

IRS Update

Tax Year 2014

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Taxpayer Bill of Rights

Ten broad categories:

1. Right to Be Informed
2. Right to Quality Service
3. Right to Pay No More than the Correct Amount of Tax
4. Right to Challenge the IRS's Position and Be Heard
5. Right to Appeal a Decision in an Independent Forum

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Taxpayer Bill of Rights (cont.)

Ten broad categories (cont.)

6. Right to Finality
7. Right to Privacy
8. Right to Confidentiality
9. Right to Retain Representation
10. Right to a Fair and Just Tax System

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The Collection Process

- Begins when a return is filed without paying the debt in full
- Paying your taxes
 - Options for paying in full
 - Options if you can't pay in full now
 - Installment agreement
 - Offer in compromise
 - If you need more time to pay



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Collection Appeals Options

- Taxpayers can appeal most collection actions.
- Main options:
 - Collection Due Process
 - Collection Appeals Program



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The Collection Process

- Penalties
 - Failure to file
 - Failure to pay
- Interest
- Abatement



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Online Payment Agreement Application

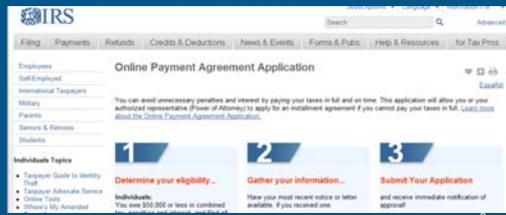
- Streamlined
- Less financial info required
- Maximum time to pay 72 months
- Immediate approval notification
- Eligibility (all required returns filed)
 - Individuals less than or equal to \$50,000 tax and penalties
 - Businesses less than or equal to \$25,000 tax and penalties



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Online Payment Agreement Application

When applying online, be ready to provide: authentication information, tax return data and basic financial information.



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Online Payment Agreement Application

- Application fees (as of Jan. 1, 2014)
 - \$120, standard agreement
 - \$52, direct debit agreement
 - \$43, applicant meets low income guidelines
- Online system available
 - Monday – Friday, 6 a.m. – 12:30 a.m. ET
 - Saturday, 6 a.m. -10 p.m. ET
 - Sunday, 6 p.m. - midnight ET



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Audit Reconsideration

What is it?

Process used by IRS to help taxpayers when they disagree with the results of an IRS audit of their tax return, or a return created for them by the IRS because they did not file a tax return as authorized by the Internal Revenue Code 6020(b)



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Audit Reconsideration Process

How do you request one?

Step 1:

- Review examination report and attachments, determine which items you feel are incorrect
- Gather documentation needed to support your position
- Verify supporting documentation is new information that has not been presented before, ensure it's for tax year in question



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Audit Reconsideration Process

- **Step 2:**
 - Make photocopies of documents gathered and attach to your letter explaining your request for reconsideration
 - If available, attach copy of examination report, Form 4549, along with new documentation that supports your position
 - Include a daytime and evening telephone number and the best time for us to call you



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Audit Reconsideration Process

- Agree with results
 - Pay amount due in full
 - Payment options
- Disagree with results
 - Appeals Conference
 - Pay amount due, file formal claim
 - Do nothing, IRS will send a bill



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Reducing EIC Errors Through Due Diligence

- FY13 improper payments of earned income credit estimated between \$13.3B - \$15.6B
- IRS is combating these errors with....
 - Due Diligence Requirements
 - Due Diligence Compliance Audits



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EIC Due Diligence

Due Diligence Requirements:

1. Complete/Submit Eligibility Checklist
2. Compute the Credit
3. Knowledge
4. Recordkeeping



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EIC Due Diligence

- Consequences of failure to meet due diligence requirements
 - Penalties
 - Suspension/expulsion from IRS e-file
 - Disciplinary action by IRS OPR
 - Injunctions



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EIC Preparer Compliance Program

- Letters
 - **Letter 4833**, warns that IRS will monitor preparers EIC returns during upcoming filing season
 - **Letter 5025 Series**, identifies particular issues found questionable in EIC returns
- Due Diligence Visits
- Due Diligence Audits



Annual Filing Season Program (AFSP)

- VOLUNTARY
- Non-credentialed Preparers:
 - Designed to encourage unenrolled tax return preparers to participate in continuing education courses
- Credentialed preparers
 - Attorneys, CPAs and enrolled agents are not precluded from participating



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AFSP - Benefits

- Record of Completion
- Public Database to launch Jan 2015
- 2015 IRS Public Education Campaign
- Limited Representation Rights
 - beginning in 2016, AFSP (non-credentialed) participants can represent clients whose returns they prepared and signed during a return exam and with respect to a refund claim



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AFSP - Continuing Education

Since the new program is starting in the middle of the year, CE requirements are prorated. The chart below contains a summary of the program requirements for the first year vs. future years:

Annual Filing Season Program Exemption Status	Filing Season	Annual Federal Tax Refresher Course & Test CE Credits	Tax Law Update CE Credits	Federal Tax Law CE Credits	Ethics CE Credits	Total CE Credits
Non-Exempt	2015	6		3	2	11
	2016 and beyond	6		10	2	18
Exempt	2015		3	3	2	8
	2016 and beyond		3	10	2	15



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AFSP - Marketing Considerations

Preparer with AFSP - Record of Completion

- **CAN:**
 - Indicate they hold a valid AFSP - Record of Completion
 - Indicate they met requirements to obtain AFSP - Record of Completion
- **CANNOT:**
 - Use terms certified, enrolled or licensed
 - Imply IRS employment relationship or endorsement



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Report of Foreign Bank and Financial Accounts (FBAR)

WHO MUST FILE?

- 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



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Report of Foreign Bank and Financial Accounts (FBAR)

WHEN AND HOW TO FILE?

- FinCEN Report 114 must be received on or before June 30 following year being reported
- FBARs are electronically filed through the BSA E-Filing System
- Extensions granted for federal tax returns do not extend due date for FBAR filing
- Retain records for five years



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FinCEN Report 114a

- New report for filers who...
 - submit FBARs jointly with spouses, or
 - who wish to have a third party preparer file on their behalf
- Not submitted when filing an FBAR, kept in records maintained by filer / account holder
- Must be made available to FinCEN and IRS upon request



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Reporting Foreign Assets (Two Reporting Regimes)

1. FinCEN Report 114, *Report of Foreign Bank and Financial Accounts (FBAR)*
 - Title 31, § 5314
 - Stand-alone report, must be electronically filed on or before June 30
2. Form 8938, *Statement of Specified Foreign Financial Assets*
 - Title 26, § 6038D
 - Attached to Income Tax Return



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Other Reporting Requirements Related to Foreign Assets

WHO MUST FILE FORM 8938?

Specified individuals with an interest in specified foreign financial assets, exceeding the applicable reporting threshold:

- ✓ **Unmarried or MFS and living in US:**
\$50,000 / \$75,000
- ✓ **Married and living in US:**
\$100,000 / \$150,000
- ✓ **Taxpayers living abroad:**
(S or MFS) \$200,000 / \$300,000
(MFJ) \$400,000 / \$600,000



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Offshore Voluntary Disclosure

Enables noncompliant taxpayers to resolve their tax liabilities and minimize their chance of criminal prosecution

- **2009 OVDP:** Closed Oct. 15, 2009
\$3.4B collected from 18,000 participants
- **2011 OVDI:** Closed Sept. 9, 2011
\$1.6B collected from 15,000 participants
- **2012 OVDP:** Opened Jan. 19, 2012
\$1.5B collected from 12,000 participants



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Streamlined Filing Compliance Procedures

Available to taxpayers certifying that their failure to report foreign financial assets and pay all tax due in 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



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Online Tools and Services



Practitioner Priority Service®

- Available to all practitioners with valid third party authorizations; services include:
 - Locating and applying payments
 - Resolving taxpayer account problems
 - Explaining IRS communications
 - Providing procedural guidance
 - Providing transcripts of taxpayer accounts
 - Provide Forms 1099 and W-2 information
 - Securing taxpayer income verification



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