

February 7, 2019
Alaska Practitioner Liaison Meeting
Virtual Meeting via WebEx
Time: 12:00 pm –2:00 pm (AK)

Attendees:

Internal Revenue Service

- Kristen Hoiby, Stakeholder Liaison, Area 6 Manager
- John Blakeman, Stakeholder Liaison
- Shane Ferguson, Director, Stakeholder Liaison
- Sarah DeBurle, Acting Local Taxpayer Advocate, Taxpayer Advocate Service
- Barbara Jones, Program Manager, Collection

Practitioner Representatives

- Therese Sharp, Chair, ASCPA, Alaska Society of CPAs
 - Mike Richards, ASCPA
 - John Rogers, ASCPA
 - Lisa Rogers, ASCPA
 - Christy Lee, Alaska Bar Association (ABA)
 - Charles Schuetze, ABA
 - Paula Laurion, Alaska Society of Independent Accountants (ASIA)
 - Barbara Hompesch, ASIA
 - Sherry Whah, National Association of Tax Professionals (NATP)
 - Karen Ague, ASCPA
 - LaVonne Scott, ASIA
 - Ryan Beason, ASCPA
 - Cynthia Coulter
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Meeting Summary

Kristen Hoiby, Stakeholder Liaison

Victims of the earthquake that took place on Nov. 30, 2018 in Alaska may qualify for tax relief from the Internal Revenue Service.

The President has declared that a major disaster occurred in the State of Alaska. Following the recent disaster declaration for individual assistance issued by the Federal Emergency Management Agency, the IRS announced that affected taxpayers in certain areas will receive tax relief.

Individuals who reside or have a business in the Municipality of Anchorage, Kenai Peninsula Borough and Matanuska-Susitna Borough may qualify for tax relief. For

more information please see the following news release:

<https://www.irs.gov/newsroom/tax-relief-for-victims-of-earthquake-in-alaska>

John Blakeman, Stakeholder Liaison

Preparer Due Diligence:

Now is a good time to remind folks about Refundable Credits Due Diligence. The PATH Act and Tax Cuts and Jobs Act have extended the due diligence requirements beyond just the Earned Income Tax Credit, and they now also apply to the Child Tax Credit/Additional Child Tax Credit, the American Opportunity Credit, Credit for Other Dependents, and Head of Household filing status determination. The [Form 8867](#) has been updated to reflect these changes and is posted online. To learn more about Refundable Credits Due Diligence please click the following link:

<https://www.etc.irs.gov/tax-preparer-toolkit/preparer-due-diligence/preparer-due-diligence>

Tax Cuts and Jobs Act Resources:

TCJA made quite a few changes to the tax code, and it can be a bit overwhelming trying to keep track of all the information that is coming out. But there is help! The IRS has a [Tax Reform](#) web page for just that. From the web page you can link to TCJA information for Individuals, Businesses, and Tax Exempt/Government Entities. From the Business section, one can also link to International Tax information. So for information on the changes to Schedule A, the Section 199A regulations, and so much more, the Tax Reform web page is an excellent source.

Estimated Tax penalty 'waiver':

Because the U.S. tax system is pay-as-you-go, taxpayers are required, by law, to pay most of their tax obligation during the year, rather than at the end of the year. This can be done by either having tax withheld from paychecks or pension payments, or by making estimated tax payments. If too little is paid during the year, a penalty may apply at tax filing time.

However, due to the changes brought about by TCJA the IRS is generally waiving the penalty for any taxpayer who paid at least 85 percent of their total tax liability during the year through federal income tax withholding, quarterly estimated tax payments or a combination of the two. The usual percentage threshold is 90 percent to avoid a penalty (or 100% of previous year's liability).

ITIN Renewal:

The Internal Revenue Service reminds taxpayers with expiring Individual Taxpayer Identification Numbers (ITINs) to submit their renewal applications as soon as possible.

All ITINs not used on a federal tax return at least once in the last three years expired on December 31, 2018. Additionally, all ITINs issued before 2013 with middle digits of 73, 74, 75, 76, 77, 81, or 82 (Example: (9XX-73-XXXX) also expired at the end of the year.

To help taxpayers, the IRS has prepared a variety of informational materials, including flyers and fact sheets, [available in several languages](#) on IRS.gov. In addition to English and Spanish, ITIN materials are available in Chinese, Korean, Haitian Creole, Russian and Vietnamese.

Those who must renew their ITIN can choose to renew the family's ITINs together even if family members have an ITIN with middle digits other than those currently due. Family members include the tax filer, spouse and any dependents claimed on the return.

So here's the score... many folks think that when the tax return gets submitted it all gets processed together and at once, but this isn't necessarily the case. The tax return itself is processed fairly quickly, especially if it is electronically filed, but if there is a W-7 application included that gets separated and sent to a different group to be worked, and that can take a few weeks. So for future reference, it's a good idea to get the W-7 all taken care of before it's time to file.

ITIN Home Page: <https://www.irs.gov/individuals/individual-taxpayer-identification-number>

Tax Professional Data Security and Protection:

I'm sure we are all aware of what a worldwide epidemic data theft has become, and how important it is to guard not only our own personal information, but that of clients as well. Using strong passwords, educating staff on the importance of data security, insuring your anti-virus programs are up to date, and yes... perhaps even data breach insurance, are all crucial in this day and age.

This information, from Brian Wozniak at our last PLM is still very relevant:

Always use best security practices:

- Learn to recognize and avoid phishing emails, The IRS is not going to send emails asking for your password. Your tax software provider will not send emails asking for your passwords.
- Use strong security software to protect you from viruses and malware;
- Make sure your software is up-to-date
- Use the security functions that come with your tax pro software;
- Encrypt taxpayer data – especially in emails
- Password protect the files

- Password protect your computer using a strong, unique password that is 12-16 characters, or even 24!
- Use layers of passwords – password for network, password for software, you could have a separate password if using remote access software, and you could even have a separate password for each client file.
- Have your system lock users out when passwords are entered incorrectly (3X – 6X) – to protect against malicious software password breaking programs such as Bruteforce
- You can limit the time your system is available – for example you could block it from 6 at night until 6 in the morning
- You can set the system to block foreign IP addresses

Follow up with your insurance company and make sure you have adequate coverage in case you do experience a breach. There are legal costs to consider, there is the cost of conducting a forensic deep data scan – that alone can easily be \$12-15,000 dollars; and in many of the breaches we've been involved with the forensic imaging and deep data scans cost \$30-35,000 dollars. And then you also want to make sure you have insurance to cover credit monitoring for the impacted employees and clients that had their personal information compromised.

Have Two Plans:

First, you need an Information Security Plan outlining policy, procedure and what steps you currently take to protect your company and to prevent a data breach. This would cover things like: procedures you have in place to secure data, physical security of rooms, securing computers, securing data on photocopies, securing trash cans, securing any remote access software, disposing of sensitive information, performing background checks on employees, having exit interviews when employees leave, establish Rules of Behavior. Many companies conduct Risk Assessment - usually at least once a year, sometimes twice. The Risk Assessment reviews the current Identity Protection Plan. Some companies hire an outside contractor to conduct a Penetration Test – this is where an IT specialist basically tries to hack into your system to identify potential vulnerabilities and weaknesses.

Then you need a second plan outlining what specific actions you are going to take if you do experience a data theft. That would be your Data Breach Plan. It's critical that you know what to do so you don't waste any time. There are best practice recommendations on the Federal Trade Commission website (www.ftc.gov). This plan would address: which systems will be shut down. Are you going to unplug and disconnect from the internet (probably)? How will you track the data loss, how will you document it, which employees to interview, who will notify police, the IRS and the insurance company? Who will notify clients and other impacted businesses – and what specific information will you share with them. Who will notify state agencies. You may not have ALL the specifics of what actions you would take – but you could have all your points of contact listed there – in addition to general steps (like unplugging from the internet). A list of agencies to contact is on IRS.gov (<https://www.irs.gov/individuals/data-theft-information-for-tax-professionals>).

If you have a client who experiences a W-2 data loss (such as might happen with one of many email scams), they should send an email with their contact information

to dataloss@irs.gov , as these are the folks who will help with that. As a tax practitioner, if you experience a data breach just send an email to our group mailbox at cl.sl.area.6@irs.gov and we'll forward it to our data breach cadre member. It can't be stressed enough that if you experience a data breach...THE SOONER YOU CONTACT US THE BETTER.

States also want to know about W2 theft. You can email the Federation of Tax Administrators at StateAlert@taxadmin.org and they will send you a point of contact for your state who will also walk you through the process.

If you or your employees receive a W-2 scam email, you should forward that email to phishing@irs.gov and put "W-2 scam" in the subject line.

The IRS also is launching a special Twitter handle called @IRSTaxSecurity to share the latest scam and security alerts that routinely increase during tax season. Taxpayers can follow @IRSTaxSecurity.

Upcoming Webinars:

While we do not have any new webinars scheduled, we are working on them, and there are archived webinars as well... not the least of which is the webcast on Opportunity Zones. There is a web page on our website that lists upcoming webcasts for practitioners, and you can find descriptions and registration information there. You can also link to the IRS Video Portal from there and access archived webinars for tax professionals. Here is the link: <https://www.irs.gov/businesses/small-businesses-self-employed/webinars-for-tax-practitioners>

Warning taxpayers about unscrupulous tax preparers:

We've heard a lot of complaints from our preparer partners about these folks... ghost preparers for example, and we are working to inform taxpayers about these scoundrels. The Department of Justice recently issued a [news release](#) warning taxpayers to be wary of unscrupulous preparers, and highlighting current efforts at stopping them. IRS [Fact Sheet 2018-5](#) also has quite a lot of useful information for taxpayers when trying to choose a reputable tax preparer.

Resumption of activities after the furlough:

And lastly, I'm sure many are wondering how the furlough affected our operations such as Exam, Collection and Appeals. There is a page on IRS.gov that outlines our resumption of activities with links to FAQs. Here is the link: <https://www.irs.gov/newsroom/irs-activities-following-the-shutdown> .

Sarah DeBurle, Taxpayer Advocate Service (TAS)

Case advocates are working hard after the furlough, with hardship cases always a priority. The announcement for a permanent Local Taxpayer Advocate for Alaska (Sarah is the Acting Local Taxpayer Advocate) should be coming at the end of February, then after the candidate selection and interview process the person will hopefully come on board toward the end of March/early April.

Hardship factors revolving around Passport Revocation continue to be a concern. Passport Revocation comes into play when a taxpayer has a seriously delinquent, enforceable tax debt of \$51,000 (indexed for inflation) including interest and penalties. There are several exceptions to Passport Revocation such as for taxpayers in Federally declared disaster areas, and Nina Olson is trying to include taxpayers working with TAS on that exception list... but word is still out on that. To learn more about Passport Revocation please check out the following link:

<https://www.irs.gov/businesses/small-businesses-self-employed/revocation-or-denial-of-passport-in-case-of-certain-unpaid-taxes>

Sarah can be reached at 206-946-3040.

Brenda Jones, Collection

Hiring is in the works! IRS is looking to bring about 750 new Revenue Officers on board in fiscal year 2019, and we are hoping for 10 ROs and a manager in Anchorage by June. This is a good thing, since it seems we've only had 1 RO in Alaska for quite some time now (a lot of territory for one person!).

For additional notes on Brenda's section, please refer to the handouts below (from the slides during our meeting):



Documents AK PLM

From Sonia Oen (Exam)

As the only SB/SE Examination manager in Alaska I welcome contacts from the practitioner community, many of you who know me reach out when you have a need. Lately with our lack of resources we aren't doing many audits in Alaska so I am not getting to meet or work with newer practitioners. Please share with your memberships that I am available and encourage everyone to reach out whenever they have a question or concern. 907-786-9732 or Sonia.j.oen@irs.gov

We are still moving ahead with hiring plans in SBSE Examination, and Anchorage will hopefully have some new Revenue Agents on board later this year. The Tax Compliance Officers from Oregon and Washington continue to circuit ride to Anchorage and Fairbanks several times each year.

The SB/SE-Appeals Fast Track Settlement Program offers taxpayers an option to resolve audit issues after exhausting all other Examination issue resolution strategies. Working with the SB/SE and Appeals divisions, taxpayers can utilize the mediation skills and settlement authority of Appeals to resolve disputed issues in certain qualified, unagreed cases, while the cases remain in SB/SE's jurisdiction.

- IRM 4.10.7, *Issue Resolution*, provides examiners and managers with specific guidance on eligibility and applying to the Fast Track Settlement Program.
- The benefits of FTS include quicker case resolution, reduced interest costs for the taxpayer, and less burden. The FTS process is designed to be completed within 60 calendar days of acceptance into the Program. Providing quality customer service and continually improving IRS processes are vital to ensuring voluntary compliance. We hope you will take advantage of this valuable program.

Updated information about the Program is posted to IRS.gov. We are confident the Service and our nation's taxpayers will realize the benefits for years to come. For more information see the following link:

<https://www.irs.gov/appeals/fast-track-settlement-individuals-and-small-businesses-and-self-employed>

Issues & Status

1. Are you able to give us an idea of when Publication 526 will be updated for 2018? It doesn't reflect the new 60% limitation for cash contributions to charities.

STILL CHECKING ON THIS... it's still the one for 2017 that's online

2. Also, will there be some clearer guidance forthcoming on when rental activity rises to the level of a trade or business for purposes of the qualified business income deduction. The regulations that came out in August weren't specific enough.

Answer: the new corrected regs are out, including a safe harbor provision for rental real estate. Check out the Business section on our [Tax Reform](#) website for details.

3. At our IRS/Practitioner Liaison meeting next week can you explain the CP23 and CP503 notice process so that we can explain it to our clients. I commonly get emails and calls from clients who have mailed a check, it's cleared, and they are getting a notice from IRS that they still owe the tax. I am looking at a transcript now where the payment posted 11/13/18 and a

second notice of tax due was issued with a date of 11/26/18. When would the payment have needed to post to avoid the second notice? I seem to be wasting a lot of time getting transcripts to prove to clients that their payment actually posted to the correct year and they don't owe any more tax, even though they have a notice of tax due. Taxpayers are worried that their payment was posted to a subsequent tax year, and that penalties and interest are accruing by the day. Does the solution to the problem lie in getting taxpayers to use IRS Direct Pay?

Answer: Yes, Direct Pay does help with the timing differences between the filing/processing of the return and the processing of a paper check. As to the notice process, there's a web page on IRS.gov that explains the processes for a number of letters and notices, and here is the link:

<https://www.irs.gov/individuals/understanding-your-irs-notice-or-letter>

4. Does the electronic signature authority for F8879 extend to the others in the series? The answer we got from PGLD says that it does not extend to the other forms in the series (PE, S, C, F) and taxpayers/tax pros should follow the instructions on the specific form.

Answer: The electronic signature authority does not extend to the other forms in the 8879 series (PE, S, C, F). Taxpayers and practitioners should follow the instructions on those specific forms.

Next Scheduled Meeting

The date is to be determined.