

Servicewide Key Messages for Tax Professionals

- September 2011
- Tax return preparers perform a vital function in assisting taxpayers in meeting their tax obligations. As a tax professional, you have a vested interest (as both a taxpayer and a tax preparer) in the protection of the integrity of the tax filing system. We are committed to providing tax professionals with the information and tools you need to prepare timely, accurate, and complete tax returns for their clients.
- Businesses providing ultraviolet tanning services must collect a 10 percent excise tax
 - IRS social media
 - Purchase US Series I savings bonds with a federal tax refund
 - Redesigned notice process continues
 - Request an extension of time to file – but pay on time
 - Tax Information Authorizations
 - Taxpayer Advocate Service is here to help
- Treasury Inspector General for Tax Administration Office responsibilities
 - Updated Appeals Technical Guidance-International programs
 - Your client has not filed a tax return?

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IRS provides withholding calculator to adjust withholding

Large refunds, taxes owed or major life changes could mean a necessary change in your client's withholding. The [IRS withholding calculator](#) on IRS.gov can help a taxpayer compute the proper tax withholding. Worksheets in [Publication 919](#), How Do I Adjust My Withholding?, can also be used to do the calculation. If the result suggests an adjustment is necessary, the taxpayer should submit a new [Form W-4](#), Withholding Allowance Certificate, to his or her employer, or adjust the amount of quarterly tax paid. More [information](#) is available at IRS.gov

Extension filers face Oct. 17 due date

Oct. 17 is a key deadline for millions of individual taxpayers who requested an extension to file their 2010 tax returns. The IRS expects to receive millions of tax returns from taxpayers who used Form 4868 to request a six-month extension to file their returns. Some taxpayers can wait until after Oct. 17 to file, including those serving in Iraq, Afghanistan or other combat zone localities and people affected by recent natural disasters. More information is available in IRS [Publication 17 \(2010\)](#), [Your Federal Income Tax](#).

Understanding your IRS notice or letter

Every year the IRS sends millions of letters and notices to taxpayers but that doesn't mean your client needs to worry. If you receive a letter or notice from the IRS, it will explain the reason for the correspondence and provide instructions. Many of these letters and notices can be dealt with simply, without having to call or visit an IRS office. You'll find useful information at IRS.gov about many of the notices we send, including the purpose of the notice, the reason we send it, and a list of enclosures we might include with it. There's also examples of different types of correspondence.

Filing an amended federal tax return

Use Form 1040X, Amended U.S. Individual Income Tax Return, to file an amended income tax return to correct previously filed Forms 1040, 1040A or 1040EZ. An amended return cannot be filed electronically.

Prepare Form 1040X for each return and mail them in separate envelopes to the appropriate IRS campus. Generally, an amended return is not necessary for math errors. The IRS will automatically make that correction. Also, do not file an amended return for missing tax forms such as W-2s or schedules. The IRS normally will send a request asking for those. More [information](#) is available on IRS.gov.

Does your healthcare program need a check-up?

Different types of healthcare programs offer certain income tax advantages and offset the cost of healthcare. The Affordable Care Act of 2010 makes some changes to healthcare programs. Since Jan. 1, 2011, over-the-counter drugs, like non-prescription pain relievers, are reimbursable through healthcare programs like flexible spending arrangements or health reimbursement arrangements only if the OTC drugs are prescribed. Also, OTC drugs are no longer qualified medical expenses, unless you have a prescription. In addition, the additional tax for distributions from Health Savings Accounts for non-qualified medical expenses increases from 10 to 20 percent and from 15 to 20 percent for Archer Medical Savings Accounts in 2011. More information is available on the [Affordable Care Act Tax Provisions](#) page at IRS.gov

Form 940 (FUTA) mid-year tax rate change

The Federal Unemployment Tax Act established the Federal Unemployment Tax and required cooperation between the States, IRS and the Department of Labor to determine an employer's contribution to the Unemployment System. The States establish their own unemployment laws, but must meet Internal Revenue Code requirements to receive administrative funds from the Federal Government.

The gross FUTA tax for 2011 is 6.2% of the first \$7,000 of taxable FUTA wages for each employee. If the employer has made all payments required to the State by the due date of the return, a credit of 5.4% can be taken leaving a net FUTA tax rate of 0.8% for the FUTA wages paid before Jul. 1, 2011 and a net FUTA tax rate of 0.6% for the FUTA wages paid after Jun. 30, 2011.

Taxpayers and preparers can learn more about FUTA from the following resources: Form 940 Instructions; IRS.gov; Publication 15 (Circular E), Employer's Tax Guide; Publication 15-A, Employer's Supplemental Tax Guide, Section seven for Reporting Agents; Publication 3823, Employment Tax e-file System Implementation and User Guide for the Electronic Filing of Form 940, Employer's Federal Unemployment Tax Return.

EFTPS Mandate

An Electronic Federal Tax Payment System regulation change mandates that federal tax deposits, such as payroll tax payments, be paid electronically effective Jan. 1, 2011. Some businesses that pay a minimal amount of tax may make their payment with the related tax return instead of paying electronically. Visit irs.gov for more details about taxes required to be deposited electronically, dollar amounts and other specific requirements.

The IRS and Financial Management Service developed EFTPS to enable taxpayers to pay their federal taxes electronically. The system allows taxpayers to use the make payments directly to EFTPS via the [EFTPS website](#) or by calling 800-555-4477.

IRS Nationwide Tax Forums

Join your colleagues at the IRS Nationwide Tax Forums for three days of informative education sessions, training and networking, featuring a full agenda of the latest tax law information, hands-on workshops, networking opportunities and exhibits of the latest products and services for your business needs. Hear the latest on key federal and state tax issues from top IRS executives and leading industry experts, and earn valuable continuing professional education and certified financial planner credits. Select from more than 40 valuable and relevant tax topics. [See the video](#) for more information.

The seminar handbook will not be available on site this year but the presentations are accessible beginning Jun. 13. [Registered users](#) may download or print the most current seminar presentations.

Can't attend the 2011 IRS Nationwide Tax Forums in person? Audit the videotaped seminars for free [online](#). Also, CPAs or enrolled agents may earn continuing education credits for a fee.

E-news subscriptions

Want to stay current on the latest news from IRS? The IRS has several [subscription electronic newsletters](#) available for different tax administration areas. Also, the IRS uses new [social media tools](#) to share the latest information on tax changes, initiatives, products and services.

Treasury Inspector General for Tax Administration Office responsibilities

The Treasury Inspector General for Tax Administration is the sole agency responsible for overseeing the IRS and protecting the integrity of federal tax administration. TIGTA investigates allegations of IRS employee misconduct and wrongdoing, as well as external attempts to corrupt or impede the internal revenue laws through bribery, the use of fraudulent IRS documentation to advance criminal activity, in addition to impersonation of IRS employees and the IRS in both documents and via the internet.

A primary mission of TIGTA is to ensure IRS employees are able to work in a safe environment. Report a threat of physical violence against an IRS employee or facility to TIGTA immediately. Tax professionals are the front line of defense against efforts to corrupt the integrity of federal tax administration.

TIGTA's efforts to protect the integrity of federal tax administration extend to investigations of impropriety in the tax preparer community. TIGTA investigations in this area primarily include the overstatement of qualifications on Form 2848, Power of Attorney and Declaration of Representative, unauthorized disclosure of taxpayer information, and bribery. In addition, TIGTA is working closely with the IRS to

ensure the integrity of the new Paid Preparer Tax Identification Number program through the investigation of fraudulent PTIN applications.

If you have information or witness what you believe to be misconduct or wrongdoing, please contact one of TIGTA's local offices or the toll-free Complaint Hotline at 800-366-4484.