

CHAPTER 11

IRS ISSUES

Pages 413-458



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IRS ISSUES

P 413

- Issue 1: Identity Protection Personal Identification Number
- Issue 2: Document Upload Tool
- Issue 3: Business Tax Accounts
- Issue 4: Installment Agreements
- Issue 5: Transcripts
- Issue 6: Written Information Security Plan
- Issue 7: Tax Scams

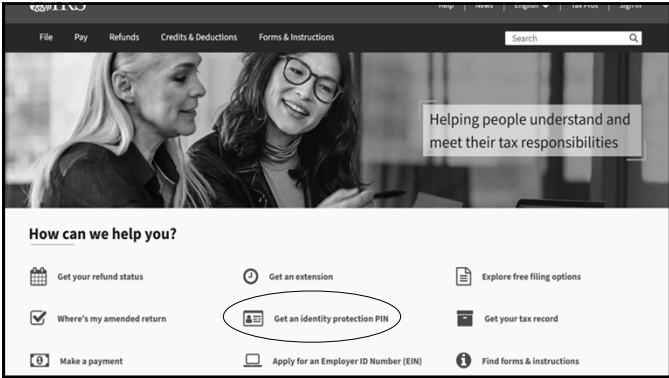
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ISSUE 1: IDENTITY PROTECTION PERSONAL IDENTIFICATION NUMBER (IP PIN)

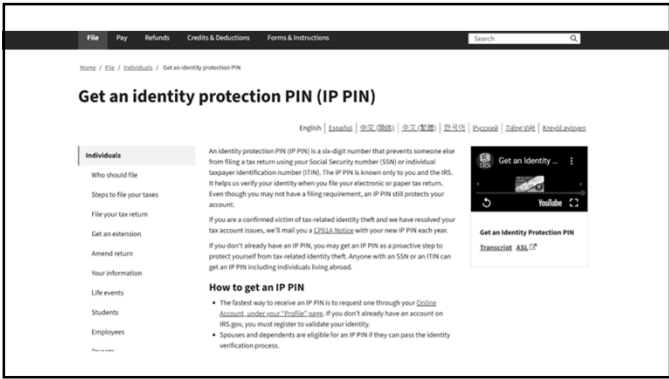
P 415

- Authentication number to validate owner of the SSN or ITIN
- Optional for most, but required for those whose identities have been compromised
- Establish an online account & verify their identity with ID.me
- Navigate to the Profile tab to enroll (or unenroll)
- Select either continuous enrollment or one-time enrollment
- If continuous enrollment, a new IP PIN is issued each year

3



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How to get an IP PIN

- The fastest way to receive an IP PIN is to request one through your [Online Account, under your "Profile" page](#). If you don't already have an account on IRS.gov, you must register to validate your identity.
- Spouses and dependents are eligible for an IP PIN if they can pass the identity verification process.
- Once you have opted in and obtained an IP PIN online, you will need to retrieve your IP PIN online each calendar year as a CP01A Notice will not be mailed.
- The IP PIN is generally available in your online account starting in mid-January through mid-November. Select the button to get started.

Get an IP PIN

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P 415

IP PIN

- ▶ Form 15227 can be faxed or mailed to request IP PIN
- ▶ AGI must be below \$84,000 for individual and \$168,000 for MFJ
- ▶ IRS representative will verify identity by phone
- ▶ IP PIN will be mailed within 4-6 weeks
- ▶ Can also go to a TAC office and will receive IP PIN within 3 weeks
- ▶ New IP PIN is mailed in subsequent years

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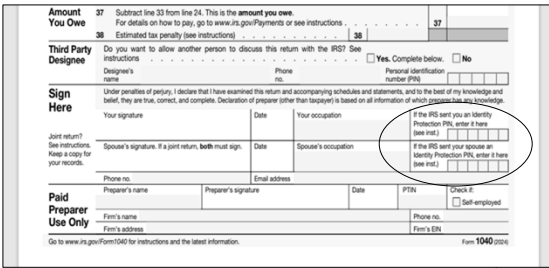
P 416

USING THE IP PIN

- ▶ Used only on the 1040 series of returns
- ▶ Placed next to the signature
- ▶ If dependent has an IP PIN it is entered in the dependent section, Form 2441 Child and Dependent care and EITC
- ▶ Dependent's IP PIN is not entered on a paper return
- ▶ Deceased taxpayer's IP PIN is entered on the final return
- ▶ If not entered on an electronic return, return will be rejected



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LOST IP PIN

P 417

- ▶ Go to online account – Profile tab
- ▶ Minor dependent's IP PIN cannot be retrieved online – can call 1-800-908-4490 to have it reissued – mailed within 21 days
- ▶ If opted in to the program online after 2019 or TP is filing after 10-15 and they cannot access their online account, they will need to paper file without the IP PIN
- ▶ TP can opt out of the program if they entered it voluntarily – go to Profile tab
- ▶ Practitioner Note on page 416

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ISSUE 2: DOCUMENT UPLOAD TOOL

P 418

- ▶ TPs and representatives can respond to notices and requests for information using this tool
- ▶ Offers secure digital communication
- ▶ Cannot be used to submit tax returns or other documents that require physical signatures

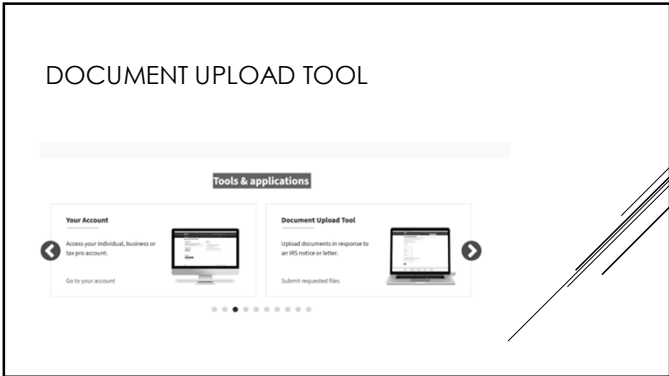
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USING DUT

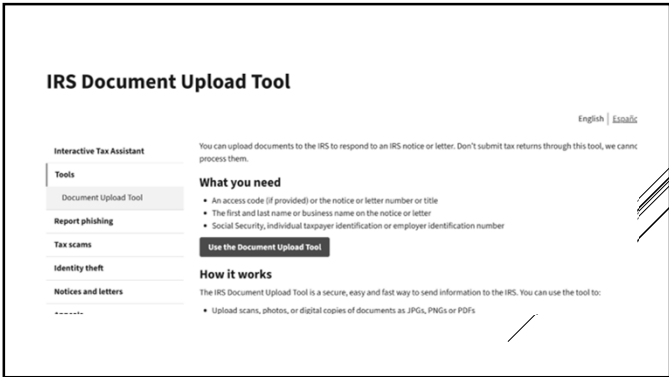
P 418

- ▶ TP and practitioners can access through a QR code, through URL provided in the notice or letter, or by access code provided by phone assistor
- ▶ Information needed:
 1. Notice or letter number
 2. First and last name or business name
 3. SSN, ITIN or EIN
- ▶ Should scan, number and index the relevant documents

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ISSUE 3: BUSINESS TAX ACCOUNT

P 421

- ▶ In FY 2024 IRS launched more digital tools than it had during the prior 20 years
- ▶ Individuals, partners in partnership, shareholders in an S-Corp and now C-Corporations
- ▶ Income Verification Express Service (IVES)– approve or reject tax transcript requests from lending company

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ELIGIBLE BTA USERS

P 421

1. Sole proprietor with a Schedule C or F with an EIN (no LLCs)
2. Partner in a partnership and shareholder in an S-Corp
3. Individual partner/shareholder in an LLC filing 1065 or 1120S
4. Designated official (DO) of a C-Corp or multiple-member LLC filing Form 1120 or 1120S
5. A designated user (DU)

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DESIGNATED OFFICIAL (DO)

P 421

- ▶ A DO can access BTA on behalf of the corporation
- ▶ A corporation might have many DOs
- ▶ Must be all of the following:
 1. President, VP, CEO, CFO, COO, secretary, treasurer, or LLC managing member
 2. Current employee who receives a W-2
 3. Authorized to legally bind the business



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DESIGNATED USER

P 422

► Can be anyone with an SSN or ITIN who is appointed by the DO

► DO determines the access within the account



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TAX PRO ACCOUNT

P 422

► Tax professionals do not have access to the BTA

► Tax Pro Account now includes:

- View individual/ business payment activity
- Set up and revise payment plans
- Make up to 5 same-day payments on behalf of taxpayers
- Chatbot to resolve issues and can escalate to live chat



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BTA ACCESS

P 242

Access involves a 2-step process:

1. Authentication – Create a profile and log in through ID.me
2. Authorization – IRS determines relationship and what information the user is authorized to access

The following information is needed:

1. SSN or ITIN
2. EIN of entity
3. Tax return documents : Sch C, 1065, 1120, 1120S K-1
4. Business mailing address from most recent IRS records



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INDIVIDUAL ONLINE ACCOUNT

P 594

IRS has added information available:

- ▶ W-2s, and Form 1095-A
- ▶ Keep checking back for additional information return documents
- ▶ State and local information on the W-2 will not be available

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ISSUE 4: INSTALLMENT AGREEMENTS

P 426

▶ Must be current on all filings

▶ Can request online, by phone, by mail, or in person

Short-term plan

- 180 days to make full payment
- No set-up fee but penalties and interest continue
- Less than \$100,000

Long-term plan

- Monthly payments in full by CSED
- Amount owed < \$50,000 for individual, \$25,000 for business

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APPLICATION

P 427

Online-

- This is the fastest method
- Need to set up an online account

By mail, by Phone or in Person

- Trust fund recovery penalty, employment taxes, out-of-business must use Form 9465 Installment Agreement request
- May have to submit Form 433-A, B or F Collection Information Statement
- For payroll deduction file Form 2159
- IRS will respond within 30 days

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PAYMENT OPTIONS

P 427

1. Online –Through their online account

2. IRS Direct Pay – TP pays directly through their bank account

3. Electronic Federal Tax Payment System (EFTPS)

4. Direct Debit – TP provides account information

5. Payroll Deduction – Form 2159

6. ~~Check or money order~~

7. Credit or debit card

8. ~~Cash – \$500 limit through a retail partner – \$1.50 transaction fee~~



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FEE\$

P 428 -429

▶ No user fee for a short-term plan

▶ With direct debit plan, online set up fee \$22, by phone or in person \$107

▶ Any other method online is \$69 and other avenues are \$178

▶ See page 429 for a chart

▶ Interest and penalties continue to accrue

▶ Reduced fees for low-income taxpayers



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OTHER TYPES OF PLANS

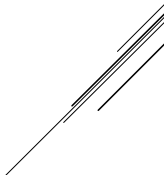
P 430

Simple Payment Plan

• Amount owed is less than \$50,000

• Paid in full by CSED

• Offered online or by IRS employee



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OTHER TYPES OF PLANS

P 431

Streamlined Installment Payments for businesses
Two levels:

1. Balance is \$25,000 or less for business account with only income tax.
- No lien determination

2. Assessed balance is 25,001 to \$50,000 for an out-of-business sole proprietor and agrees to direct debit or payroll deduction
-No lien if direct debit or payroll deduction

Must be paid by the earlier of 72 months or the CSED

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PLAN DENIAL

P 431

▶ If denied, IRS will provide reason, and TP can take corrective action and reapply

▶ TP can appeal the denial **Form 9423**
Collection Appeal Request

▶ Consider offer-in-compromise or an application for currently-not-collectible status

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GUARANTEED INSTALLMENT AGREEMENT

P 432

§ 6159 guarantees an installment agreement if:

1. Tax & penalties < \$10,000

2. TP and spouse in last 5 years have not failed to file, failed to pay, or entered into an installment agreement

3. IRS determines TP is unable to pay

4. Payment within 36 months

5. TP agrees to file and pay all returns while in effect

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IN-BUSINESS TRUST FUND EXPRESS
(IBTF EXPRESS IA)

P 432

- ▶ Business that has trust fund liabilities of \$25,000 or less
- ▶ Must be compliant with all filing and payment requirements
- ▶ No financial statement is required
- ▶ Full amount paid by earlier of 24 months or CSED
- ▶ If between \$10,000 and \$25,000, direct debit required
- ▶ Can apply online or call 1-800-829-4933

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PARTIAL PAYMENT AGREEMENTS (PPIA)

P 432 -433

- ▶ Must prepare collection information statement
- ▶ May be required to sell assets
- ▶ If TP has significant equity, IRS may deny PPIA and take enforcement action
- ▶ PPIA might be granted without requiring sale

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EXAMPLE 11.1

P 433

- ▶ Elliot Cole owes tax
- ▶ Beneficiary of a trust, entitled to distributions of income and principal in 2 years.
- ▶ CSED will expire in 1 year
- ▶ Elliot agrees to extend the statute for 2 years and liquidate the trust in 2 years.



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MANAGING AN INSTALLMENT AGREEMENT

P 434

► Agreement defaults when minimum payment is not made, required returns not filed, taxes not paid on time

► Future refunds will be applied to debt and do not change payment amount

► TP can make changes online to agreement; payment amount, date due, bank routing

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TERMINATION

P 434

► IRS can terminate if taxpayer does any of the following:

1. Fails to pay another tax liability

2. Fails to pay when due

3. Fails to provide updated financial information when asked

4. Provided inaccurate information before the agreement

► IRS will mail a default letter, no levy for 90 days

► TP can appeal

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ISSUE 5: TRANSCRIPTS

P 435

Use of Transcripts:

• Confirm estimates have posted

• Confirm prior year overpayment has posted

• Proof of income for a lender

• Show total debt for installment payment options

• Advanced notice of future audit (TC 420)

• Useful chart on page 436

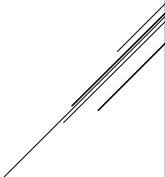
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P 437

TRANSCRIPTS

- ▶ Obtain from the online account or request by mail through IRS website or request by phone 1-800-908-9946
- ▶ Submit Form 4506-T. Will be mailed to last known address
- ▶ IRS will not fax transcripts or send to third parties

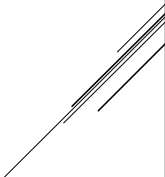


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P 437

TAX RETURN TRANSCRIPT

- ▶ Contains most line items from the 1040
- ▶ Available for the current year and 3 previous tax years
- ▶ Used for income verification for loans
- ▶ Use Form 4506-T-EZ to request
- ▶ Table in Figure 11.5 to determine when to request



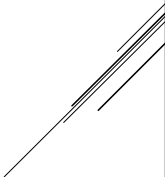
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P 438

TAX ACCOUNT TRANSCRIPT

- ▶ Shows filing status, taxable income and payment types
- ▶ Shows changes made after the return was filed
- ▶ Available for current and prior 9 years through online account
- ▶ Available for current and prior 3 years through Get Transcript or by calling 1-800-908-9946

Record of Account transcript - combination



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WAGE AND INCOME TRANSCRIPT

P 438

▶ Data from information returns such as W-2s, 1098s, 1099s, 5498

▶ Limited to 85 income documents

▶ If more than 85, must submit Form 4506-T

Nonfiling Letter – Provides verification that the IRS has no record of a processed 1040 as of that date

▶ Does not indicate whether a return was required to be filed

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BUSINESS TRANSCRIPTS

P 438

TAX RETURN TRANSCRIPT

▶ Available for corporate and partnership returns for current and prior 3 years

▶ Shows most line items

▶ Does not show changes to the return after filing

▶ Employment tax returns, estate and trust returns are available from 2023 on

▶ Employment tax returns will show the original liability and changes made

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TAX ACCOUNT TRANSCRIPT & RECORD OF ACCOUNT TRANSCRIPT

P 438

▶ Tax account transcript shows the changes to the account like refunds, deposits and payments

▶ Filing date and processing date

▶ Record of Account Transcript – Combination of the tax return transcript and the tax account transcript

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P 439

ENTITY TRANSCRIPT

- ▶ Verifies information on IRS records such as EIN, filing requirements, single member or multimember LLC, exempt status
- ▶ Modified – shows EIN, business name, address, name control (first four letters of the business name)
- ▶ Complete – shows that information plus IRS establishment date, NAICS code, elections

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P 439

SECURITY

Masked Transcripts

- Only last 4 digits of SSN or EIN, account numbers and phone numbers are shown
- Only first 4 digits of first and last name or business name
- All financial information remains visible

Unmasked Transcripts

- All personally identifiable information is visible
- Practitioners can request through the Practitioner Priority Service line



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P 440

CUSTOMER FILE NUMBER

- ▶ Optional number on the Form 4506-T for a customer number
- ▶ Up to 10 digits
- ▶ Number will enable the recipient to match the transcript to the customer
- ▶ All methods of requesting a transcript have this field

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P 440

TAX PRACTITIONERS

Can request transcripts:

1. Online through Transcript Delivery System (TDS)

2. By phone through Practitioner Priority Service (PPS)

3. Or by mailing or faxing Form 4506-T

> Practitioners are limited to 30 transcripts per taxpayer

> Practitioners can also request internal transcripts

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P 440-441

INTERNAL TRANSCRIPTS

> Can be obtained through PPS

> Most useful are TXMODA and ENMOD

> TXMODA – Gives detailed picture of the taxpayer's account – notices, history, and pending transactions

> ENMOD – Gives a more comprehensive view of the history. Includes various forms that have been filed like 8832

> To obtain an ENMOD must have 2848 on file specifying ENMOD in section 3, all tax periods the taxpayer was in existence and the signature must be handwritten

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P 441

INTERPRETING TRANSCRIPTS

> Document 6209 explains all the codes

> Document 11734 is a pocket guide of the transaction codes

> Page 442 Figure 11.6 shows the more common codes

> If a transaction has been reversed, the code will often be the original +1 Ex. TC 166 delinquency penalty TC 167 is the reversal of that penalty

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INCOME VERIFICATION EXPRESS
SERVICE (IVES)

P 441

- ▶ Allows taxpayers to authorize lenders to access their tax records
- ▶ Lender requests return transcript or wage and income transcript through an IRS account or fax with 4506-C
- ▶ Taxpayer can review and approve with an electronic signature through their online account
- ▶ Lender will receive the transcript through a WebUI account or a secure mailbox
- ▶ Joint accounts require signature of only one spouse unless both are listed on the 4506-C

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ISSUE 6: WRITTEN INFORMATION
SECURITY PLAN

P 444

A good WISP should focus on 3 areas:

1. Employee management and training
2. Information systems
3. Detecting and managing system failures

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FTC REQUIRES THE FOLLOWING:

P 445

- ▶ Designate one or more employees to coordinate the plan
- ▶ Identify and assess the risks
- ▶ Design and implement safeguards
- ▶ Select reliable service providers
- ▶ Evaluate and adjust as necessary
- ▶ Implement multifactor identification
- ▶ Report security event affecting 500 or more ASAP

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MULTIFACTOR AUTHENTICATION

P 445

- ▶ Anyone accessing any information system, unless there are more secure controls
- ▶ Requires more than just the username and password
- ▶ Document 5708 has been updated to include a requirement for multifactor authentication



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NEW REPORTING REQUIREMENTS

P 445

- ▶ IRS recommends a data theft response plan
- ▶ IRS recommends contacting the IRS Stakeholder Liaison to report a data breach
- ▶ FTC requires reporting when an incident involves at least 500 people no later than 30 days after the incident

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P 445-446

NOTIFICATION EVENT

Notice must include:

1. The name and contact information of the tax practitioner

2. Description of the types of information

3. Date range

4. Number of consumers affected

5. General description of the event

6. Law enforcement involvement

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P 447-452

SAMPLE WISP

▶ Publication 5708

▶ Pages 447-452

Written Information Security Plan (WISP)

I. OBJECTIVE

The objective of the development and implementation of the comprehensive Written Information Security Plan (WISP) is to ensure effective administrative, technical, and physical safeguards for the protection of the Personally Identifiable Information (PII) owned by or for the business, and to ensure the security of the PII. The WISP is to comply with regulations under the Gramm-Leach-Bliley Act and Federal Trade Commission Privacy Policy and Safeguards Rule to protect the PII. The WISP will also be used to ensure the security of the business and protect the business from identity theft, phishing, social engineering, and other threats to the business. The WISP will also be used to ensure the security of the business and protect the business from identity theft, phishing, social engineering, and other threats to the business.

A. Social Security Number, Date of Birth, or Employment Date

B. Credit or Debit Card Number, or other account information

C. Income data, Tax Filing data, Retirement Plan data, Asset/Investment data, Investment data

D. Financial account number, credit or debit card number, or other account information, account data, personal identification number, or password that permit access to a client's financial accounts

E. E-mail addresses, Internet phone numbers, websites or mobile or wireless information

PII that not include information that is obtained from publicly available sources such as a Yellow Pages or Phone Directory listing or from federal, state or local government records readily made available to the general public.

II. PURPOSE

The purpose of the WISP is to:

A. Ensure the Security and Confidentiality of all PII owned by the Firm.

B. Protect the Firm's reputation and ensure compliance with the security of all PII.

C. Protect against any unauthorized access to use of PII in a manner that creates a substantial risk of identity theft or financial loss.

III. SCOPE

The scope of the WISP is to:

A. Identify, inventory, classify, and protect all PII owned by the Firm.

B. Assess the potential damage of these threats, taking into consideration the sensitivity of the PII.

C. Establish the effectiveness of existing policies, procedures, and other information systems, and other safeguards to ensure the security of the PII.

D. Design and implement the WISP to ensure compliance with the security of the PII.

E. Regularly monitor and assess the effectiveness of the WISP.

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P 453

ISSUE 7: TAX SCAMS

Disaster Fraud

• Scammer contacts the victim by phone, social media or e-mail

• Claim to work for the IRS

• Attempt to get the victim's information and get FEMA assistance for themselves

• Watch out for scammers who set up fake charities to assist in disaster relief

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TAX SCAMS

P 453

Clean Energy Tax Credit Scam

- Transfer provisions in the IRA enable the purchase of credits from investments in clean energy
- Bad preparers are misrepresenting that TPs can purchase the credits to offset other sources of income such as wages and social security



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TAX SCAMS

P 454

IRS Fresh Start Phone Scam

- New robocall scam says that IRS Fresh Start Program will eliminate tax debt

Voice mail
+1 (414) 437-9833
United States
March 11, 2025 at 5:59 PM
0:00 - 1:11

Transcription
Hello, this is an important message from the tax resolution department personal tax matters. Based on our records you may qualify for the IRS fresh start program recently approved by the administration. This government program is designed to help families reduce or even eliminate tax. Press one now to speak with a tax representative.

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DIRTY DOZEN

P 454-458

1. Email phishing scheme

2. Bad social media advice

3. IRS online account help

4. Fake charities

5. False fuel tax credit claims

6. Credits for sick and family leave

7. Bogus employment tax credit

8. Improper household emp. Tax

9. Overstated withholding scam

10. Misleading OIC

11. Ghost tax return preparers

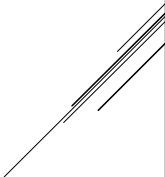
12. New client scam

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WHAT'S NEW?

Appeals

Final regulations modify the definition of federal tax controversy to include tax-exempt organization determinations



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GIFT TAX RETURN

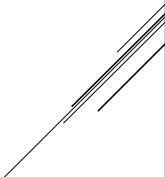
P 593

Form 709 and Form 709-NA can now be filed electronically.

2 options for filing:

1. Become an authorized reporting agent to prepare, sign, and e-file the return, or

2. Become an authorized e-file provider



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PAYMENTS

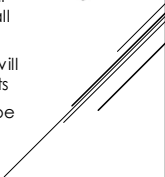
P 594

Executive Order No. 14247

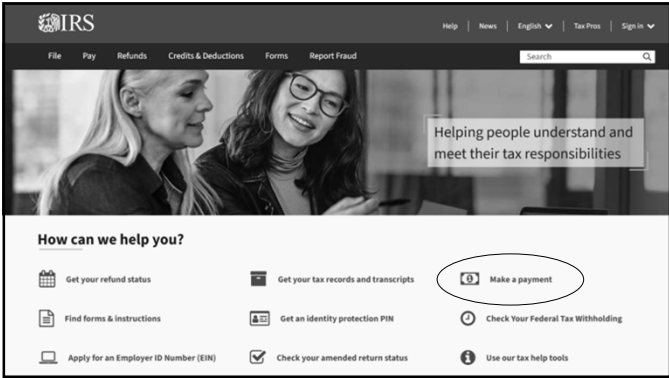
► Requires transition to electronic payments for all federal disbursements and receipts by digitizing payments for all federal disbursements and receipts.

► Effective September 30,2025, the federal government will cease issuing paper checks for all federal disbursements

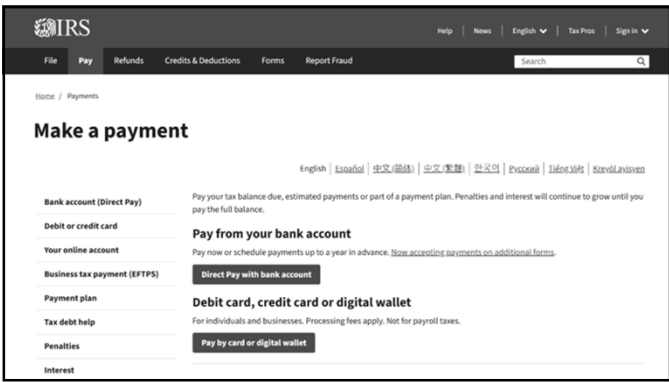
► This means that 4th quarter estimates for this year must be made electronically



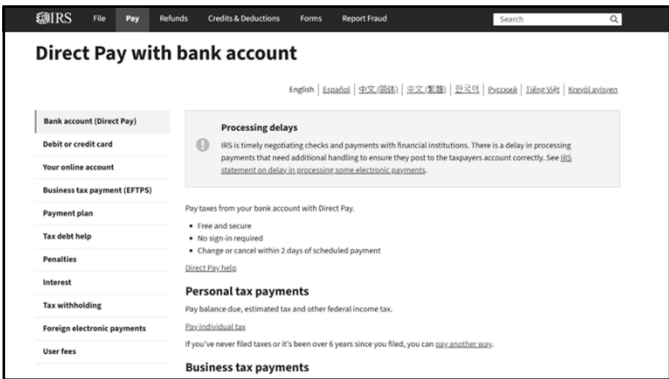
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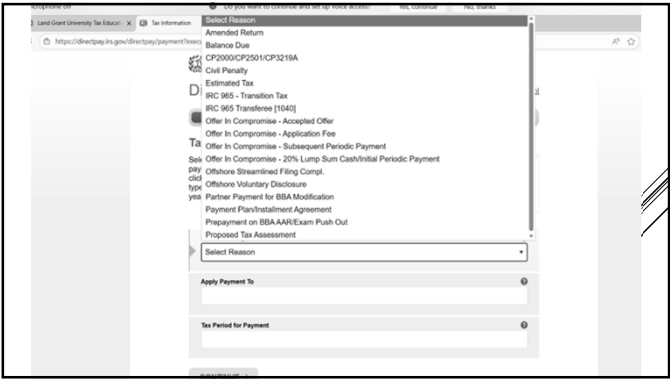
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PTIN

P 595

Beginning July 2025, the PTIN system will require all tax preparers with a social security number to sign in with ID.me.
Return preparers without an SSN can continue to use their current sign-in process.

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P 602

[illegible][illegible]