 5/1/2006
<b>Issue Statement:</b>	Taxpayers are allowed to authorize a third party to discuss questions about various tax returns with the Internal Revenue Service (IRS) by checking a box adjacent to the signature section on the returns. The authorization is limited to one year from the due date, without extension, of the return.		
<b>Proposal:</b>	The IRS should expand the term of the authorization to three (3) years. Many times the IRS is not able to correspond with taxpayers about math errors, offsets, and return preparation within one year of the due date. Part of the delay is caused by taxpayers filing returns past the original due date. Extending the authorization to three (3) years would not jeopardize or change any IRS enforcement actions.		
<b>Response from:</b>	Priscilla J. Hagan-Hetherington, Chief, Policy, Procedures & Guidance		
<b>Response Notes:</b>	<p>W&amp;I Accounts Management does not concur with the TAP recommendation for a variety of policy, privacy, and legal issues:</p> <ul style="list-style-type: none"> <li>Although the 1040 check-the-box authority has been expanded to include a sharing of information to resolve some account issues, it continues to be nothing greater than disclosure authority to assist in the completion of return processing and resolve issues within a short period of time.</li> <li>A Third Party Designee does not have the authority to represent or resolve issues with Examination or Collections personnel. Generally, account issues are in Examination or Collections after one year. If the authorization period is expanded, designees may attempt to handle issues that require representation by someone qualified to practice before the IRS.</li> <li>The check-the-box authority is irrevocable. The Designee may be the person who prepared the return, not friend or family. If the taxpayer decides they no longer needs or want the Designee/preparer's services, because the authority is irrevocable, the Designee could receive information they are not entitled to receive.</li> <li>Customer Service Representatives will be required to perform additional research to determine when the Check Box authority ends, if the period is extended. This change could create confusion and cause inadvertent disclosures.</li> </ul>		



## Appendix B. IRS Responses Received in 2006 for Recommendations Forwarded to IRS in Prior Years

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<b>TAP 04-055</b>	<b>Provide Third Party Designee Notices Automatically</b>	<b>Status:</b>	Closed, Proposal Rejected
<b>Date Elevated to IRS:</b>	9/24/2004	<b>Date Response(s) Received:</b>	4/30/2005 5/1/2006
<b>Issue Statement:</b>	Taxpayers are allowed to designate a third party to discuss questions about various tax returns by checking a box adjacent to the signature section on the returns. Designees are authorized to receive information or transcripts related to the return, upon request to the Internal Revenue Service (IRS).		
<b>Proposal:</b>	The third party designee should be co-recipient of IRS notices about math errors, offsets, and return preparation. The designated practitioner should be notified automatically and at the same time as the taxpayer.		
<b>Response from:</b>	Priscilla J. Hagan-Hetherington, Chief, Policy, Procedures & Guidance		
<b>Response Notes:</b>	<p>Wage and Investment/Accounts Management Position and Actions W&amp;I Accounts Management does not concur with the TAP recommendation for a variety of policy, privacy, and legal issues:</p> <ul style="list-style-type: none"> <li>• The Service never intended to impinge upon the authority granted by the Power of Authority (Form 2848) with the Checkbox or Third Party Designee authority. Even though the 1040 check-the-box authority has been expanded to include a sharing of information to resolve some account issues, it continues to be nothing greater than disclosure authority to assist in the completion of return processing.</li> <li>• By expanding the use of the Checkbox as the TAP proposes, the IRS may give a false indication of authority the preparer or Third Party Designee may have, because the person identified by the Checkbox, or Third Party Designee, is not always the person who prepares the tax return. If the person with check-the-box authority is not the preparer, and he or she also received copies of notices, this may cause communication problems between the preparer and the client.</li> <li>• At the one-year anniversary of the return due date, any unresolved account issues are generally in Examination or Collections status. A Third Party Designee does not have the authority to represent or resolve issues with Examination or Collections personnel about his/her client's tax account. The intent of the check-the-box authority was for the designee to be anyone, and clearly not someone representing the taxpayer in a tax dispute.</li> <li>• The check-the-box authority is irrevocable. Often the Designee is the return preparer, not friend or family. The issue then becomes one of unauthorized disclosure, if the taxpayer decides he or she no longer wants the Designee/preparer's services. An irrevocable designation must be limited in time to keep unauthorized disclosures from occurring. This is especially crucial at a time when maintaining privacy of personal financial information is most critical; any release of unauthorized information would be unacceptable.</li> </ul>		

## Appendix B. IRS Responses Received in 2006 for Recommendations Forwarded to IRS in Prior Years

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<b>TAP 05-015</b>	<b>VITA/TCE Uniform Taxpayer Identification Requirements</b>	<b>Status:</b>	Pending Review by TAP
<b>Date Elevated to IRS:</b>	8/22/2005	<b>Date Response(s) Received:</b>	1/30/2006
<b>Issue Statement:</b>	There are discrepancies among official IRS publications, Volunteer Income Tax Assistance (VITA) training materials, and instructions from IRS employees to VITA site coordinators regarding what identifying documents taxpayers must present at VITA and other volunteer tax preparation sites.		
<b>Proposal:</b>	TAP recommended that the IRS develop and distribute consistent guidelines for identification needed for taxpayers to obtain help from volunteer tax sites. The same taxpayer identification requirements should apply to all volunteer tax preparation assistance sites. The requirements should be clearly communicated to taxpayers and volunteer preparers in written materials and oral instructions provided by IRS representatives.		
<b>Response from:</b>	Elizabeth Blair, Chief, Oversight and Analysis, SPEC Field Operations, Communication, Assistance, Research, and Education (CARE)		
<b>Response Notes:</b>	The photo identification requirement has been in the Publication 678, Volunteer Assistor's Guide, Student Text, for 2004 and 2005. The language requires the photo identification and the language uses the word must. A copy of the Publication 678 (Rev. 2005) page 13 and Publication 678 (Rev. 2004) page 5 was attached.		

<b>TAP 05-032</b>	<b>554, Older Americans' Tax Guide</b>	<b>Status:</b>	Closed, Proposal Partially Accepted
<b>Date Elevated to IRS:</b>	12/29/2005	<b>Date Response(s) Received:</b>	12/30/2005 2/10/2006
<b>Issue Statement:</b>	Publication 554, Older Americans' Tax Guide, which states its purpose is "to provide a general overview of selected topics that are of interest to older Americans," does not adequately address the concerns of the targeted audience.		
<b>Goal Statement:</b>	Clarify tax obligations and ease compliance for older Americans by revising and expanding Publication 554 to be useful to seniors researching information that is relevant to all their tax situations.		
<b>Proposal:</b>	TAP recommends that Publication 554 be revised to include the specified changes in the attachment to this document titled "TAP Proposed Changes to Publication 554."		
<b>Response from:</b>	Sue Sottile, Director, Tax Forms and Publications		
<b>Response Notes:</b>	The IRS thanked the TAP for providing the thoughtful suggestions and stated that the purpose of Publication 554 is to provide older American taxpayers with an overview of important tax issues and let them know where to find detailed information. With that purpose in mind, IRS carefully considered the, suggestions and adopted many but not all of the TAP recommendations. The IRS did provide TAP a detailed response to each recommendation.		

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<b>TAP 05-033</b>	<b>Form SS-4 &amp; LLCs</b>	<b>Status:</b>	Closed, Proposal Partially Accepted
<b>Date Elevated to IRS:</b>	12/22/2005	<b>Date Response(s) Received:</b>	12/22/2005 1/22/2006 2/3/2006
<b>Issue Statement:</b>	The instructions for Form SS-4, Application for Employer Identification Number (EIN), that are available for applications to be submitted online provide different directions for taxpayers seeking an EIN for a Limited Liability Company (LLC) than the instructions for applications to be submitted in hard copy.		
<b>Goal Statement:</b>	Create a consistent and complete set of instructions for Form SS-4 for use by both online customers as well as those who submit hard copy applications.		
<b>Proposal:</b>	TAP recommends that the IRS consolidate the two separate sets of instructions available for Form SS-4. Instructions pertaining only to the mechanics of paper filing or online filing would differ, but the line-by-line instructions on how to complete the form should be the same. A search for the Form SS-4 on the IRS website should bring up the consolidated instructions applicable to both paper and on-line filing and then link to both the paper application and the electronic application site. For a short-term solution to the problem, the IRS should incorporate the instructions for LLCs from page 4 of the Form SS-4 instructions for paper filers into the Form SS-4 instructions for online filers.		
<b>Response from:</b>	Betsy Kinter, Director of Accounts Management		
<b>Response Notes:</b>	<p>The TAP recommendation that one comprehensive set of instructions be developed for both online and hard copy applications is not one IRS should adopt because in April 2007, the current online EIN program will be replaced by an interactive application and there will not be a need for any online instructions because the system will walk the applicant through the process.</p> <p>Subsequently, the IRS canvassed both EIN subject matter experts and the TAP for input on the on-line instructions and incorporated many of the suggestions into the updated product.</p>		

<b>TAP 05-051</b>	<b>Form 656, Offer in Compromise Criteria</b>	<b>Status:</b>	Closed, Proposal Partially Accepted
<b>Date Elevated to IRS:</b>	12/29/2005	<b>Date Response(s) Received:</b>	12/29/2005 2/15/2006
<b>Issue Statement:</b>	The current instructions for Form 656, Offer in Compromise (OIC), do not clearly explain the criteria considered by the Internal Revenue Service (IRS) in determining whether an Offer in Compromise is acceptable.		
<b>Goal Statement:</b>	The goal of this recommendation is to promote better understanding by taxpayers of the OIC requirements.		
<b>Proposal:</b>	The instructions for Form 656 should be clarified. We recommend that the instructions (1) explicitly inform taxpayers that an OIC based on Doubt as to Collectibility will not be considered if the IRS determines that the taxpayer could pay the full tax liability under an installment agreement over the remaining period of the collection statute of limitations, (2) explain how a taxpayer can estimate that capability, (3) more clearly state that an OIC will also be rejected if the IRS determines that the taxpayer has sufficient assets to pay the tax in full immediately or within a short period of time, and (4) exclude distracting information that is not germane to completing the form.		
<b>Response from:</b>	Michael R. Chesman, Director, Taxpayer Burden Reduction		
<b>Response Notes:</b>	TAP's input on this issue was very timely, as IRS was in the process of revising the Form 656 instructions. As part of this revision, IRS is considering revising the "Work Sheet to Calculate an Offer" on pages 8 and 9 of the instruction package. TAP's recommendations have merit and were given serious consideration in making the revisions.		

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<b>TAP 05-052</b>	<b>Consolidate Presidentially Declared Disaster Area Information</b>	<b>Status:</b>	Closed, Proposal Partially Accepted
<b>Date Elevated to IRS:</b>	12/29/2005	<b>Date Response(s) Received:</b>	12/29/2005 2/17/2006
<b>Issue Statement:</b>	Information of special relevance to taxpayers in Presidentially declared disaster areas is difficult to locate because it is scattered among several Internal Revenue Service (IRS) Publications and also scattered within IRS Publication 547, Casualties, Disasters, and Thefts.		
<b>Goal Statement:</b>	To improve and make more accessible income tax related information of special interest and relevance to taxpayers in Presidentially declared disaster areas.		
<b>Proposal:</b>	Information of special relevance to taxpayers in Presidentially declared disaster areas should be consolidated in one place, as much as possible, for easy reference. The Area 3 Committee proposes two alternative solutions: One solution would be to have a new publication targeted at the needs of taxpayers in Presidentially declared disaster areas. A second possible solution would be to greatly expand the "Disaster Area Losses" section of Publication 547 and consolidate in that section all relevant information.		
<b>Response from:</b>	Sue M. Sottile, Director, Tax Forms and Publications		
<b>Response Notes:</b>	<p>The IRS is consolidating all the Katrina, Rita, and Wilma relief, enacted in KETRA and the new Gulf Opportunity Zone Act, in new Publication 4492, which should be completed by the end of January. The suggestion to expand the "Disaster Area Losses" section of Publication 547 has merit and IRS will expand it during the next revision. However, the discussion-about the exclusion of-gain-relating to a taxpayer's main home is too lengthy to be incorporated into Publication 547, which is why taxpayers are referred to Publication 523 for that information. It is most logically placed in Publication 523 because it applies whether or not a taxpayer's main home was in a Presidentially declared disaster area.</p> <p>IRS does not plan to create a new publication specifically for taxpayers in Presidentially declared disaster areas because that information either is or will be available in Publication 547 and in Publication 2194, Disaster Losses Kit for Individuals. IRS believes the information is best placed in Publication 547 because that is where taxpayers turn when they experience disaster losses. IRS does not believe duplication of that information in a new publication is the best use of our limited resources given the number of taxpayers affected by Presidentially declared disasters. When greater numbers of taxpayers are affected, IRS creates publications specifically dealing with particular disasters, such as Publication 4492, Information for Taxpayers Affected by Hurricanes Katrina, Rita, and Wilma, and Publication 3920, Tax Relief for Victims of Terrorist Attacks. IRS is concerned that creating another publication would result in possible confusion and needless overlap</p>		

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<b>TAP 05-054</b>	<b>Additional Tax Waiver Request</b>	<b>Status:</b>	Closed, Proposal Implemented
<b>Date Elevated to IRS:</b>	12/29/2005	<b>Date Response(s) Received:</b>	12/29/2005 2/1/2006
<b>Issue Statement:</b>	When a taxpayer requests a waiver of the 50% additional tax for failure to receive a required minimum distribution from a qualified retirement plan, including an Individual Retirement Account (IRA), or an eligible 457 deferred compensation plan, the Internal Revenue Service (IRS) does not notify the taxpayer whether the IRS is going to waive the 50% additional tax but instead, without advance notification to the taxpayer, will simply send a refund if the waiver request is approved. In addition, neither the instructions for Form 5329, Additional Taxes on Qualified Plans, nor Publication 575, Pension and Annuity Income, notify taxpayers as to what courses of action are available to them if the IRS does not waive the 50% additional tax.		
<b>Goal Statement:</b>	Notify taxpayers of the status of requests for waive of the 50% additional tax for failure to make a required minimum distribution from a qualified retirement plan, etc., and what courses of action are available to them to request reconsideration.		
<b>Proposal:</b>	When a taxpayer requests waiver of the 50% additional tax for failure to receive a required minimum distribution form a qualified retirement plan, including an IRA or an eligible 457 deferred compensation plan, the IRS should notify the taxpayer in writing whether the IRS is going to waive the 50% additional tax. In addition, the instructions for Form 5329 and Publication 575 should notify taxpayers as to what courses of action are available to them if the IRS does not waive the 50% additional tax.		
<b>Response from:</b>	Betsy Kinter, Director, Accounts Management		
<b>Response Notes:</b>	<p>Adopting the TAP suggestion to notify taxpayers of the status of their waiver request is not feasible. It is possible that a waiver request may be included with a balance due return that is "shelved" in Submission Processing for a period of time during the filing season. Once a transcript is included in Accounts Management inventory, it should be worked and closed. There would be no benefit to providing a "status" update to the taxpayer.</p> <p>However, IRS will develop a specific reason code for input during the processing of the adjustment that will address excess accumulation tax adjustments. This will allow a better explanation to be generated on the notice to the taxpayer when the tax is abated. Also, the IRS will request programming to open IDRS Control bases when the internal transcripts generate which will allow more efficient inventory control and age monitoring of these cases. Furthermore, IRS will consider changes to the Form 5239 Instructions and related publications.</p>		

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<b>TAP 05-055</b>	<b>Training of Volunteers for VITA/TCE E-filing</b>	<b>Status:</b>	Closed
<b>Date Elevated to IRS:</b>	12/29/2005	<b>Date Response(s) Received:</b>	12/29/2006 1/30/2006
<b>Issue Statement:</b>	Volunteers working in the AARP Tax Counseling for the Elderly (TCE ) program do not receive adequate training in e-filing.		
<b>Goal Statement:</b>	Improve the quality of the training TCE volunteers receive on e-filing.		
<b>Proposal:</b>	The Internal Revenue Service (IRS) Stakeholder Partnerships, Education and Communication (SPEC) organization should work with AARP area coordinators to improve the e-file training provided to the volunteers. SPEC should consider monitoring or selective auditing of the training. A suggested outline for e-file training is attached to this recommendation.		
<b>Response from:</b>	Elizabeth Blair, Chief, Oversight and Analysis, SPEC Field Operations, Communication, Assistance, Research, and Education (CARE)		
<b>Response Notes:</b>	The primary focus of the TAP Volunteer Income Tax Assistance (VITA) Committee for 2006 is to make recommendations to SPEC regarding improving volunteer training methods and materials. Therefore, the outline was referred to the Committee to take into consideration when making recommendations to SPEC.		

<b>TAP 05-056</b>	<b>Forms W-7 and 1040NR Changes</b>	<b>Status:</b>	Closed, Proposal Accepted
<b>Date Elevated to IRS:</b>	1/5/2006	<b>Date Response(s) Received:</b>	2/17/2006
<b>Issue Statement:</b>	Taxpayers who file Form 1040NR, U.S. Nonresident Alien Income Tax Return, either as a taxpayer with Dual Status or a Nonresident Alien, are experiencing problems when they file a Form W-7, Application for an Individual Taxpayer Identification Number for a dependent spouse. The IRS does not associate the spouse's Form W-7 with the taxpayer's Form 1040NR and must communicate with the taxpayers prior to issuing the Individual Taxpayer Identification Numbers (ITIN).		
<b>Goal Statement:</b>	Revise Form W-7 to allow a dependent spouse ITIN application to be easily associated with the spouse's Form 1040NR without requiring correspondence to complete processing the tax return.		
<b>Proposal:</b>	TAP recommends making changes to Forms W-7 and 1040NR and their instructions to alleviate the problems the IRS is experiencing associating dependent spouse ITIN applications with their spouse's tax return. The specific recommended changes are listed in the attached document titled "TAP Proposed Changes to Forms 1040 NR and W-7 and Instructions." TAP also recommends that the IRS involve the TAP Area 2 Committee in the process of implementing these changes.		
<b>Response from:</b>	Sue M. Sottile, Director, Tax Forms and Publications		
<b>Response Notes:</b>	<p>The ITIN unit of the IRS recommended adding an instruction and entry space to line g of the Form W-7 for the dependent/spouse of a nonresident alien to enter the name, visa number, and ITIN of the primary taxpayer filing the Form 1040NR. With this information, a separated W-7 can be easily associated with the primary taxpayer's Form 1040NR. This instruction should be added to line g rather than line e, which is for spouses of U.S. citizens or resident aliens.</p> <p>IRS believe adding these entries to line g of Form W-7 will obviate the need to make changes to the Form 1040NR as Submission Processing will now be able to associate the Form W-7 with the Form 1040NR based on information on the Form W-7.</p>		

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<b>TAP 05-072</b>	<b>Form 8453/8879 VITA/TCE Mailing Requirements</b>	<b>Status:</b>	Closed, Proposal Rejected
<b>Date Elevated to IRS:</b>	1/3/2006	<b>Date Response(s) Received:</b>	1/30/2006
<b>Issue Statement:</b>	The Internal Revenue Service (IRS) requires Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) volunteers to collect copies of Form W- 2, Wage and Tax Statement, and other information reporting forms that show an amount of tax withheld. One copy of the information forms and Form 8453, U.S. Individual Income Tax Declaration for an IRS e-file Return, or Form 8879, IRS e-file Signature Authorization, must be sent to the IRS service center after the return is accepted and another copy retained by the site or sent to the local IRS Stakeholder Partnership, Education and Communication (SPEC) office or other designated retention center. This requirement to send an additional copy to a designated retention center is unique to volunteer programs that file returns electronically and places an unnecessary burden on the volunteers.		
<b>Goal Statement:</b>	Reduce unnecessary burden on VITA and TCE volunteers.		
<b>Proposal:</b>	Eliminate the requirement that VITA and TCE volunteers collect and mail copies of taxpayers' Forms W-2 and other information returns, with Form 8453 or Form 8879, to a designated retention center, and instead train volunteers to instruct taxpayers to retain the copies with their tax return papers.		
<b>Response from:</b>	Elizabeth Blair, Chief, Oversight and Analysis, SPEC Field Operations, Communication, Assistance, Research, and Education (CARE)		
<b>Response Notes:</b>	<p>The requirement for TCE sponsors to collect and retain copies of Form(s) W-2 and other reporting forms is not one posed just on the volunteer programs, it is an IRS requirement to participate in the e-file program as an Electronic Return Originators (EROs). IRS e-file returns must contain all the same information as returns filed completely on paper. EROs are responsible for ensuring that all paper documents required to complete the filing of returns are submitted to the IRS. EROs must also retain this data and make available to the IRS upon request, until the end of the calendar year in which a return was filed. EROs may electronically image and store all paper records they are required to retain for IRS e-file. The records must be available to the IRS for three years from the due date of the return or the IRS received date, whichever is later.</p> <p>The SPEC organization is always looking at ways to reduce the burden on the volunteers participating in our programs. The Self-Select PIN Program is one program that eliminates the requirement to maintain any additional signed documentation. The Self-Select PIN does require verification of the AGI from the taxpayer's prior year return for authentication and the taxpayer is required to enter their self-selected PIN. However, it eliminates the requirement to maintain any additional signed documentation. Considering all of the e-file signature methods, the Self-Select PIN applies the least amount of burden upon our volunteer partners.</p> <p>Additionally, the Practitioner PIN program is an allowable option by the VITA (Volunteer Income Tax Assistance) and TCE (Tax Counseling for the Elderly) programs. While this program does require the retention of Form 8879, IRS e-file Signature Authorization for a period of 3 years, it does have other benefits associated with the program. SPEC has initiated dialogue regarding the retention requirements associated with Form 8879 and is currently seeking a reduction in the time required to retain the form for our volunteer programs.</p>		

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<b>TAP 05-073</b>	<b>TCE/VITA E-file Acknowledgements</b>	<b>Status:</b>	Closed, Proposal Rejected
<b>Date Elevated to IRS:</b>	1/3/2006	<b>Date Response(s) Received:</b>	12/30/2006
<b>Issue Statement:</b>	Taxpayers who e-file through the Tax Counseling for the Elderly (TCE) program do not receive acknowledgement that their returns were received by the Internal Revenue Service (IRS). Most other e-file providers provide this service.		
<b>Goal Statement:</b>	Encourage greater use of electronic filing by taxpayers who file their returns through the TCE program by providing taxpayers proof that their returns were accepted by the IRS.		
<b>Proposal:</b>	TAP recommends that the IRS require TCE sites to send all taxpayers who file electronically through the TCE program Form 9325, Acknowledgment and General Information for Taxpayers Who File Returns Electronically, upon IRS acceptance of the return.		
<b>Response from:</b>	Libby Blair, Chief, Oversight and Analysis, SPEC Field Operations, Communication, Assistance, Research, and Education (CARE)		
<b>Response Notes:</b>	Based on the comments I can only assume the site(s) referenced are not using TaxWise software, which is the software provided by IRS for use at the volunteer sites. This assumption is made because of this statement "(TCE) program do not receive an acknowledgement that their return was received by the IRS" indicating the product being used by these sites do not require an EFIN (Electronic Filing Identification Number). The mitigation you have set in place, use of Form 9325 is o.k., but I wonder which box you are checking on this Form and how that satisfies the taxpayer's desire for proof of filing? Can I also assume the acknowledgements are sent direct to the taxpayers email account within 24-48 hours of transmission as required by law? If so, is that not adequate proof of filing?		

<b>TAP B03-027</b>	<b>Native Language Training</b>	<b>Status:</b>	Elevated Directly by Committee
<b>Date Elevated to IRS:</b>	9/1/2003	<b>Date Response(s) Received:</b>	9/1/2006
<b>Issue Statement:</b>	The IRS has an initiative to improve services offered to limited English proficiency (LEP) taxpayers, and asked TAP for feedback.		
<b>Proposal:</b>	<p>The MLI Committee researched and prepared written and verbal feedback to the programs owners and recommended that IRS:</p> <ul style="list-style-type: none"> <li>• Train more VITA volunteers in their native languages</li> <li>• Work with the Federal and State agencies charged with oversight of the Temporary Assistance to Needy Families to ensure basic education</li> <li>• Reach out to Miami "notarios" and provide training workshops in their native languages</li> <li>• Facilitate the sharing of "unofficial" documents and pamphlets prepared by Low Income Tax Clinics (LITCs) with communities and organizations that serve LEP taxpayers.</li> </ul>		
<b>Response from:</b>	Mary E. Davis, MLI Program Owner		
<b>Response Notes:</b>	The MLI Program Owner responded that 1. Training more VITA volunteers in their native language is an ongoing part of the VITA business model. 2. Through the SPEC program, IRS has established partnerships with various community and governmental organizations, including the Department of Health and Human Services. 3. IRS declined to reach out to "notarios," preferring to keep their outreach open to all tax preparers and tax practitioners. 4. IRS rejected the proposal of facilitating the sharing of "unofficial" documents and pamphlets prepared by LITCs because IRS does not have resources available to perform a quality review of such documents. The IRS will only provide materials whose information has been validated through official IRS channels.		



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<b>TAP X05-080</b>	<b>Comments on E-file Brochure</b>	<b>Status:</b>	Closed, Proposal Implemented
<b>Date Elevated to IRS:</b>	9/16/2005	<b>Date Response(s) Received:</b>	1/1/2006
<b>Issue Statement:</b>	IRS has developed brochures informing taxpayers of the benefits of electronic filing and how to file tax returns and pay taxes electronically.		
<b>Proposal:</b>	Area 7 was asked to provide feedback on updating an IRS publication promoting e-file. A committee member reviewed the draft version of the Publication, 1357, IRS e-file—consider it done,” and proposed changes to the wording and format of the publication.		
<b>Response Notes:</b>	The new Publication 1357 for 2006 incorporated most of TAP’s recommendations.		

## Appendix C: Number, Title and Status of All TAP Recommendations

Issue Number	Title	Status	Date Elevated	Date Closed
1. TAP 03-001	Preparer Record Keeping Requirements	Closed	5/16/2003	6/9/2003
2. TAP 03-002	Social Security Worksheet	Closed, Proposal Rejected	6/17/2003	2/17/2004
3. TAP 03-003	FreeFile Alliance Partnership	Closed	6/22/2003	9/15/2004
4. TAP 03-004	Local Telephone Numbers	Closed	6/19/2003	7/16/2004
5. TAP 03-005	Third Party Authorization	Closed	8/11/2003	2/14/2004
6. TAP 03-006	Financial Literacy	Closed, Proposal Accepted	7/31/2003	2/17/2004
7. TAP 03-007	Table Addressing Phase outs	Closed, Proposal Rejected	9/24/2003	5/6/2006
8. TAP 03-008	Informing IRS Employees about TAP	Closed, Proposal Accepted	9/19/2003	12/30/2004
9. TAP 03-009	Quality Control for IRS Correspondence	Closed	12/12/2003	5/7/2004
10. TAP 03-010	Offer in Compromise Fee	Closed, Proposal Rejected	5/7/2004	12/12/2003
11. TAP 03-011	Individual Taxpayer Identification Number	Closed	9/19/2003	7/6/2004
12. TAP 03-012	Just in Time Policy	Closed, Proposal Partially Accepted	9/19/2003	9/10/2005
13. TAP 03-013	Recommendations for Form 990	Closed, Proposal Partially Accepted	9/12/2003	9/15/2004

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Issue Number	Title	Status	Date Elevated	Date Closed
14. TAP 03-014	EFTPS Short Form Worksheet	Closed, Proposal Accepted	9/22/2003	9/22/2003
15. TAP 03-015	Provider Identification Number	Closed	11/17/2003	11/24/2003
16. TAP 03-016	W-4 Clarification	Closed	1/5/2004	6/15/2004
17. TAP 03-017	On Hold for Toll Free	Closed, Proposal Rejected	11/19/2003	9/11/2004
18. TAP 04-001	Self-Employment Tax for Newspaper Carriers	Elevated, Awaiting Acknowledgement	7/29/2005	
19. TAP 04-002	Revisions to Form 6251	Closed, Proposal Partially Accepted	12/10/2003	2/23/2005
20. TAP 04-003	Electronic Deposit of Form 1040X Refund	Elevated, Awaiting Second Response	12/2/2003	
21. TAP 04-004	OIC Processing Problem	Closed, Proposal Partially Accepted	12/2/2003	2/14/2004
22. TAP 04-005	Free File Notification of Charges	Closed	12/2/2003	9/15/2004
23. TAP 04-006	Free File Record Retention	Closed, Proposal Accepted	12/2/2003	9/15/2004
24. TAP 04-007	FreeFile Alliance Member RALs	Closed	12/2/2003	9/15/2004
25. TAP 04-008	FreeFile State Returns	Closed, Proposal Accepted	12/2/2003	2/17/2004
26. TAP 04-009	Free File—Lack of Feedback	Closed	12/2/2003	9/15/2004
27. TAP 04-010	Taxpayer Rights Under RRA98	Closed, Proposal Partially Accepted	1/5/2004	1/2/2007
28. TAP 04-011	Immediate Feedback on Toll Free	Closed, Proposal Rejected	3/10/2004	3/18/2004
29. TAP 04-012	EFTPS—Clarification of Tax Year	Closed, Proposal Accepted	3/10/2004	8/11/2004

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Issue Number	Title	Status	Date Elevated	Date Closed
30. TAP 04-020	W-4 Form Percentage Option	Closed	4/20/2004	8/12/2004
31. TAP 04-021	Tax Treatment of Health Benefits Education	Elevated, Awaiting Second Response	4/20/2004	
32. TAP 04-021B	Tax Treatment of Health Benefits Education	Elevated, Awaiting Acknowledgement	7/29/2005	
33. TAP 04-022	Forms Testing	Closed	7/7/2004	7/7/2004
34. TAP 04-023	Financial Literacy--Adult Education	Elevated, Awaiting Preliminary Response	6/9/2004	
35. TAP 04-024	Innocent Spouse--Notification of Non-Requesting Spouse	Closed, Proposal Partially Accepted	6/14/2004	10/19/2004
36. TAP 04-025	Innocent Spouse/Injured Spouse	Elevated, Awaiting Response	6/9/2004	
37. TAP 04-026	Innocent Spouse Outreach	Closed, Proposal Rejected	6/14/2004	10/4/2005
38. TAP 04-027	Fax Numbers on Notices	Elevated, Awaiting Second Response	7/7/2004	
39. TAP 04-028	EFTPS Information Access Period	Closed, Proposal Accepted	7/7/2004	7/13/2004
40. TAP 04-036	Form 656 OIC Revision	Closed	7/7/2004	7/19/2005
41. TAP 04-037	Low Dollar Balance Due Abatement	Elevated, Awaiting Second Response	7/13/2004	
42. TAP 04-042	Identity Theft, IRS Procedures	Closed	9/17/2004	9/17/2004
43. TAP 04-043	Lien Processing	Closed, Proposal Partially Accepted	9/17/2004	5/19/2005
44. TAP 04-044	Tax Transcripts for Taxpayers	Closed, Proposal Rejected	9/22/2004	2/23/2005

## Appendix C. Number, Title and Status of All TAP Recommendations

Issue Number	Title	Status	Date Elevated	Date Closed
45. TAP 04-045	IRS Correspondence, Change of Address	Closed, Proposal Partially Accepted	9/22/2004	2/23/2005
46. TAP 04-046	Married Filing Separate Income Reporting	Closed, Proposal Rejected	9/22/2004	2/23/2005
47. TAP 04-047	Interactive Installment Agreement Website	Elevated Directly by Committee	1/27/2005	1/27/2005
48. TAP 04-048	Improvements to CP521 Notice	Closed, Proposal Accepted	1/27/2005	1/27/2005
49. TAP 04-049	Marketing TAP	Closed, Proposal Accepted	9/22/2004	12/30/2004
50. TAP 04-050	Simplify Form 1041 Instructions	Elevated, Awaiting Acknowledgement	9/22/2004	
51. TAP 04-051	Advertising TAP in Publication 1546	Closed, Proposal Accepted	9/22/2004	1/1/2006
52. TAP 04-052	Elimination of Form 2688	Closed, Proposal Implemented	9/23/2004	2/1/2005
53. TAP 04-053	Outsourcing of Tax Return Preparation	Elevated, Awaiting Response	9/23/2004	
54. TAP 04-054	Expanding Third Party Authorization Term	Closed, Proposal Rejected	10/18/2004	5/12/2006
55. TAP 04-055	Provide Third Party Designee Notices Automatically	Closed, Proposal Rejected	9/24/2004	5/12/2006
56. TAP 04-076	Change TAP Name	Closed, Proposal Rejected	3/14/2005	4/19/2005
57. TAP 05-007	Refund Misleads Taxpayer	Elevated, Awaiting Acknowledgement	7/11/2005	
58. TAP 05-013	AMT Education	Elevated, Awaiting Acknowledgement	9/30/2005	
59. TAP 05-014	Form 1065 Schedule D Change	Elevated, Awaiting Acknowledgement	8/19/2005	

## Appendix C. Number, Title and Status of All TAP Recommendations

<b>Issue Number</b>	<b>Title</b>	<b>Status</b>	<b>Date Elevated</b>	<b>Date Closed</b>
60. TAP 05-015	VITA/TCE Uniform Taxpayer Identification Requirements	Pending Review by TAP	8/22/2005	
61. TAP 05-016	TAS Authority to Release ACS Levies	Elevated, Awaiting Acknowledgement	8/26/2005	
62. TAP 05-017	Form W-4 Changes/Multi-job Households	Elevated, Awaiting Acknowledgement	9/9/2005	
63. TAP 05-018	W-4 Calculator Access	Elevated, Awaiting Acknowledgement	9/9/2005	
64. TAP 05-019	Federal Lien Release on Credit Records	Elevated, Awaiting Acknowledgement	8/22/2005	
65. TAP 05-020	Current Tax Forms and Instructions Availability	Elevated, Awaiting Acknowledgement	8/26/2005	
66. TAP 05-022	IRS Partnering	Elevated, Awaiting Preliminary Response	9/12/2005	
67. TAP 05-023	New and Revised Tax Forms & Publications	Elevated, Awaiting Acknowledgement	9/23/2005	
68. TAP 05-026	Form 5500 and 5500EZ, Downloadable	Elevated, Awaiting Acknowledgement	9/23/2005	
69. TAP 05-027	IRC on the IRS Website	Closed, Proposal Rejected	9/23/2005	8/22/2006
70. TAP 05-028	EFTPS Correcting Erroneous Payments	Elevated, Awaiting Acknowledgement	10/20/2005	
71. TAP 05-029	SS-4 Correction Notice	Elevated, Awaiting Acknowledgement	10/20/2005	
72. TAP 05-031	Interest and Penalty Calculator on IRS Website	Elevated, Awaiting Acknowledgement	12/12/2005	
73. TAP 05-032	554, Older Americans' Tax Guide	Closed, Proposal Partially Accepted	12/29/2005	3/15/2006

## Appendix C. Number, Title and Status of All TAP Recommendations

Issue Number	Title	Status	Date Elevated	Date Closed
74. TAP 05-033	Form SS-4 & LLCs	Closed, Proposal Partially Accepted	12/22/2005	5/17/2006
75. TAP 05-034	TAS Toll-Free Number	Elevated, Awaiting Preliminary Response	12/28/2005	
76. TAP 05-035	Change in Refund Notification	Elevated, Awaiting Preliminary Response	1/5/2006	
77. TAP 05-036	Refund Website	Elevated, Awaiting Preliminary Response	12/28/2005	
78. TAP 05-037	Availability of Reward, Form 211	Elevated, Awaiting Acknowledgement	10/31/2006	
79. TAP 05-038	Requiring Display of RAL Information	Elevated, Awaiting Acknowledgement	9/30/2005	
80. TAP 05-039	Advertising RAL Alternatives	Elevated, Awaiting Acknowledgement	9/30/2005	
81. TAP 05-040	Debt Indicator Elimination	Elevated, Awaiting Acknowledgement	9/30/2005	
82. TAP 05-041	Enforcement of RAL Requirements	Elevated, Awaiting Acknowledgement	9/30/2005	
83. TAP 05-042	Return Processing and RAL Appeal	Elevated, Awaiting Acknowledgement	9/30/2005	
84. TAP 05-049	Publication 4221 in Determination Letters	Elevated, Awaiting Acknowledgement	12/28/2005	
85. TAP 05-050	Endorsement of the ACT Report	Elevated, Awaiting Acknowledgement	12/29/2005	
86. TAP 05-051	Form 656, Offer in Compromise Criteria	Closed, Proposal Partially Accepted	12/29/2005	6/29/2006
87. TAP 05-052	Consolidate Presidentially Declared Disaster Area Information	Closed, Proposal Partially Accepted	12/29/2005	5/12/2006

## Appendix C. Number, Title and Status of All TAP Recommendations

Issue Number	Title	Status	Date Elevated	Date Closed
88. TAP 05-053	Form 1040 Package Distribution Policy Notification	Elevated, Awaiting Acknowledgement	12/29/2005	
89. TAP 05-054	Additional Tax Waiver Request	Closed, Proposal Implemented	12/29/2005	5/12/2006
90. TAP 05-055	Training of Volunteers for VITA/TCE E-filing	Closed	12/29/2005	1/30/2006
91. TAP 05-056	Forms W-7 and 1040NR Changes	Closed, Proposal Accepted	1/5/2006	5/17/2006
92. TAP 05-057	LITC Information on EITC Notices	Elevated, Awaiting Preliminary Response	12/29/2005	
93. TAP 05-058	Increasing Awareness of TAP in Publications	Elevated, Awaiting Acknowledgement	12/29/2005	
94. TAP 05-072	Form 8453/8879 VITA/TCE Mailing Requirements	Closed, Proposal Rejected	1/3/2006	4/25/2007
95. TAP 05-073	TCE/VITA E-file Acknowledgements	Closed, Proposal Rejected	1/3/2006	4/25/2007
96. TAP 106-013	Schedule D – Carry Forward Line	Pending Review by TAP	10/31/2006	
97. TAP 106-022	CP 521 Interest Rate	Elevated, Awaiting Acknowledgement	2/8/2007	
98. TAP 106-023	Letter 2645C Improvements	Elevated, Awaiting Preliminary Response	2/8/2007	
99. TAP 106-024	Form 1040V and Estimated Tax Payments	Closed, Proposal Rejected	2/8/2007	6/20/2007
100. TAP 106-025	Forms and Publications, Search by Keyword	Elevated, Awaiting Preliminary Response	1/25/2007	



## Appendix C. Number, Title and Status of All TAP Recommendations

Issue Number	Title	Status	Date Elevated	Date Closed
101. TAP 206-003	Schedule D and D1 Consolidation	Pending Review by TAP	6/12/2006	
102. TAP 206-004	"Timely Response Required" on Envelopes	Elevated, Awaiting Response	6/12/2006	
103. TAP 206-014	EFTPS Registration Process	Closed, Proposal Partially Accepted	2/8/2007	5/16/2007
104. TAP 206-017	Self-employed and Free Tax Preparation	Pending Review by TAP	2/8/2007	
105. TAP 206-017B	Sch C-EZ Changes	Elevated, Awaiting Response	6/13/2006	
106. TAP 206-020	Tollfree, Access to Person Option	Closed, Proposal Partially Accepted	1/22/2007	4/30/2007
107. TAP 206-028	Form 1099 Free Electronic Filing	Elevated, Awaiting Acknowledgement	7/2/2007	
108. TAP 206-031	Household Employees, Clarity of Instructions	Closed, Proposal Partially Accepted	2/8/2007	6/20/2007
109. TAP 306-016	Third Party Authorization Expansion	Pending Review by TAP	11/21/2006	
110. TAP 306-026	Spanish Correspondence Availability	Elevated, Awaiting Preliminary Response	1/22/2007	
111. TAP 406-015	Forms, Show Changes on Drafts	Elevated, Awaiting Acknowledgement	2/8/2007	
112. TAP 406-019	Forms, Lack of Availability	Elevated, Awaiting Acknowledgement	11/21/2006	
113. TAP 406-029	Forms, Web Availability of OCR	Closed, Proposal Accepted	11/21/2006	11/28/2006
114. TAP 406-035	Form 4506, Request Copy of Tax Return	Elevated, Awaiting Acknowledgement	2/8/2007	
115. TAP 506-027	Forms & Publications Employee Background	Pending Review by TAP	2/8/2007	

## Appendix C. Number, Title and Status of All TAP Recommendations

Issue Number	Title	Status	Date Elevated	Date Closed
116. TAP 606-018	Form W-10 Employer Identification Number	Elevated, Awaiting Preliminary Response	2/8/2007	
117. TAP 606-021	Customer Service, Improve Quality	Elevated, Awaiting Preliminary Response	2/8/2007	
118. TAP 706-030	TAC Mail Dropoff Procedures	Elevated, Awaiting Acknowledgement	2/8/2007	
119. TAP A03-018	Changes to Form 8867	Closed	7/14/2003	11/1/2005
120. TAP A03-019	Improvement of Form 8862	Closed, Proposal Rejected	8/29/2003	8/29/2003
121. TAP A03-023	EITC Alternative Documentation	Closed, Proposal Partially Accepted	3/12/2003	9/30/2003
122. TAP A03-024	Forms 8836, 8856 Improvement	Closed, Proposal Partially Accepted	4/2/2003	9/30/2003
123. TAP A04-015	EITC Contact Letter and Examination Report	Closed, Proposal Partially Accepted	10/22/2003	5/3/2004
124. TAP A04-017	Online Toolkit for SPEC And Partners	Closed, Proposal Partially Accepted	3/9/2004	11/18/2004
125. TAP A04-018	SPEC Partnership Process	Elevated Directly by Committee	9/30/2004	9/30/2004
126. TAP A04-019	EITC Qualifying Child Residency Certification Web Page	Elevated Directly by Committee	2/26/2004	2/26/2004
127. TAP A04-031	EITC Notices CP-09 and CP-27	Elevated Directly by Committee	5/21/2004	5/21/2004
128. TAP A04-032	EITC Rule Re Caring for a Child	Closed, Proposal Rejected	5/21/2004	5/25/2004
129. TAP A04-033	Improving EITC Audit Notice "Stuffer"	Closed, Proposal Rejected	5/28/2004	12/20/2005

## Appendix C. Number, Title and Status of All TAP Recommendations

Issue Number	Title	Status	Date Elevated	Date Closed
130. TAP A04-034	EITC Pre-Certification Notice	Elevated Directly by Committee	5/28/2004	5/28/2004
131. TAP A04-038	EITC Notice 79A Revision	Elevated Directly by Committee	6/17/2004	6/17/2004
132. TAP A04-040	EITC Preparers' Electronic Toolkit	Closed, Proposal Partially Accepted	8/16/2004	11/18/2004
133. TAP A04-069	EITC Website	Closed, Proposal Partially Accepted	5/14/2004	11/18/2004
134. TAP A04-070	EITC Forms Testing	Closed	6/10/2004	10/1/2005
135. TAP A04-071	EITC Interactive Internet Programs	Closed, Proposal Partially Accepted	8/16/2004	9/15/2004
136. TAP A04-072	Consistent Use of "EIC" or "EITC"	Closed, Proposal Rejected	9/24/2004	12/20/2005
137. TAP A04-073	Sharing EITC Outreach Best Practices	Elevated Directly by Committee	9/27/2004	9/27/2004
138. TAP A04-074	EITC Rural Outreach	Closed, Proposal Accepted	9/27/2004	5/6/2005
139. TAP A04-075	TAP Participation in EITC Grass Roots Forums	Closed, Proposal Accepted	9/27/2004	3/17/2005
140. TAP A05-021	IRS CPE Standards	Elevated Directly by Committee	8/9/2005	8/9/2005
141. TAP A05-060	Educating Taxpayer About Publication 17	Elevated Directly by Committee	9/30/2005	9/30/2005
142. TAP A05-061	Publication 17 Searchability	Elevated Directly by Committee	9/30/2005	9/30/2005
143. TAP A05-062	EITC Assistant	Elevated Directly by Committee	8/11/2005	8/11/2005
144. TAP A06-001	W4 & W4P	Elevated Directly by Committee	3/22/2006	3/22/2006
145. TAP A06-006	Publication 553, Review	Elevated Directly by Committee	5/11/2006	5/11/2006

## Appendix C. Number, Title and Status of All TAP Recommendations

<b>Issue Number</b>	<b>Title</b>	<b>Status</b>	<b>Date Elevated</b>	<b>Date Closed</b>
146. TAP A06-007	Form 8857, Review	Elevated Directly by Committee	5/11/2006	5/11/2006
147. TAP A06-030	Forms 1099-INT and 1099-DIV	Elevated Directly by Committee	8/17/2006	8/17/2006
148. TAP A06-031	Multilingual Initiative-Limited English Proficiency Needs Assessment	Closed, Proposal Accepted	9/27/2006	1/5/2007
149. TAP A06-032	Financial Literacy Toolkit (FLT)	Elevated Directly by Committee	9/27/2006	9/27/2006
150. TAP A06-045	Publication 4492, Improvement	Elevated Directly by Committee	4/19/2006	4/19/2006
151. TAP A06-046	Publication 1, Improvement	Elevated Directly by Committee	4/19/2006	4/19/2006
152. TAP A06-047	On-line Pub17- Your Federal Income Tax-Individuals	Elevated Directly by Committee	6/17/2006	6/17/2006
153. TAP B03-025	Tax Curriculum for ESL Individuals	Elevated Directly by Committee	10/23/2003	10/23/2003
154. TAP B03-027	Native Language Training	Elevated Directly by Committee	9/1/2003	9/1/2003
155. TAP B04-085	Questions About Utility of Kiosks	Elevated Directly by Committee	9/17/2004	9/17/2004
156. TAP B04-086	MLI Bilingual Brochures	Closed, Proposal Accepted	8/20/2004	1/21/2005
157. TAP B06-002	Form 2553 Subchapter S Election	Elevated Directly by Committee	3/16/2006	3/16/2006
158. TAP B06-005	Office-In-Home Deductions	Elevated Directly by Committee	5/20/2006	5/20/2006
159. TAP B06-048	Innocent Spouse Relief	Elevated Directly by Committee	6/5/2006	6/5/2006
160. TAP B06-049	Amended Employment Tax Forms	Elevated Directly by Committee	5/2/2006	5/2/2006

## Appendix C. Number, Title and Status of All TAP Recommendations

Issue Number	Title	Status	Date Elevated	Date Closed
161. TAP B06-050	Employee Misclassification	Elevated Directly by Committee	11/16/2006	11/16/2006
162. TAP C03-020	CP-2000 Recommendations	Closed, Proposal Accepted	9/9/2003	8/11/2004
163. TAP C04-029	Notice Elimination Review Phase 1	Closed, Proposal Accepted	6/1/2004	8/11/2004
164. TAP C04-030	Notice Standardization Guide	Closed, Proposal Partially Accepted	6/1/2004	7/13/2004
165. TAP C04-065	Language Standardization Guide—Layout Standards	Closed, Proposal Accepted	9/7/2004	5/4/2005
166. TAP C05-005	TAPSpeak Recommendations	Closed, Proposal Accepted	7/20/2005	7/20/2005
167. TAP C05-024	TAP Success Stories	Closed, Proposal Accepted	8/17/2005	8/17/2005
168. TAP C05-025	Outreach Materials	Closed, Proposal Accepted	8/17/2005	8/17/2005
169. TAP C05-030	TAP Member Surveys	Closed, Proposal Accepted	9/17/2005	9/17/2005
170. TAP C05-059	TAP Member Handbook	Closed, Proposal Accepted	9/17/2005	9/17/2005
171. TAP D04-067	E-File Made Easy	Closed, Proposal Accepted	10/1/2003	9/30/2004
172. TAP D04-068	E-File Marketing to Tax Professionals	Closed, Proposal Accepted	10/1/2003	9/30/2004
173. TAP E03-022	Self-Employment Filing Requirements	Closed	8/1/2003	12/1/2003
174. TAP E03-026	Schedule C Taxpayer Compliance	Closed, Proposal Partially Accepted	8/27/2003	3/23/2004
175. TAP E04-079	Schedule C-EZ from \$2,500 to \$5,000	Closed, Proposal Accepted	6/30/2003	9/30/2005
176. TAP E04-080	EZ Pay Safe Harbor	Elevated Directly by Committee	12/9/2003	12/9/2003

## Appendix C. Number, Title and Status of All TAP Recommendations

Issue Number	Title	Status	Date Elevated	Date Closed
177. TAP E04-081	1099 Matching Program	Elevated Directly by Committee	8/20/2004	8/20/2004
178. TAP E04-082	Form SS-4 Changes	Elevated Directly by Committee	8/20/2004	8/20/2004
179. TAP E04-083	Expand Eligibility for Schedule C-EZ	Elevated Directly by Committee	8/20/2004	8/20/2004
180. TAP E04-084	Form W-9 IC for Independent Contractors	Elevated Directly by Committee	8/20/2004	8/20/2004
181. TAP E05-002	Form 8867 Paid Preparer's EITC Checklist	Elevated Directly by Committee	4/12/2005	4/12/2005
182. TAP E05-003	Dear EITC Preparer Letter	Elevated Directly by Committee	5/24/2005	5/24/2005
183. TAP E05-004	Tips for Choosing Tax Preparer Letter	Elevated Directly by Committee	5/24/2005	5/24/2005
184. TAP E05-006	EITC Performance Measurement	Elevated Directly by Committee	5/6/2005	7/10/2005
185. TAP E05-064	EITC Web Pages, Architecture or Structure	Elevated Directly by Committee	10/4/2005	10/4/2005
186. TAP E05-065	Content of the EITC Web Page(s)	Elevated Directly by Committee	10/4/2005	10/4/2005
187. TAP E06-034	EITC Marketing Insert	Elevated Directly by Committee	8/8/2006	8/8/2006
188. TAP E06-051	EITC Awareness through Employers	Elevated Directly by Committee	4/17/2006	4/17/2006
189. TAP E06-052	EITC Tax Return Preparers' Marketing	Elevated Directly by Committee	8/8/2006	8/8/2006
190. TAP E06-053	EITC Marketing to Targeted Immigrant Groups	Elevated Directly by Committee	10/10/2006	10/10/2006
191. TAP F04-014	Form W-4EZ	Closed	8/12/2004	12/30/2004
192. TAP F04-041	Form W-4 Employer Compliance	Closed, Proposal Partially Accepted	8/12/2004	12/30/2004

## Appendix C. Number, Title and Status of All TAP Recommendations

Issue Number	Title	Status	Date Elevated	Date Closed
193. TAP F04-059	Annualized Form 941	Closed	9/22/2004	12/30/2004
194. TAP F04-060	Forms 941, W-2, W-3 & W-4 Electronic Filing Issues	Closed, Proposal Accepted	9/22/2004	12/30/2004
195. TAP F04-061	Payroll Taxes Deposit Penalties	Closed, Proposal Partially Accepted	10/28/2004	12/30/2004
196. TAP F04-062	Electronic Deposit of Payroll Taxes	Closed, Proposal Partially Accepted	10/18/2004	12/30/2004
197. TAP F04-063	Simplified Form 941	Closed, Proposal Partially Accepted	10/28/2004	12/30/2004
198. TAP F04-064	Form W-4 Employer Compliance	Closed	10/28/2004	12/30/2004
199. TAP G03-021	TAP Marketing Strategy	Closed, Proposal Accepted	7/8/2003	7/8/2003
200. TAP G04-016	TAP Marketing Strategy	Closed, Proposal Accepted	11/17/2003	12/16/2003
201. TAP G04-039	Confidentiality of Information Provided to Tax Preparers	Elevated Directly by Committee	6/7/2004	6/7/2004
202. TAP G04-058	Preparer Licensing	Elevated Directly by Committee	10/27/2004	10/27/2004
203. TAP J05-074	Taxpayer Service Budget Reductions	Closed, Proposal Considered	4/26/2005	5/20/2005
204. TAP J05-075	TIGTA Audit	Closed	7/29/2005	7/29/2005
205. TAP J05-076	Taxpayer Assistance Blueprint	Closed, Proposal Considered	11/14/2005	11/14/2005
206. TAP L06-057	Employment Tax on 1040	Closed	10/10/2005	6/28/2007
207. TAP M05-008	Tax Rights and Responsibilities Education	Elevated Directly by Committee	7/8/2005	7/8/2005

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Issue Number	Title	Status	Date Elevated	Date Closed
208. TAP M05-063	LEP Survey	Elevated Directly by Committee	9/30/2005	9/30/2005
209. TAP N04-056	CP5XX Series Usability Testing	Closed, Proposal Accepted	9/22/2004	9/22/2004
210. TAP N04-057	Scoring Notices	Closed	9/22/2004	9/22/2004
211. TAP N05-010	Exam Soft Notices	Closed, Proposal Partially Accepted	5/20/2005	9/26/2005
212. TAP N05-011	DAT Spreadsheet	Closed, Proposal Accepted	6/15/2005	7/6/2005
213. TAP N05-066	CP504 Series of Notices Scoring	Closed	9/26/2005	11/21/2005
214. TAP N05-067	CP23, 24 and 25 Notices Scoring	Closed	10/18/2005	11/21/2005
215. TAP N05-068	CP501 Notice Series Scoring	Closed	11/9/2005	11/21/2005
216. TAP N05-069	CP521 Notice Series Scoring	Closed	11/9/2005	11/21/2005
217. TAP N05-070	CP503 Series of Notices Scoring	Closed	11/9/2005	11/21/2005
218. TAP N05-071	CP523 and CP523F Notice Scoring	Closed	11/16/2005	11/21/2005
219. TAP N05-077	Payment Voucher & Stub Usability	Closed	2/16/2005	2/23/2006
220. TAP N05-078	Penalty & Interest Notice Usability Testing	Elevated Directly by Committee	8/1/2005	8/1/2005
221. TAP N05-079	IRS Website for Penalty and Interest Calculation Usability	Elevated Directly by Committee	10/1/2005	10/1/2005
222. TAP N05-082	CP 78 Notice Scoring	Closed	5/21/2005	5/21/2005
223. TAP N06-008	CP 39, 42, 75, 75A, CP 88 DAT Scoring	Closed	4/24/2006	4/24/2006



## Appendix C. Number, Title and Status of All TAP Recommendations

Issue Number	Title	Status	Date Elevated	Date Closed
224. TAP N06-009	CP Notice 79 Scoring	Closed	5/23/2006	5/23/2006
225. TAP N06-010	CP Notices 16, 30, 31, 45, 49, 54B, 54Q, and 60 Scoring	Elevated Directly by Committee	5/24/2006	5/24/2006
226. TAP N06-011	105 C, 239C, and 2273C Correspondex Letter	Closed	6/13/2006	6/13/2006
227. TAP N06-037	DAT Scoring for CP 23, 24, and 25	Elevated Directly by Committee	7/12/2006	7/12/2006
228. TAP N06-038	CP 75 Rewrite	Elevated Directly by Committee	8/1/2006	8/1/2006
229. TAP N06-039	CP79A and 76 Scoring	Elevated Directly by Committee	8/28/2006	8/28/2006
230. TAP N06-040	CP 53 Scoring	Elevated Directly by Committee	8/28/2006	8/28/2006
231. TAP N06-041	CPs 17 and 30A Scoring	Elevated Directly by Committee	9/7/2006	9/7/2006
232. TAP N06-042	CP 51A, 51B, and 51C Scoring	Elevated Directly by Committee	9/8/2006	9/8/2006
233. TAP N06-043	CPs 12E and 62 Series Scoring	Elevated Directly by Committee	11/9/2006	11/9/2006
234. TAP S05-043	Prioritizing SB/SE Notices	Elevated Directly by Committee	9/21/2005	9/21/2005
235. TAP S05-044	Revising Examination Notices/Documents	Elevated Directly by Committee	9/21/2005	9/21/2005
236. TAP S05-045	Revising Form 940, Unemployment Tax Form	Elevated Directly by Committee	9/21/2005	9/21/2005
237. TAP S05-046	Extension Project	Closed, Proposal Implemented	9/21/2005	1/1/2006
238. TAP S05-047	Employers Annual Federal Tax Program	Elevated Directly by Committee	9/21/2005	9/21/2005

## Appendix C. Number, Title and Status of All TAP Recommendations

Issue Number	Title	Status	Date Elevated	Date Closed
239. TAP S05-048	Simplifying Collection Statements (433-A and 433-B)	Elevated Directly by Committee	9/21/2005	9/21/2005
240. TAP S05-081	Electronic Installment Agreement User Testing	Closed	11/16/2005	11/16/2005
241. TAP T06-036	PMG, Improvement and Alternatives	Elevated Directly by Committee	12/13/2006	12/13/2006
242. TAP V06-012	Process Based Training Endorsement	Elevated Directly by Committee	7/24/2006	7/24/2006
243. TAP V06-044	VRPP Testing Materials Focus Group	Elevated Directly by Committee	6/15/2006	6/15/2006
244. TAP V06-055	Link and Learn	Elevated Directly by Committee	9/6/2006	9/6/2006
245. TAP V06-056	Form 13614 Intake Form	Elevated Directly by Committee	5/12/2006	5/12/2006
246. TAP X04-066	VITA Training Input	Closed	5/1/2004	9/30/2004
247. TAP X04-078	Revised Form 2848- Power of Attorney	Closed, Proposal Accepted	4/16/2004	4/16/2004
248. TAP X05-001	Form 433 A/B Comments	Closed	4/30/2005	4/30/2005
249. TAP X05-009	VITA/TCE Training Materials	Closed, Proposal Partially Accepted	6/15/2005	9/28/2005
250. TAP X05-080	Comments on E-file Brochure	Closed, Proposal Implemented	9/16/2005	9/16/2005



## Appendix D: Recommendation Status Definitions

**Elevated, Awaiting Acknowledgement**—used for area committee issues elevated through the Joint Committee before acknowledgement is received.

**Elevated, Awaiting Preliminary Response**—IRS has acknowledged receiving area committee proposal elevated through the Joint Committee and information provided as to whom the recommendation was forwarded for response and/or reaction to proposal.

**Elevated, Awaiting Response**—used for issues elevated through the Joint Committee before IRS provides substantive response.

**Elevated, Awaiting Second Response**—TAP received IRS response to area committee proposal elevated through Joint Committee and responded with additional or clarifying information to support the proposal. TAP is awaiting IRS response to TAP's second proposal.

**Pending Review by TAP**—TAP has received response from IRS and it was sent to the originating committee to determine whether to accept or counter IRS' response.

**Closed, Proposal Accepted**—IRS has agreed to the recommendation.

**Closed, Proposal Partially Accepted**—IRS has agreed to the recommendation in part. Explain partial acceptance in response notes.

**Closed, Proposal Rejected**

**Closed, Proposal Implemented**—IRS has fully or partially implemented the proposal.

**Closed, Elevated Directly by Committee**—an area or issue committee gave comments and/or recommendations directly to program owner.

**Closed**—This status is used when no further action is required and none of the other closed statuses are appropriate. Examples include:

- Committee decides to substantially change the recommendation based on change in legislation or IRS policy. The reconfigured recommendation receives its own tracking number
- IRS cannot affect the change. The change requires legislation or it is the jurisdiction of another government agency
- The issue is resolved prior to elevation



## Appendix E: Letter to the Commissioner, Internal Revenue



Internal Revenue Service TA:TAP  
MS 1006-MIL  
310 West Wisconsin Avenue  
Milwaukee, WI 53203-2221

August 18, 2006

Mr. Mark W. Everson  
Commissioner of Internal Revenue  
Internal Revenue Service  
Room 3000 IR  
1111 Constitution Avenue, NW  
Washington, DC 20224

Dear Commissioner Everson:

Thank you for meeting with members of the Taxpayer Advocacy Panel (TAP) on April 20, 2006. We appreciated the opportunity for the exchange of information and views about issues impacting taxpayers with you, Mark Matthews, Deputy Commissioner, Services and Enforcement, Kathy K. Petronchak, Chief of Staff.

At that meeting, we discussed current issues affecting taxpayers and we agreed to provide you with the TAP's perspectives on the issues from the taxpayers' viewpoint. The subjects discussed were:

- Section 7216 Regulations;
- Return Preparers' Regulations (Licensing);
- The direction of Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE);
- Outsourcing to Private Collection Agencies; and
- The availability of "Free-file" for taxpayers.

Attached are the TAP's recommendations for easing taxpayer burden on each of the issues. The Joint Committee of the Taxpayer Advocacy Panel (TAP) would like to acknowledge and thank all the TAP members who worked very hard to gather the perspectives from other TAP members, taxpayers, and tax practitioners.

If you require further information or clarification on the recommendations, please contact me, at (530) 822-7100, or the Program Analyst for the Joint Committee, Barbara Toy, at (414) 231-2364.

## Appendix E: Letter to the Commissioner, Internal Revenue

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August 18, 2006

Mark W. Everson, Commissioner Internal Revenue

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If discussion of the recommendation would be of assistance in your consideration of this recommendation, we would welcome it. TAP members have worked diligently on this recommendation and would enjoy the opportunity to engage in productive dialogue with you. Ms. Toy can arrange for such a discussion at your convenience.

We would appreciate it if you would keep the TAP Joint Committee apprised of the status of your consideration of these recommendations. We look forward to your response.

Sincerely,



Larry T. Combs, Chair  
Taxpayer Advocacy Panel

cc: Nina Olson, National Taxpayer Advocate  
Bernie Coston, Director, Taxpayer Advocacy Panel

Attachments

## Section 7216 Regulations

The Internal Revenue Services' (IRS) proposed revisions to §7216<sup>1</sup> Treasury regulation and a related draft revenue procedure<sup>2</sup> enhance taxpayer safeguards by tightening consent requirements.

### **Recommendation:**

The Taxpayer Advocacy Panel (TAP) supports the proposed changes to Treasury Regulation §303.7216 to strengthen the existing regulation through additional requirements for informed consent. However, the revisions themselves are insufficient to address the additional taxpayer concern related to outsourcing and electronic processing of returns, which involve loss of control over taxpayer data when foreign entities are used. Outsourcing also increases the potential for identity theft and gross abuse of taxpayer data without adequate safeguards.

In addition to obtaining taxpayer consent, the preparer must be required to:

- Ensure that when client data is sent to an offshore location, personal data, such as Social Security Numbers (SSNs), date of birth, telephone number(s), and bank account information, is replaced with a combination client number or similar cross-identifier and the identifying information redacted, thus eliminating the dissemination of personal data outside the preparer's office;
- Advise their clients the preparer may receive financial remuneration if certain financial products and/or services in connection with those products are purchased, used or availed of; and
- Advise their clients as to where their data will be sent and for what purpose(s), especially if it is to an offshore location.

Further, IRS should reconsider its proposed changes to the regulations to ensure that the concerns cited above are addressed. One approach to addressing the identity theft concern may be to provide an option for any individual who wishes to do so, to obtain and use a Taxpayer Identification (ID) Number and use only that and the name in lieu of personal data such as the SSN, street address and telephone number and date of birth in tax documents, including tax returns. Conceptually, this is similar to industry practices for credit cards and banking. If a taxpayer ID is available then taxpayers would not have to provide tax preparers any additional personal data other than their

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<sup>1</sup> The current §7216 Treasury regulation related to IRC §7216(a) provides for criminal sanctions when any person "engaged in the business of preparing, or providing services in connection with" income tax return preparation either knowingly or recklessly discloses and/or uses vital taxpayer data provided for any purpose other than tax preparation. The current regulation is available at the following link:

[http://www.law.cornell.edu/uscode/search/display.html?terms=7216&url=/uscode/html/uscode26/usc\\_sec\\_26\\_00007216----000-.html](http://www.law.cornell.edu/uscode/search/display.html?terms=7216&url=/uscode/html/uscode26/usc_sec_26_00007216----000-.html)

<sup>2</sup> The proposed revisions are contained in the following link.

[http://www.irs.gov/irb/2006-03\\_IRB/ar16.html](http://www.irs.gov/irb/2006-03_IRB/ar16.html)



contact information, such as a telephone number. This would go a long way towards rendering the tax related data unusable for identity theft or other abuses of personal information. It would also preclude abuse of an individual's tax related financial data for objectionable purposes by its very lack of direct connection to an individual's full identity. Yet, it would not preclude legitimate uses (including cross marketing) of individual's tax-related data as currently permitted by the current laws by appropriate people/organizations. The attached appendix contains a brief description of how TAP envisions this would work.

Public knowledge (both in the general public and practitioner communities) about the data sharing provisions of the current law and related regulations, including the proposed changes, and the increased potential for identity theft is very limited. This situation calls for a public education campaign by the IRS to shed additional light on this vital issue. For example, the IRS could improve publicity about this and all other proposed regulatory changes by issuing a press release summarizing the nature of the changes and why the changes will not negatively affect the taxpayers, especially related to identity theft.

Finally, TAP recommends the IRS pursue a legislative change with Congress that would, in effect, limit dissemination of personal identifying information given to the tax preparers and Electronic Return Transmitters for the purpose of tax preparation and transmittal to the IRS and others, including offshore location(s).

## Appendix

### **Taxpayer Identification Number Process Description**

A taxpayer could apply for a Taxpayer Identification (ID) Number using a SS-4, Application for Employer Identification Number, or other new form designed for this purpose. In this form, the taxpayer would be required to provide the Internal Revenue Service (IRS) with personal data such as his/her Social Security Number (SSN), residence address, and date of birth<sup>3</sup> that is required for the effective tax administration. The IRS will be responsible for protecting the personal information as they currently do. The taxpayer is responsible for keeping the information current by filing a new form each time something in the dataset changes. The taxpayer could be expected to do so since the consequence of not keeping the information current means his/her tax return would be rejected. This process is strictly between the IRS and the taxpayer and should not be associated with tax return filing. For this to work efficiently, the IRS should make sure that this ID number is not used as a vehicle to collect any more than the minimum dataset (which is collected now in tax forms that is currently required for effective tax administration). The taxpayer would be authorized to use the ID number(s) exclusively for tax-related matters both at the federal and state<sup>4</sup> levels as is currently permitted for business entities.

After a number is issued, the taxpayer would provide this same ID number to all his/her payers and tax-related information generators. The information generators would not show any other personal information such as the SSN and address that is currently used on the Form W -2, Wage and Tax Statement, and the 1099 information return series of forms and other tax-related communications. This is very similar in concept to what is currently used for brokerage and bank account statements where only the account number and name(s) is printed.

After a taxpayer ID number is obtained, the only personal information needed on a tax return form would be the taxpayer ID number(s) and name(s). Dependent's names listed on the return would have an ID number instead of a SSN. When fully implemented, any information that the tax preparers or practitioners have, use, disclose and/or sell becomes untraceable regarding any personal information about the taxpayer(s) and their dependents. This should effectively curb abuse of such data and identity theft.

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<sup>3</sup> Note that the only personal data of concern is the SSN, Street Address, and Date of Birth. It is this set of data that ties a taxpayer to a tax return and by many financial institutions, the Credit Bureau, and other government entities.

<sup>4</sup> It is reasonable to expect that if the IRS buys into this concept the States will follow since it does not involve any revenue impact.

## **Return Preparers' Regulations (Licensing)**

The focus of this paper is to make recommendations regarding licensing of paid tax preparers. We have looked at this issue from the viewpoints of taxpayers, tax preparers and the Internal Revenue Service (IRS).

### **Recommendations:**

After our review of this issue, the Taxpayer Advocacy Panel (TAP) recommends licensing of paid tax preparers. The license should be based on:

- Level and area of expertise; and
- a required background check to insure protection of the taxpayer especially with respect to identity theft issues.

### **Why License Paid Tax Return Preparers?**

Currently, anyone can prepare tax returns for a fee, regardless of their knowledge or training in tax preparation. Taxpayers are hurt when their returns are not prepared properly. Both the IRS and taxpayers incur costs because of fraudulent and inaccurate returns. In general, knowledgeable and trained tax preparers support licensing of paid preparers.

We recommend licensing based upon the preparer's knowledge set. Each license would identify the level of expertise of the tax preparer. The licenses would apply to individuals only, not their company. Since tax laws are added or changed periodically, the license should be updated annually to reflect knowledge of these changes.

Existing tax education programs are currently used by private, professional, educational and IRS providers. These should be the basis for certification and meeting the IRS requirements. In addition to covering tax law issues, training should cover ethics topics. The IRS already updates the Volunteer Income Tax Assistance (VITA) training, testing materials and certification process every year. This testing could be used as a base to set the minimum standards a paid tax preparer must meet to be licensed and used to identify the levels of expertise the individual tax preparer should have on their license.

Unscrupulous preparers can defraud the taxpayer in various ways, including identity theft, by having access to personal information. Paid tax preparers should be subject to a basic background check, as part of their licensing requirement. Background checks will help to identify persons who have previously been convicted of financial crimes or other activities that should preclude them from having access to taxpayers' personal and financial data.

### **Conclusion:**

The licensing of paid tax return preparers will benefit the taxpayers, tax preparers, and the IRS by reducing fraudulent and inaccurate returns raising the professionalism of preparers, and enabling the IRS to ensure the qualifications of the people who are paid to prepare tax returns.

The benefits of licensing include:

1. Protecting taxpayers from costs related to having their returns prepared improperly.
2. Reducing the likelihood of identity theft from misuse of taxpayer data.
3. Reducing the incidence of fraudulent returns created by unscrupulous preparers.
4. Increasing the ability for the IRS to identify those preparers who have engaged in unethical behavior.
5. Allowing the IRS to ensure the qualifications of the people who are paid to prepare tax returns and hold them to defined standards.

## Direction of VITA and TCE

Questions have arisen regarding the role of Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites as Taxpayer Assistance Centers (TACs) decline in number. It is our understanding that VITA will not take the place of TACs, but will grow and expand as the country's population changes.

### **Recommendation:**

The Internal Revenue Service (IRS) should expand the Volunteer Return Preparation Program (VRPP) to provide more efficient and effective services to a larger constituency. To do this, the IRS must reconsider its role and its commitment to VITA. The Taxpayer Advocacy Panel (TAP) is concerned that the IRS has not dedicated sufficient financial and human resources to support VITA. The success of Tax Counseling for the Elderly (TCE) is, in large part, due to the strong support it receives from its national partner. For VITA to be similarly successful, the IRS must identify national and regional partners that will assist the IRS in providing the necessary financial and human resources to the program for coordinators, instructors, training, marketing, printing, site supplies and technology. The IRS should also expand the grant program that currently provides financial support to TCE sites to include the VITA program. With additional support from the IRS and strategic partners, VITA would have far greater capacity to prepare returns for its target constituents.

### **Proposed Goals:**

The IRS and its national or regional partners should set and work toward achieving the following goals:

- Provide a partner to all VITA sites, especially the medium to large sites, that will help manage the many administrative details required for effective and efficient operation (i.e. provision of instructors, training space, return preparation space, supplies, and computer equipment)
- Publicize the need for qualified instructors and provide appropriate training materials for volunteer instructors
- Provide training and certification of VITA staff and volunteers to minimize the effect of the most common preparation errors
- Publicize the need for qualified volunteer preparers
- Provide materials for targeted recruitment efforts to maximize the visibility of the VITA program to those who are most likely qualified to help (e.g. universities, related businesses, etc.)
- Allow and encourage regular visits to the home-bound (e.g. retirement homes, long-term care nursing facilities, etc.)
- Identify standard procedures to be used by VITA sites to track taxpayer awareness of the program and other demographic statistics without overly burdening the VITA volunteers with excessive paperwork
- Encourage and support flexible operating hours for VITA sites, including evenings and weekends
- Make IRS forms and publications available at VITA sites

- Partner with all levels of Health and Human Services Departments and with state departments of revenue to promote awareness of the VITA program and coordinate resources
- Expand the capacity of the military VITA program as well as awareness of its existence within the military forces
- Continue to focus the limited resources of the VRPP program solely on tax return preparation for the targeted constituencies
- Ensure that all VITA sites are properly registered with the IRS so that the IRS (national and local) is able to direct eligible taxpayers to a VITA site

**Conclusion:**

The benefits of expanding VRPP by increasing the support of the VITA program are many. They include increased taxpayer compliance particularly taxpayers with small home based businesses. It would be easier for low-income taxpayers to file without hiring a paid preparer. Free tax return preparation and e-filing would reduce the demand for refund anticipation loans. Publicizing and marketing the existence of the VITA program to its target constituency will further the IRS's goal of increasing taxpayers' knowledge of and opportunity to claim the Earned Income Tax Credit and the Additional Child Tax Credit.

Fully supported VITA sites may be able to reduce the seasonal burden on TACs. Finally, an effective and efficient VITA program will increase community goodwill for the IRS and its identified partners because the program will provide a necessary service to those taxpayers most in need.

## **Outsourcing to Private Collection Agencies**

The Internal Revenue Service (IRS) does not believe they have the resources in budget, or personnel to achieve their goals in collections. According to IRS, the outsourcing of some debts to private collectors could bring in as much as 7.7 billion in unpaid taxes. This initiative is to be implemented at a time when taxpayers are greatly concerned about identity theft, loss of jobs to outsourcing (especially to foreign countries), and the performance irregularities and ethics of government contractors.

### **Recommendation:**

The IRS should abandon all plans to outsource any taxpayer debts and restrict collection activities to properly trained and proficient IRS personnel.

### **Why IRS Should Not Outsource Debt Collections:**

The Taxpayer Advocacy Panel (TAP) researched multiple sources to understand the complexity of this initiative. These sources included: the IRS, Congress, National Treasury Union, Government Accountability Office, National Taxpayer's Union, HR5576 and ACA International web sites, and a review of National Taxpayer Advocate Nina Olson's remarks, other news sources, and numerous TAP members with valuable taxpayer input.

Debt collection is a core function of IRS and appropriate staffing should be assigned to this function to achieve collection objectives. If IRS does not have adequate staffing, it should reduce costs by outsourcing functions that do not involve interface with taxpayers or provide opportunities for identity theft.

A TAP volunteer shared his organization's experiences with outsourcing accounts receivable. Initially, collections improved, though at the expense of customer satisfaction. The collection agency staff did not share the same values and partnership attitudes that were practiced by the employees of the selling organization. Over time, the function of managing the contractor's collection activities became more time consuming than handling the function internally. Overall experiences were more negative than positive.

### **Conclusion:**

Taxpayers want and deserve a professional and congenial staff in the IRS to handle their personal tax situations and provide the funds for their government. TAP also believes limiting collections to IRS personnel provides a tremendous opportunity to improve taxpayer satisfaction and enhance confidence in their total government of the people and for the people.

## Availability of Free File

Should "Free File" be available to all taxpayers?

### **Recommendations:**

- Free File should be available to all taxpayers. If income limits need to be set, increase the adjusted gross income to \$100,000.
- Require Alliance members to include a standard list of tax forms and schedules in their Free File offerings.
- Require Alliance members to improve the description of their Free File offerings to ensure that taxpayers know what is and isn't included, before beginning a tax return.
- The IRS should require tax software companies and practitioners to package their services and not bill separately for the actual transmission of a tax return.
- The IRS should ultimately have a direct filing portal through which taxpayers can submit tax returns electronically at no charge.

### **Why Should FreeFile be Available to all Taxpayers?**

The committee solicited immediate feedback on this topic from all TAP members via e-mail. The taxpayers' feedback revealed there is a misunderstanding between what the IRS calls "Free File" and what the taxpayers think free e-filing means or should be. The Free File program is an alliance between tax-preparation software companies and the IRS, to provide free electronic tax-preparation services through a portal at [www.irs.gov](http://www.irs.gov). Taxpayers, however, believe "free file" should be the ability to transmit a return electronically to the IRS at no cost. Taxpayers do not distinguish the Free File program from their desire to e-file for free.

During the 2005 tax season, the program was limited to taxpayers with adjusted gross incomes of \$50,000 or less. Dual income taxpayers regarded this as inequitable. While some respondents were comfortable with Free File limits in regard to income level and return complexities, all advocated raising the threshold to adjusted gross income of \$100,000 and including a standard list of tax forms and schedules in the program.

The FreeFile site is described as very confusing and perceived to be "tricky." Discerning what software companies offer and for what price before beginning the return is difficult. Taxpayer frustration occurs after completing their returns, to find out they have to pay a fee they had not anticipated and possibly have to start over with another software company to actually file for free.

Taxpayers using this site also complain that they are intimidated by the additional products offered by the software vendors for a fee, such as "double-check" and audit insurance.



From the feedback received by TAP members and their taxpaying constituents, the general consensus is that taxpayers believe that they should be able to e-file their tax returns without charge. This was especially voiced as a concern from those who previously were able to Tele-File. Taxpayers do not seem to object to paying for a software package to prepare their tax returns; the objections arise from having to pay an additional fee to transmit the return to the IRS. Taxpayers do not understand the tax-preparation software company is responsible for service beyond the initial transmittal such as making sure that the return is accepted, correcting errors and possibly re-transmitting. Many taxpayers also believe the IRS, as opposed to the tax-preparation software company or practitioner, charges the e-filing fee. The IRS should require tax software companies and practitioners to package their services and not bill separately for the transmission of a tax return.

Taxpayers express, that ideally, the IRS should have a direct filing portal through which taxpayers can submit tax returns electronically at no charge. This is what taxpayers want and expect –truly free electronic filing. Realizing this could take several years to implement, TAP proposes the IRS contract with third parties to provide a process to “batch” the returns, as IRS systems require, and transmit the e-filed returns at no cost to taxpayers.

### **CONCLUSION:**

While currently providing some taxpayers with a free option to electronic filing, the Free File Program parameters should be expanded to benefit more taxpayers. Ultimately, however, taxpayers are looking for a direct e-file program with the IRS that would be truly free of charge.

## Appendix F: List of 2006 TAP Members

Abdulhaqq, Rashidah K	Cleveland, OH
Amos, Maureen T	Chicago, IL
Barry, Shaun	Franklin Square, NY
Bates, George	Great Falls, MT
Behnkendorf, Larry A	Waterford, MI
Bland, Sandra	Bemidji, MN
Bly, Bill	Wayne, PA
Broniarczyk, Robert J	Romeoville, IL
Brubaker, Paul M	York, PA
Cecchi, Emilio	North Bethesda, MD
Chowning, Kimberly	Indianapolis, IN
Clapp, Marilyn	Boise, ID
Colvin, A. Elizabeth	Austin, TX
Combs, Larry	Yuba City, CA
Congdon, Lee	Washington, DC
Cordeiro, Daryll J	Mobile, AL
Davis, Blanche	Rehoboth Beach, DE
Davis, JoAnn	Scott Depot, WV
Dreska, Christopher	Smyrna, GA
Duquette, Paul M	Amherst, WI
Epstein, Harvey I	Lee, NH
Ferguson, Margaret W	Vista, CA
Fireman, Jerald	Edmonds, WA
Gadon, Harold (Hal)	Cranston, RI
Gursey, Gregory	Anchorage, AK
Guthman, Michael A	Westport, CT
Guthmann, Howard	St. Paul, MN
Hafer, Donna J	Burlington, KY

## Appendix F: List of 2006 TAP Members

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Haines, Robert	Lebanon, NJ
Havey, Dorothy H	Lincolntonville, ME
Henry, Matthew R	Pine Bluff, AR
Hoffman, Steven	Columbus, OH
Hom, Gim P	Acton, MA
Hurr, Joe	Dayton, OH
Irizarry, José I.	San Juan, PR
Jones, David W	Sacramento, CA
Kaplan, Allena F	Anaheim, CA
Karwin, Thomas J	Santa Cruz, CA
Kasturi, Srinivasan	West Orange, NJ
Landauer, Steven	Davenport, IA
Lawler, Mary Ann	Dearborn, MI
Maisch, Steven C	Arlington, WA
Margulies, Howard	North Easton, MA
Marker, Patrice	Davie, FL
Matheny, William T	Long Beach, MS
McElroy, Paul L	Pfafftown, NC
McKenzie, Clifford A	Del City, OK
Meister, David	Franklin, WI
Melchior, Jerome	Vincennes, IN
Meyers, Robert L	Omaha, NE
Miller, Donald R	Loudon, TN
Mitchell, Patrick N "Neil"	Provo, UT
Moore, Bessie	Mt. Laurel, NJ
Morrell, Jack G	Mandan, ND
Mosler, Henry A (Hank)	University Park, FL
Motza, Maryann	Aurora, CO
Natter, Joyce P	Miami, FL
Nordwind, Willy	Scottsdale, AZ
O'Donnell, Marie	Wilmette, IL
Parra, Luis	Bronx, NY
Reading, Sheri	Albuquerque, NM

## Appendix F: List of 2006 TAP Members

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Richardson, Lovella S	Knoxville, TN
Rivera, Ralph	Garland, TX
Romeril, Martin A	Bethlehem, PA
Rousseau, Richard	Harker Heights, TX
Rue, Thomas (Steve)	Mechanicsville, VA
Schneider, Ferd R	Cincinnati, OH
Scioli, Allen	Saginaw, MI
Scott, Louie (Max)	Baton Rouge, LA
Searleman, Sanford	Glens Falls, NY
Shields, Joseph R.	Naples, FL
Sinnamon, Lynwood D	Arlington, VA
Smith, Mavis	Chula Vista, CA
Sosa, Iris M	Fontana, CA
Stieger, Lee	Leavenworth, KS
Suther, Mary C	Dallas, TX
Symonds, Virginia	Portland, OR
Tanna, Wayne M	Honolulu, HI
Tarpey, James J	Sunset Beach, NC
Uhrig, Edward E.	Lusk, WY
Warnecki, Elizabeth A	Ladson, SC
Wendt, Charles	Iola, TX
Whitehead, Wayne W	Northridge, CA
Wilhelm, Douglas W	Carmel-by-the-Sea, CA
Wong, Warren	Rochester, MN
Woo, Lillian G (Beadsie)	Durham, NC
Wright, James (J T)	Carrollton, GA
Yanuck, Gilbert A	Carson City, NV
Zgoda, Bruce	Clarence, NY



## **Appendix G: List of 2006 TAP Staff**

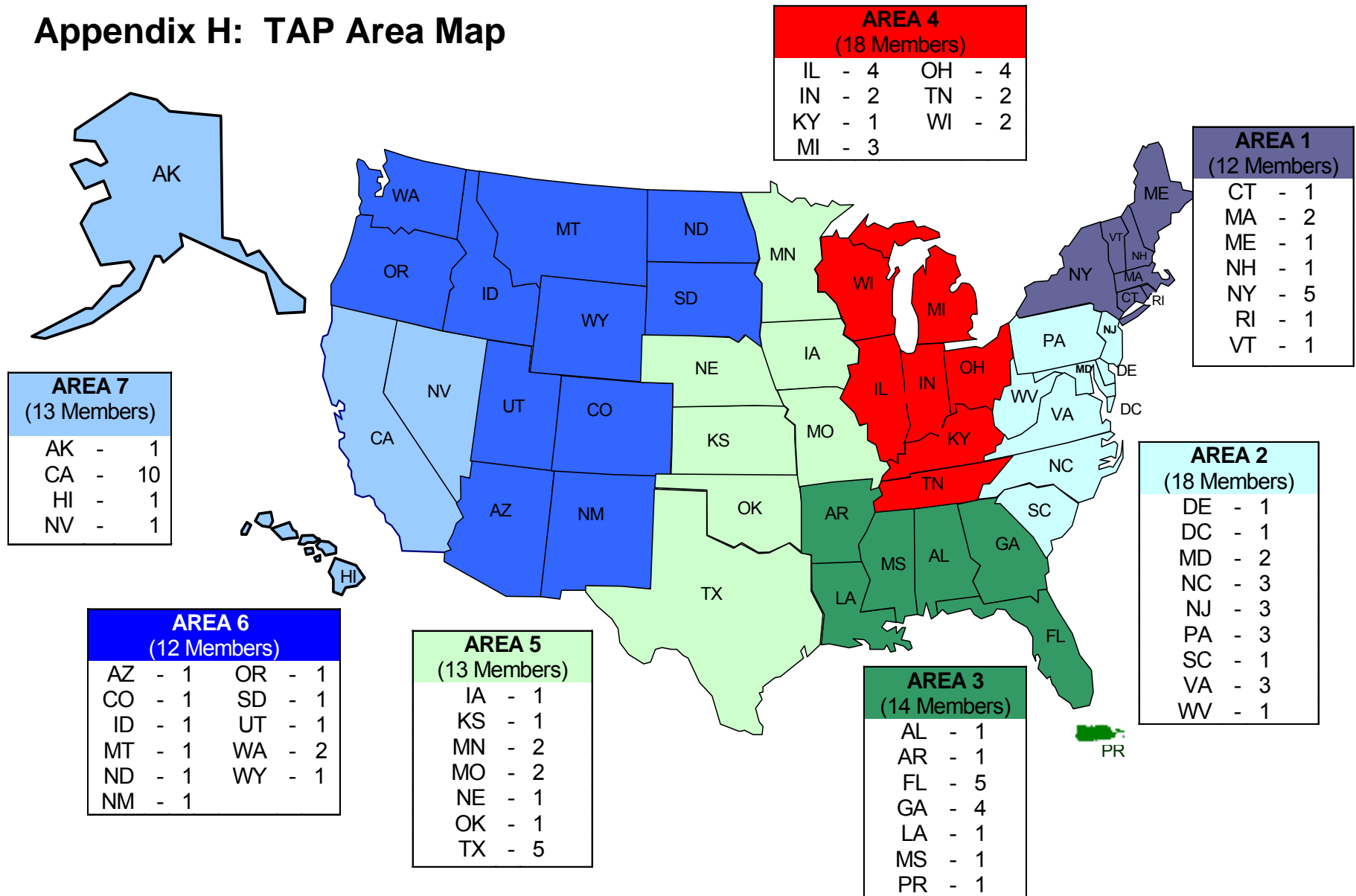
Bernie Coston, Director  
Steve Berkey, Program Analyst  
Sallie Chavez, Program Analyst  
David Coffman, Program Analyst  
Inez DeJesus, Program Analyst  
Mary Ann Delzer, Program Analyst  
John Fay, Senior Program Analyst  
Nancy Ferree, Program Manager  
Barbara Foley, Program Analyst  
Susan Gilbert, Senior Program Analyst  
Audrey Jenkins, Program Analyst  
Marisa Knispel, Program Analyst  
Sandy McQuin, Program Manager  
Judi Nicholas, Program Manager  
Meredith Odom, Secretary  
Marla Ofilas, Secretary  
Sandra Ramirez, Program Manager  
Jenny Reyes, Secretary  
Patti Robb, Secretary  
Janice Spinks, Program Analyst  
LaVerne Walker, Secretary

### **Designated Federal Officials**

Area 1, Betsy Fallacaro, Local Taxpayer Advocate, Boston, MA  
Area 2, Terry L. Mapp, Local Taxpayer Advocate, Philadelphia, PA  
Area 3, Carolyn E. Lewis, Local Taxpayer Advocate, New Orleans, LA  
Area 4, Betty A. Martin, Local Taxpayer Advocate, Nashville, TN  
Area 5, Marian Adams, Local Taxpayer Advocate, Wichita, KS  
Area 6, Linda Martinez, Local Taxpayer Advocate,, Albuquerque, NM  
Area 7, John Tam, Local Taxpayer Advocate, Oakland, CA



## Appendix H: TAP Area Map







## Appendix I: Area Committee Chair Reports

### Area 1

#### Accomplishments:

- CP 521 (Issue # 3558). The Form 433D Installment Agreement does not provide the current interest rate changed.
- Form 1040V -- Voucher for Estimated Income Tax Payment (Issue # 4008). To eliminate the need to mail tax payments to two different addresses using two different payment vouchers, and, to eliminate the need to mail the estimated tax payment even when a current year payment is not due - to a different address than the one to which the tax return is being sent; the Area 1 Committee suggests that a line be added to Form 1040-V, Payment Voucher.
- Form 1098, 1099 & 1096 (Issue # 3908). The committee recommends that as part of the IRS technology upgrade the IRS develop software to obtain necessary data from printed versions of Form 1099 (misc) downloaded from the IRS web site and that taxpayers be allowed to use these printed versions of forms downloaded from the web for filing. In the interim, until downloaded forms can be submitted, the committee recommends that each year the IRS send two copies of Form 1099 (misc) to each taxpayer that submitted a paper copy in the preceding reporting year.
- Form 8300 – E-filing Capability and Suspicious Language (Issue #3950)\_ - On this issue Area 1 stated that individuals and businesses are required to file a Form 8300 for large or suspicious cash transactions. The current IRS procedures require submitting a paper copy of Form 8300 when reporting these transactions. In keeping with the policy of converting to electronic filing, it should be possible for individuals and small businesses to file Form 8300 electronically. The committee recommends that as part of the IRS technology upgrade the IRS develop or otherwise acquire software to enable individuals and businesses to file electronic versions of form 8300. The committee recommends that reference to the SAR requirements sited below for those who file Form 104 should be added to the instructions of Form 8300. In addition, a statement should be included saying those filing voluntarily will be afforded the same protection as for SAR filers described below in Federal law (31 U.S.C. 5318(g)(3)).
- Form 8453 -- Usage Reduction (Issue # 3934). Eliminate the existing option for tax preparers of using the Form 8453 merely for the purpose of transmitting the signatures and Increase the use of electronic signatures on electronically filed tax returns (using Form 8879, IRS e-file Signature Authorization) while reducing the use of handwritten signatures (Form 8453) on electronically filed tax returns.

## Appendix I: Area Committee Chair Reports

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- Improvements to language on Letter 2465C (Issue #3518) – On this issue Area 1 stated that the IRS correspondence that is misleading to taxpayers and does not alert taxpayers that penalties and interest will be added to their liability while they are waiting for the IRS to respond or resolve their tax issue.
- Schedule D (Issue # 3148). Area 1 suggested adding a line for “short-term capital loss carryover” and “long-term capital loss carryover” on Schedule D will facilitate and ensure properly computed returns with the correct capital gains/loss calculations for the Schedule D for subsequent tax years. Using the TY2005 Schedule D as example, the lines to be added would be TY2005 Schedule D line 21a, “Short Term Capital Loss Carryover for 2005” and line 21b, “Long Term Capital Loss Carryover for 2005”. Adding these two lines will greatly simplify the worksheet calculations for Capital Loss Carryover for the following tax year. Schedule D has sufficient room on page two to add the two lines. There is precedence in providing carry over information. Form 8606 provides for basis information for prior years for deductible verses non-deductible IRA.
- Search by keyword capability for forms and publications on [www.irs.gov](http://www.irs.gov) – The committee proposed that the IRS add another option to the list of <Download Forms and Publications by> that is shown in Figure 1. We propose adding an option to “Search by Keyword” to this list.

### Issues Under Consideration:

- Intermediate Service Providers. Area 1 is interested in the standards the Intermediate Service Providers are held to.
- Individual Taxpayer Identification Numbers (ITINs). Acceptance Agents – Area 1 is looking at the additional burden placed on ITIN filers and their Acceptance Agents.
- Individual Taxpayer Identification Numbers (ITINs). Representation – Who can represent the taxpayer.
- Online Payments. Area 1 is interested in being able to make payments directly through your personal bank accounts.
- Letter 531 (90 Day Notice of Deficiency). Packages enclosed with the 90 Day Letter of Deficiency should be simplified.
- LITC – Education. Area 1 is interested in making the public aware of LITC services and locations.
- LITC – Power of Attorney. Area 1 is interested in LITC Representing taxpayers at the IRS.
- Form 1127 (Application for Extension of Time for Payment of Tax) – Taxpayer are unaware of the existence of this form. Also form should be updated if still available.

### Outreach Activities:

- Town Hall meeting at the Cranston Library in Cranston, Rhode Island with approximately 100 public in attendance
- The Golden Group
- Rhode Island TAC (involving Paid Tax Preparers)
- AARP TCE
- Maine Procurement Technical Assistance Center
- National Association of Women Business Owners

- Eastern Maine Development Corporation
- IRS Small Business Stakeholder Liaison Meeting
- The New York State Society of Certified Public Accountants (Buffalo chapter)

### Opportunities for Improvement:

- Issues of interest to more than one Area Committee get slowed down by the lack of inter- area communication. The joint committee is not checking at an early stage whether an issue is being addressed by more than one Area Committee. So, when a proposal goes to the joint committee on an issue being considered by more than one Area Committee, it is delayed by creation of a new subcommittee that begins considering merging the issues of the Area Committees.  
Joint Committee review process and approval process for proposals takes far too long.  
The time to process an issue from start to going through the Joint Committee takes too long, and we don't receive timely progress reports.

## Area 2

### Accomplishments:

The following 11 issues were submitted to the Joint Committee for Approval: Issues 3390, 3572, 3634, 3685, 3702, 3736, 3740, 3742, 3743, 3747, and 3925.

### Issues Under Consideration:

The following Issues are under active consideration:

- Issue #3915, Transmission of Supporting Details for e-file Returns
- Issue #3944, Tax Treatment of Securities Litigation Settlement
- Issue #3951, Pubs 560 & 590 Instructions- Simple IRA Rules

### Outreach Activities:

There were 58 outreach events reported through November 2006 by Area 2 Members. While most were face to face discussions or presentations, there were several media events such as a radio interview or newspaper article (including local newspapers or university or organizational newsletters).

### Opportunities for Improvement:

We would like to see more timely responses from the IRS on the issues submitted.

### Area 3

#### Accomplishments:

- Downloadable Forms (Issue #3734). Downloaded forms are not optically readable by IRS equipment on returns filed electronically.
- Expanding Third Party Authorization (Issue #3921). Expanding third party authorization from the original due date to any IRS extended due date.
- Prepared position paper for submission to Commissioner Iverson on Outsourcing of Collections that had national Impact.
- Prepared two position papers on performance measures that were presented to the Oversight Board.
- Area 3 members made valuable contributions to their Issue Committees which improved effectiveness and credibility as a partnering resource for IRS. The IRS Notices Group is currently utilizing TAP members in various continuous improvement projects.
- Area 3 members were trained and became proficient in using TAPSPEAK to improve their productivity.

#### Issues Under Consideration:

- Check Box Authority (Issue #218). Internal Revenue Service (IRS) is not taking appropriate action when taxpayers check this box.
- Refund to Create Savings Accounts. (Issue #3537). This issue is being held pending further input from IRS.
- Service Issues at Taxpayer Assistance Centers (Issue #3914). Taxpayers are not receiving acceptable service at TAC locations.

#### Outreach Activities:

Area 3 members facilitated a town hall meeting, were involved in 8 public media interviews, visited 10 congressional offices, participated and conducted a survey at the TAX Forum in Atlanta, attended the Georgia Legislative session at the TAS office in Atlanta, spoke to 4 civic groups, 2 professional organizations and promoted TAP in numerous opportunistic situations.

Developed a template that can be used by TAP members to introduce them to various target audiences.

### Opportunities for Improvement:

Two issues were rejected and one was partially rejected by IRS.

One issue was unreasonably delayed in the elevation process trying to combine it with other similar issues.

Productivity was greatly impaired by resignations and the lack of qualified and approved backups.

### **Area 4**

#### **Accomplishments:**

Area 4 hosted a Town Hall meeting with National Taxpayer Advocate, Nina Olson, on June 6, 2006, at Xavier University in Cincinnati, Ohio. Members Donna Hafer, Joe Hurr, Jerry Melchior and Ferd Schneider, introduced the audience to TAP's mission and shared several TAP success stories. The meeting was well attended and the audience included taxpayers, tax professionals, IRS employees and the directors of the local Low Income Tax Clinic. Issues identified at the meeting included concerns about the clarity of IRS correspondence, reduced IRS support for VITA/TCE and the continuing navigation problems taxpayers and tax professionals have working with IRS.

Area 4 was asked by the Joint Committee to prepare a report requested by the Commissioner of IRS on the role of VITA sites, especially in light of the reduction in number of Taxpayer Assistance Centers. Area 4 discussed this request at its face to face meeting in Chicago on July 14 and 15 and prepared an initial draft response. Two members were assigned to revise the draft with ideas expressed at the face to face meeting. At Area 4's teleconference on July 25, the revised draft was discussed and a final report was approved and sent to the Joint Committee. Thirteen specific recommendations were included in the response.

Area 4 conducted three face to face meetings in 2006. These include the TAP Annual Meeting in January 2006, Chicago in July 2006, and the TAP Annual Meeting in December 2006. In addition to these face to face meeting, monthly teleconferences were also held in ten other months (including July 2006).

The following Issues were sent to the Joint committee for elevation to IRS:

- Issue 3898. Suggestion to make taxpayers more aware of information given to third parties when requesting transcripts of tax returns be sent to third parties
- Issue 3718. Suggestion to develop a method for taxpayers to receive needed paper forms and instructions in a timely manner.
- Issue 3705. Suggestion to make ordering OCR forms easier in irs.gov by reducing the number of screens to be negotiated to get to forms order screen. IRS responded to the elevated issue within a few days and has agreed to make the requested changes.

### Issues Under Consideration:

- Issue 4028. Taxpayer reports frustration with IRS toll free number. Taxpayer is unable to talk to a live person regarding a notice received. Area 4 will review Area 2's Issue 3925 that deals with a similar problem.
- Issue 4037. Taxpayer cannot Fed Ex package to IRS campus as Fed Ex needs phone number for the recipient. Analyst currently researching issue.
- Issue 3706. Practitioners receive notices that Forms 8453 are not received by IRS.
- Issue 3993. Issuers do not correctly code 1099R's for early withdrawals. Taxpayers receive CP-2000 notices.

### Outreach Activities:

Members of Area 4 made over 3000 grassroots contacts through various interactions with the general public, tax professionals and IRS personnel.

Highlights of Area 4 TAP member participation include:

Presentations to the Wisconsin Independent Certified Public Accountants Federal Taxation Committee, Midwest Association of Financial Aid Administrators, Independent Accountants Association of Michigan, Practitioner Liaison meetings, Alzheimer's Association-Greater Illinois Chapter, Lions Clubs, Legion Posts, and TCE/VITA training groups.

Area 4 members also staffed booths at the annual meeting for Wisconsin members of the National Association of Tax Professionals and at the Women's Expo of Dearborn, Michigan.

Media coverage included articles in The Cincinnati Enquirer, The Northwest Press (Cincinnati, Ohio), Cincinnati Campus Connection (IRS publication for campus employees), The Knoxville News Sentinel, Heritage Newspapers (Dearborn, Michigan) and the Detroit Free Press. Total circulation of these media venues is 880,000.

### Opportunities for Improvement:

Area 4 had a slow start in dealing with issues in 2006. The late timing of the July face to face meeting was deemed a factor in this problem. The Face to face meeting in 2007 will be in April, hopefully to counteract last year's problem. Many members occasionally missed monthly teleconferences and discussion suffered from lack of participation.

### Area 5

#### Accomplishments:

Area 5 hosted a Town Hall meeting with Deputy National Taxpayer Advocate, Christopher Wagner, on March 8, 2006, at St. Ambrose University, Davenport, Iowa. Area 5 members Steve Landauer and Bob Meyers and Area 4 member Bob Broniarczyk introduced the audience to TAP's mission and shared several TAP success stories. The meeting was well attended, with an audience that included taxpayers, tax professionals, IRS employees and volunteers from VITA/TCE. Issues identified at the meeting included concerns about lack of customer service provided by IRS toll free numbers, the clarity of IRS notices and correspondence, hesitancy of IRS to transfer examination and collection cases to employees near where the taxpayer resides, and reduced IRS support for VITA/TCE.

Issue 3755. Forms and Publications--Employee Background-- was elevated through the Joint Committee to the IRS. IRS forms and publications are written in a manner that is confusing and not easily understood. Taxpayers spend unnecessary time trying to interpret "IRS" language. Area 5 recommended that IRS employ persons specifically trained in written communications, such as English or journalism majors, use frontline customer service employees as focus groups during the form revision process, and continue to promote adherence to the internally developed IRS Style Guide.

Area 5 was charged with presenting TAP's position to the Commissioner of IRS regarding their constituents' opinions of the Free File Program. The position paper recommended that eligibility for the Free File Program be expanded to benefit more taxpayers. Taxpayers want a direct e-file program with IRS that is truly free. A recommendation was forwarded to the Joint Committee concerning the use of a nominating committee to improve the election process for TAP leadership positions. While the nominating committee approach was not adopted in 2006, Area 5 looks forward to further discussion of this issue in 2007.

Even with the challenge of a mid-year change in leadership, Area 5 is proud to list these accomplishments. This would not have been possible, however, without the excellent support of our staff and their relentless efforts to motivate us to complete our work. To them we owe our thanks.

#### Issues Currently Under Consideration:

- Issue 3713. Taxpayers have continuing concerns about the quality of service the IRS toll free line provides and are looking for improvements.
- Issue 3843. Taxpayer Assistance Centers do not provide many services taxpayers need. Wait times have increased as well. Area 5 will be working these issues jointly with members of Areas 2 and 3.
- Issue 3534. IRS addresses for payment are not easy for taxpayers to find.



## Appendix I: Area Committee Chair Reports

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- Issue 3712. The current procedures for handling the Third Party Designee on the Form 1040 have limitations. Area 5 has the problem with the power of attorney provisions and the check-box authority still under study.

### Outreach Activities:

Members of Area 5 made over 325 grassroots contacts through various interactions with the general public, tax professionals and IRS personnel. Highlights included meetings with the Texas Association of Financial and Tax Specialist, the Kansas Bed and Breakfast Association, a Chapter of Phi Delta Kappa, SCORE (Service Corps of Retired Executives), the Kansas State Historic Preservation Conference, and congressional staffers in Dallas.

Media coverage included radio interviews on 580 Radio in Topeka, Kansas and KFAB in Omaha, Nebraska, with combined audiences of 100,000.

A primary goal for Area 5 in 2007 is to increase member participation in outreach activities.

### Opportunities for Improvement:

Some members felt that our teleconferences could be more focused and that additional outreach would raise many more issues. Concerns were expressed about the Joint Committee process for approving recommendations to be elevated to the IRS and the understanding of consensus. The election process should be examined in an effort to provide for a system more suitable to a volunteer organization. Finally, the IRS needs to examine how they can work more effectively with volunteers in order to fully utilize their talents and resources. Area 5 members believe that TAP will not succeed using traditional IRS methodologies.

## Area 6

### Accomplishments:

Area 6 submitted two issues to the Joint Committee and a third issue will be submitted at the first meeting in 2007. Below are the three issues:

- **Form W-10 – Employer Identification Number (Issue #1182)**

Issue Statement: Currently, daycare providers must disclose their Social Security Number to taxpayers who wish to claim child care deductions. Such disclosure may result in identification theft of the daycare provider.

Proposed Solution: Add to the instructions for Form W-10 (Dependent Care Provider's Identification and Certification) the following language: "to minimize identity theft, apply for an Employer Identification Number (EIN)". We recommend this language be inserted in Part I of the Specific Instructions, immediately preceding How to get a TIN.

- **Customer Service, Improve Quality (Issue # 3249)**

Issue Statement: Many taxpayers believe that the information they are given is inaccurate or inconsistent. There is the wide-spread perception that if they contact the IRS more than once about the same issue, they will get different answers to their question.

Proposed Solution: The proposal is to engage in a very public process to: 1) develop a comprehensive IRS-wide plan for continuous quality improvement of customer services; and 2) inform and educate taxpayers about quality improvement efforts and their results.

A broadly, representative task force on quality improvement should be formed. Possible task force membership would include representation from: Taxpayer Advocacy Panel (TAP), Internal Revenue Service (IRS), Service Corps of Retired Executives (SCORE), tax preparers, accountants/CPAs, Volunteer Income Tax Assistance (VITA), American Association of Retired Persons (AARP), National Treasury Employees Union (NTEU), and Universities/academia.

The Task Force will focus on IRS customer service as provided through the telephone, the web site and walk-ins.

Specifically, the task force will improve accuracy and build public confidence by accomplishing the following:

- Review current practices and make recommendations to improve the accuracy and consistency of answers.
- Review current training plans/practices and make recommendations.
- Review current quality improvement plans and create a comprehensive plan for on-going efforts to continually improve quality.
- Inform and educate the public about efforts and results in improving accuracy.
- Create a plan for publicizing and changing public perception about quality improvement efforts and results.

Upon completion of the above work, the task force work will forward its recommendations to the IRS Commissioner and conclude its work.

- **Estimated Tax Payment Rules for Self-Employed Taxpayers (Issue #3233)**

Issue Statement: Self-employed taxpayers are often financially overwhelmed when their estimated tax payments become due. Taxpayers are not encouraged to make more estimated tax payments throughout the year to prevent the financial burdens associated with making only four payments during the year.

Proposed Solution: The committee proposes the IRS:

- Include under “Payment Due Dates” on page 3 of Form 1040 ES instructions (Estimated Tax for Individuals), a “TIP” which states: “If you want to make additional payments during the period reflected on the voucher, please

photocopy the voucher and send it in with your payment. The total amount of payments must equal the total amount due for the period on the voucher.” Information about this addition would also need to be noted in “What’s New” on page 1. While requirements for making estimated tax payments have not changed, taxpayers should be advised that more frequent payments could be made and submitted anytime during the year, including monthly, end of contracts, etc.

- Include a statement of options available for payment and frequency in all IRS publications, forms, notices, and instructions that refer to estimated tax for individuals.
- Rewrite the notice, CP 30 (We Have Charged You an Estimated Tax Penalty), to include options or suggestions for the business owner to avoid future penalties.
- Create a form W-9 IC, specifically for independent contractors that would include an option for income tax withholding. Form W-9 (Request for Taxpayer Identification Number and Certification) is currently used by the payor (employer) to secure the self-employed taxpayer’s Social Security number. The W-9 IC would serve the same purpose as the W-9, but it would also contain a voluntary agreement that would establish an agreement between the worker and payor for income tax withholding. The withholding would then be reported by the payor to the IRS on Form 945, Annual Return of Withheld Federal Income Tax.

The change recommended in creating the Form W-9 IC for independent contractors to elect voluntary withholding would consist of the following statement:

“As an Independent Contractor you can select to have the business, to which you are providing your service, withhold \_\_\_\_\_% from your total pay. This amount will be remitted to the Internal Revenue Service. This offer is provided to you in order to assist you in making your estimated tax payments. The total payments to you and your federal withholding will be shown on your annual Form 1099-Misc (Miscellaneous Income).

In addition to the three issues, above, which were forwarded to the Joint Committee for consideration, Area 6 also worked (in conjunction with Area 2) on a special request of IRS Commissioner Everson that TAP provide recommendations to him about the proposed changes to Treasury Regulation Section 303.7216). The analysis and recommendations made by Areas 2 and 6 were reviewed and approved by the Joint Committee, which then forwarded the report to the Commissioner. TAP agreed that the proposed changes to the regulation would strengthen the existing regulation through additional requirements for informed consent. However, it was decided that the revisions themselves are insufficient to address the additional taxpayer concern related to outsourcing and electronic processing of returns, which involve loss of control over taxpayer data when foreign entities are used. Outsourcing also increases the potential for identity theft and gross abuse of taxpayer data without adequate safeguards. In addition to proposing changes in the tax regulations that would provide for criminal sanctions when tax preparers disclose taxpayer data, TAP suggests that the IRS pursue

with Congress legislative changes that would limit dissemination of personal identifying information, especially in situations where outsourcing is used.

### Issues Under Consideration:

- Telephones – Unable to Reach Actual Person (Issue #3695): The inability to reach an actual person on the IRS telephones is upsetting taxpayers.

This issue has been combined with:

- IRS Menu Options – Speaking to an actual person (Issue #3912)
  - Toll Free Number – Option to be connected to an employee (Issue #3968)
  - E-Filing – Long Range Views (Issue #3522)
  - IRS Toll-Free Numbers – Menu Options (Issue #3989)
- Early Withdrawal Penalty – Inadequate Instructions (Issue #3400): The instructions in the Form 1040A and Form 1040 instruction book which direct a taxpayer to include the 25% early withdrawal penalty on an early distribution do not adequately explain the process for including the penalty.
  - Requirement to Provide AGI to Register for E-Services (Issue #3942): Requiring an IRS e-file provider to disclose the prior year adjusted gross income (AGI) from his/her personal tax return, in order to register for e-services, is unacceptable. This issue has been combined with “Return Submission – Verifying with a Prior Year’s AGI (Issue #3890).”

### Opportunities for Improvement:

- Holding the Area 6 face-to-face meeting so late in the TAP year (August 2006), significantly diminished the ability of the members to become familiar with each other and, as a consequence, affected the number of issues that were forwarded to the Joint Committee during the year. During the face-to-face meeting, however, which was attended by all Area 6 members, much progress was made not only on working the active issues (in the three subcommittees), but also in reviewing and categorizing all new and parking lot issues. To overcome this disappointment during 2007, Area 6 has already planned its face-to-face meeting, which will be held in March.
- TAP staff resources were severely constrained during the year, due to an analyst vacancy. The analyst assigned to Area 6 had to perform all analyst duties for twice as many committees during most of the year. He did a phenomenal job, as usual, but Area 6 members were limited in working more issues, in part, due to the workload Dave had during the year. This problem has now been resolved with a new analyst being hired near the end of 2006.

### Outreach Activities:

#### Area 6 Outreach Highlights

January – December 2006	
Outreach Efforts	Number
Total Events	190
Total Audience	13,786
Number of Area 6 Members Doing Outreach	12

The number of outreach events held by Area 6 members during 2006 was a significant increase over the previous year's total of 57 (a 233 percent increase). The number of people contacted during 2006 in those outreach sessions was also dramatically improved over the previous year (4,360 in 2005 versus 13,786 in 2006, a 216 percent increase). Another improvement over the previous year was that all 12 members of Area 6 conducted outreach activities during 2006.

Many of the suggestions developed by Area 6 are the direct result of members' grassroots efforts during both planned and impromptu outreach campaigns. Many issues that were brought to TAP came from the Area 6 Town Hall meeting that was held in Fargo, North Dakota during April.

## Area 7

### Issues Currently Under Consideration:

Table 1: Area 7 Issues by Status as of December 6, 2006			
Issue#	Status	Title	Date
3579	Active	Form 990EZ	November 1, 2006
3633	Active	TAC Services Transcripts	November 15, 2006
3708	Active	EITC Enclosure	August 29, 2006
3959	Active	Form 1040EZ by IRS	November 15, 2006
3483	Active	ETLA Website	November 1, 2006
3189	Drop	IRS Mail Certified Mail Receipts	November 15, 2006
3552	Drop	SS-4 PDF Fillable	September 26, 2006
3687	Drop	Toll-Free & TAC Help for SE	October 18, 2006
3731	Drop	Form 1099 Fillable PDF format	October 18, 2006
3920	Drop	Form 1099 B	November 8, 2006
4000	Drop	Form 2290 Payment Schedule	November 15, 2006
3485	New	NPO Filing Requirements	November 27, 2006
3554	New	Power of Attorney	August 29, 2006

<b>Table 1: Area 7 Issues by Status as of December 6, 2006</b>			
<b>Issue#</b>	<b>Status</b>	<b>Title</b>	<b>Date</b>
3831	New	Non-Qualified Stock Options	November 8, 2006
3980	New	Offers in Compromise—Trust Fund	November 8, 2006
4041	New	Letter CP 2000	November 27, 2006
3364	Parking lot	Income Rounding	November 1, 2006
3567	Parking lot	Publication 8106 E	August 29, 2006
3955	Parking lot	TAC lunch hours	August 29, 2006
3363	To J. C.	TAC Mail Services	August 28, 2006

### Accomplishments:

Issues 3363 and 3552 referrals were sent to the Joint Committee. The Issue Process formally defined and documented. Also wrote the corresponding functions of the Issue Subcommittee.

### Opportunities for Improvement:

Some members missed several monthly teleconferences; they were duly counseled. Progress on issues was slow and sometimes stalled.

### Outreach Activities:

Many and varied, including these types of groups: vocational, senior citizens, civic/fraternal, non-profits, Congresspersons, government agencies, cruise ship, and educational. Highlights:

- Dec. 2005, Town Hall meeting with NTA, about 70 attendees
- Mar. 2006, Gil Yanuck, Lions Club, 375 attendees
- Jun. 2006, Gil Yanuck, Nevada Dept. of Wildlife, 188 attendees
- Jul. 2006, Wayne Whitehead, Iris Sosa, Allena Kaplan, parade, 300 attendees
- Aug. 2006, Gil Yanuck, Nevada Museum Funding Committee, 285 attendees
- Sep. 2006, Wayne Whitehead, Marine Corps Cryptologic Assn., 415 attendees
- Oct. 2006, Wayne Whitehead, Wilkinson Senior Center Fair, 300 attendees
- Oct. 2006, Iris Sosa, AARP convention, 25,000 attendees



## Appendix J: Issue Committee Chair Reports

### Ad Hoc Committee

#### Committee Purpose/Scope:

The Ad Hoc Issue Committee works with the National Taxpayer Advocate, the Multilingual Strategy Office and the Chief, Tax Forms and Publications to address issues brought by the NTA; to expand products and services to Limited English Proficient (LEP) taxpayers; and to address issues regarding Tax Forms and Publications.

#### Accomplishments:

The Ad Hoc Committee has reviewed the following tax forms, publications and instructions:

- Issue 3766, Form W4/W4P – Employee's Withholding Allowance Certificate & Withholding Certificate for Pension and Annuity Payments: Because many retirees have both pension and income from employment, the committee suggested adding the following sentence in the instructions for Form W-4 to “File the Form W-4P to adjust your withholding from pensions.”
- Issue 3811, Publication 553, Highlights of 2005 Tax Changes: The committee was asked to review this publication and made the following recommendation: On Page 8, (or perhaps on Page 1), it would be useful to note that “ALL 2006 TAX INFORMATION IS PRELIMINARY AND ACCURATE AS OF THE PUBLICATION DATE, AND THAT CONGRESS CAN MAKE CHANGES AT ANY TIME.”
- Issue 3812, Publication 4492 - Information for Taxpayers Affected by Hurricanes Katrina, Rita, and Wilma: The committee thought that, as written, taxpayers might not clearly understand which RDA (Relief Disaster Area) and associated benefits applied to them.
- Issue 3813, Form 8857 - Request for Innocent Spouse Relief: The committee agreed that there are no recommendations to be made at this time; we found that this is a very simple form and easy to complete.
- Issue 3752, Publication 1- Your Rights as a Taxpayer: Three recommendations were made: Print the publication's purpose in bold type. Make a clear statement that forms and publications can be ordered online. Clearly state Taxpayer Advocate's Office contact information and include TAP web addresses.



## Appendix J: Issue Committee Chair Reports

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- Issue 3905, Online Pub. 17, Your Federal Income Tax-Individual: The committee recommended the IRS contact tax practitioners and VITA/TCE volunteers prior to the next tax season and seek their advice based on their experience using Pub 17.
- Issue 3990, Forms 1099-INT and 1099-DIV: IRS Forms and Publications requested our input regarding reporting tax-exempt interest on either form 1099-INT or 1099-DIV. The Committee's consensus was that the tax-exempt interest would be reported best on form 1099-INT.

For the Multi Lingual Initiative, the committee provided the following:

- Issue 3303, MLI LEP Needs Assessment: The Committee developed MLI recommendations to advance IRS initiatives to assist selected Limited English Proficient (LEP) groups (Chinese, Korean, Vietnamese, Russian) in improving their understanding and compliance with US tax laws.

At the request of the Taxpayer Advocacy Service:

- Issue 3923, Financial Literacy Toolkit: The Ad Hoc Committee reviewed the Financial Literacy Toolkit (FLT) strategic plan and made three recommendations: Goals should address a larger audience and include more topics. Add additional specific topics to FLT subjects, e.g., How to Do a Family Budget, Tax Planning, How to Identify and Use the Proper Borrowing Agents, FDIC Insured Banks, How to Plan for Retirement, Savings Plans, How to Prevent Identity Theft. Review toolkit distribution locations and consider adding public libraries.

The Ad Hoc Committee provided the following input regarding IRS Commissioner Mark Everson's request for input from TAP on the subject of Tax Preparer Regulations:

- Issue 3924, Tax Preparer Regulation: The Committee believes the regulation of tax return preparers would benefit all stakeholders by reducing fraudulent and inaccurate returns, raising the general level of preparers' professional standards, and enabling the IRS to identify persons who prepare returns. The Committee forwarded general recommendations on regulation to the Joint Committee for its consideration.

### Outreach Activities:

On September 19, 2006 Ad Hoc Committee member, Emilio Cecchi, attended the Financial Literacy and Education Commission Meeting held at the Department of Treasury. The meeting was chaired by Mr. Emil Henry, Assistant Secretary for Financial Institutions and included featured speaker Mr. Robert Kimmitt, Deputy Secretary of the Treasury.

### Other:

Issue 3815, Review Filing Season Products was dropped as redundant.

### Issues Under Consideration:

Awaiting Program owner Direction:

- Issue 3753, Systemic Advocacy
- Issue 3922, Review new Form 1040

## Burden Reduction Committee

### Committee Scope/Purpose:

To partner with the Office of Taxpayer Burden Reduction as a stakeholder and provide input on burden reduction initiatives. These efforts focus on five major areas: (1) simplifying forms, publications and notices; (2) streamlining internal policies, processes and procedures; (3) promoting less burdensome rulings, regulations and law; (4) assisting in the development of a burden reduction measurement methodology; and (5) partnering with internal and external stakeholders to more effectively and efficiently identify and address burden reduction initiatives.

To partner with the IRS Office of Taxpayer Burden Reduction as a stakeholder and provide input on burden reduction issues being worked by them.

### Accomplishments:

The committee completed work on the following five issues and submitted written recommendations to the program owner:

- Subchapter S election
- Ways to reduce taxpayer burden in completing the S-election process and reducing the number of unpostable tax returns at the IRS.
- Innocent Spouse Relief
- Review of the revised form for submitting innocent spouse relief request application and to improve applicant education on the issue.
- Office in Home Deductions (OIH)
- Ways to simplify the deductions for office in home for small business and self-employed taxpayers and to reduce taxpayer burden in completing their tax return to claim OIH deductions.
- Employment Tax Forms 94X-
- Ways to simplify the amendment process using the 94X series forms and reduce taxpayer burden in their submission and IRS processing.
- Employee Misclassification
- Ways to minimize the potential for misclassification of employees as independent contractors by employers, and improve education of employees on this issue.

All of these recommendations were well received by the IRS as evidenced by their letters of acknowledgement.

### Issues Under Consideration:

None

### Opportunities for Improvement:

The committee felt underutilized.

## Communication Committee

### Committee Scope/Purpose:

To develop effective communications strategies for use both internally and externally. The Committee responds to requests by the Joint Committee and from the TAP Director. This Committee works only administrative matters that are internal to TAP and, therefore, are not subject to FACA requirements regarding open meetings.

### Accomplishments:

**Internal Communications Sub-Committee:** The Internal sub-committee revised the TAP handbook. Revisions included updating materials and including an outreach toolkit and success stories for member use in outreach. The Internal sub-committee also surveyed all new TAP members, using the information from the survey to assist in the recruitment of new TAP members and to develop effective in-service training for the TAP membership at the annual meeting.

**External Communications Sub-Committee:** The External sub-committee works to provide services to the membership of TAP. Promotional materials were reviewed and selected for use by TAP members during their outreach activities. A TAP PowerPoint presentation was revised and several options made available to members for their use in outreach activities. Work has begun to develop partnering between TAS, TAP, and LITC. This work will continue in 2007. TAP posters, developed during the 2005 year were successfully distributed to TAC offices. TapSpeak was revised and debuted at the Annual Meeting in December 2006 under the new name, TAPSpace. The TAP Outreach Kit and Success Stories were developed by members of the committee for inclusion in the revised TAP Handbook.

**Strategies Sub-Committee:** The sub-committee developed a strategies document for use by all TAP Committees. The Strategies sub-committee recommended the following:

- a broad goal for the Communication Committee;
- one objective for external communications;
- five objectives for internal communications; and
- specific strategies for the pursuit of these objectives.

The sub-committee also recommended assignment of responsibility for each strategy, for consideration by the Committee, and invited the responsible sub-committees to specify a priority and target a completion date for each of their strategies. For 2007, the sub-committee's name was changed to Measurements and Assessments, with the assignment to assist the Internal and External Sub-committees in developing performance measures for their respective strategies.

### Issues Under Consideration:

The committee continues to work on projects outlined above and will continue to respond to requests by the IRS, the National Taxpayer Advocate and the Joint Committee of TAP.

### Opportunities for Improvement:

Members of the Communications Committee are generally pleased with their accomplishments for 2006. As with all TAP members, there is a desire to see faster results with recommendations to the IRS, but the committee has the advantage of seeing its actions implemented more quickly than other committees due to its charge and structure.

## EITC Committee

### Committee Purpose/Scope:

To partner with and provide feedback to the Earned Income Tax Credit (EITC) program owner on products and services that brought to the committee for comment. The Committee makes recommendations to: (1) expand participation through education and marketing to eligible taxpayers; (2) administer the credit accurately and equitably; and (3) reduce program complexity and filing errors.

### Accomplishments:

Instead of specifying projects for the committee, the EITC program staff gave committee members training in identifying and defining projects within four categories: demographics, immigration, tax preparers, and technology. Committee members divided themselves among these categories and began work. With the resignation of three committee members, subcommittees were too small to work effectively. Consolidation into immigration/demographics and technology/tax preparers gave each subcommittee sufficient membership. The work of the subcommittees is described below. It is important to note that the latitude and autonomy that the EITC program staff gave to the committee was intentioned. However, the majority of committee members knew little about EITC prior to joining the committee, making it hard for them to identify issues critical to the EITC program. It, therefore, took the committee several months to acquire the familiarity to identify projects that would further the mission of the EITC program

- Recommended that IRS send information on the benefits of EITC to corporations that employ large numbers of taxpayers.
- Recommended that IRS send information on EITC eligibility to tax preparers.
- Identified five metropolitan areas for each of the top five immigrant groups so IRS can target education and outreach to those populations.
- Developed questions for focus group in anticipation of survey of tax preparers (to be administered in 2007).

### Issues Under Consideration:

Developing focus group protocol that will be used to formulate a survey of third party tax preparers.

### Opportunities for Improvement:

Open-ended nature of EITC program staff's assignment to committee was ill-suited to the committee's experience and familiarity with EITC and its issues. Committee did not operate at full strength, and absenteeism among committee members made subcommittee work challenging.

## Notice Simplification

### Committee Purpose/Scope:

To work with the Wage and Investment and Small Business Self Employed Operating divisions to provide advice about clarity and tone of letters sent to taxpayers.

### Accomplishments, Including Referrals, both oral and written, to Program Owners:

- Evaluation 25 notices
- Rewrote one notice
- Focus Group during face-to-face meeting in Detroit concerning the Forms 886DP, 886HOH and 886EIC
- Worked with SME on CP79 (worked on 5 versions) including DATs on all versions and a conference call with SME
- Prepared a Direct Mail Marketing presentation that was presented to IRS Notice Improvement Office in September
- Subcommittee working on "stuffers" to determine if they are necessary to reduce the postage cost of mailing notices to taxpayers
- Working with SME on a DPT for CP23, 24 & 25

### Issues/Tasks Currently Under Consideration:

None

### Opportunities for Improvement:

We should do more. The biggest disappointment was the inordinate amount of time wasted on visions. We were nitpicking the terms. We should be more than a sounding board for the IRS and be a group that they can come to for taxpayer feedback for notices.

Lack of formal process to insure that Notices Committee recommendations are considered for implementation. Lack of documentation on final resolution.

### VITA Committee

#### Committee Scope/Purpose:

To enhance the partnership that already exists between the IRS and Volunteer Income Tax Assistance (VITA) partners by thoroughly reviewing both methods and materials used to train volunteers with the goal of making major improvements to both. The committee also served as a point of contact for all VITA issues as they came into TAP.

VITA is the acronym for the IRS's Volunteer Income Tax Assistance program. This program can be best described as the partnership between the IRS and various community sponsors such as: churches, financial institutions, local government agencies, YMCA's, United Way, etc., whose goal is to secure facilities and train volunteers as they can provide free, accurate tax preparation services to low and moderate income taxpayers.

The VITA program is sponsored and supported by SPEC (Stakeholder, Partnership, Education and Communication), a division of W & I. The SPEC organization is based in Atlanta, with staff located throughout the country.

As of April 23, 2006, VITA (including military VITA) and TCE (Tax Counseling to the Elderly) prepared and filed 2.1 million returns, a 7.8% increase over last year. Of the 2.1 million returns prepared, 1.8 million were e-filed, or 88.2%, exceeding the national goal of 79%.

The VITA/TCE program is currently the third largest preparer in the country behind H & R Block and Jackson-Hewitt.

#### Accomplishments:

- The VITA Committee recommended and the program owners agreed that, for the 2006 filing season, the program owners must sell the reasons for and benefits of using the intake form 13614, to the field. In addition, the program owners agreed to revise the 2006 form wherever possible to more nearly reflect the "Taxwise" main information page, thus simplifying the volunteer's task when transcribing information from the form to the software.
- May 16-18, 2006: Henry Mosler and Paul Duquette traveled to Atlanta and participated in the annual update of publication 678W, Volunteer Student Guide (Workbook) and 3189, Site Coordinators Handbook. The work on both publications continued throughout the summer via e-mail and conference calls, with a September publication date. In addition to TAP, there were three participants from AARP, five IRS Tax Specialists from locations outside Atlanta, along with SPEC personnel.
- June 12-15, 2006: Paul Brubaker traveled to Atlanta and participated in the annual update of publication 6744 (VRPP Test) and the related publications 6745 (Retest) and publication 4189 (Test/Retest Answer Key). Elizabeth Colvin and Richard Rousseau were also involved in the project via conference call and e-mail. Their work continued throughout the summer with the goal of an October publication. In

addition to TAP, there were two participants from AARP, five IRS Tax Specialists from locations outside Atlanta, along with SPEC personnel. Once completed, many members of the TAP VITA Issue Committee participated in the beta trial of the certification test, resulting in positive feedback to the authors.

- July 24, 2006: After a thorough review of Publication 4491, Process Based Training, Tap's VITA Issue Committee endorsed it to be the replacement to Publication 678, Volunteer Student Guide (subject to considerations as outlined in our letter to the program owners dated 7/24/06. VITA Issue Committee members Paul Brubaker, York Pennsylvania and Elizabeth Colvin, Austin Texas, volunteered to join the 2006 P.B.T. pilot. Their participation will test Process Based Training across a broad spectrum of volunteers resulting in valuable feedback to the SPEC organization.
- September 5, 2006: After reviewing content and testing on line capabilities, six formal recommendations to enhance the IRS's Internet based "Link and Learn Taxes" tutorial were transmitted to the SPEC program owners. The recommendations were:
  - Host the Link and Learn system on a non-IRS site.
  - Continue to allow students to self-pace.
  - Provide access to necessary blank forms.
  - Provide tax calculation software.
  - Rework Link and Learn system to be more user friendly to students using dial-up, eliminating pictures whenever possible.
  - Load the Link and Learn system on disk and make it available to students upon request. Users could then load the system on their own personal computer and would not be dependent on internet response time to move from frame to frame.
- Elizabeth Colvin and Paul Brubaker attended a three-day "Taxwise" training session put on by the software vendor. Their attendance was very valuable to both TAP and the SPEC organization. It gave us (TAP) the opportunity to observe and provide independent feedback to SPEC regarding the content and teaching methods used in the sessions while TAP gained a knowledge base heretofore unavailable to the committee.
- Ferd Schneider, Elizabeth Colvin and Paul Brubaker attended the Process Based Training "train the trainer" session on November 8 in Cincinnati, Ohio. Their attendance and participation resulted in valuable feedback to SPEC and training for our committee members who volunteered for the PBT pilot.

## TAC Committee

### Committee Scope/Purpose:

To review Taxpayer Assistance Center (Taxpayer Assistance Center (TAC) operations and make recommendations for improvement. With the Program Owner, the TAC Committee identified three tasks: (1) provide feedback on the customer experience from both sides of the counter, (2) recommend an improved tool for the TRRs to use to provide accurate assistance to taxpayers, and (3) provide input on the draft Taxpayer Assistance Blueprint (TAB).

### Background:

There are 400 walk-in sites (TACs) around the country. TAC office staff can range from one employee to 25 employees. The Field Assistance Organization is within the Customer Assistance, Relationships and Education (CARE) organization of the Wage and Investment (W&I) operating division.

Taxpayer Resolution Representatives (TRRs) answer tax law questions for taxpayers. They assist with: Inquiries or adjustments to tax accounts, Payment plans when the taxpayer cannot pay the full amount, questions about IRS letters and notices, and Levies on wages or bank accounts. The TRR's also prepare and e-file basic federal income tax returns when the taxpayer's income is \$38,000 or less.

### Accomplishments:

#### **Feedback on Customer Experience from Both Sides of the Counter**

The Field Assistance organization would like to obtain an objective view of the customer experience as well as the employee experience (both sides of the counter) in receiving and providing customer service in the Taxpayer Assistance Centers (TACs). The Customer Experience Sub-committee has been working closely with Field Assistance and TAS Research staff to develop surveys that will assess: what is the customer experience when the TAC is very busy? Not busy? And what is the employee experience when the TAC is busy? Not so busy?

Continued work on assessing the customer experience will be the primary focus for the TAC Committee for 2007.

#### **Improvements to the Publication Methods Guide (PMG)**

The Field Assistance organization requested an objective view of the use of the PMG from both the employee and customer experience. The PMG subcommittee of the TAC Issue Committee reviewed the process to determine if there is a better method of responding to tax law questions asked by taxpayers in the TACs and to make a recommendation for improving the PMG or creating an alternative process.

The PMG subcommittee gathered information and feedback from a number of sources that had specific familiarity with the PMG process or had general expertise in designing processes for answering complex questions. We requested input from TRRs who the Field Assistance Organization identified as having valuable knowledge about the PMG process and who had many years of experience using the PMG. The subcommittee members also reviewed a selected number of TLCs and provided our feedback from the view of the taxpayer.

The recommendations of the TAC Committee are to revise each Tax Law Category (TLC) contained in the PMG to implement specific suggestions that were identified by the sub-committee. These modifications are to be made in conjunction with the ongoing advances in the PMG's electronic interface or using the current technology. In addition, we recommend that the Internal Revenue Service (IRS) provide additional funding, training, and other resources to the Field Assistance organization so that they can



continue to develop a truly interactive version of the PMG that would implement additional suggestions detailed by the committee.

### Issues Under Consideration:

As identified above, the work of the Customer Experience sub-committee will continue, and be the primary focus of TAC Committee for 2007. By the end of 2007, it is the committee's goal to have completed the surveys and have presented a set of recommendations to Field Assistance for improving the customer experience from both sides of the counter.

### Opportunities for Improvement:

Although the TAC committee has reviewed and discussed Phase I of the TAB report with Mark Pursley, Director of Customer Assistance, Relationships, & Education (Care), the completion of Phase II was delayed and the committee did not have an opportunity to review and discuss it.



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