

Minutes

IRS/Practitioner's Liaison Committee

An IRS/Practitioner's Liaison Committee Meeting was held on April 24, 2007. The Georgia Society of CPAs hosted the meeting at offices located at 3353 Peachtree Road NE Suite 400, Atlanta, GA. Pete Fishman, Chairperson, called the meeting to order at 9 am. The attendees were as follows:

		<u>PHONE</u>	<u>FAX</u>	
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Paul Mayberry	IRS-SBSE/Exam	404-338-9699	404-338-9754	paul.mayberry@irs.gov
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Dawn Escobar	IRS	404-338-9252	404-338-9387	dawn.m.escobar@irs.gov
Luann Finkelstein	IRS TIGTA	404-338-7375	404-338-7381	luann.finkelstein@tigta.treas.gov

Pete Fishman, Chairman, asked that all attendees introduce themselves and he welcomed everyone to the meeting.

Shirl Bishop, Recording Secretary, had previously emailed the minutes of the prior meeting to all members for their review. The minutes were approved.

Kathy Frederick, Senior Stakeholder Liaison, welcomed everyone and announced that Danny Smith was out on Military Leave. She gave an overview of the most recent IMRS (Issue Management Resolution System) cases. The IMRS issues and their resolutions are published each month and can be found on the IRS Website. The issues are generally presented to the IRS by practitioners and include complaints as well as suggestions. By reviewing the issues each month on the website, practitioners can find out what issues have been raised and perhaps answer questions that have come up in their own practices. Examples:

IMRS 07-0000359- Automated Underreporter Unit (AUR)

Issue: Practitioner complained that they recently waited on hold for the Atlanta AUR for 1 hour.

Response: The AUR program is striving to improve customer access to those who use the toll-free phone system to contact the IRS. AUR recently modernized its system to a centralized telephone environment to provide better customer service. We anticipate that this modification from site specific phone coverage to a centralized telephone environment will allow us to reduce wait time for our customers and provide better service.

IMRS 07-0000360 – Automated Underreporter (AUR)

Issue: Practitioners advise that the Automated Underreporter Unit in Atlanta is not timely processing mail. Practitioners are timely responding to CP2000 notices but they are often getting 90-day letters without consideration of the paperwork previously submitted. Practitioners also report that when they provide Power of Attorney Form 2848 with the response to an AUR notice, it is not posted to the Centralized Authorization File (CAF).

Response: The procedures of the Wage and Investment (W&I) AUR program are to work a response to a CP2000 or CP2501 notice within 30 days of receipt from the Postal Service. Once the IRS receives a response from a taxpayer, the AUR program systemically prevents the issuance on a 90-day letter to the customer. Upon review of the Atlanta Campus, we determined that a delay occurred in controlling cases during the months of May and June 2006. We have since directed additional resources to correct the problem and are in line with W&I policies. The practitioner priority service is able to review notices and case histories online, helping expedite resolution to your customers' concerns and issues. The second issue of concern was the attachment of a Form 2848, Power of Attorney and Declaration of Representative. When a taxpayer attaches Form 2848 to a response to an AUR Notice, our tax examiners load the information onto the AUR system and then route the form to another area for loading onto the national database for other IRS operations to access. We will investigate some sample cases to determine if there are delays in our interoffice mail or other systems.

IMRS 07-0000375 – Centralized Authorization File (CAF)

Issue: Practitioner suggested the IRS establish a CAF tool in e-Services which will allow the user to view all Powers of Attorney they have on file.

Response: We are looking into the feasibility of this suggestion and, if possible, will implement this in 2008. We are also working toward providing a service that would allow the representative to remove all their clients without having a signed and dated Form 2848.

IMRS 07-0000427 - Letter 105C, Claim Disallowed

Issue: Practitioner would like to see the wording changed in Letter 105C which requires him to sign a statement attesting to the authenticity of documents submitted with a formal request. Practitioner feels that if he is basing the protest on the facts and documents presented by his client, he has no way of validating that those statements and documents are true and correct. In addition, the letter only asks for this statement from Enrolled Agents.

Response: We agree with the suggested changes and updates will be made to the disallowance/partial disallowance letters (105C/SP and 106C/SP). The word "personally" will be removed and Attorney and Certified Public Accountant will be added to the signature line along with Enrolled Agents.

All 2006 closed IMRS issues are now available on the website by subject.

Practitioner Comment: When Form 2848 is faxed in and there are multiple pages, many times the person picking up the fax does not pick up all the pages and the prior POA is revoked.

Kathy asked that the practitioner contact her or Danny and give them specific information so they can research the problem when it happens again.

Practitioner Comment: The CP2000 fax number is continually busy. Kathy said that additional faxes have been added to that location recently.

How to File a Complaint Against a Licensed Tax Professional:

A complaint should be written in a letter format. The letter should include the tax practitioner's name, address, telephone number, designation (i.e., attorney, certified public accountant, enrolled agent, enrolled actuary, etc), a detailed description of the allegations, and any documents that support those allegations. Please direct all referrals to:

Internal Revenue Service
Office of Professional Responsibility
SE: OPR, Room 7238/IR
1111 Constitution Avenue NW
Washington, DC 20224

Or fax to 202-622-2207. If you have questions concerning an allegation, you may email OPR@irs.gov.

How to File a Complaint against an UNenrolled tax preparer:

Complaints against UNenrolled tax preparers can be reported by completing Form 3949-A and mailing it or a letter with similar information to Internal Revenue Service, Fresno, CA 93888

How to Report Suspected Tax Fraud Activity:

If you suspect or know of an individual or company that is not complying with the tax laws, you can report this activity by completing Form 3949-A or by writing a letter including the name and address of the person, the taxpayer identification number, a brief description of the alleged violation (include how you became aware of or obtained the information), the years involved, the estimated dollar amount of any unreported income, and your name, address and daytime phone number (optional, but helpful, and you may be entitled to a reward) Please send the information to Internal Revenue Service, Fresno, CA 93888

Patty Bergstrom, Public Information Officer, IRS Criminal Investigation, gave an overview of Criminal Investigation. Criminal Investigation has 4,400 employees worldwide. There are 2,800 Special Agents. IRS Criminal Investigation is the only agency with jurisdiction over Title 26 violations and the tax law is their focus. Their conviction rate is 91.3% and the ten year average is 91.2%. They have several forensic agents who are considered some of the best in the world. They uncover information that may have been encrypted, password protected, hidden by other electronic means, or even deleted. Their strategic plan is to improve taxpayer service, enhance enforcement of the tax law, and to modernize the IRS through its people, processes and technology. It takes years of experience to become a good agent. In FY2006 they completed 4,157 investigations with an average of 46 months of prison time to serve. Their publicity rate is at an all time high-75.6% and many cases are indicted around the tax filing deadlines to make a greater impact. All of their cases must be approved by the Department of Justice. CI classifies their cases as legal source and illegal source cases. Legal source cases are unreported income and fraudulent expenses. Illegal source cases are where the income comes from illegal activities. CI also investigates narcotics cases because very often drug dealers do not touch the drugs but they always touch the money. The current areas of emphasis for CI include the following:

Corporate Fraud: The Sarbanes-Oxley Act was passed in 2002. It holds corporate officers responsible for the content of their corporate financial statements and income tax returns. There was a 93% in FY2006 conviction rate and the sentence can be up to 20 years in prison.

Employment Tax: These schemes commonly include pyramiding, employment leasing, paying employees in cash, filling false payroll tax returns or failing to file payroll tax returns, and illegal alien cases. There was a 98.1% conviction rate in FY2006.

Abusive Tax Schemes: Schemes are usually complex involving multi-layer transactions for the purpose of concealing the true nature and ownership of the taxable income and/or assets. The most common are abusive trusts. There was a 93.1% conviction rate in FY2006.

Non-Filers: Non-filers are always a problem. There is case law that shows if an individual does not file several years in a row and there is a substantial amount of unreported income that it can be elevated to a felony tax case. Most cases are still a misdemeanor and Congress is trying to pass a law that would make non-filing a felony offense. CI initiated 562 investigations in FY2006 on non-filers and 270 were sentenced and they served an average 41 month sentence.

Refund Crimes: In FY2006, there was a 96.8% conviction rate for questionable refund cases and a 96.6% conviction rate for abusive return preparers. There are fraud detection centers located nearby each of the IRS campuses where many of the fraud schemes are detected. They investigate identity theft cases and most recently the telephone excise tax refunds as well as social security number fraud.

E-Filed Returns: There were 73 million e-filed tax returns received as of October 20, 2006. 52.9 million were filed by tax professionals and 20 million were filed from home computers and the rest were filed at a library or other offsite location. There are a large percentage of fraudulent e-filed returns. In FY2005, 74,000 of the fraudulent e-filed returns had RAL indicators on them. The top five states for false e-filed returns were New York, Florida, California, Georgia, and Texas.

Return Preparer Program: For FY2006 there were 197 investigations initiated, 109 were sentenced and 18 months was the average time served.

Questionable Refund Program: For FY2006 there were 219 investigations initiated, 150 were sentenced and 21 months was the average time served.

Identity Theft: A new task force in Atlanta is comprised of 8 federal agencies including IRS CI and 5 local police departments.

Telephone Excise Tax Refund: National Press Release will be released soon on recent indictments. One false return alone claimed a credit of \$137,228.

Money Laundering: The main motivation is to hide untaxed income from illegal sources. CI is the largest user of Bank Secrecy Act data. Atlanta has a high percentage of mortgage fraud.

Counterterrorism: There are joint terrorist task forces which are cooperating with the FBI and CI is part of those task forces.

If you suspect fraud, email HQ-ORF@CI.IRS.GOV or fax fraudulent documents directly to the Fraud Detection Center servicing your state. The states of GA, AL, and FL would fax to 770-455-2901

For filing season 2005, there were approximately 11,000 scheme referrals given to the IRS which included \$29 million in refunds. These refunds were part of schemes totaling in excess of \$255 million.

Paul Mayberry, Examination Territory Manager, announced that they are investigating individuals who are using fraudulent social security numbers. They are focusing on the business owners who hire these individuals. The business owner is currently not responsible for verifying that the social security number is valid. Exam is working with Appeals and Counsel to come up with a solution to this ever growing problem.

Practitioner Comment: Many illegal aliens are now using their ITIN to file a tax return to help them obtain their citizenship and assist them in qualifying for the purchase of a home. This is becoming a fast growing tax preparation business.

Craig McLaughlin, IRS-Area Manager Stakeholder Liaison Georgia/Florida encouraged all practitioners to sign up for the Phone Forums. They are held the third week of the month and in May it will deal with the Appeals function. The phone forums are FREE - you register through AT&T, and then you call the number at your convenience. The phone forums are offered two or three times a day once per month. The phone forums are announced on e-news and on the IRS Website. A Bonus – you can receive CPE credit!!!! You can make suggestions for future topics and they can conduct local phone forums if there is enough interest.

Craig said that he welcomes fraud referrals as well as referrals regarding tax preparers. Craig also announced they will be adding another person to the Stakeholder Liaison in Georgia. The announcement will be made soon.

Melanie Burroughs, Program Manager, Atlanta Campus, said as of April 7, 2007, they had received 88.1 million individual tax returns and 61.3 million were e-filed. They issued 73.6 million refunds totaling \$174.2 billion. The average refund was \$2,366.

Rose Richardson Browne, Local Taxpayer Advocate, Georgia, attended the meeting for the first time. She replaced Betty Allen and is eager to get to know everyone. She has worked in management for the IRS for 22 years. Rose said that as the local taxpayer advocate, her responsibility is to elevate issues to the national taxpayer advocate and to assist forming the basis of her report to Congress. One of the issues being elevated at the present time is the AMT. She says she is truly enjoying working with her staff her in Atlanta.

Dawn Escobar, Collection Territory Manager, Atlanta, said that she is happy to announce she has received approval to hire four new revenue officers in Savannah in September. Dawn encouraged the practitioners to email or call her with issues and feedback.

Paul Mayberry, Examination Territory Manager, Georgia, announced that revenue agents and an exam manager will be available at the tax forums to help solve issues. **The tax forum will be held in Atlanta on July 17, 18, and 19, 2007.** The NRP phase coming up will include 25-30 corporate returns in the Atlanta area. Twelve new agents will be in the Smyrna Office in June. In August he will be getting another ten agents for outside the Atlanta area. Paul also informed the group that Steve Burgess, Director of Exam, is retiring in July.

John Ranero, IRS Appeals/Income Tax, Atlanta, announced that he will receive two new people in May and June. He has recently lost three members of this staff so he is still short at least one employee. He is still shipping work out to Jacksonville, FL and Birmingham, AL but if someone requests a face to face conference, he can get the cases back.

Jackie Jefferson, Supervisory Specialist from the taxpayer assistance center could not attend, but he sent word that this tax season was very successful and he would like to know if practitioners have feedback from their experiences with the walk in centers during tax season.

Bill Timm, Chief Counsel, was unable to attend but sent word that he is retiring on May 18, 2007. He is going to work for the Georgia Tax Clinic. David Delduco's father passed and he was out of town and unable to attend.

Luann Finkelstein, IRS-Treasury Inspector General for Tax Administration (TIGTA), said that their job is to investigate misconduct by IRS employees, and taxpayer threats and false bribes, etc. They also investigate areas where a Circular 230 practitioner may still be practicing even though their license has been revoked. Another area is where the practitioner is representing himself/herself as a licensed practitioner and they are not. If you are aware of any situations, please contact them.

Pete Fishman, Chairman, led a discussion regarding Offers In Compromise and Installment Agreements. Kathy said that problems with OIC are in the IMRS system and there is a new form to use as a guideline so the practitioner could know up front the kinds of things that are necessary.

Practitioner Comment: The centralizing of OIC in the campuses is a mistake because they do not have the training or the knowledge necessary on how businesses work. Sometimes we have very difficult 1040s and businesses that need to be valued and the employees are not educated in these more complex issues. This lack of knowledge leads to cases being taken to Appeals and time wasted for both the IRS and the taxpayer/representative.

Pete announced that the next meeting will be on

Tuesday, July 24, 2007

Pete encouraged all members to continue to submit topics for future meetings. If your members have concerns, please ask them to send you the information. Please submit your requests to Pete Fishman at fish1276@aol.com or Shirl Bishop EA at sbishopea@aol.com no later than 30 days prior to the meeting date. Of course, you can submit items at anytime – you do not have to wait until 30 days prior to the meeting.

Please remember to share the minutes of this meeting with the members of your organization.

The meeting was adjourned.