



Douglas Shulman,
IRS Commissioner

Economic Stimulus Payments Delivered

In late April, the Treasury began sending economic stimulus payments to more than 130 million households. Economic stimulus payments will continue to be sent to individuals who file their tax return by October 15, 2008.

Since the payments began, the IRS has been fielding a variety of questions centered on the payment schedule, factors affecting direct deposit of payments, eligibility requirements and questions about the payment amounts. The IRS continues to update the Frequently Asked Questions on www.irs.gov, covering everything from payments to members of the Armed Forces, to change of address, to amended returns.

“Many people have questions about the stimulus payments, and the IRS has the answers available on the IRS.gov Web site,” IRS Commissioner Doug Shulman said. “The stimulus payments are automatic for eligible taxpayers who filed a 2007 tax return, and taxpayers do not need to take any additional action to receive the payment.”

Millions of Americans have visited www.irs.gov and called the IRS toll-free lines. The most common question has been when people can expect their payments. The *Economic Stimulus Calculator* and *Where's My Stimulus Payment* features on www.irs.gov offer interactive, individualized assistance.

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What's On the Web?

It's Not Too Late to File for Economic Stimulus Payment

Even though April 15th has passed, it is not too late for your constituents to file their return and receive an economic stimulus payment. Millions of people are eligible to receive the payment but may not know it or think it is too late.

Certain Social Security benefit recipients, disabled veterans and low-wage workers who normally don't file a tax return because their income is too low or nontaxable may qualify for a payment. These individuals must have at least \$3,000 in qualifying income. Qualifying income includes any combination of earned income, nontaxable combat pay and certain payments from Social Security, Veterans Affairs and Railroad Retirement.

Social Security benefits that qualify include retirement, disability and survivor payments. Supplemental Security Income (SSI) benefits are not qualifying income. Veterans Affairs benefits that are qualifying income include disability compensation, disability pension and

survivor payments. Qualifying Railroad Retirement payments include the social security equivalent portion of Tier 1 benefits.

These constituents can file a simple Form 1040A tax return to obtain their stimulus payment. The law provides a minimum payment of \$300 (\$600 for married couples) plus an additional \$300 payment per eligible child. Anyone who qualifies for the payment must file a 2007 tax return by October 15, 2008.

There are several ways individuals can file a tax return to get the economic stimulus payment. Taxpayers whose income is \$40,000 or less can get free tax preparation and filing at more than 400 IRS Taxpayer Assistance Centers. To find an IRS office, go to IRS.gov and click on “Contact IRS,” then “Contact Your Local IRS Office.”

People filing solely to receive a stimulus payment can also file their return electronically by using IRS Free File – Economic Stimulus Payment, which is also available at www.irs.gov. This program provides free software and free electronic filing of Form 1040A, and remains open until the October 15 filing deadline.

IRS Working with Partners

IRS is continuing to work with external partners to expand their educational and outreach efforts to include a key theme, “It is not too late to file for economic stimulus payments.” The focus is on reaching out to seniors, veterans, persons with disabilities and Limited English Proficiency populations.

To assist individuals who are filing a return to receive an economic stimulus payment:

- ☐ IRS Taxpayer Assistance Centers and some VITA and TCE volunteer sites remain open to provide free tax preparation assistance for individuals filing for a stimulus payment.
- ☐ AARP has reached out to its constituents through their publications with articles and messages that emphasize the need to “help a friend or family member” file for their stimulus payment.
- ☐ The National Council on Aging and AARP have developed an online, interactive tool that provides filing assistance.
- ☐ Local community-based organizations have recruited and trained volunteers and scheduled free tax preparation assistance events at locations frequented by the target audience including senior centers, nursing homes, VA hospitals, low-income housing units, etc.
- ☐ IRS continuously updates the stimulus page on IRS.gov with FAQs and news releases and disseminates partner links and pertinent economic stimulus information.

Visit the [Economic Stimulus Payments Information Center](#) for all details. Assistance is also available through the IRS toll free number, 1-800-TAX-1040, and the Economic Stimulus Hotline, 1-866-234-2942.

Meet the Commissioner



Douglas Shulman became the 47th Commissioner of Internal Revenue on March 24, 2008. He presides over the nation’s tax administration system, which collects approximately \$2.4 trillion in tax revenue that funds most government operations and public services. He manages an agency of over 100,000 employees and a budget of approximately \$11 billion.

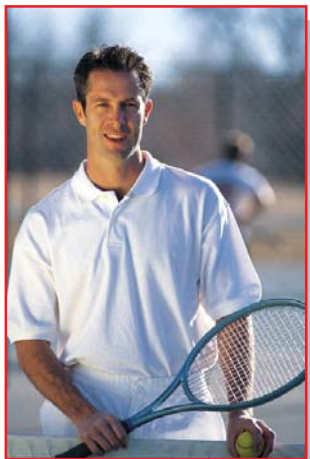
In a statement after his confirmation, Commissioner Shulman said:

The Internal Revenue Service touches virtually every adult, every business and every non-profit organization in America. It is an honor to assume the leadership of this critical agency. I recognize the great responsibility I have been given and will work to ensure that the IRS is fair, impartial and respects the rights of all taxpayers.

As Commissioner, I will concentrate on both enforcement and service. For the majority of Americans who pay their taxes willingly and on time, there must be clear guidance, accessible education and outstanding service. Our aim should be to make it as easy as possible for citizens to pay the correct amount of taxes in the most efficient and least burdensome manner possible.

Shulman came to the IRS from the Financial Industry Regulatory Authority (FINRA), the private-sector regulator of all securities firms doing business in the United States. As vice chairman, he was responsible for strategy, services and operations.

He holds a B.A. from Williams College, an M.P.A. from Harvard University's John F. Kennedy School of Government and a J.D. magna cum laude from Georgetown University Law Center.



IRS Focuses on Foreign Athletes and Entertainers

To deal with the globalization of taxpayers, the IRS developed a service-wide approach to address international tax administration issues. This cross-functional cooperation addresses international customer service and compliance issues.

IRS uses Issue Management Teams comprised of Counsel, other operating divisions, and a management team of executives, territory managers and group managers to address cross-functional compliance issues.

One Issue Management Team is focusing on improving tax compliance by foreign athletes and entertainers who work in the United States. These individuals are typically high-income individuals. Therefore, it is important to ensure proper tax reporting and payment.

IRS is using a three-pronged approach for this initiative:

- ▣ Making information and guidance available to help this group comply with income reporting and tax payment requirements
- ▣ Providing IRS enforcement personnel with information they need to identify and work compliance issues frequently encountered with this population
- ▣ Conducting direct compliance and enforcement activities

Non-resident alien (NRA) athletes and entertainers who earn income from personal services in the United States must pay federal income taxes. Generally, the law requires gross earnings to be withheld at a rate of 30 percent.

Central Withholding Agreements

A Central Withholding Agreement (CWA) is a contract between an athlete or entertainer, a withholding agent, and the IRS that permits the withholding agent to collect a reduced amount based on the non-resident alien's net income (gross income less expenses). A CWA can help non-resident entertainers and athletes reduce the amount withheld so it is in line with their projected tax liability. With an agreement in place, foreign athletes and entertainers have additional funds to pay expenses, and the tax withheld will be closer to their income tax liability for the year.

After a few years of education and cooperation, foreign athletes and entertainment industries encourage the use of CWAs.

Additional information is available at [Taxation of Foreign Athletes and Entertainers](#) on the IRS web site.

Help Your Constituents Understand Mortgage Verification



The National Taxpayer Advocate's 2007 Annual Report to Congress identified mortgage verification as one of the most serious problems encountered by taxpayers. When closing on a mortgage, a borrower often must consent to disclose certain tax information in order to verify his or her income. This consent usually involves signing a *blank* copy of Form 4506-T, *Request for Transcript of Tax Return*, along with other mortgage documents. This form authorizes the lender or investor to obtain from the IRS copies of return transcripts, summarizing income and tax data, for as many as four years. The lender can only use the form for 60 days after the date the borrower signs it.

From a lender's perspective, income verification is a good idea, because it offers an accurate picture of a borrower's financial status, protecting lenders and borrowers from default. However, signing a blank form poses risks to the unaware or uninformed taxpayer. A borrower may not realize that when he or she signs an undated form on which the third party, *i.e.*, the mortgage company, is not identified, any number of entities with access to that form may obtain the taxpayer's information at any time in the future.

To educate taxpayers about the potential dangers of signing blank or incomplete forms the Taxpayer Advocate Service has developed Publication 4419, *What You Need to Know about the Mortgage Verification Process*, which is available on the IRS website at www.irs.gov. The National Taxpayer Advocate has also made recommendations to both Congress and the IRS about changes to the law and the forms that will help protect taxpayer information.

You can view video messages from the National Taxpayer Advocate on this and several other important tax topics at www.Tax-Toolkit.com.

Low Income Taxpayer Clinics Offer Free Nationwide Assistance

The Low Income Taxpayer Clinic (LITC) matching grant program, a federal program now in its tenth year, is continuing to expand its services. So far, in the 2008 cycle, the LITC Program Office has awarded grants to 154 organizations in all 50 states, the District of Columbia, Puerto Rico, and Guam. The grant application period for the 2009 grant cycle closed on July 7th, 2008.



LITCs — law schools, universities, and other non-profit organizations — provide representation for free or for a nominal charge to low income taxpayers involved in tax disputes with the IRS. They also provide education on tax rights and responsibilities to taxpayers for whom English is a second language. The program is administered by the Taxpayer Advocate Service (TAS), an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, or who are seeking help in resolving tax problems that have not been resolved through appropriate channels.

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Despite the IRS's efforts to foster parity in availability and accessibility in the selection of organizations receiving LITC matching grants and the continued increase in clinic services nationwide, some communities are underrepresented by clinics. Thus, the LITC Program Office sometimes solicits applications from qualifying organizations in targeted geographic areas after the regular application period has closed. For example, for the 2008 cycle, the office opened a supplemental grant application period starting March 24 and ending April 24. This action targeted specific underserved areas, including Los Angeles, California; central Oregon; Boise, Idaho; Minneapolis, Minnesota; Reno and Las Vegas, Nevada; St. Louis, Missouri; Brownsville and Laredo, Texas; Southwest Florida; New Mexico; Colorado; Mississippi; and Northeast Pennsylvania.

To find out about the LITC nearest you, contact your Local Taxpayer Advocate, look in [Publication 4134, *Low Income Taxpayer Clinic List*](#), visit the TAS website at www.irs.gov/advocate or call the IRS toll-free at (800) 829-1040. A Spanish version of Publication 4134 is also available.

IRS Recommendations Can Help Businesses and Employees Prepare for Disaster

When a major natural or man-made calamity occurs, disaster planning is critical in getting businesses up and running and helping employees get back to work. The Internal Revenue Service recommends the following steps so that businesses can resume normal activities as soon as possible:

- ▣ Develop emergency plans for employees, as well as continuity and business resumption plans.
- ▣ Assess how the company functions, both internally and externally, to determine which staff, materials, procedures and equipment are absolutely necessary to keep the business operating.
- ▣ Develop a business process flow chart, determining which operations are critical to survival, ensuring there are emergency payroll and accounting systems in place, and having a succession management plan.
- ▣ Store records in an electronic format and keep back-up copies stored in a safe location. IRS assistance is available for some records, such as copies of tax returns or transcripts of returns.

Businesses and individuals can get information and suggestions on paperless recordkeeping, documenting assets and valuables, emergency planning and disaster loss kits at Disaster Assistance and Emergency Relief for Individuals and Businesses.

In the event of any emergency, the IRS is ready to help.

Certain Fuel Users May File Form 8849 to Claim LUST Tax Refund

The IRS recently announced that amendments to the Tax Technical Corrections Act of 2007 and to the Internal Revenue Code removed a double Leaking Underground Storage Tank (LUST) excise tax previously imposed on dyed diesel fuel used in trains, and fuels (other than Bunker C residual fuel oil) used on inland waterways. Affected taxpayers may claim a refund of any second LUST tax paid. The Act also exempted fuel used in foreign trade from the LUST tax and provided for a refund of the LUST tax previously imposed on this use.

The current [Form 8849](#) does not have specific fields for claiming a refund of a second LUST tax as allowed by the Act. IRS has issued [interim instructions](#) and explained eligibility for the refund on www.irs.gov.

The refund for the inland waterways and trains is available only in situations where the LUST tax was paid twice. If a credit for a second LUST tax has already been claimed on a [Form 720, Quarterly Federal Excise Tax Return](#), an additional refund claimed on a Form 8849 is not allowed.

Go to www.irs.gov, keyword "Form 8849" for more information and instructions for claiming the LUST tax using Form 8849.

IRS Continues Program on Political Campaign Activity by Charities



The Internal Revenue Service has announced that its Political Activities Compliance Initiative (PACI) will again be in effect for the 2008 election season. The PACI program seeks to educate section 501(c)(3) organizations, such as charities and churches, about the federal law concerning political campaign activity and to enforce the law in this area.

By law, organizations exempt from tax under Internal Revenue Code section 501(c)(3) may not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

“We take very seriously our obligation to ensure that tax-exempt organizations have the information they need to make the right decisions about political campaign activities,” said Steven T. Miller, Commissioner of IRS’ Tax Exempt and Government Entities Division. “The vast majority of organizations want to do the right thing, and as in past years, we will continue our efforts to make sure they have the information they need.”

The prohibition against political campaign activity has been in effect for more than half a century and bars certain tax-exempt organizations from intervening on behalf of or in opposition to political candidates. However, these organizations can engage in advocating for or against issues and, to a limited extent, ballot initiatives or other legislative activities.

IRS Stresses Education and Enforcement

The IRS is making extensive efforts to educate 501(c)(3) organizations, political parties and candidates. Letters are being sent to the national political party committees explaining the law’s prohibition regarding charities and churches. In March, a letter was published in the Federal Election Commission’s monthly newsletter, asking candidates to ensure that their contacts with charitable organizations do not inadvertently jeopardize the tax-exempt status of any charity. The IRS has issued a news release on the subject in every presidential election year since 1992.

The IRS also has posted on its Web site a “program letter” to its Exempt Organizations employees. The letter explains the PACI objectives for 2008 and emphasizes the IRS’ priority both to educate the public and tax-exempt community about the law pertaining to political campaign intervention and to maintain a meaningful enforcement presence in this area.

Exempt Organizations Director Lois G. Lerner noted that PACI’s enforcement procedures will remain in the hands of career IRS employees who are experts in the tax law in this area.

“As in the past, we will continue to use existing procedures, including a committee of career civil servants, to determine which cases to pursue,” Lerner said. “We will focus on cases involving allegations of egregious violations.”

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Lerner said the IRS Exempt Organizations function plans a report on the 2008 election year which will be based on the experience of prior election cycles, and will continue working with the tax-exempt community to identify areas for additional guidance.

“By continuing to work closely with the tax-exempt community, we can provide guidance and education to help charities and churches comply with the law,” Lerner said. “We also must continue to monitor the actions of tax-exempt organizations involving political campaigns, in order to carry out our obligation to administer the tax law consistent with congressional intent.”

In June 2007, the IRS released a [Report on the Political Activity Compliance Initiative](#) for the 2006 election cycle.



IRS Adds Functions to Online Payment Agreement Application

The IRS has introduced several new features to the interactive [Online Payment Agreement application](#), which will make it easier for taxpayers and their authorized representatives to make changes to existing installment agreements.

The system will now permit:

- Individuals to revise their payment due dates and/or amounts on existing agreements.
 - Individuals to revise existing extensions to regular installment agreements and direct debit installment agreements.
 - Individuals to revise existing regular installment agreements to a payroll deduction installment agreement or a direct debit installment agreement.
- Practitioners with valid authorizations to use the signature date found on their approved Form 2848, Power of Attorney and Declaration of Representative, or the caller ID as an alternate way to authenticate when requesting agreements for clients.

More than 75 percent of those eligible for an installment agreement can establish one using the online application. Since launching in October 2006, more than 30,000 taxpayers have successfully used it to set up a [payment agreement](#).

Eligible taxpayers who owe \$25,000 or less in combined tax, penalties and interest can self-qualify, apply and receive immediate notification of approval for installment agreements – including pre-assessed agreements on tax year 2007 Form 1040 liabilities and paperless direct debit agreements.

Paying taxes on time and in full avoids unnecessary penalties and interest. However, taxpayers who cannot pay in full may request a payment agreement. To be eligible, a taxpayer must first file all required tax returns and be current with estimated tax payments, if applicable.

IRS Has Products & Services for Small Businesses & Tax Professionals

The IRS has a number of products and services to help small businesses and tax professionals meet their tax responsibilities. They are easy to use, and convenient to access online or order in hard copy.

1. Small Business Tax Workshops

IRS offers Small Business Tax Workshops in several formats to help business owners understand and fulfill their federal tax responsibilities. Workshop topics vary from a general overview of taxes and recordkeeping to more specific topics such as federal tax deposits and retirement plans.



Local workshops are sponsored and presented by IRS partners who are federal tax specialists. Although most are free, some may have fees associated with them. For those unable to attend a workshop, the [IRS' Virtual Small Business Workshop](#) is available online in streaming video or on DVD.

2. Small Business Resource Guide CD-ROM

The interactive Small Business Resource Guide CD-ROM is designed to equip small business owners with the skills and knowledge needed to successfully manage a business. It covers a wide range of topics, from starting a business to retirement plan options. As an added benefit, the [Resource Guide Updates page](#) provides links to newly released products, and highlights recent tax law changes that might impact the small business community.

3. Industries/Professions Web site

The [Industries and Professions](#) web site on [irs.gov](#) has an abundance of information for various different businesses.

4. Reference Guides

The IRS Audit Technique Guides were designed to help IRS examiners better understand specific tax issues and industries. The current 41 [Audit Technique Guides](#) contain common and unique issues, industry terminology, and other information that members of the business community have also found helpful in ensuring their tax returns were prepared correctly.

5. The Small Business/Self-Employed Industries/Professions Web site

The [Small Business/Self-Employed Industries and Professions](#) Web page provides links to tax tips and information on avoiding problems, tax laws and regulations, and additional links to information for specific industries including automotive, real estate and restaurants.

6. Pub 4591, Small Business Federal Tax Responsibilities

[Publication 4591](#), Small Business Federal Tax Responsibilities, provides essential information for small businesses and the self-employed in one convenient location. The tri-fold brochure includes information on tax responsibilities, forms and publications, and web resources.

7. 2008 IRS Tax Calendar for Small Businesses and the Self-Employed

The [2008 IRS Tax Calendar for Small Business and Self-Employed](#) includes information on general business taxes, electronic filing and paying options, retirement plans, business publications and forms, common tax filing dates, and much more. An [online calendar](#) can also be downloaded and imported into Outlook and iCAL.

8. Tax Hints Practitioner's Guide

This [electronic publication](#) collects links to vital information and data from the *irs.gov* website, and presents them all here, in one convenient sourcebook for tax professionals.

9. e-News for Small Businesses

To learn about other IRS products and services, subscribe to [e-News for Small Businesses](#). Simply type in your e-mail address and submit.

How to order

To order a copy of the DVD, resource guide, or calendar, visit the [Small Business Products Online ordering page](#) or contact your local Governmental Liaison.



IRS Helps New Small Businesses Understand Tax Responsibilities

The Internal Revenue Service recently launched a campaign to educate new self-employed small business owners about their federal tax responsibilities.

The campaign kick-off coincided with the Small Business Administration's annual Small Business Week, April 21-25, which recognized outstanding small business owners for their contributions to the nation's economy and their personal achievements.

“One of the biggest challenges faced by people starting out in business is understanding and meeting their tax filing requirements,” said Kathy Petronchak, former commissioner of the IRS's Small Business/Self-Employed operating division. “It's a new, different and potentially overwhelming experience for them. We want new small business owners to know that the IRS has resources to help them learn about their federal tax responsibilities and avoid common pitfalls.”

The campaign will provide new Schedule C, Profit or Loss from Business, filers with improved and updated educational materials through a variety of channels, including [www.irs.gov](#), small business workshops, and other outreach events. Schedule C is filed by sole proprietors (one-owner businesses) as an attachment to their Form 1040 individual income tax return. Self-employed individuals with less complex situations – including business expenses of less than \$5,000, no net losses and no employees – may be able to file Schedule C-EZ, Net Profit for Business.

About one in seven federal income tax returns includes a Schedule C or Schedule C-EZ. Taxpayers filed over 21 million Schedules Cs for tax-year 2006, reporting overall net profits from sole proprietorships totaling more than \$269 billion. The IRS consulted with stakeholders to solicit input for the initiative. Key industry associations and

organizations shared concerns, ideas, and suggestions. Learning about accounting methods, payroll, retirement incentives, business deductions, and tax benefits emerged as some of the most prominent issues for Schedule C filers. In the introductory phase of the campaign, IRS is offering some basic tips to avoid potential problems:

- ☐ Classify workers properly as employees or independent contractors as determined by law, not the choice of the worker or business owner;
- ☐ Deposit federal employment taxes, called trust fund taxes, according to the appropriate schedule;
- ☐ Start making quarterly estimated-tax payments to cover your own income tax and social security self-employment tax liability;
- ☐ Keep good records to protect your personal and financial investment and to make tax filing easier;
- ☐ Consider a tax professional to help you with Schedule C;
- ☐ File and pay your taxes electronically; it's fast, easy, and secure;
- ☐ Protect financial and tax records to ensure business continuity in the event of a disaster; and
- ☐ Avoid abusive tax avoidance schemes such as the IRS's 2008 "Dirty Dozen".

Beginning in the summer and extending throughout the remainder of 2008, the IRS will provide more specific information and products and partner with external organizations to build upon the initial phase of this initiative.

Related Item:

[Publication 334, Tax Guide for Small Business](#)

What's on the Web?

Tax Trails to Tax Help

When constituents call with tax questions, you may head to www.irs.gov for answers. But where do you go when you get there? Tax Trails is a good bet for many basic IRS questions.

Tax Trails currently provides information on 37 tax topics, such as deductions and exclusions, tax credits, taxable income, and various other subjects.

Many of the topics on the site are interactive. If you're interested in deducting moving expenses, for example, just follow the series of Yes or No questions until you arrive at an answer.

When you click on more complex topics, you receive basic information on where to find a complete answer. For instance, if you are interested in Tip Income, click on the topic link. Once there, you will find links to publications dealing with recording and reporting tip income and a link to the necessary form.

The next time you round up a tax question, think about heading out to the trail for help. Happy trails!

Some of the 37 topics on Tax Trails are:

- ☐ Can I Claim The Child and Dependent Care Expense?
- ☐ Is My Home Mortgage Interest Deductible?
- ☐ Can I deduct Business Use of the Home Expenses?
- ☐ Do I have to Pay Estimated Tax?
- ☐ Can I File An Injured Spouse Claim?

