

2010

**TaxFORUM**

*IRS Nationwide*



# Information Return Penalties

# New Information Reporting Documents

- **Form 1099-K**
  - Merchant Cards and Third Party Payments
- **Form 3921**
  - Exercise of An Incentive Tax Option
- **Form 3922**
  - Transfers of Shares Acquired Under An ESPP
- **Form 1097-BTC** – Bond Tax Credit
- **Form 8935** – Airline Payments Report

2010

**TAX FORUM**  
IRS Nationwide



# What's New

IRC Section 6721 penalties may be applied for late filing and failure to include required data for:

- **Forms 3921 and 3922** due 2/28/XX or 3/31/XX if filed electronically
- **Form 8935** due 90 days after payment made except if payment made prior to 12/24/08 - then due by 3/23/09
- **Form 1099-K** due 2/28/XX or 3/31/XX if filed electronically

2010

IRS Nationwide  
**TAX FORUM**



# The Office of Servicewide Penalties

Analyzing data to address impact of including additional information return documents in the systemic penalty program

2010  
IRS Nationwide  
**TAX FORUM**



# The Office of Servicewide Penalties

- Considering 16 additional information return documents for inclusion
- Analysis examines compliance across market segments and geographic locations
- Analysis measures potential increase in penalty notice volume



# Proposed Penalty Notices

Systemic penalty program reconfigured to capture:

- All current year late filed documents
- Prior year documents filed in current year
- Documents filed in an improper format



# Improperly Formatted Documents

- Follow Revenue Procedure 2009-30
- Use IRS form or approved substitute
- Use proper Tax Year document
  - Do not cross out
  - Do not write over tax year
- Compatible and able to be scanned by IRS

2010

IRS Nationwide  
**TAX FORUM**



# Minimizing Penalties

- IRS TIN Matching Program matches TIN and name combinations with IRS records
- Social Security Administration uses Social Security Number Verification Services
- Department of Homeland Security uses E-Verify System to determine the eligibility of an employee to work in U.S.

2010

IRS Nationwide  
**TAX FORUM**



# Reasonable Cause for Penalty Relief

- Define the problem
- State the corrective actions taken
- Use specific dates to address delays
- Submit supporting documentation



# Filing Information Returns Electronically (FIRE)

- FIRE is used to file information return documents electronically
- Software must generate files in proper format
- Submit and test files on the FIRE System  
November 1 - February 15 annually
- Use key word: *FIRE* for software/vendor information on IRS.gov

# FIRE System Benefits

- **Paperless**  
No Forms 4804 or 1096 requirements
- **User-friendly**  
Availability of on-line transmitter information
- **Efficient**  
File status e-mailed within 2 days of transmission
- **Secure**  
Uses protected encryption



# Visit IRS.gov

Topic	Search Word(s)
Basic Tools for Tax Professionals	basic tools
E-File Resources for Providers and EROs	provider resource
E-Services – Online Tools for Tax Pros	Eservice
IRS Stakeholder Partners' Headliners	headliners
Issue Management Resolution System	IMRS
Practitioner Priority Service	priority service
Stakeholder Liaison Local Contacts	SL
Tax Information for Tax Professionals	information for tax professionals

2010

**TAX FORUM**  
IRS Nationwide

