

Tax Practitioner Liaison Meeting

Oregon Department of Revenue – Fishbowl meeting room

Friday, September 28, 2007

9:00a.m. - 11:00 a.m.

MINUTES

Introductions

All

Follow Ups from Last Months Meeting

Sofia Parra (503) 947-2274

Kicker- This is a follow up from last month's meeting. Processing of kicker checks will start in early November and run through the end of December. As always, DOR does not give exact mail dates to prevent mail theft. Cut off date for any changes to returns and address changes is October 9. If you have taxpayers that have not updated their address or still need to file, encourage them to do so before this date. DOR will be keeping the web site updated as new information is released. The kicker calculation calculator is available on the web site.

Form WFC-DP- This form is not quiet ready for draft release yet. A draft will be presented to all participates at the October meeting.

Mark presented information ELF returns numbers as of 9/25 numbers look like this:

2006 = 956,217; 30,470 include WFC

2005 = 861,914; 22,000 include WFC

2004 = 749,408; 21,000 include WFC

Oregon only ELF numbers for 2006 so far:

Form 40 = 13,515

Form 40S = 2,844

Form 40N = 11,961

Form 40P = 5,420

Tax Services Update

Joan Linn (503) 945-8774

Kicker and UND calls are steadily coming in. Gearing up for next season.

Processing Center Update

Sharon Johnston (503) 947-2267

Processing Center is receiving corporation returns. There is a backlog of about 4,000 returns.

There are about 10,000 Personal Income Tax returns in Suspense right now. Break down looks like this:

5,000 prior year amends

400 current year amends

800 current year originals

The rest are prior year originals

We should be current with current year originals and amended returns next week except for about 200 returns that are really difficult to process (e.g., filing status changes, written objections, etc.). We will not be able to process current year returns during the kicker process. We should be current with the remaining current year returns by early January.

Currently we have received 3,293 ERA returns this year.

Processing Center has noticed an increase in the amount of returns that kicked out for review because the payment was processed under one name and the return processed under a different name. Please use the same name for the payment voucher that is used on the return unless there truly has been a name change.

2D Barcode Update

Tom Boettger (947-2174)

Year to date there have been 362,122 PIT and 10,824 Corporate 2-D returns received. Things are starting to slow down. Expecting to see an increase of returns around the kicker processing time.

So far the department has received letter of intent for 15 PIT vendors and 6 Corp vendors. Expecting to see more in the next few months. Last year there was a total of 22 vendors for PIT.

ELF Update

Mark Ruth (503) 945-8731

Corporation ELF returns will be accepted for the 2007 tax year filing.

Withholding Program Update

Carol Williams (503) 945-8443

Nothing to report.

Working Family Child Care Credit (WFC)

Roberto Villanueva (503) 947-2045

As of today, There are 145 current year original returns the team is working on. 31 written objections and 94 review with a combination of things.

The team is developing a fraud case with the Department of Justice. This case involves fake W-2. Preparer is increasing the wages to maximize the Earned Income Credit (EIC) which creates or raises the WFC that a taxpayer is entitled to. So far the department has stopped \$75,242 in requested refunds from going out the door. The department is billing back \$23,876 to taxpayers that filed with false information. All these returns were prepared by the same unlicensed preparer.

New Payment Options

Warren Naillon (503) 947-2018

In January, taxpayers will be able to make PIT tax due, assessed, deficiency, amended and estimated tax payments with an automatic withdrawal from a checking or savings account. Other programs will be added in stages. There are no fees associated with this payment option. This payment option will be accessible through the DOR web site. There is a feature for schedule future and recurring payments.

IRS Issues

Bob Finlan

Bob was unable to join us for this meeting. However, he did provide information for distribution on his behalf. (*see attachment A*)

Abusive Tax Avoidance Transactions (ATAT)

Jamee Hedeon (503) 947-2329

Senate Bill 39 changed several things in enforcing and collecting on ATAT. Jamee went over the highlights of the bill. A full summary is available on the Legislative web site (see below). Major change was the reporting requirements the box **must be checked** on the return. There is no need to attach the federal form 8886. The bill also defined "listed transactions" and increased the penalties. (*See attachment B for more information.*) <http://www.leg.state.or.us/index.html>

Board of Tax Practitioners

Karla Siclait & Duane Hunter (503) 378-4034

The national license is moving forward. Michael Chessman, new director for the IRS Office for Professional Responsibility attended the August 15th Board meeting. The purpose of his visit was to spend some time reviewing the Board's licensing and compliance programs and what makes

these programs successful. Mr. Chessman was impressed with Oregon's process. The information obtained by Mr. Chessman will be used in testimony at the national legislative level.

The board exam will take place on December 8, 2007. There are slots for 325 people. There is no proctor fee.

Duane and Karla will not be attending the October LTP meeting as it conflicts with the practitioner board meeting.

Preparer renewals are due. Those who do not renew will show lapse status as of October 15. If you are currently in the middle of renewing, your information may not be listed under "current" licenses until the process has completed. The program is updated nightly. About 50% of first year preparers renew the following year.

Draft Forms

Sofia Parra (503) 947-2274

Sofia distributed drafts of Schedule OR-A & OR-A-N/P, Schedule MPC and Transfer Notice of Certain Credits forms. These are just three of the five new forms that will be available for 2007 filing season.

Schedule OR-A & OR-A-N/P (*150-101-063 & 150-101-064*) shows additional credits, additions, and subtractions. It also shows additional federal adjustments and deductions and modifications for Form 40N and 40P filers. If a taxpayer is claiming more than one of each this must be filled out and included with the return. This will be a vendor support form. There was discussion on creating a space for preparers to include a short abbreviation of what the numeric code is for their use only. This may not be something that can be added this year but it will be put in the tickler for next year.

There was also discussion about what forms are supported by vendors for e-file. We will look into providing a list of forms supported by each vendor for e-file.

Schedule MPC (*Mobile Home Park Closure 150-101-178*) this schedule is for the new mobile home credit and is different than last year's credit. Involuntary Move of a Mobile Home credit was available for 2006, but is not available for 2007. Legislator replaced last year's credit and the qualifications of this new credit are different. The new credit is refundable to all who meet the qualifications.

Transfer Notice of Certain Credits (*150-101-179*) this form was created to allow taxpayers or corporations to transfer certain credits.

Update from OATC/OSTC & Open Forum

All

Thank you OATC for providing the coffee!

2007 Super Star Seminar on S-corporations will be held at the Monarch Hotel on October 26 & 27. OATC member cost is \$190.00 or \$105.00 for single day. Non-member registration is \$220.00 or \$130.00 for single days.

Next meeting: October 26, 2007 9:00am to 11:00am in the Fishbowl conference room located at the Oregon Department of Revenue.

IRS News Release

Media Relations Office
www.irs.gov/newsroom

Washington, D.C.

Media Contact: 202.622.4000
Public Contact: 800.829.1040

Special Web Section Unveiled for Homeowners Who Lose Homes; Foreclosure Tax Relief Available to Many

IR-2007-159, Sept. 17, 2007

WASHINGTON — The Internal Revenue Service unveiled a special new section today on IRS.gov for people who have lost their homes due to foreclosure. The IRS also reassured homeowners that, although mortgage workouts and foreclosures can have tax consequences, special relief provisions can often reduce or eliminate the tax bite for financially strapped borrowers who lose their homes.

The new section of IRS.gov includes a variety of information, including a worksheet designed to help borrowers determine whether any of the foreclosure-related relief provisions apply to them. For those taxpayers who find they owe additional tax, it also includes a form they can use to request a payment agreement with the IRS. In some cases, eligible taxpayers may qualify to settle their tax debt for less than the full amount due using an offer-in-compromise.

The IRS urges struggling homeowners to consider their options carefully before giving up their homes through foreclosure.

Under the tax law, if the debt wiped out through foreclosure exceeds the value of the property, the difference is normally taxable income. But a special rule allows insolvent borrowers to offset that income to the extent their liabilities exceed their assets.

The IRS cautions that under the law, relief may be limited or unavailable in some situations where, for example, part or all of a home was ever used for business or rented out.

Borrowers whose debt is reduced or eliminated receive a year-end statement (Form 1099-C) from their lender. By law, this form must show the amount of debt forgiven and the fair market value of property given up through foreclosure. Though the winning bid at a foreclosure auction is normally a property's fair market value, it may not necessarily reflect its true value in some cases.

— More —

The IRS urges borrowers to check the Form 1099-C carefully. They should notify the lender immediately if any of the information shown on their form is incorrect. Borrowers should pay particular attention to the amount of debt forgiven (Box 2) and the value listed for their home (Box 7).

The IRS also reminds lenders of their obligation to provide accurate information on the Form 1099-C. By law, the lender must send a copy of this form to the IRS. IRS follow-up contacts with taxpayers involved in foreclosure are based largely on the information reported on this form, and whether it conflicts with information provided by the taxpayer on their federal income tax return.

The IRS normally initiates these follow-up contacts by sending the borrower a notice. The tax agency urges borrowers with questions to call the phone number shown on the notice. The IRS also urges borrowers who wind up owing additional tax and are unable to pay it in full to use the installment agreement form, normally included with the notice, to request a payment agreement with the agency.

More information, including answers to frequently-asked questions and links to other resources, is available on the front page of IRS.gov.

SB 39-A Summary and **highlights**

Effective date September 27, 2007

Section 1: ORS chapter 314

Section 2: (1) "Listed transactions" defined
 (a) under section 6707A of the IRC
 (b) Definition of real estate investment trust (REIT)
 (c) Definition of regulated investment company (RIC)
(2) "Oregon taxable corporation" definition
(3) "Reportable transaction" definition
(4) "Transaction without economic substance" definition

Section 3: **reporting requirements** (check the box) - not applicable to reportable transaction occurring in a tax year beginning before 1/1/07 (penalties in section 9)

Section 8: "**listed transaction understatement**" definition and **penalty – 60%** discovered on or after 1/1/08 and is in addition to other penalties

Section 9: taxpayer **failure to report** transaction **penalty:** (on or after 1/1/2007)

Reportable transactions:

Individual \$3,300

Corporation \$16,700

Listed transactions:

Individual \$33,000

Corporation \$66,000

Section 12: **promoter penalties – 100% of the amount of gross income derived** in promoting the shelter in addition to other penalties

Section 18: **statute of limitations** – deficiency may be given at any time within **9 years** after the return was filed

Section 21: sections 2, 8, 12 and 13 apply to tax years beginning on or after 1/1/99.