



Internal Revenue Service
United States Department of the Treasury

WELCOME

*IRS Fresno Campus
Practitioner Outreach
Event and Tour*

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Welcome from Submission Processing

IRS Fresno Campus

*James C. Gaither,
Field Director,*

Submission Processing



W&I Taxpayer of the Future

Filing and Return Characteristics Projected Trends to 2009



Project # 7-03-16-2-041N
Strategic Forecasting & Analysis
W&I Office of Research
October 2003

Projected Trends in Return Characteristics

Key Findings

- The number of individual returns is projected to grow 8% between 2002 and 2009, reaching 140.5 million by 2009.
 - Electronic filing is expected to increase 87% between 2002 and 2009, from 46.8 million in 2002 to 87.6 million in 2009.
 - By 2009, 43% of individual returns (60 million) will be electronic returns prepared by practitioners.
- The number of W&I returns filed is expected to reach 98.6 million by 2009, an increase of 4% between tax years 2002 and 2009.
 - By TY 2009, 65% of W&I returns will be electronically filed (nearly 64 million).
 - By TY 2009, 61% of W&I returns will be prepared by practitioners (nearly 55 million).
 - Single filers will continue to account for about half of all W&I filers (50 million).

Projected Trends in Return Characteristics (cont.)

Key Findings

- Every state will experience some amount of increase in individual returns filed, and all are expected to show an increase in electronic filings and a decrease in paper returns.
- Total dollars reported for taxable income on W&I returns is expected to grow at a slower rate than total dollars reported for total income and adjusted gross income between tax years 1999 and 2009.
- Reporting of retirement income sources (e.g., pensions and annuities, IRA distributions, etc.) is expected to grow at a faster rate than other income sources except capital gains/losses.
- The number of returns with itemized deductions is projected to increase about 50% between tax years 1999 and 2009, from 21 million returns to 32 million returns.
- The number of returns with deductions for net medical and dental expenses is expected to increase 90% between tax years 2002 and 2009, from 2.6 million returns to nearly 6 million returns.

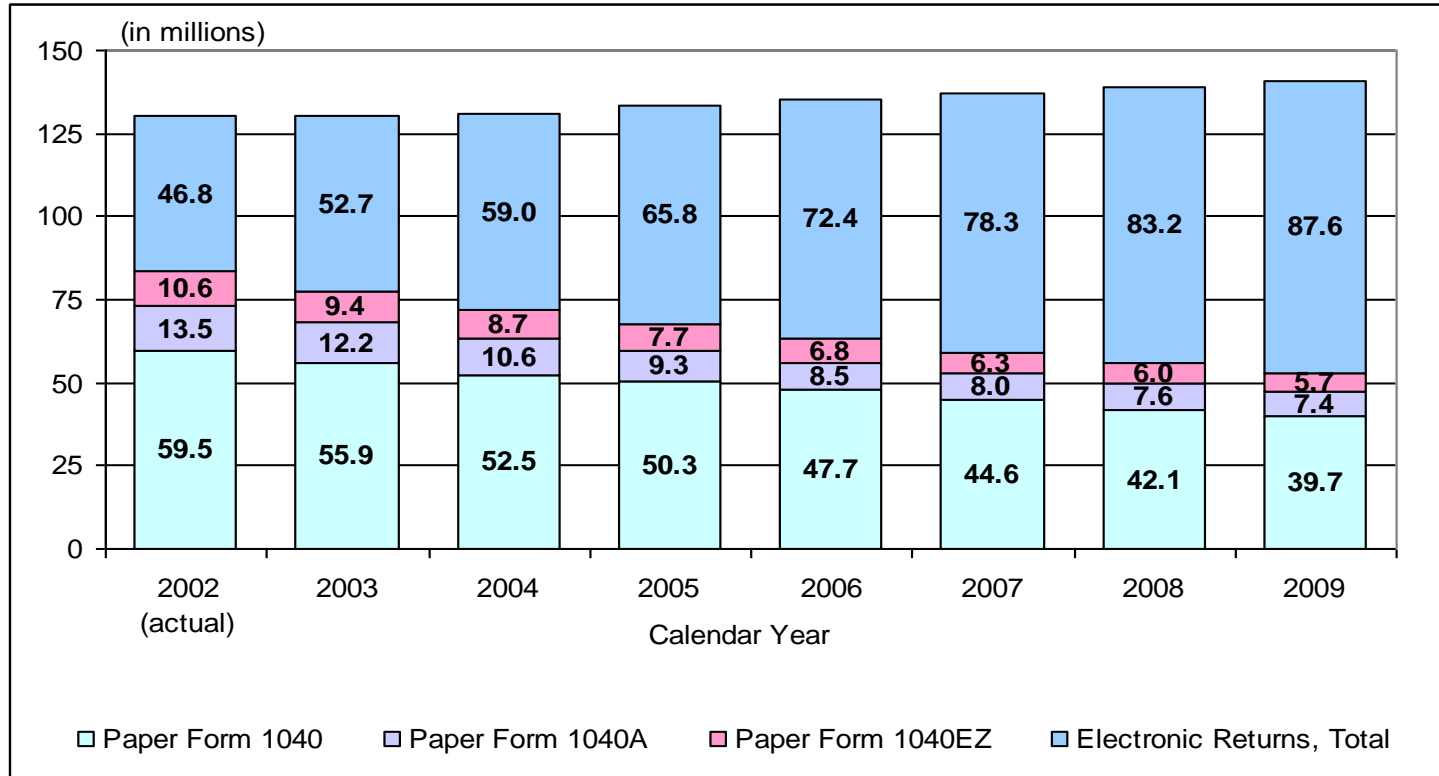
Projected Trends in Return Characteristics (cont.)

Key Findings

- Total dollars deducted for net medical and dental expenses are projected to increase 122% between tax years 1999 and 2009, from \$19.2 billion to \$42.7 billion.
- Home mortgage interest deductions will account for about 40% of total dollars reported in itemized deductions in tax year 2009.
- Total dollars deducted for charitable cash contributions are expected to more than double between tax years 1999 and 2009, from \$31 billion to \$64 billion.
- By 2010, about 36 million taxpayers are projected to be paying the Alternative Minimum Tax, up from one million in 1999.
 - Married couples will be 20 times more likely to pay AMT than singles.
 - 85 percent of married couples with two or more children will be affected by AMT.

Number of Individual Returns Filed Expected to Continue Growing

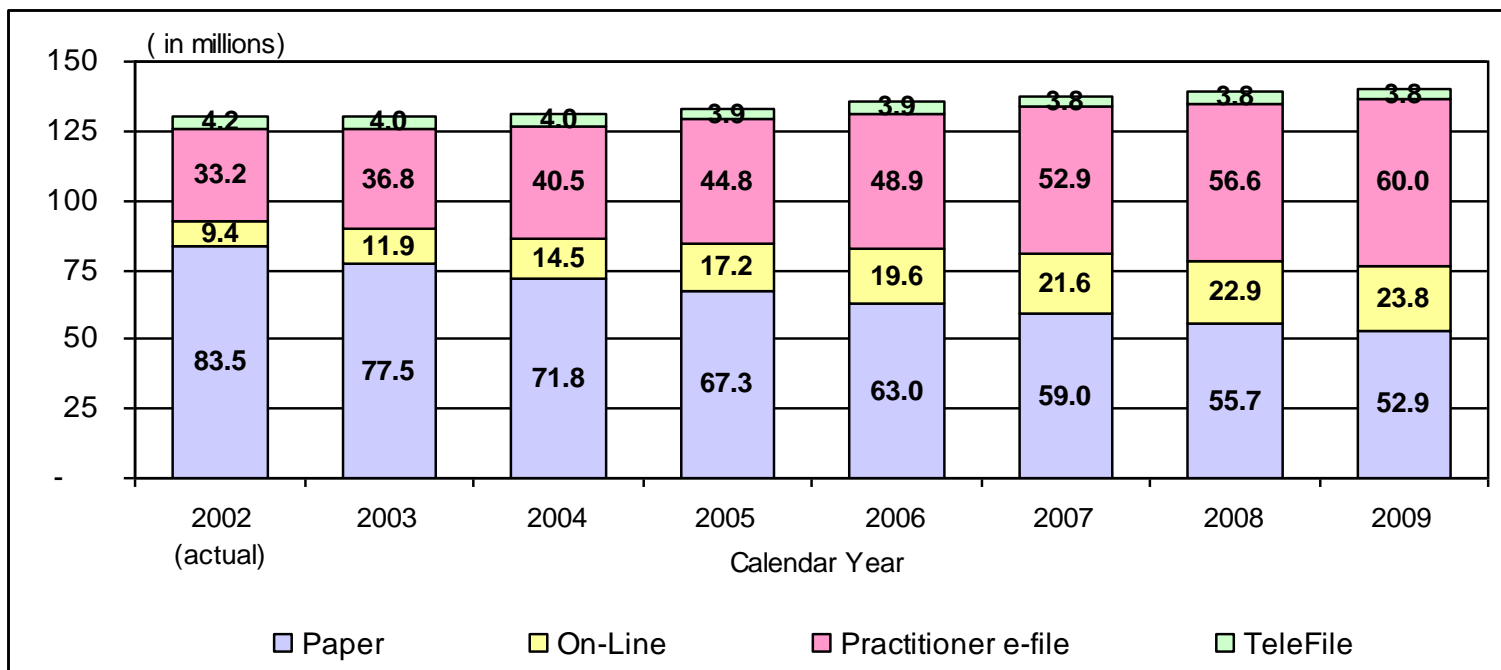
Total Forms 1040, 1040A, & 1040EZ by Form and Electronic Filing



- The number of individual returns filed is expected to increase 8% between 2002 and 2009, from 130.3 million returns in 2002 to 140.5 million returns in 2009.
- The number of individual returns filed electronically will increase 87% between 2002 and 2009.
- By 2009, 62% of individual returns are projected to be filed electronically.

By 2009, Majority of Taxpayers Will Use Practitioner e-file

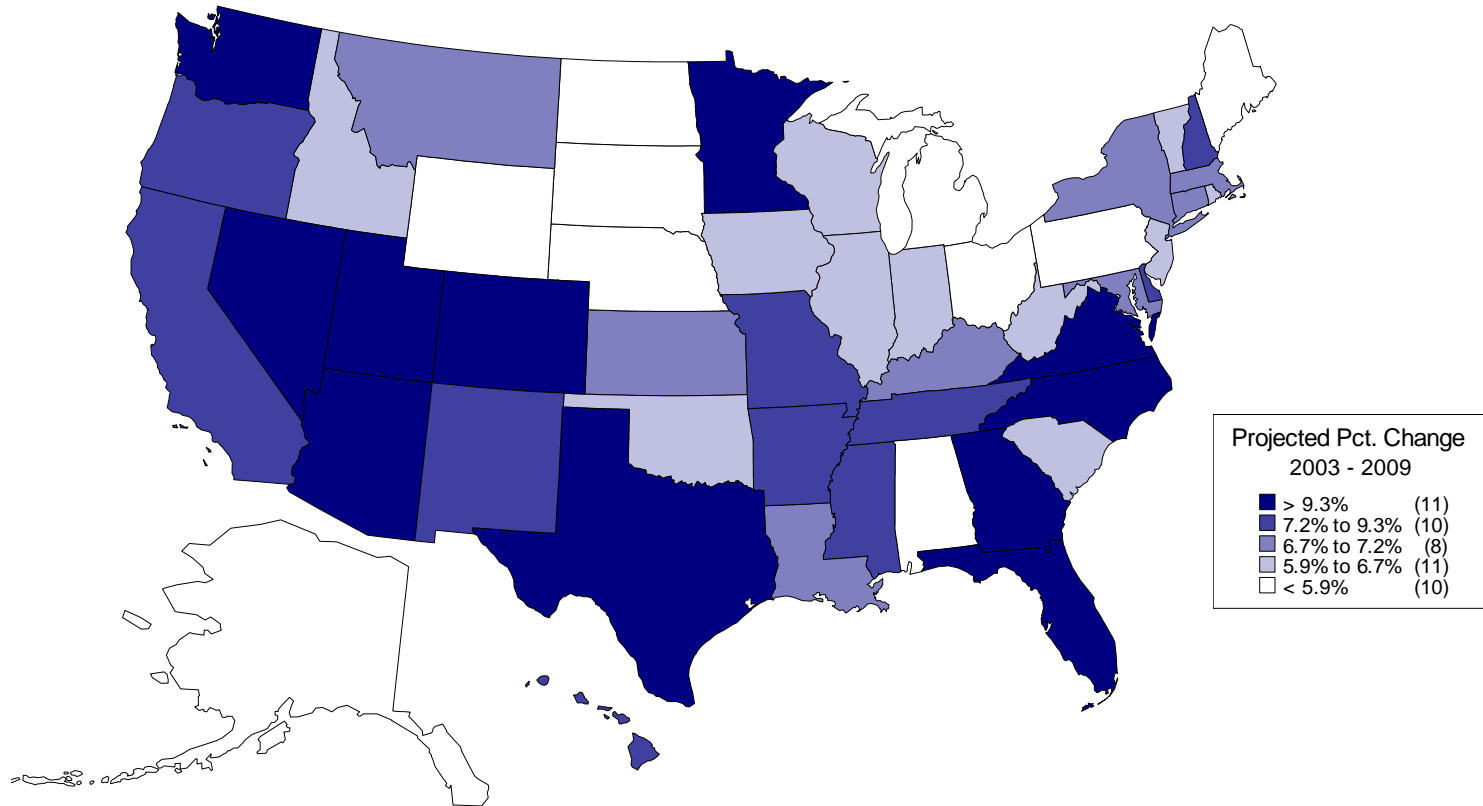
Total Forms 1040, 1040A, & 1040EZ by Filing Method



- Number of practitioner-filed electronic returns is projected to increase almost 81% between 2002 and 2009.
- Practitioner-filed electronic returns will account for about 43% of all individual returns filed in 2009.
- On-line filing is projected to increase 153% between 2002 and 2009 and to be used for almost 17% of individual returns filed in 2009.
- Two major initiatives are expected to drive the increase in e-filing:
 - “Free File Alliance,” a group of tax software companies who provide free online tax return preparation and filing services to eligible individuals (first available for 2003 filing season).
 - An IRS e-services product (available in late 2003) that creates incentives for practitioners to file returns electronically.

Number of Returns Expected to Rise in Every State But at Different Rates

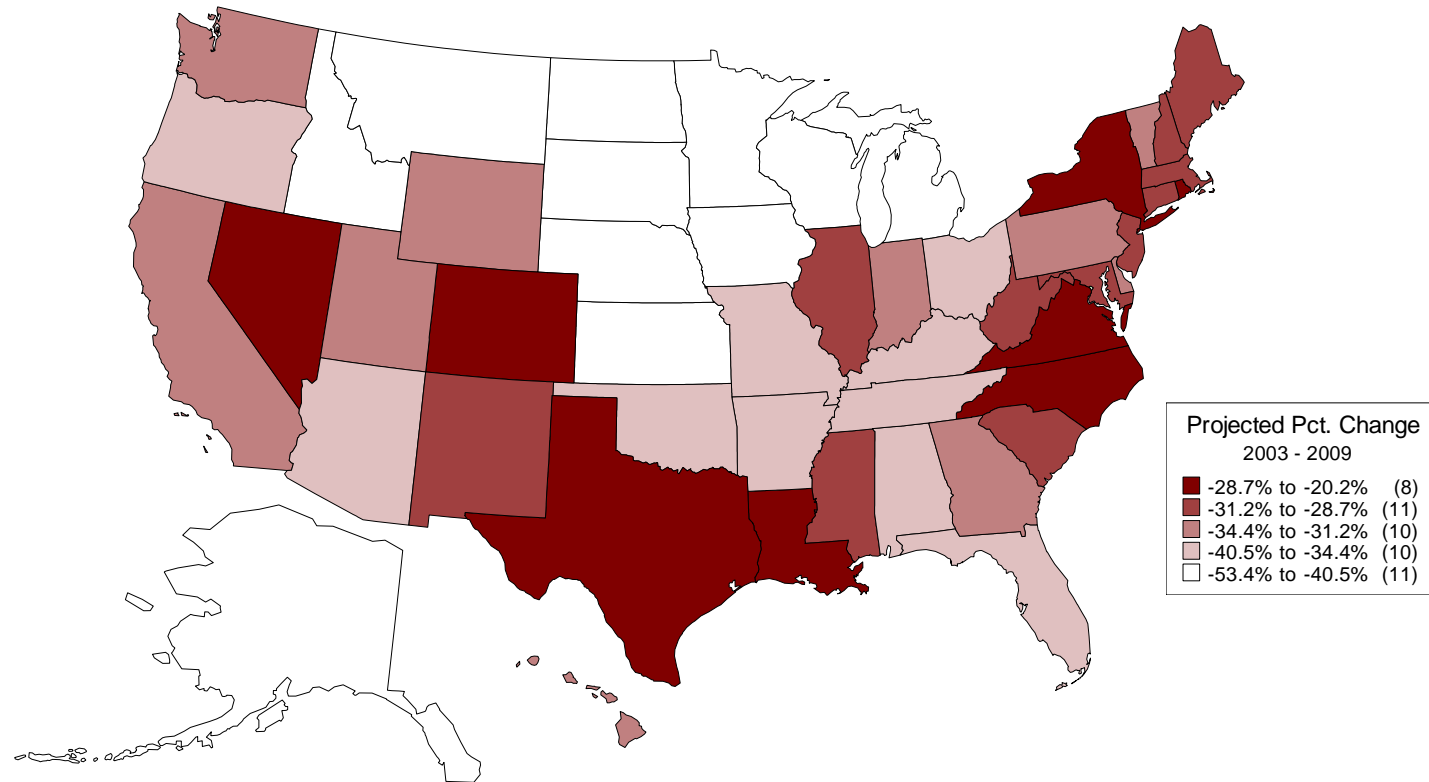
Percent Change in Total Individual Returns Filed by State, 2003-2009



- The average projected percent growth in total individual returns between 2003 and 2009 is 8%.
- Nevada, Arizona and Florida are projected to experience increases of at least 14% in individual returns filed. This is likely due to increases in the total population of these states.
- Alabama, Michigan, Alaska and Ohio are projected to have less than 4% growth in individual returns filed.

Every State is Expected to Have a Decline in Paper Returns

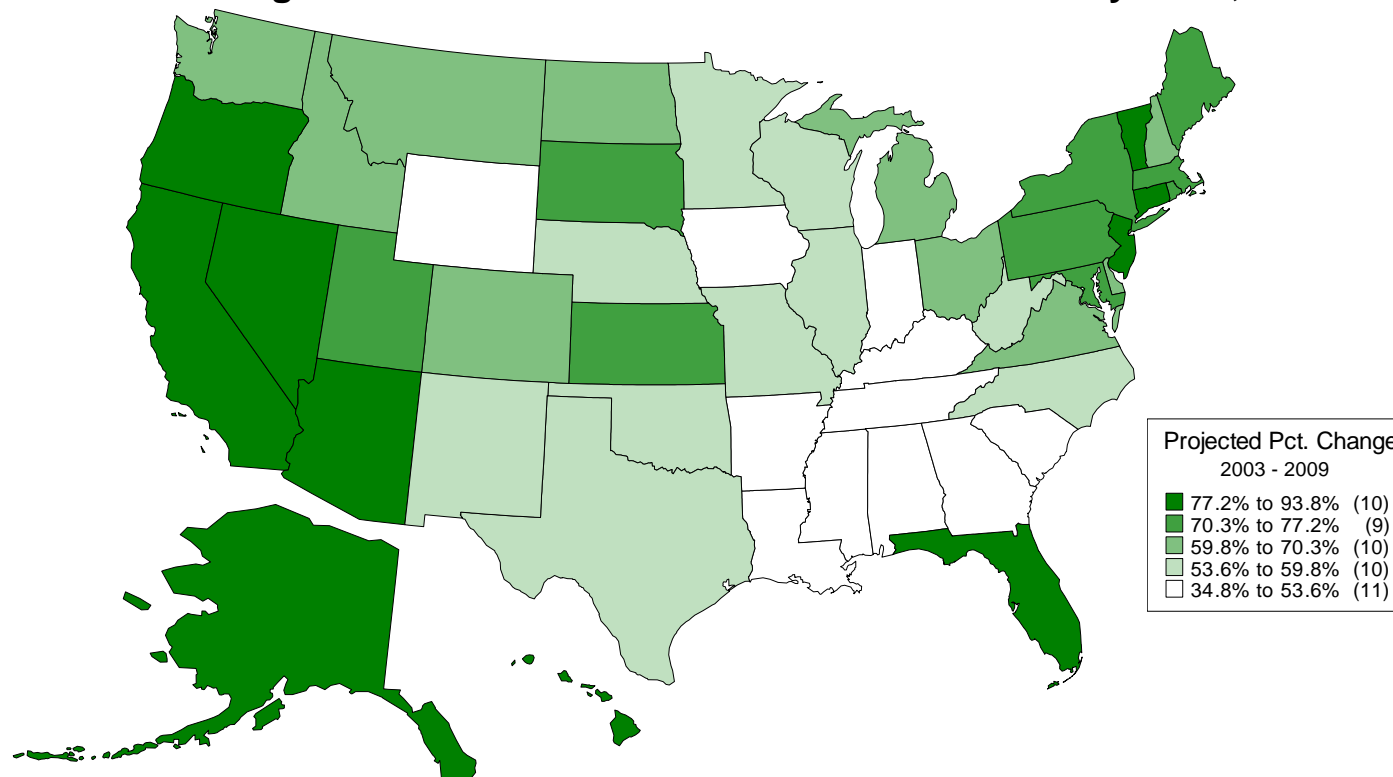
Percent Change in Total Individual Paper Returns Filed by State, 2003-2009



- The average projected percent decline in paper returns between 2003 and 2009 is 32%.
- New York will experience the smallest relative decline in paper filing - less than 21% between 2003 and 2009. New York currently has one of the highest paper filing rates of any state at 74% and this trend is expected to continue in the future.
- Wisconsin is projected to have the greatest percent reduction in paper returns, with a projected decline of 53% between 2003 and 2009. With a projected gain of only 6% in total returns filed in the state, this decline is largely the result of paper filers migrating to electronic filing.

Average Projected Increase in Electronic Returns Is 66%

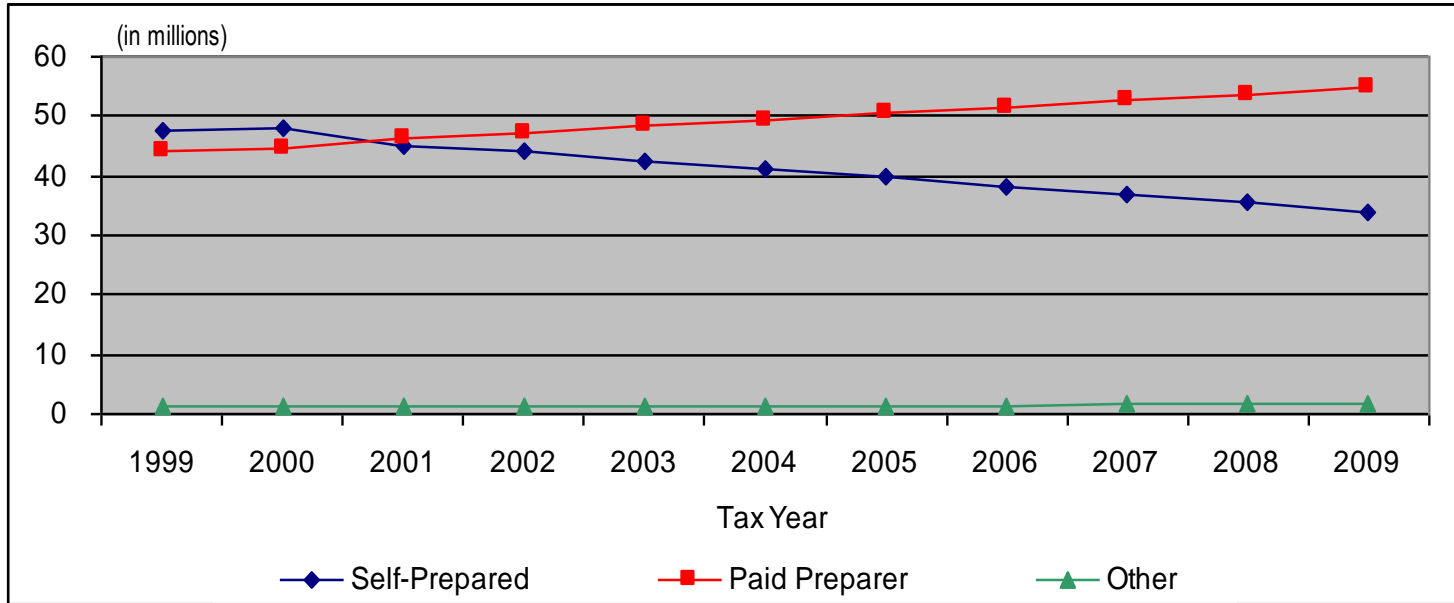
Percent Change in Total Individual Electronic Returns Filed by State, 2003-2009



- Nevada, California and Hawaii are projected to show increases of at least 90% in the number of electronically filed returns.
- Iowa, Mississippi and South Carolina are projected to have the lowest e-file growth rates, with less than 45% increase in electronically filed returns.
- In general, the West and Southwest regions are projected to experience some of the largest increases in electronic filing.
- These state projections generally reflect the pattern of new technology and Internet adoption: states with larger concentrations of younger, more educated, and/or higher-income households are more likely to show more growth in electronic filing.

Majority of W&I Taxpayers Will Use A Paid Preparer

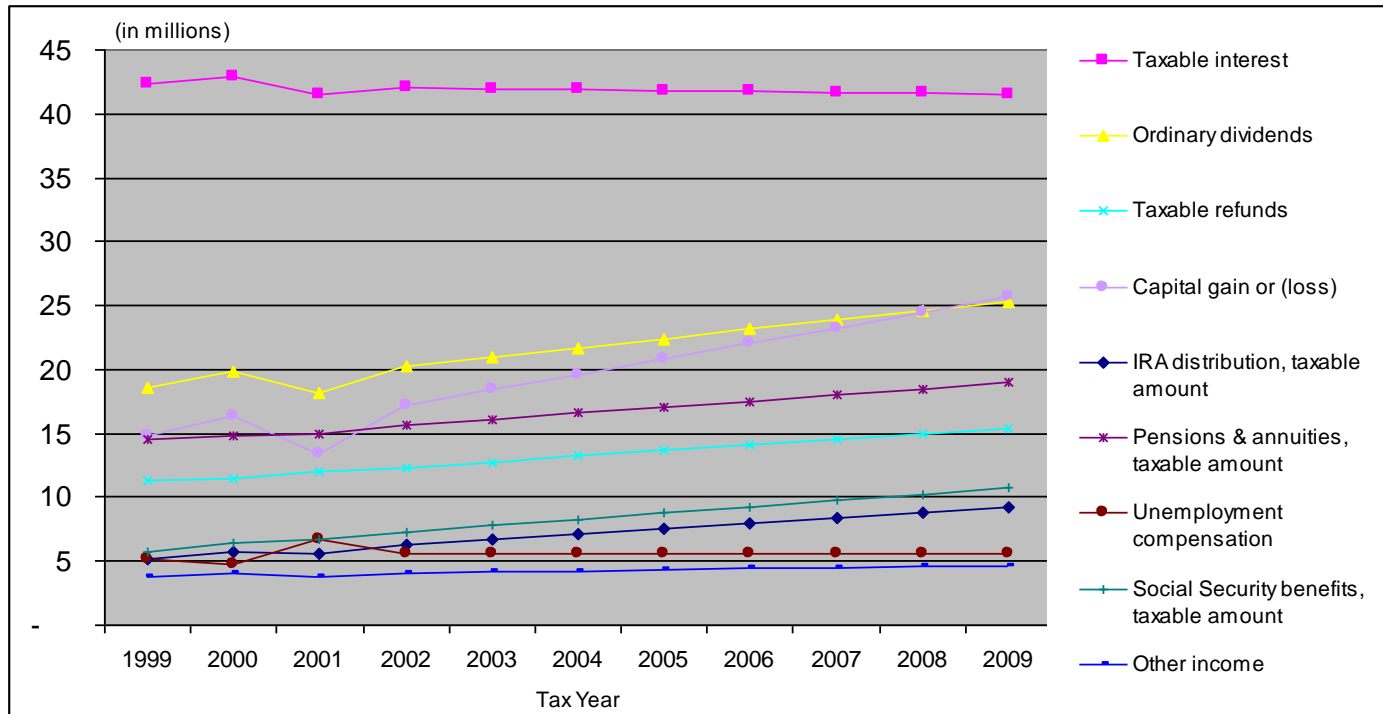
Preparation Methods of W&I Returns



- Prior to 2001, more W&I taxpayers prepared their own return than used a practitioner; in 2001, the number of self-prepared and practitioner-prepared returns was very similar.
- The growing trend among W&I taxpayers is to use practitioners to prepare their returns. By 2009, almost 61% of W&I returns are projected to be prepared by practitioners.
- Possible explanations for the growing use of practitioners include:
 - Complexity of the tax code.
 - Taxpayers find IRS tax forms and documents too complicated.
 - Taxpayers do not have time to prepare their own returns.
 - Taxpayers may think practitioner can get them a larger refund.

More Returns Will Show Retirement Income as Taxpayer Base Ages

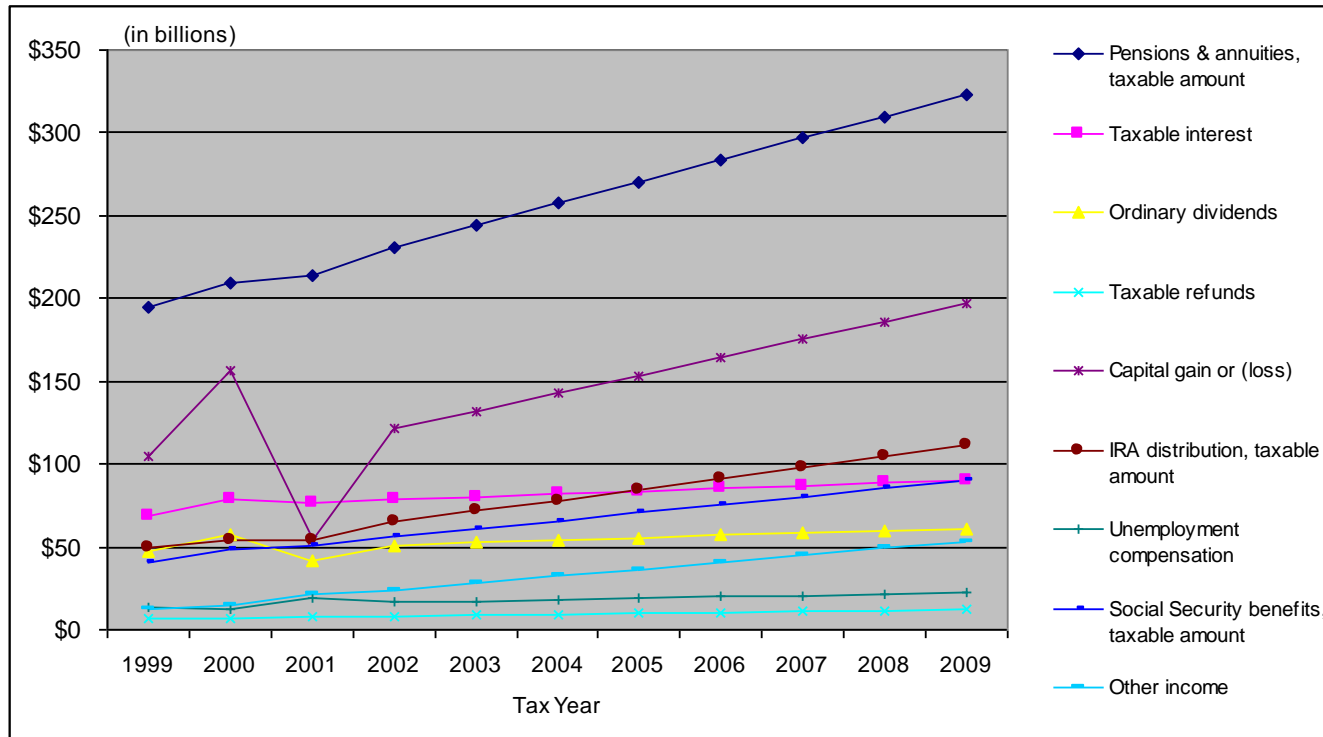
Income Sources: Number of Returns



- Although the number of returns reporting taxable interest is expected to decline slightly, it will continue to be the most commonly reported income source after wages and salaries.
- Increases in ordinary dividends and capital gains income are dependent upon the economic recovery after the 2001 recession.
- The projected number of returns reporting retirement income (e.g., pensions & annuities, IRA distributions, etc.) will be affected by the retirement rates of the baby boomers—the economic downturn has caused many workers to delay retirement.

Pensions & Annuities Second Only to Wages & Salaries in Income Reported

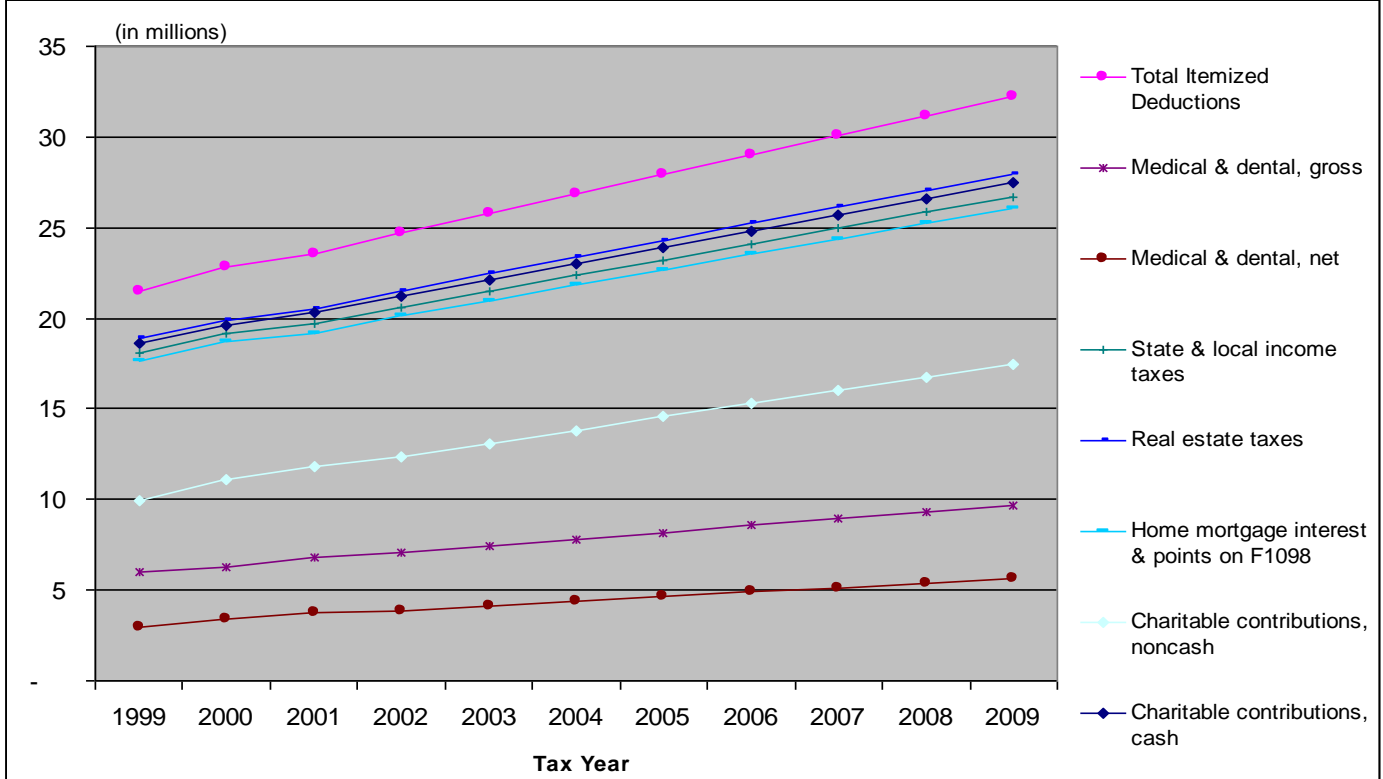
Income Sources: Total Dollars Reported



- Total pensions and annuities taxable income dollars is projected to increase about 66% between 1999 and 2009 while total dollars reported in IRA taxable income and Social Security taxable benefits are projected to more than double between 1999 and 2009.
- Although taxable interest is the second most commonly reported income, it accounted for just over 2% of total income in 1999 and is expected to account for only 2% by 2009.
- Increases in total dollars reported in ordinary dividends and capital gains income are dependent upon the economic recovery after the 2001 recession.

Number of Returns with Itemized Deductions Will Continue to Increase

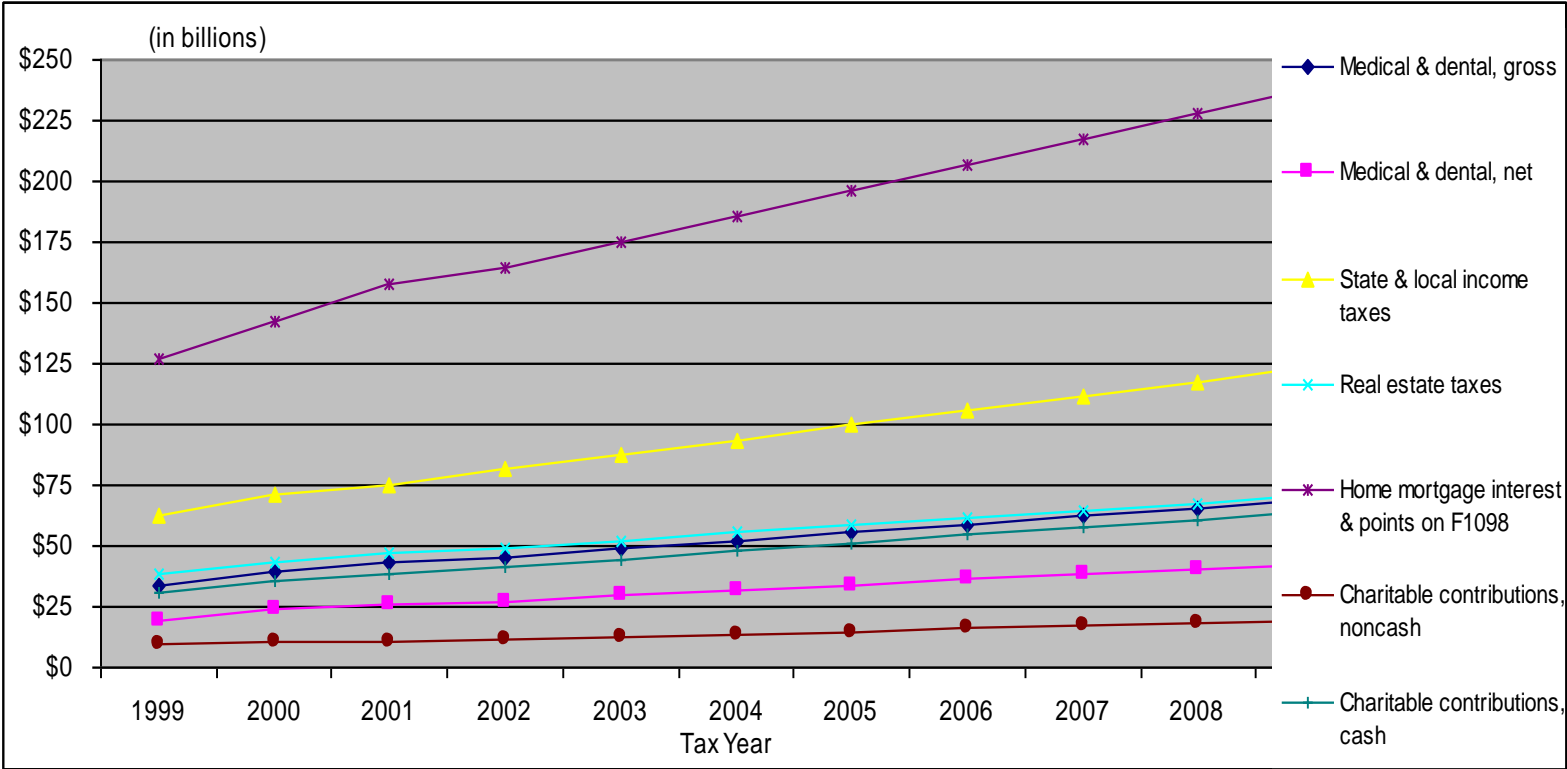
Itemized Deductions: Number of Returns



- The number of returns itemizing deductions is projected to grow at a faster rate than the number of W&I returns.
- The number of returns reporting deductions for net medical and dental expenses is expected to increase 90% between 1999 and 2009.
- Factors that may fuel the rise in net medical and dental expense deductions include:
 - Aging of the population (i.e., more taxpayers may incur increasingly larger health care expenses).
 - Continuing rise in health care costs, including prescription drug costs and the expense of new medical technologies.
 - Growing number of taxpayers who do not have health insurance; they pay 100% out-of-pocket for health care.

Home Mortgage Interest Will Account for Growing Share of Deductions

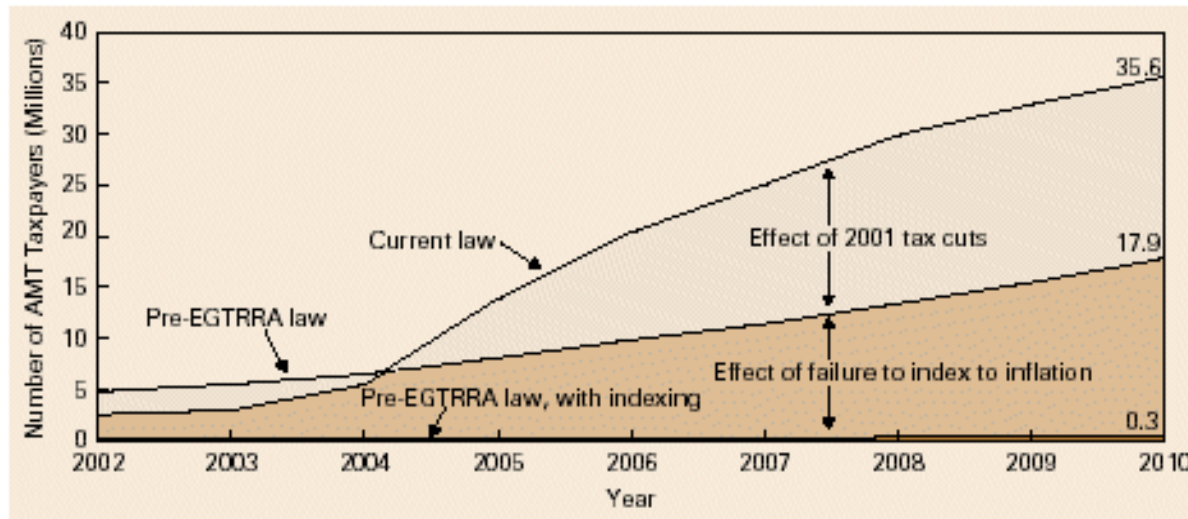
Itemized Deductions: Total Dollars Reported



- Home mortgage interest deductions will continue to account for the largest share of dollars reported for itemized deductions, about 40%.
- Total dollars reported for net medical and dental deductions will show the largest increase between 1999 and 2009—a 122% increase.
- Total dollars reported as charitable cash contributions are projected to more than double between 1999 and 2009.

36 Million Taxpayers Will Be Affected by AMT by 2010

Factors Behind Growth in Alternative Minimum Tax



- By 2010, a projected 36 million taxpayers will be paying the Alternative Minimum Tax (AMT), up from one million in 1999.
- Growing proportions of households will pay AMT by 2010: 95% of households with income between \$100,000 and \$500,000; 79% of households with incomes between \$75,000 and \$100,000; and 43% of households with income between \$50,000 and \$75,000.
 - Less than three percent of each of these groups were affected by AMT in 2002.
- By 2010, married couples will be 20 times more likely to face AMT than singles.
- By 2010, 85 percent of married couples with two or more children will be affected by AMT. (AMT does not allow deductions for dependents.)
- Two main reasons are cited for the rising number of taxpayers paying AMT: (1) AMT is not indexed for inflation, and (2) the tax cuts enacted in 2001. If the AMT had been indexed and no tax cuts were enacted in 2001, the number of taxpayers paying AMT in 2010 would be only 300,000.

Receipt & Control

Presented by Darren James

Mail and Remittance Processing

Correspondence or Fine Sort

Pre-batch and Payment Processing

we make taxes easier



Mail and Remittance Processing

The Fresno Campus receives and processes mail from twenty-four states and other IRS offices.

Automated Mail Processing including Shipping

* Equipment sorts by address

Extracting and Sorting

* Many of the items not identified by the mail processing equipment must be sorted manually

Correspondence or Fine Sort Teams

- Fine sorts and processes uncommon items
- Items that have an unknown location are sent here to determine how and where to process
- Special legislative items (Rebate Recovery) are sorted here

Pre-batch and Payment Processing Teams

Sorts payments into perfect and imperfect:

- Perfects clearly identify where the payments are to be applied
- Imperfects are researched for determination

Deposit and Batching Teams

Deposit

- All payments are balanced and prepared to be deposited

Batching

- All like documents are put into batches for transport and processing in pipeline

Preventing potential delays in processing

- Mailing before April 15th will speed up processing
- Clearly identify payments
- Clearly identify all correspondence with taxpayer identification number, year, form or letter number
- Use the correct address

Questions?

Document Perfection

Presented by Kimberly Bush & Lajeana Shoffner

Code & Edit

Entity/1040X

we make taxes easier



Code & Edit

Primary duty of the Code and Edit tax examiner is to perfect the returns for processing.

Coding: Special codes are entered on the return for the computer to perform special functions

Editing: is necessary because many returns are incomplete, contain invalid or misplaced entries or are computed incorrectly

Top Issues that cause delays

- Missing signatures is one of our highest correspondence issues
- Photocopied signatures
- Missing W2's, forms and/or schedules
- Forms/Schedules not in sequence order

SCHEDULES A&B (Form 1040)		Schedule A—Itemized Deductions (Schedule B is on back)				OMB No. 1545-0047 2008 Attachment Requirement No. 07	
Department of the Treasury Internal Revenue Service (IRS)		▶ Attach to Form 1040		▶ See instructions for Schedules A&B (Forms 1040)		Your social security number 	
Please copy across on Form 1040							
Medical and Dental Expenses:	1	Medical and dental expenses (see page 4-1).	1				
	2	Enter amount from Form 1040, line 38: 2 	2				
	3	Multiply line 2 by 7.5% (0.075)	3				
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-.	4				
Taxes You Paid	5	State and local (check only one box):	5				
	a	<input type="checkbox"/> Income taxes, or					
	b	<input type="checkbox"/> General sales taxes					

Cont. of Top Issues that cause delays

- Incomplete return
- Not providing all of the requested/additional documentation when requested

To prevent delays in processing

- Remind taxpayers to sign their returns
- Ensure all forms and schedules are attached to original return
- Make sure W2's/1099s are attached to return
- Ensure forms and schedules are in sequence order
- Complete taxpayer information on actual Forms and Schedules

To prevent delays in processing - Continued

- Electronically file returns
- Direct Deposit
- Use taxpayer labels
- Complete Entity information

Correspondence

Correspondence is necessary when a return is:

- Incomplete
- Illegible and cannot be processed

Note: It is important that requested information be provided as soon as possible

Questions?

Entity/1040x

- Entity tax examiners establish, change, maintain, and/or perfect the entity section of individual taxpayer accounts.
- The business unit receives a variety of correspondence for processing.
- Clerks are responsible for sorting all incoming correspondence.

Entity

The entity section on a taxpayers account is made up of several different pieces of information, such as:

- Name
- Address
- SSN
- Date of Birth (DOB)
- Spouse's name
- Spouse's SSN
- Filing Status

Address Changes

The principal inventory in the Entity Department is Address Changes (Form 8822).

Some common problems identified during the processing of these forms are:

- Missing Signature
- Missing/Illegible Social Security Numbers
- Address Illegible

Computer Generated Notices

Largest inventory on this program is CP 27.

Some of the common errors on Schedule EIC are:

- Signature Missing
- Incomplete yes/no boxes

CP Notices

CP notices processed:

- CP 54 which is an inquiry about name or SSN
- CP 08 which is a notice for Additional Child Tax credit. Common error is missing Form 8812.
- CP 09 which is a notice for Earned Income Credit with children. Common errors are:
 - Missing Schedule EIC
 - Missing Date of Birth
 - Missing SSN

Amended Returns

- Over 1.1 million returns were received in the 1040X Department during the filing season.
- Tax examiners access account information and make the necessary adjustments.
- A new program called JEEDA has been implemented to reduce research which will improve productivity.

Issues routed to Accounts Management

- Change or report a ITIN to SSN for Primary or Secondary TP
- TP requesting a refund check to a 'temp' address, or in another name
- Filing status changes (exceptions are: filing status single to head of household or head of household to single)
- Refund case with a deceased taxpayer
- Health Savings Account, Form 8889

Issues routed to Accounts Management

- Alimony paid w/recipient's TIN provided
- IRA deduction/contribution
- Domestic Production Activity, Form 8903
- Change to Alternative Minimum Tax
- Foreign Tax Credit, Form 1116

Input Correction Operation

Presented by Linda Andrist & Melanie Chambers

**Error Resolution System (ERS) /
Rejects**

Unpostables / Notice Review

Document Retention



ERS

ERS main responsibilities:

- Corrects return errors online and send notices to taxpayers explaining the changes made.
- Corresponds for missing information needed to process the return.
- Correct errors on E-filed returns and send notices.

Top 5 errors identified in ERS for Form 1040 Tax Year 2008

1. The recovery rebate was not computed.
2. The amount of the recovery rebate credit claimed was incorrect.
3. Dependents names don't match.
4. The amount of tax computed on the return was incorrect.
5. EIC was figured or entered incorrectly.

Rejects

Rejects main responsibilities:

- Process returns that have been received from the taxpayer after we have corresponded for additional information.
- Resolve technical returns that require more in depth research.

Unpostables

Unpostables main responsibilities:

- Resolve discrepancies between Social Security information provided from the taxpayer and information on file with the Social Security Administration.
- Research and identify misapplied payments and apply them to the appropriate account.

Notice Review

Notice Review's main responsibilities is to review a percentage of all Taxpayer notices for accuracy.

Document Retention (Files)

Files main responsibility:

- File, store and protect returns.
- Send returns to requesting officials.

Paper Returns vs. Electronically filed Returns

As of 6/30/2009:

ERS has worked 4,469,692 paper filed documents and 1,736,150 Electronically filed returns.

This translates to an average annual fall out of approximately 25% for paper returns and 2% for electronically filed returns.

What you can do to help

- Ensure all forms, schedules and W-2's are included with the return.
- Verify the taxpayer has signed their return.
- Validate Social Security Numbers and last names.
- Remind your clients to update their names with the Social Security Administration.
- Ensure that all payments include the taxpayers name, social security number, tax year and form (i.e. 1040).

Accounting

Presented by Lisa Marott

Accounting Operation

**Director
Accountability**

Teams



Accounting Operation

The Fresno IRS Campus Accounting Operation:

- On first line of defense to protect Taxpayers' and Government's revenue;
- October 2008 – June 2009: \$91.7 Billion;
- All revenue and non revenue transactions - recorded and reported to the Treasury;
- Financial reporting used to make budget decisions.

“Accounting must balance to the penny!”

Director Accountability

The Submission Processing Field Director is the Accountable Officer. They are responsible for:

- Public funds.... In effect, a trustee for the taxpayer
- Ensuring that the established principles and standards are met in maintaining the accounting system.
- Maintaining proper controls. They can be held financially responsible

Seven Teams

- Accounting Teams:
 - Data Control
 - RACS/Excess Collections
 - Manual/Erroneous Refund
 - Unidentified/Dishonored Check
- Three RAIVS(***Return and Income Verification Service***) Teams

Common Causes of Delays

- Forms are completed incorrectly, illegibly, or missing signatures and/or dates.
- Not reading all instructions for forms before completing them.
- Not including all necessary attachments.
- Not including Taxpayer Identification Number (SSN/EIN) and tax period on checks submitted to pay taxes.

Common Causes of Delays - continued

- Form 2848 (Power of Attorney) is submitted to the IRS with incorrect or illegible information and missing signatures and/or dates.
- Altering Forms 4506 or 4506-T.