

Latest Information for Federal Tax Return Preparers



**Dennis Bell-IRS
Stakeholder Liaison**

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Phase One – PTINs for Everyone

- Required for all paid preparers
- Online or paper application - \$64.25
- More than 740,000 to date
 - 95% online
 - 62% not an attorney, CPA, or EA (“provisional” PTINs)
- Renewal season is underway - \$63.00
 - All PTINs will expire Dec. 31, 2011



Who needs a PTIN?

Any individual who is compensated for preparing, or assisting in the preparation of, all or substantially all of a U.S. federal tax return or claim for refund



Phase Two



Overview of Return Preparer Requirements

Category	PTIN	Tax Compliance Check	Background Check	IRS Test	Continuing Education	Practice Rights
Enrolled Agents	Yes	Yes	N/A	Yes	72 hrs / 3 yrs	Unlimited
Registered Tax Return Preparers	Yes	Yes	Proposals Pending	Yes	15 hrs yr	Limited
CPAs	Yes	Yes	N/A	No	Varies	Unlimited
Attorneys	Yes	Yes	N/A	No	Varies	Unlimited
Supervised Preparers	Yes	Yes	Proposals Pending	No	No	Limited
Non-1040 Preparers	Yes	Yes	Proposals Pending	No	No	Limited

Registered Tax Return Preparer

- Initial requirements, must pass:
 - tax compliance check
 - background check
 - competency test
 - Ongoing requirements:
 - Obtain annual continuing education courses
 - Renew PTIN annually
- * Notice 2011-45 restricts use of this title until requirements are met



Supervised Preparers and Non-1040 Preparers

- Supervised preparers: Those who do not sign returns and are employed by attorney, CPA, or EA firms and are supervised by an attorney, CPA, or EA
- Non-1040 preparers: Those who do not prepare any Form 1040 series returns



Supervised Preparer Questions

PTIN Sign-up (With SSN) - Determine If You Are A Supervised Preparer - Information

Answer the questions below to determine if you are a supervised preparer.

Active attorneys, CPAs, and Enrolled Agents are exempt from testing and continuing education requirements. In addition, some other preparers are exempt if they qualify as "supervised preparers" as set forth in [Notice 2011-6](#).

NOTE: Due to system limitations, attorneys, CPAs, and Enrolled Agents must also answer the questions below. We hope to resolve this issue in future system enhancements.

Fields marked with "" are required.*

-
- * Are you employed by an attorney or CPA firm or other recognized firm at least 80 percent owned by attorneys, CPAs, or Enrolled Agents? Yes No

 - * Are you supervised by an attorney, CPA, Enrolled Agent, Enrolled Retirement Plan Agent, or Enrolled Actuary? Yes No
NOTE: If YOU are an attorney CPA, or enrolled professional, check NO here.

 - * Does an attorney, CPA, Enrolled Agent, Enrolled Retirement Plan Agent, or Enrolled Actuary sign all of the tax returns that you prepare? Yes No

If you answered No to any of the questions, select "Next" on the next page to continue. If you answered Yes to all of these questions, you are a supervised preparer. Press "Add" on the next page to enter the PTIN of your supervisor.

Previous

Next

Cancel

Non-1040 Preparer Question

PTIN Sign-up (With SSN) - Indicate If You Prepare 1040 Returns For Compensation - Information

Requirements for return preparers differ depending on the types of returns prepared. See the [Notice 2011-6 Fact Sheet](#) for more information.

To ensure your requirements are determined correctly, please answer the question below.

Fields marked with "" are required.*

-
- * Do you prepare Form 1040 series tax returns (or accompanying schedules) for compensation? (If you ONLY prepare Forms 1040-PR or 1040-SS for Puerto Rico residents, answer "No".) Yes No

Previous

Next

Cancel

Competency Testing

- Test specifications & study materials are at www.IRS.gov/taxpros/tests
 - One level, Form 1040 series only
 - One time requirement, not annual
- Schedule at Prometric testing centers
- Estimated fee range \$100-125
- Start date November 2011
- Provisional PTIN holders have until the end of 2013



Continuing Education

- Annual requirement beginning in 2012 for Registered Tax Return Preparers and RTRP Candidates with PTINs
 - 3 hours of federal tax law updates
 - 2 hours of ethics
 - 10 hours of other federal tax law
- Obtain from IRS-approved providers
- Info available in early 2012 at www.IRS.gov/taxpros/ce





Income Tax Form Changes

W-2 Reporting on Employer-Provided Insurance Coverage

- Reporting is for information only, the value of employer contribution is not taxable
- Reporting is voluntary for all employers for 2011 and small employers for 2012
- Form W-2 available for employers to report the value of coverage provided to employees on Form W-2
- Notice 2011-28



For Official Use Only ▶

OMB No. 1545-0008

2010

Form **W-2** Wage & Tax Statement

Department of the Treasury — Internal Revenue Service **0000/9876**



22222	Void <input type="checkbox"/>	a Employee's social security number
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b Employer identification number (EIN)		c Control Number		1 Wages, tips, other compensation	2 Federal income tax withheld		
d Employer's name, address, and ZIP code				3 Social security wages	4 Social security tax withheld		
				5 Medicare wages and tips	6 Medicare tax withheld		
				7 Social security tips	8 Allocated tips		
Copy A For Social Security Administration - Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable. For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.				9 Advance EIC payment	10 Dependent care benefits		
				e Employee's first name and initial		Last name	Suff.
f Employee's address and ZIP code				13 <small>Statutory employee</small>	<small>Retirement plan</small>	<small>Third-party sick pay</small>	12b
				14			12c
							12d
16 <small>State</small>	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

Do Not Cut, Fold, or Staple Forms on This Page — Substitute Black-and-White Form W-2

Claiming Earned Income Credit

- Any paid tax preparer must complete Form 8867, Paid Preparer's Earned Income Credit Checklist
- Taxpayer must attach Form 8867 to tax return

IRC 6695(g)



Reporting Foreign Financial Assets

- Must file Form 8938 to report specified foreign financial assets of more than \$50K or such higher amounts as the Secretary prescribes
- Applies to specified individuals and, upon issuance of regulations or other guidance, specified domestic entities formed or availed of to hold specified foreign financial assets



Social Security Tax

- Employee share reduced to 4.2%
- Schedule SE (Form 1040) revised

IRC 3101(a) and 1401(a)



Partnership Changes

- Form 1065 – new line for merchant card and third party payments
- Schedule A – eliminated, new Form 1125A
- Schedule B – Form 5471 question added
- Schedule L – Information on loans to and from partners



Corporation Changes

- 1120 & 1120S - New line for merchant card and third party payments
- Schedule A - deleted; new Form 1125-A
- Schedule E - deleted; new Form 1125-E
- Schedule J – expanded
 - Part I (Tax Computation) and
 - Part II (Payments and Refundable Credits)



Resources

- Draft 2011 forms: www.IRS.gov/draftforms
- Final 2011 forms: www.IRS.gov/formspubs
- Changes to Current Tax Products:
www.irs.gov/formspubs
- Legislation: thomas.loc.gov
- E-mail: taxforms@irs.gov





Identity Theft

Nichelle Gray, Stakeholder Liaison

Privacy at the IRS

- Security and privacy of taxpayer information is a priority for the IRS. Through this, we maintain public trust in tax administration. Our mission is to:
 - Ensure security of IRS systems and proper protection of personal information
 - Prevent and detect cyber and other threats/vulnerabilities
 - Educate on protecting information



Identity Theft is a Persistent Threat to the American Taxpayer

- Number one consumer complaint reported to the Federal Trade Commission for 11 years in a row – accounting for 19% of all complaints.
- Javelin's Identity Fraud Survey estimates 8.1 million victims of identity theft in the U.S. in 2010 – at a cost of \$37 billion.
- Incidents related to government benefits are the most common form, more complex and require more time and money to detect and resolve. 'Average' victim spends 141 hours and \$2,104 out of pocket to resolve.



Identity Theft Can Impact Taxes

Scenario 1: Refund-Related Crime

Identity thief uses stolen SSN to file forged tax return and obtain refund early in the filing season. Owner of SSN will be unaware until he files and the IRS discovers two returns filed using the same SSN. If electronic return is rejected, it may be because an identity thief has already filed a fraudulent return.

Scenario 2: Employment-Related Crime

Identity thief uses a stolen SSN to obtain employment. The IRS will receive a W-2 or a Form 1099 from the employer reporting income on the account of the rightful SSN owner.



What the IRS is Doing.....

- Placing **identity theft indicators** on taxpayer accounts to track and manage incidents.
- **Notifying taxpayers** when they are victims of identity theft impacting their tax account.
- **Assisting taxpayers** who are victims of identity theft. The **Identity Protection Specialized Unit** was established as the central point of contact for taxpayers who had their identity stolen.
- **Using business filters** to analyze returns filed on identity theft victim accounts designed to accept legitimate returns and reject false returns.



What do Identity Theft Indicators do?

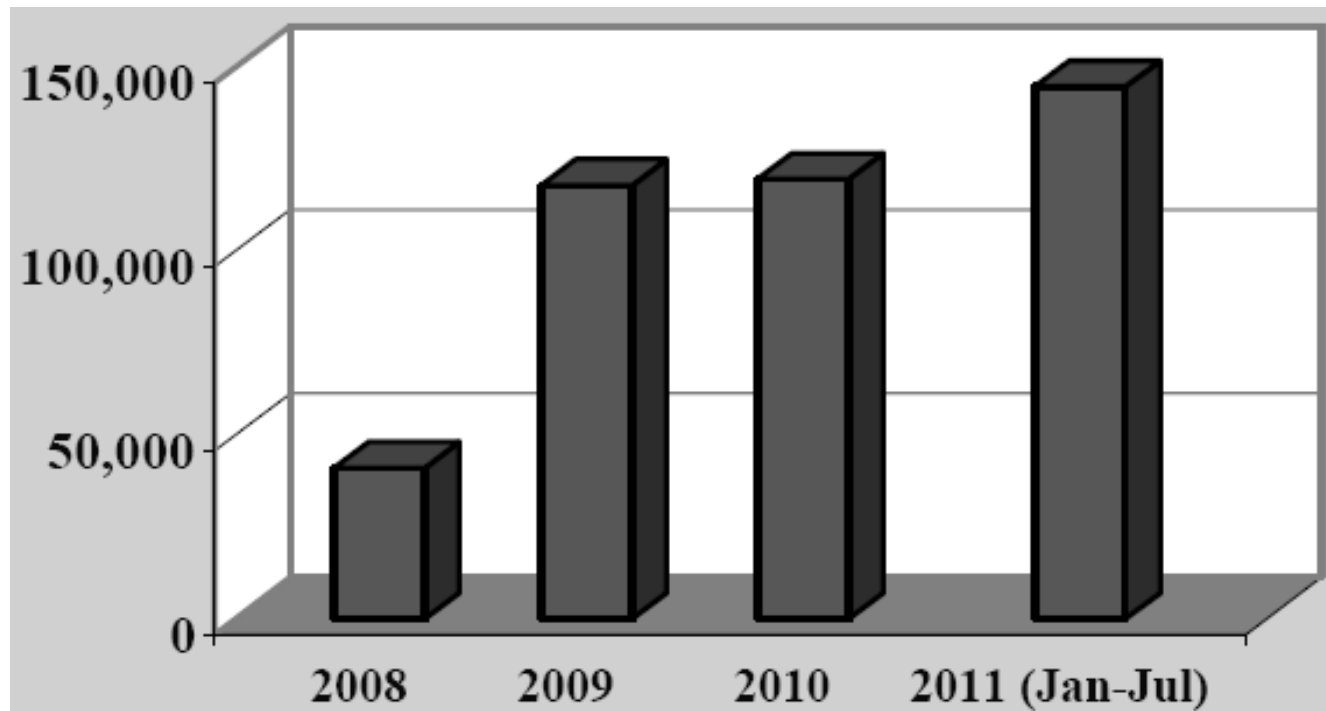
They prevent victims from facing the same problems every year.

- Identify and track tax related identity theft problems
- Distinguish legitimate from fraudulent returns
- Measure the problem, monitor victims' accounts and develop processes to resolve problems



Taxpayer Accounts Marked with Indicators

Number of taxpayers' accounts marked with an identity theft indicator has increased significantly over the last four years.



Notifying Identity Theft Victims

- When the IRS places an identity theft indicator on a victim's account, a notification letter is sent to them.
- Notification letter provides the following:
 - Information on the incident
 - Statement that taxpayer's account has been reviewed, adjusted and resolved
 - Additional information on how to protect themselves
 - Toll free number to contact the IRS if victims have questions or concerns



Two IP PIN Notices This Year

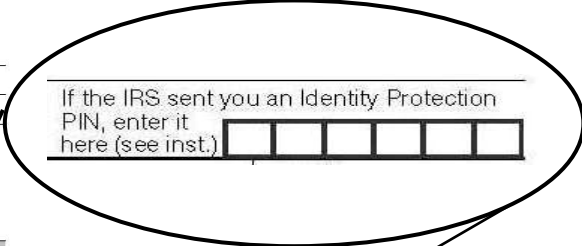
- IP PIN Introductory Notice – Letter 4868CS
 - Mid-November 2011
 - IP PIN sent in December, safeguard for use on 2011 return
- IP PIN Notice – IRS Letter 4869CS
 - Mid-December 2011
 - Provides single-use six-digit Identity Protection PIN
 - *Must* use the IP PIN when filing the federal income tax return



2011 Form 1040 Series Changes

Six boxes to right of spouse's occupation

	71	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> 8839 c <input type="checkbox"/> 8801 d <input type="checkbox"/> 8865	71	
	72	Add lines 62, 63, 64a, and 65 through 71. These are your total payments ▶	72	
Refund	73	If line 72 is more than line 61, subtract line 61 from line 72. This is the amount you overpaid	73	
	74a	Amount of line 73 you want refunded to you . If Form 8868 is attached, check here . . . ▶ <input type="checkbox"/>	74a	
Direct deposit? See instructions.	b	Routing number ▶ c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
	d	Account number ▶		
	75	Amount of line 73 you want applied to your 2012 estimated tax ▶	75	
Amount You Owe	76	Amount you owe. Subtract line 72 from line 61. For details on how to pay, see instructions . . . ▶	76	
	77	Estimated tax penalty (see instructions) ▶	77	
Third Party Designee	Do you want to allow another person to discuss this return with the IRS (see instructions)? <input type="checkbox"/> Yes. Complete below. <input type="checkbox"/> No			
	Designee's name ▶	Phone no. ▶	Personal identification number (PIN) ▶	<input type="text"/>
Sign Here	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
Joint return? See instructions. Keep a copy for your records.	Your signature	Date	Your occupation	Daytime phone number
	Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed PTIN
	Firm's name ▶	Firm's EIN ▶		
	Firm's address ▶	Phone no. ▶		



Using Tax Preparation Software

- Interview-driven software will provide:
 - Prompt asking if they received a letter from the IRS with a six-digit IP PIN
 - Prompt telling joint filers to use IP PIN of taxpayer whose SSN appears first
 - A clearly defined location for the taxpayer to input the IP PIN
- Forms-based software will provide clear guidance on IP PIN location



Guidance for Tax Professionals

- Ask the taxpayer if he/she received a letter from the IRS containing an IP PIN
- If so, input the IP PIN in the proper area depending on how the return will be filed (paper or electronic)
- Check with your software provider for the location in the interview script for the IP PIN inquiry; location of the IP PIN entry field for forms-based software



Using Tax Preparation Software

- If the taxpayer is using tax preparation software to print out a paper return to be filed:
 - The IP PIN should not print out as part of the tax return's record or on paper copies to be mailed
 - The taxpayer should write the IP PIN in the space provided on the appropriate 1040 series form



Effect on Tax Administration

- If an IP PIN is issued, it must be present and correct on the return
- Inclusion of the IP PIN validates the taxpayer as the legitimate owner of the TIN
- The IP PIN is specific to the tax year
- A new IP PIN issued every year as long as theft indicator remains on the legitimate taxpayer's account



If PIN Is Required But Not Input

- Will be rejected using ERC 0603 (ELF) F1040-178 (MeF)
- May be resubmitted with PIN (electronic return)
- Must be filed on paper if filed without the IP PIN



Additional IP PIN Scenarios

- IP PIN Issued to both taxpayers filing MFJ
 - Use only the IP PIN issued to the taxpayer whose TIN is listed first
- Request extension/installment agreement
 - Must file paper request for extension and/or installment agreement
 - Can still file the return electronically
 - To file return and request concurrently, file on paper



Identity Protection Specialized Unit

The **IPSU** is staffed with specialists in tax-related identity theft. IPSU staff assist callers in resolving identity theft issues.

- Toll free – 800-908-4490 Available Monday - Friday, 8 am – 8 pm local time, for taxpayers to talk to IPSU staff when their tax account is affected by identity theft
- Taxpayers can self-report they are victims before it affects their tax account
- Taxpayers can submit documentation to substantiate their identity and verify being a victim of identity theft using the IRS identity theft affidavit (Form 14039)



Tax Return Review

Identity theft indicators direct tax returns in future years through a series of filters.

- Tax returns filed using the victim's SSN pass through filters to ensure only legitimate returns are processed
- Questionable returns are reviewed to determine legitimacy – and rejected if fraudulent





New Rules for Federal Tax Return Preparers

(Division or Function)
(Date)

Preparer e-File Legislation



Forms 8948 and 8944

- Preparers who file by paper meeting the e-File requirements must attach Form 8948:
 - include substantiation for not e-filing
 - must be attached to each paper return
- Preparers seeking 1-year hardship waiver:
 - submit Form 8944
 - document hardship



Exceptions

- Client chooses to paper file
- E-filed return rejected by IRS e-file and reject condition unresolved



Exceptions (Preparer)

- Receives hardship waiver
- Is a member of recognized religious group conscientiously opposed to electronic filing
- Has software package that does not support form or schedule attached to return
- Ineligible to e-file because preparer is foreign preparer living and working abroad and does not have SSN, or
- Ineligible to e-file due to IRS sanction



Preparer Responsibilities When Client Prefers Paper

- Explain new law and benefits of e-file
- Obtain a signed statement
- Attach Form 8948 to return



Modernized e-File Overview

- Discuss MeF with software provider or transmitter
- 2012 final year for legacy e-File
- Successful launch for Phases 1 & 2:
 - Form 1040 and
 - 22 Form 1040-related forms
- 11 million Forms 1040 accepted in 2011



Modernized e-File Overview

- Phase III
 - 132 Form 1040-related forms and schedules for 2012
- Prior year returns accepted
 - TY 09
 - TY 10
- Volume capacity increases to 100 million
- Most states MeF ready for 2012



Modernized e-File Benefits

- Faster acknowledgements
- Specific explanation of error codes
- PDF attachments
- Prior year returns (TY09 and TY10)




Resources

- Becoming an ERO
 - Publications 3112 and 1345
 - Revenue Procedure 2007-40
- E-File requirement guidance:
 - Treasury Decision 9518
 - Revenue Procedure 2011-25
 - Notices 2011-26 and 2011-27
- E-Help Desk: 866-255-0654




Share IRS Newsletters

- IRS e-newsletters now include a  icon at the top right or bottom left of each issue.
- Click on the icon and bring up more than 300 ways to “bookmark and share” the information. Recipients can:
 - Post it on Facebook
 - Tweet it on Twitter
 - Choose other ways to share the pre-packaged link



How It Works

1. When someone in the recipient's social network clicks on the link, the newsletter opens in a new window.
2. Another  share icon appears top right, offering an opportunity for the recipient to share further.
3. A non-subscriber can also choose to “receive email updates” by entering their email address in the field that appears top-left.



How It Works

4. After confirming their email address, they're invited to subscribe to one or more IRS e-newsletters.
5. Subscribers can change their newsletter preferences at any time.



For additional information or assistance

- [IRS.gov/ptin](https://www.irs.gov/ptin)
- [IRS.gov/taxpros/tests](https://www.irs.gov/taxpros/tests)
- [IRS.gov/taxpros/ce](https://www.irs.gov/taxpros/ce) (coming soon)
- [Facebook.com/taxpros](https://www.facebook.com/taxpros)
- [Twitter.com/irstaxpros](https://twitter.com/irstaxpros)
- [YouTube.com/irsvideos](https://www.youtube.com/playlist?list=PL1111111111111111) (irstaxpros playlist)
- 877-613-7846
 - Hours of operation: Mon - Fri,
8 a.m. - 5 p.m. (CST)



Thank- You!!!

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