

# 2001 TAX HINTS

## Practitioner's Guide to the Filing Season

### WELCOME TO TAX HINTS

The IRS is changing to meet the demands of our changing economy. In this edition of **TAX HINTS**, you will find some information that will help you navigate the new IRS and anticipate some of the issues emerging for the 2001 filing season.

This is the first electronic newsletter for practitioners that has been produced jointly by the IRS service centers and National Headquarters. This document contains information about the new structure of the IRS, including points of contact. It also explains changes for the upcoming filing season and offers hints about how to make it a smooth one.

We hope the hints and suggestions you find here will make your job easier, and that experiences with IRS service centers will be pleasant and helpful to you and your clients.



Department of the Treasury  
Internal Revenue Service  
[www.irs.gov/](http://www.irs.gov/)

### A message from the Commissioner of Internal Revenue

Looking back over the past three years, we have made significant improvements to our system of tax administration. As a result of a great deal of effort, we're in a far different situation today than we were last year or the year before. To a considerable extent, the foundation of the new IRS has been laid, and we must now take the next step and successfully execute our plans for the 2001 filing season.

One of our biggest goals for this coming filing season is to conduct most of our internal and external transactions electronically. To meet this objective, we must make it not only technologically possible, but also attractive to the public to make a permanent change from paper to electronic means. Toward that end, here are some of the things we're rolling out this year and planning for the future.

- For the 2001 filing season, we are adding 23 additional forms to the 1040 *e-file* program. We plan to roll out the remaining 40 forms and schedules for 2002. This means we will open *e-file* eligibility to 99.1 percent of all taxpayers, potentially adding 3.8 million new *e-filers* to the growing rolls.
- The IRS will eliminate the requirement for a separate paper document with the *e-file* return. The IRS has successfully tested the use of a PIN code as the taxpayer's signature. With a few exceptions, the 2001 filing season program will extend this option to all taxpayers nationwide who will be able to select their own PIN, then file

electronically without any paper. In addition, we have a Taxpayer Authorization Form through which taxpayers can give an electronic return originator the authority to enter their PIN Code.



*Charles O. Rossotti*  
Commissioner of  
Internal Revenue

- This past filing season, more electronic payments options were made available. These include accepting debit payments through TeleFile and accepting credit cards for Forms 1040ES, estimated tax payments, and Forms 4868, extensions of time to file. We will continue to offer these options and build on these successes.
- We're prototyping a secure messaging system that will provide participating practitioners with a Web-based means for resolving account-related issues. One of our major priorities is to build a secure infrastructure that will permit authorized practitioners to exchange information with the IRS through the Internet.

We have much to show for these three years. Although we can be proud of these accomplishments, we can't be satisfied. The real work has just begun, and I'm convinced that if we stay the course, we will succeed. I wish you all the best for the upcoming filing season.

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# What the modernized IRS means to you

The IRS is undergoing the most significant reorganization in its history, and the agency is especially grateful for the support it has received from the practitioner community since the beginning of the modernization effort.

Practitioners are a critical part of the tax system and are essential in providing the IRS with insights and input throughout the modernization process. Practitioners are also major communicators of the modernization program not only to their clients, but to all taxpayers. The IRS values its relationships with tax professionals and will work to enhance these relationships in the future.

The current IRS structure established in 1952 succeeded in accomplishing its purpose of administering the nation's tax laws. Today, the IRS collects about \$1.8 trillion in federal taxes and has a voluntary compliance rate of approximately 98 percent. However, despite consistently fulfilling its purpose, the IRS has been the subject of a great deal of study and criticism in recent years. These studies revealed a wide range of problems including inadequate technology, poor service to taxpayers, violations of taxpayer rights, lack of adequate training and resources and the inappropriate use of enforcement statistics.

Beginning with the IRS Restructuring and Reform Act of 1998, and culminating with the stand-up of four new operating divisions last year, the IRS has designed and implemented changes that are intended to better serve taxpayers. The central tenet of modernization lies in the belief that by understanding the taxpayer's point of view, the Service will be in a better position to collect the appropriate amount of tax while at the same time

more effectively using limited resources. The cornerstone of this effort was the establishment of three strategic goals. These goals are:

- Service to each taxpayer.
- Service to all taxpayers.
- Increased productivity through a quality work environment.

In order to implement these goals, the IRS has adopted five guiding principles. These principles are to:

- Understand and solve problems from the taxpayer's point of view.
- Enable managers to be accountable.
- Align measures of performance at all organizational levels.
- Foster open, honest communication.
- Insist on total integrity.

Finally, the spirit of this effort is embodied by the new IRS mission statement: "Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all."

One of the Service's main objectives is to assist stakeholders and improve the overall consistency and quality of stakeholder interactions. Over the last few months, the IRS has evaluated current relationships with external stakeholders across the country and has designated specific points of contact within the agency that will be responsible for reaching out to them and maintaining open lines of communication during the upcoming filing season. These points of contact will include employees from all four operating divisions, as well as the commissioner's representatives in all 50 states, and will

## *The IRS Mission*

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.



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## CONTACTING THE NEW IRS

### IRS Leadership Team

View our organizational structure and find out whom to contact to learn more about each IRS organization. ([www.irs.gov/bus\\_info/tax\\_pro/iod/1/index.html](http://www.irs.gov/bus_info/tax_pro/iod/1/index.html))

### The IRS in your state

See how the different services offered by the IRS are distributed across your state and learn whom to contact to meet your business needs. ([www.irs.gov/bus\\_info/tax\\_pro/iod/2/index.html](http://www.irs.gov/bus_info/tax_pro/iod/2/index.html))

### Small Business and Self-Employed

Contact points for taxpayers filing Forms 1120S (S-corporations); 1065 (partnerships), 1120 (small corporations); 2106 (business expenses); Schedule C (self-employed); Schedule E (rental real estate and royalties); Schedule F (farmers), estate and gift tax, fiduciary returns or international tax returns. ([www.irs.gov/bus\\_info/tax\\_pro/iod/5/index.html](http://www.irs.gov/bus_info/tax_pro/iod/5/index.html))

### Large & Mid-Sized Business

Contact points for taxpayers requiring sophisticated tax planning such as corporations, sub-chapter S corporations and partnerships with assets greater than \$5 million. ([www.irs.gov/bus\\_info/tax\\_pro/iod/6/index.html](http://www.irs.gov/bus_info/tax_pro/iod/6/index.html))

### Tax Exempt and Government Entities

Contacts points for questions about returns pertaining to Employee Plans, Exempt Organizations and Government Entities. ([www.irs.gov/bus\\_info/tax\\_pro/iod/7/index.html](http://www.irs.gov/bus_info/tax_pro/iod/7/index.html))

## What the modernized IRS means to you

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actively seek to develop preferred relationships, meet stakeholder needs and provide stakeholders access to the IRS. The goal for the future is not only to maintain existing relationships but to build on them and ensure that they continue to grow.

This new strategy is called Relationship Management, and it takes customer service to the next level. It is a type of account management that emphasizes a proactive approach whereby IRS relationship managers reach out to customers and get to know business needs and industry characteristics. A major part of the strategy is to provide stakeholders with points of entry into the IRS — people they can call when they need assistance. The practitioner hotline (*See page 19.*) will remain in place, but efforts are underway to vastly improve access to all parts of the Service. Toward this end, the Service has developed what promises to be one of the most useful communications tools available to our stakeholders — an interactive telephone directory of IRS managers and executives that is accessible on our Web site. This directory provides the names and numbers of key IRS points-of-entry on a state-by-state

basis. Eventually, it will include numbers for customer service and taxpayer education and communication staff for each operating division, as well as contact information for executives on the local, regional and national levels.

The agency's new mission required a fundamental change in its structure. In the new IRS, taxpayers will interact with four operating divisions (ODs) that will focus on the specific needs of its customers. The ODs are: Wage and Investment (W&I), Small Business/Self-Employed (SB/SE), Large and Mid-Size Business (LMSB) and Tax Exempt/Government Entities (TE/GE). Additional components of the new structure are the four functional divisions (FDs). The FDs will be responsible for handling issues agencywide and will provide support and service to the ODs. The four functional divisions are Appeals, Communications and Liaison, Criminal Investigation and the Taxpayer Advocate Service. For detailed information about the ODs, please see the At-a-Glance fact sheets on the following pages.

## IRS offers Daily Tax Tips

The IRS is offering a new, daily series of Tax Tips for the 2001 filing season.

IRS Tax Tips offer concise, useful information on topics affecting millions of taxpayers. These easy-to-read tips cover a wide range of topics, from child credits and higher education benefits to Individual Retirement Accounts and Social Security issues.

### Sample topics include:

- Free tax help from the IRS.
- What to do if you can't pay your tax.
- Education credits.
- Charitable contributions.

- Common errors.
- Mortgage implications of alimony payments.

More than 70 Tax Tips are available, a new one for each business day until the April tax deadline. (One early tip — this year's due date for returns is April 16 because April 15 falls on a Sunday.)

The Tax Tips are available at the IRS Web site at [www.irs.gov](http://www.irs.gov) under the "IRS Newsstand" section or find the tips by going directly to [www.irs.gov/prod/news/tips.html](http://www.irs.gov/prod/news/tips.html)

## LMSB At-a-Glance

**Mission:**

The Large & Mid-Size Business Operating Division will be a world class organization responsive to the needs of customers in a global environment, while applying innovative approaches to customer service and compliance. It will apply the tax law with integrity and fairness through a highly skilled workforce, and will foster an environment of inclusion where each employee can make a maximum contribution to the mission of the team.

**Strategic Priorities:**

- Globalization — Build a tax administration to effectively deal with the global economy.
- Issue Management — Develop a strategy to resolve disputes sooner with taxpayers or eliminate controversy sooner in the process.
- Employee Skills and Satisfaction — Recruit and retain a highly qualified, skilled and satisfied workforce.
- Abusive Corporate Tax Shelters — Strengthen our ability to deal with corporate tax shelters.

**Management Team:**

**Larry R. Langdon**

Commissioner

**Deborah M. Nolan**

Deputy Commissioner

**LMSB Headquarters Office:**

New Mint Building, 4th Floor

801 9th St. NW

Washington, DC 20001

**Carol Dunahoo**

Director, International

**Keith Jones**

Director, Field Specialists

**Arlene Kay**

Director, Quality Assurance and Performance Management

**Gerald Reese**

Director, Prefiling and Technical Guidance

**Dick Teed**

Deputy Director, Strategy, Research and Program Planning

**Susan Linden**

Director, Communications & Liaison

**Jim O'Malley**

Director, Management and Finance

**Jim Gaul**

Division Information Officer

**Julie Rushin**

Director, Business Systems Planning

**JoAnne Johnson-Shaw**

Director, EEO & Diversity

**Industry Operations:**

*Retailers, Food and Pharmaceutical*

**Robert E. Brazzil**

Industry Director

Downers Grove, IL

**Richard Goelz**

Director, Field Operations

Downers Grove, IL

**Kathy Petronchak**

Director, Field Operations

Laguna Niguel, CA

*Natural Resources*

**Bobby L. Scott**

Industry Director

Houston, TX

**Paul Cordova**

Director, Field Operations

Houston TX

**Steve Burgess**

Director, Field Operations

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*Financial Services & Healthcare*

**David B. Robison**

Industry Director

New York, NY

**Paul DeNard**

Director, Field Operations

New York, NY

**Marsha Ramirez**

Director, Field Operations

Downers Grove, IL

**Mary Tapley**

Director, Field Operations

Laguna Niguel, CA

*Heavy Manufacturing, Construction & Transportation*

**Thomas J. Smith**

Industry Director

Springfield, NJ

**Karen Ammons**

Director, Field Operations

Springfield, NJ

**Jack Schroeder**

Director, Field Operations

Detroit, MI

**Joe Brimacombe**

Director, Field Operations

Laguna Niguel, CA

*Communications, Technology & Media*

**Thomas R. Wilson, Jr.**

Industry Director

Oakland, CA

**Joann Bank**

Director

Field Operations

Oakland, CA

**Customer Profile:**

- Corporations, Subchapter S corporations and partnerships with more than \$5 million in assets.
- The largest business taxpayers interact with the IRS on an ongoing basis.
- Most have in-house tax divisions.

Major issues are tax law interpretation, accounting and regulatory issues. Many operate in a global environment.

## SB/SE At-a-Glance

### Mission:

The mission of the Small Business/Self-Employed (SB/SE) Operating Division is to provide SB/SE customers top-quality service by educating and informing them of their tax obligations, developing educational products and services, and helping them understand and comply with applicable laws, and to protect the public interest by applying the tax law with integrity and fairness to all.

### Strategic Priorities:

- Meet the public's expectations by always being responsive and always performing with integrity when dealing with customers.
- Recognize the need for continuous training, skills enhancement and open communications between employees and management.
- Encourage compliance by partnering with the taxpayer from the "start-up" business phase and throughout the business life cycle.
- Stabilize and improve business results.

### Headquarters:

New Carrollton, Maryland

### Management Team:

**Joseph Kehoe**  
Commissioner

**Dale Hart**  
Deputy Commissioner

**Jerry Songy**  
Director, Taxpayer Education and Communication

### Bobby Hunt

Deputy Director, Taxpayer Education and Communication

### John Ressler

Director, Customer Account Services

### Brien Downing

Deputy Director, Customer Account Services

### Glenn Henderson

Director, Compliance

### Tom Hull

Deputy Director, Compliance

### Chuck Peterson

Director, Strategy Program Planning and Quality

### Rob Wilkerson

Director, Business Systems Planning

### Rich Morgante

Director, Management and Finance

### JoAnn Innis

Director, EEO and Diversity

### Heather Rosenker

Director, Communications

### Kevin Brown

Division Counsel (SB/SE)

### Charles Valentino

Division Information Officer

### Area Headquarters Offices:

Baltimore, Dallas, Jacksonville, Nashville, Seattle, Boston, Denver, Laguna Niguel, Philadelphia, St. Paul, Chicago, Detroit, Manhattan, San Francisco Bay area, Washington, International area office in Puerto Rico, Field Offices throughout the nation

### Taxpayer Profile:

- Approximately 45 million taxpayers.
- About 33 million full or partially self-employed.
- About 7 million small businesses with assets of \$5 million or less.
- Have some of the most complex issues due to tax law requirements and the number of forms and schedules required.
- Have 4–60 routine transactions with the IRS per year

### The SB/SE Operating Division will serve this taxpayer segment through three organizations:

- *Taxpayer Education and Communication (TEC)*: a customer-focused organization that will continuously research and analyze taxpayer trends to ensure that products and services are tailored to meet the needs of SB/SE taxpayers.
- *Customer Account Services (CAS)*: focus on processing returns timely and accurately, assisting taxpayers with account specific questions and adjusting accounts when necessary.
- *Compliance*: focus on problem prevention and early intervention to increase overall compliance and fairness by providing educational guidance and outreach programs focusing on small business needs.

## W&I At-a-Glance

**Mission:**

Wage and Investment Operating Division (W&I) will educate and assist our customers in understanding and satisfying their tax responsibilities. We will provide this service in a high quality, fair and equitable manner through partnership between management, employees and stakeholders.

**Strategic Priorities:**

- Meeting demands for assistance by providing better and more specialized services to individual taxpayers and emphasis on customer segment needs.
- Earlier and more accurate account resolution through integrated case processing and utilization of linkages within the service.
- Implementing appropriate compli-

ance processes.

- Improving electronic filing and communications services.
- Provide the W&I workforce with the necessary tools for servicing taxpayers and administering the tax code and enhance employee skills through training.

**Headquarters:**

Atlanta, Georgia

**Management Team:**

**John Dalrymple** Commissioner

**John Duder**

Deputy Commissioner

**Linda Stiff**

Senior Operations Advisor

**Ty Ayers**

Director, Communications, Assistance, Research and Education

**Ron Watson**

Director, Customer Account Services

**Jane Warriner**

Director, Compliance

**Terry Lutes**

Director, Electronic Tax Administration

**Area Headquarters Offices:**

Hartford, Indianapolis, St. Louis, Greensboro, New Orleans, San Francisco Bay area.

**Taxpayer Profile:**

- Some 90 million filers, representing 116 million customers, including those who file jointly.
- Most pay taxes through withholdings and interact with the IRS once a year.
- More than half prepare their own returns and receive refunds.

## TE/GE At-a-Glance

**Mission:** To provide TE/GE customers top quality service by helping them understand and comply with applicable tax laws and to protect the public interest by applying the tax law with integrity and fairness to all.

**Strategic Priorities:**

- Ensure the accuracy of the Exempt Organizations Master File.
- Address Employee Plans determination workload.
- Establish Government Entities organization and programs.
- Recruit, develop and retain a highly qualified and skilled workforce.

**Headquarters:**

Washington, DC

**Leadership Team:**

**Evelyn A. Petschek**  
Commissioner

**Darlene R. Berthod**

Deputy Commissioner

**Carol D. Gold**

Director, Employee Plans

**Steven T. Miller**

Director, Exempt Organizations

**Edward J. Weiler**

Director, Government Entities

**John Ricketts**

Director, Customer Accounts Service

**Steve Pyrek**

Dir., Communications & Liaison

**Operating Units Headquarters:**

Headquarters, Washington, DC  
Customer Account Services, Cincinnati  
EP Exam Headquarters, Baltimore  
EO Exam Headquarters, Dallas  
GE Headquarters, Washington, DC

**Customer Profile:**

- 3 million customers that range from small local community

organizations and municipalities to major universities, huge pension funds, state governments and complex tax exempt bond deals.

- Pay more than \$220 billion in employment tax and income tax withholding.
- Control \$6.7 trillion in assets.
- Employee Plans taxpayers represent private and public retirement plans with \$4.1 trillion in assets.
- Exempt Organization taxpayers represent more than 1.5 million tax exempt organizations, including 350,000 religious organizations with \$1.3 trillion in assets.
- Government Entities taxpayers include outstanding tax exempt bonds with a total value of \$1.4 trillion, 86,000 federal, state and local entities and more than 550 federally recognized Indian tribes.