March '11 Issue

THE Wisconsin Accountant

Wisconsin Association of Accountants ■ 1-800-237-4080 - 715-425-0482 - www.wiassociationofaccountants.com

2011 Seminars

May 13
Technology
by Bob Jennings
Green Bay
Radisson Hotel
(800) 333-3333

June 23 - 24
Summer Seminar
Estates & Trusts
by Bob Jennings
Madison
Sheraton Hotel
(608) 251-2300

September 18 - 20
WAA Annual Convention
Waukesha
Marriott Milwaukee West
(877) 651-7666

October 3 - 4
Bob Jennings
Business Entities
Wisconsin Dells
Kalahari Resort
(877) 254-5466

October 24 - 25
Federal Tax Update
Wausau
Stoney Creek Inn
(715) 355-6858

November 7 - 8
Gear Up 1040
Waukesha
Country Springs Hotel
(800) 247-6640

November 28 - 29
Bob Jennings
1040 Update
Wisconsin Dells
Kalahari Resort
(877) 254-5466

December 5 - 6
Gear Up 1040
Hudson
Hudson House Inn
(715) 386-2394

Change in Policy for Mailing Paper Returns by Preparers

Submitted by IRS

The IRS just released Notice 2011-27 which states that preparers can now mail a paper return for a client who elected not to have the return transmitted electronically. See the statement below from question 7 of the FAQs: E-file Requirements for Specified Tax Return Preparers:

7. When is an income tax return considered filed by a tax return preparer?

For purposes of this electronic filling requirement, a return is considered filed by a tax return preparer or specified tax return preparer if the preparer or any member, employee, or agent of the preparer or the preparer's firm submits the tax return to the IRS on the taxpayer's behalf, either electronically or in non-electronic (paper) form. For example, the act of submission includes the preparer or a member of the preparer's firm dropping the return in the mailbox for the taxpayer. Acts such as providing filing or delivery instructions, an addressed envelope, postage estimates, stamps, or similar acts designed to assist the taxpayer in the taxpayer's efforts to correctly mail or otherwise deliver an individual income tax return to the IRS do not constitute filing by the tax return preparer or specified tax return preparer as long as the taxpayer actually mails or otherwise delivers the paper individual income tax return to the IRS.

Exception solely for calendar year 2011: A specified tax return preparer who prepares individual income tax returns may mail any such return in paper format to the IRS, at the request of the taxpayer, subject to the conditions contained in Notice 2011-27. The specified tax return preparer must obtain a hand-signed and dated statement containing the taxpayer's choice to have the individual income tax return filed in paper format, and the taxpayer's unambiguous request to have the specified tax return preparer mail the individual income tax return to the IRS. If hand-signed (by either spouse if a joint return) and dated by the taxpayer on or before the date the subject individual income tax return is mailed to the IRS, the following language contained in the signed statement will be considered sufficient to show that a taxpayer chooses to have the taxpayer's individual income tax return filed in paper format and has requested that the specified tax return preparer mail the return on the taxpayer's behalf: "I do not want to have my income tax return electronically filed, and I choose to have my return filed on paper forms. I have asked my tax return preparer to mail my paper return to the IRS on my behalf."

The above statement is to be retained by the specified tax return preparer. Do not attach this statement to the client's tax return. Instead, attach Form 8948, Preparer Explanation for Not Filing Electronically, to your client's paper return and check box 1. The exception discussed in this FAQ and Notice 2011-27 is effective for and only applicable to income tax returns filed by specified tax return preparers during calendar year 2011.

Continued on page 3

Executive Corner . . .

Byron Dopkins,
Executive Director

The end of tax season is near. I trust yours is going well and you will finish on time!

The seminar registration brochures have been sent out. Please take a moment to review our two seminar offerings to be held in May and June. The seminar information is also on our website. Please check it out – www.wiassociationofaccountants.com.

We are in the home stretch!

Byron L Dopkins, EA, ABA
WAA Executive Director

From the President . . .

Thomas Adler,
President

I hope your tax season is going very well. The corporation tax returns are done or extended.

Our attention is focused on catching up on those individual returns that were put aside and those bigger returns that will come in now.

Byron's office (Nolakay) will be sending registration packets out soon. Glen has arranged some great seminars to catch up on changes.

Plan on attending to fulfill your continuing education requirements and see your friends, again.

Take a deep breath, stay focused and the next month will be a breeze.

Thomas M. Adler, CPA, ATA, ATP
WAA President

WAA Benefits

- Seminars and Educational Forums
- Accreditation
- Local Chapter Involvement
- Government Agency Liaison
- Monitor Legislation
- Insurance Programs
- Accountants Protection Plan

WAA Objectives

- To raise professional standards and improve the practice of accountancy.
- To strive for excellence in the profession.
- To encourage accountants in a continuing program of professional development.
- To foster increased recognition for the professional in the public, private and educational sectors of our state.
- To initiate legislative action and provide government liaison between the accounting profession and government leaders.
- To provide meetings and fellowship for accountants.
- To promote the highest standard of ethical conduct among its member.

Change in Policy for Mailing Paper Returns by Preparers

continued from page 1

Submitted by IRS

Update from IRS Webinar on Requirements for Federal Tax Return Preparers

On March 30 the IRS presented a webinar on the new requirements for tax preparers. If you missed this webinar, you can watch it after filing season when it is archived at IRS.gov. The primary speaker was David Williams who is the Director of the IRS Return Preparer Office. Below are some of the comments he made:

- Testing
Will start in late summer or early fall
Input will be solicited from the practitioner community about the content
On-line test to be taken at a testing facility
Can take multiple times until you pass
May be required waiting time between test attempts
IRS will not provide sample tests, study courses or study materials
A broad outline of the test will be provided
Only 1 test, not 2 tests as originally stated

- Continuing Education Requirement
Will start January 2012
Prep courses may qualify for CPE credit
Will try to coordinate PTIN registration and CPE timeframes
No approved vendors yet for CPE courses; IRS working on this

- PTINS
After filing season, IRS will contact preparers still using SSNs and old invalid PTINS
May try to consolidate PTIN and CAF numbers
May consolidate background checks for PTINs and EFINs
About 700,000 PTINs issued

-Ghost Preparers
Term for compensated preparers who are not signing returns
Working on methods to identify them and deal with them
Information from other preparers welcome (Submit Form 3949A)

Remember that this information is current as of March 30, 2011. It is subject to change as the program is implemented.

IRS Releases 2010 Data Book

Submitted by IRS

WASHINGTON — The Internal Revenue Service today announced the release of the 2010 IRS Data Book, an annual snapshot of agency activities for the fiscal year.

The report describes activities conducted by the IRS from Oct. 1, 2009, to Sept. 30, 2010, and includes information about returns filed, tax collections, enforcement and taxpayer assistance, as well as the IRS budget and workforce.

During fiscal year 2010, the IRS collected $2.3 trillion in revenue, and processed 230 million returns. More than 116 million returns, including almost 70 percent of individual income tax returns, were filed electronically. More than 119 million individual income tax return filers received a tax refund, totaling $358 billion. In fiscal year 2010, IRS spent an average of 53 cents to collect each $100 of tax revenue.

The IRS examined more than 1.5 million individual income tax returns and nearly 30,000 returns filed by corporations, excluding S corporations. The IRS provided taxpayer assistance through 305 million visits to IRS.gov and assisted more than 78 million taxpayers through its telephone helpline or at walk-in sites.

An electronic version of the 2010 IRS Data Book can be found on the Tax Stats.

Printed copies of the IRS Data Book, Publication 55B, will be available by mid-April from the U.S. Government Printing Office. To obtain a copy, write to the Superintendent of Documents, P.O. Box 371954 , Pittsburgh , PA 15250-7954 . You may also order by calling (202) 512-1800 or faxing a request to (202) 512-2250.

The IRS Guidance on Reporting Repayment of 1st Time Homebuyer Credit

Submitted by Ashwaubenon Tax Professionals

In a QuickAlerts email on Friday, March 18, IRS gives guidance on reporting the repayment of the Homebuyers Credit. Apparently IRS feels the following guidelines are important to help them expedite the processing of the tax returns, in particular tax returns filed as Married Filing Jointly. Basically IRS says each taxpayer should have his/her own Form 5405 showing the repayment. Here is a quick summary as we read it.

A taxpayer who has a repayment of the credit should file a Form 5405 with the return.

A married couple where only the taxpayer claimed the credit (such as before marriage) should have a Form 5405 with the return and this Form 5405 should only list the taxpayers SSN.

A married couple where only the spouse claimed the credit (such as before marriage) should have a Form 5405 with the return and this Form 5405 should only list the spouses SSN.

A married couple where both claimed the credit should have two (2) Forms 5405 with the return. One Form 5405 should have the taxpayers SSN and the taxpayers portion of the credit being repaid. The second Form 5405 should have the spouses SSN and the spouses portion of the credit being repaid.

Example: In 2008 Allen & Barbara, an unmarried couple bought a house together. Allen claimed a $1,000 credit while Barbara claimed a $6,500 credit. They married in 2010 and are filing a MFJ return. The MFJ return should include a Form 5405 with Allens SSN and show 1/15 of the $1,000 as the repayment amount. It should also include a Form 5405 with Barbaras SSN and show 1/15 of the $6,500 as the repayment amount.

Why a married couple who claimed the credit on a MFJ return and are MFJ in 2010 when there is a repayment of 1/15th of the credit amount have to file two Forms 5405 is known only by the IRS. But if it helps expedite the processing of the clients return and subsequent refund, we should follow the guidelines.

We will be happy to send you a pdf copy of the QuickAlerts attached to an email upon request.

More Tax Refunds Paid, IRS Reminds Filers About Savings Bond Option

Submitted by IRS

WASHINGTON — The IRS is reminding those who haven't filed their tax returns that they can receive their refunds in the form of savings bonds, payments to retirement accounts, mutual funds, as well as in the form of cash directly deposited to a checking or savings account.

By March 4, the IRS had issued more than 52 million refunds worth $161 billion for an average refund of $3,070.

For tax year 2010 returns, there are new savings bond options. Last year, if the taxpayer chose to receive a savings bond as part of the refund, it could only be issued in the taxpayers' name. This year, taxpayers can designate anyone to receive a savings bond and also designate the co-owner or beneficiary. Also a new section was added to Form 8888, Allocation of Refund (Including Savings Bond Purchases), for entering savings bond information so that taxpayers no longer need to enter a pre-specified routing number. Instead, taxpayers will enter the bond owner's name. The savings bonds will be mailed to the taxpayer or the person designated on the form.

Taxpayers who claim a tax refund on Form 1040 can use Form 8888 to split their refunds. Refunds can be directed into bank accounts and other financial institutions where their mutual funds or retirement accounts are managed and to purchase U.S. Series I Savings Bonds. Taxpayers can choose to use a portion of the refund to buy up to $5,000 in low-risk savings bonds, which earn interest and protect owners against inflation. The bonds must be purchased in $50 increments. Direct deposit of any remaining refund amounts is no longer required. Paper checks can be requested for the balance.

During 2010, more than 99,000 bonds were purchased using Form 8888, totaling more than $11 million dollars. To check the status of a bond purchase request, go to the "Where's My Refund" section of IRS website. If the IRS has already processed the refund and placed the request for the bond, then the tax filer should contact Treasury Retail Securities at 1-800-245-2804.

Follow the IRS on New Media
Subscribe to IRS Newswire

2011 FILING SEASON STATISTICS
Cumulative through the weeks ending 03/05/10 and 03/04/11

Individual Income Tax Returns	**2010**	**2011**	**% Change**
Total Receipts	61,287,000	60,536,000	-1.2%
Total Processed	57,211,000	58,282,000	1.9%
E-filing Receipts:			
TOTAL	51,600,000	53,863,000	4.4%
Tax Professionals	31,880,000	32,680,000	2.5%
Self-prepared	19,720,000	21,182,000	7.4%
Web Usage:			
Visits to IRS.gov	109,663,929	119,793,481	9.2
Total Refunds:			
Number	51,980,000	52,564,000	1.1%
Amount	$160.185 Billion	$161.345 Billion	0.7%
Average refund	$3,082	$3,070	-0.4%
Direct Deposit Refunds:			
Number	44,032,,000	45,357,000	3.0%
Amount	$143.600 Billion	$145.972 Billion	1.7%
Average refund	$3,261	$3,218	-1.3%

IRS Expands and Makes Permanent Its Compliance Assurance Process (CAP) for Large Corporate Taxpayers

Submitted by the IRS Newswire

WASHINGTON — Internal Revenue Service officials announced today that the six-year-old Compliance Assurance Process (CAP) pilot program for large corporate taxpayers is being expanded and made permanent.

"This marks another important step in our evolving relationship with corporate taxpayers," said IRS Commissioner Doug Shulman. "Through greater cooperation and transparency, CAP taxpayers and the IRS both benefit."

Under CAP, participating taxpayers work collaboratively with an IRS team to identify and resolve potential tax issues before the tax return is filed each year. With the major potential tax issues largely settled before filing, taxpayers are generally subject to shorter and narrower post-filing examinations.

With the CAP program growing in popularity, it is being expanded to include two additional components. A new pre-CAP program will provide interested taxpayers with a clear roadmap of the steps required for gaining entry into CAP. A new CAP maintenance program is intended for taxpayers who have been in CAP, have fewer complex issues, and have established a track record of working cooperatively and transparently with the IRS.

"CAP is a program where the tax system is at its best -- when the taxpayer and the IRS are transparent and issues are resolved before a return is filed," Shulman said.

Details of the permanent program, including the new pre-CAP program and CAP maintenance program, are included in a revision to the Internal Revenue Manual, a revised application and memorandums of understanding (MOU) that corporations are required to submit to participate in pre-CAP and CAP.

The CAP pilot began in 2005 with 17 taxpayers and in FY 2011 there are 140 taxpayers participating. Only taxpayers with assets of $10 million or more are eligible to participate.

For more information on the Compliance Assurance Process (CAP), visit the CAP page on IRS.gov.

Treasury Dept. and IRS Extend the Deadline for Filing Form 8939 Beyond the Previously Set April 18; Guidance to Follow with a New Deadline

Submitted by the IRS Newswire

WASHINGTON — The Treasury Department and the Internal Revenue Service (IRS) today announced that Form 8939 is not due on April 18, 2011, and should not be filed with the final Form 1040 of persons who died in 2010. New guidance that announces the form due date will be issued at a later date and Form 8939 will be released soon after guidance is issued.

Form 8939, Allocation of Increase in Basis for Property Acquired from a Decedent, is an informational return used to establish basis for income tax purposes of property acquired from a person who died in 2010.

Under the Economic Growth and Tax Relief Reconciliation Act of 2001, the estate tax was repealed for persons who died in 2010. The executors of the estates of certain decedents who died in 2010 were previously required to file an information return (Form 8939) relating to large transfers at death, which was due on the date of the decedent's final Form 1040 or a later date specified in regulations issued by the Treasury Department.

Enacted in December of last year, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 reinstated the estate tax for persons who died in 2010. The law allows executors of the estates of decedents who died in 2010 to elect to have the rules of the estate tax not apply to the property of a decedent's estate. This election is to be made at the time and in the manner prescribed by the Treasury Department.

Treasury and the IRS plan to issue future guidance that will provide a deadline for filing Form 8939 and for electing to have the estate tax rules not apply to the estates of persons who died in 2010. The prior deadline was April 18, which remains the deadline for filing a decedent's final Form 1040 this filing season. The forthcoming guidance will also explain the manner in which an executor of an estate may elect to have the estate tax not apply.

A reasonable period of time for preparation and filing will be given between issuance of the guidance and the deadline for filing Form 8939 and for electing to have the estate tax rules not apply. The Form 8939 is not currently available, but will be made available soon after the guidance is issued. Both will be made available on IRS.gov.