

IRS Update

Tax Year 2015



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2015 Delaware Tax Institute
December 8-10, 2015

Trust Fund Recovery Penalty

- Trust Fund Taxes
 - Withheld income and employment taxes; including social security taxes, railroad retirement taxes or collected excise taxes
- Trust Fund Penalty
 - If a business uses those funds for another purpose, § 6672(a) authorizes a penalty equal to 100 percent of the collected tax on any responsible person



Trust Fund Recovery Penalty

- TFRP may be assessed against any person
 - Responsible for collecting or paying withheld income and employment taxes, and
 - Who willfully fails to collect or pay them
- For willfulness to exist, responsible person
 - Must have (or should have) been aware of outstanding taxes and
 - Intentionally disregarded the law



Trust Fund Recovery Penalty (Assessment)

- FTD Alerts sent to IRS Collections
- Case assigned to a revenue officer
- RO contacts the employer to schedule an interview(s)
- Letter 1153 sent to responsible parties



Trust Fund Recovery Penalty (Appeal)

- Small Case Request - total amount of the proposed assessment for each tax period is \$25,000 or less
- Formal Written Protest - total amount of the proposed assessment for any one tax period is greater than \$25,000



New Form 1023-EZ

Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code (Form 1023-EZ)

- Three pages (standard version 26 pages)
- Filed electronically
- User fee = \$400
- Most small organizations qualify



Form 1023-EZ (Qualifications)

- Organization must be operated exclusively for certain listed purposes
- Gross receipts of < \$50,000 and assets < \$250,000
- Form instructions identify 26 instances which render an organization ineligible to file Form 1023-EZ



Form 1023-EZ (When to File)

- Generally, within 27 months after end of the month the organization was legally formed
- If accepted, the legal date of the formation is the effective date of exempt status
- If not filed within 27 months, the effective date of exempt status is the date of filing



Correspondence Audits

- IRS will send a notice or letter if:
- You have a balance due
 - You are due a larger/smaller refund
 - Question about your return
 - Need to verify your identity
 - Need additional information
 - We changed your return
 - Processing delays



Correspondence Audits (Best Practices)

- Review, gather, and compare
 - Compare proposed changes to return
 - If questions arise, call the number included in the letter
- Reply to the letter
 - Attach photocopies of original documents
 - Respond by the deadline given or call to request additional time



Correspondence Audits (Addressing Proposed Changes)

- If you agree:
 - Sign agreement and return with amount owed
- If you do not agree:
 - Do not sign agreement if you disagree or plan to appeal
 - Send documentation in support of your position



Correspondence Audits (Resolving Disagreements)

- Options to resolve disagreements:
- Informal conference with manager
 - Appeals conference (prior to date given in letter)
 - Petition Tax Court after receiving Statutory Notice of Deficiency



Directory of Federal Tax Return Preparers

- Launched Feb. 5, 2015
- Searchable / sortable listing featuring preparers name, city, state, and zip code
- Contains attorneys, CPAs, enrolled agents and those who have completed the requirements for the voluntary IRS Annual Filing Season Program



Searching the Directory

Search for Tax Return Preparers

Use this tool to research tax return preparers near you or to determine the type of credentials or qualifications held by a specific tax professional. All tax return preparers are not in the directory. This directory contains only those with a PTIN who hold a professional credential or have obtained an Annual Filing Season Program Record of Completion from the IRS.

Country
United States

Zip Code

Distance
5 Miles

Last Name (You may enter the first 3 letters of the last name for a search result.)

Credentials/Other (check all that apply or none if no preference)

- Attorney Credential
- Certified Public Accountant Credential
- Enrolled Agent Credential
- Enrolled Actuary Credential
- Enrolled Retirement Plan Agent Credential
- Annual Filing Season Program Participant



Online Tools for Tax Professionals

The screenshot shows the IRS Tax Professionals website interface. At the top, there is a navigation bar with links for 'Filing', 'Payments', 'Refunds', 'Credits & Deductions', 'News & Events', 'Forms & Publications', and 'Help & Support'. A yellow arrow points to the 'Tax Professionals' link in this bar. Below the navigation bar, the main content area is titled 'Tax Professionals'. It includes a 'Label News' section with a sub-heading 'IRS Launches Preparer Directory' and a 'Tools for Tax Preparers' section. A red circle highlights the 'Tools for Client Assistance' section, which lists resources like 'How to Hire a Tax Professional' and 'How to Find a Tax Professional'. Other sections include 'Filing Resources', 'ACA for Tax Pro', 'Preparer Guidelines', and 'Preparer Questions'.

Dirty Dozen Tax Scams

- Compiled annually
- List of common scams / schemes
- 2015 “Dirty Dozen”
 - Press releases over 12 consecutive days
 - Began on January 22



2015 Dirty Dozen

1. **Phone Scams** (IR-2015-5)
 - Criminals impersonating IRS agents
2. **Phishing** (IR-2015-6)
 - Fake emails / websites
3. **ID Theft** (IR-2015-7)
 - Fraudulent returns filed using someone else’s SSN



2015 Dirty Dozen

4. **Return Preparer Fraud** (IR-2015-8)
 - Unscrupulous return preparers
5. **Offshore Tax Avoidance** (IR-2015-9)
 - Hiding money and income offshore
6. **Inflated Refund Claims** (IR-2015-12)
 - Promise of inflated refunds



2015 Dirty Dozen

7. Fake Charities (IR-2015-16)

- Groups masquerading as charities

8. Hiding Income With Fake Documents (IR-2015-18)

- Falsifying documents to reduce tax or inflate refunds

9. Abusive Tax Shelters (IR-2015-1)



2015 Dirty Dozen

10. Falsifying Income to Claim Credits (IR-2015-20)

11. Excessive Claims for Fuel Tax Credits (IR2015-21)

12. Frivolous Tax Arguments (IR-2015-23)



Offshore Compliance Options

Options:

1. Offshore Voluntary Disclosure Program
2. Streamlined filing compliance procedures
3. Delinquent FBAR submission procedures
4. Delinquent international information return submission procedures



FBAR Filing Requirements

- Any United States person who:
 - Has financial interest in, or signature authority over financial accounts in a foreign country
- If aggregate value of accounts exceeds \$10,000 at *any time* during calendar year



Offshore Voluntary Disclosure Program

- Counterpart to criminal investigations voluntary disclosure practice
- Enables noncompliant taxpayers to:
 - Resolve their tax liabilities
 - Avoid substantial civil penalties, and
 - Generally eliminate the risk of criminal prosecution for all issues relating to tax noncompliance and failing to file FBARs



Streamlined Filing Compliance Procedures

Available to taxpayers certifying that their failure to report foreign financial assets and pay all tax due with respect to those assets did not result from willful conduct on their part; provides:

- Streamlined procedure for filing amended or delinquent returns
- Terms for resolving their tax and penalty obligations



OVDP or SFCP?

Taxpayers whose failure to report income, pay tax and submit information returns was due to *willful conduct* should consider OVDP

- An OVDP submission disqualifies a person from participating in SFCP
- An SFCP submission disqualifies a person from participating in OVDP



Delinquent FBAR Submission Procedures

Eligible taxpayers:

- Do not need to use OVDP or SCFP
- Have not filed a required FBAR (FinCEN Report 114)
- Not under civil exam or criminal investigation
- Not contacted by IRS about the delinquent FBARs



Delinquent International Information Return Submission Procedures

Eligible taxpayers:

- Do not need to use OVDP or SFCP
- Have not filed required international information returns
- Reasonable cause for not filing
- Not under civil examination or criminal investigation
- Not been contacted by IRS



Contact Information

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