

IRS Updates and News Releases

Return Preparer Strategy

This month [IRS began taking action](#) to step up oversight of tax preparers [by sending out more than 10,000 letters to preparers](#) who have filed large volumes of specific tax returns where the IRS typically sees frequent errors. The letters remind these tax return preparers of their obligation to prepare accurate tax returns. Later this month IRS agents will visit thousands of the preparers who receive the letters. [Complete information](#) is available on a new IRS.gov page, including [Frequently Asked Questions](#) about the upcoming visits.

New Homebuyer Credit Form Released; Taxpayers Reminded to Attach Settlement Statement and Other Key Documents

The Internal Revenue Service today released the new form that eligible homebuyers need to claim the first-time homebuyer credit this tax season and announced processing of those tax returns will begin in mid-February. The IRS also announced new documentation requirements to deter fraud related to the first-time homebuyer credit. The new form and instructions follow major changes in November to the homebuyer credit by the Worker, Homeownership, and Business Assistance Act of 2009. The new law extended the credit to a broader range of home purchasers and added new documentation requirements to deter fraud and ensure taxpayers properly claim the credit.

With the release of [Form 5405](#), First-Time Homebuyer Credit and Repayment of the Credit, and the related [instructions](#), eligible homebuyers can now start to file their 2009 tax returns. Taxpayers claiming the homebuyer credit must file a paper tax return because of the added documentation requirements. The IRS expects to start processing 2009 tax returns claiming the homebuyer credit in mid-February after it completes the updating and testing of systems to meet the law's new requirements. The updates allow the IRS to put in place critical systemic checks to deter fraud related to the homebuyer credit.

Some of these early taxpayers claiming the homebuyer credit may see tax refunds take an additional two to three weeks.

In addition to filling out a Form 5405, all eligible homebuyers must include with their 2009 tax returns one of the following documents in order to receive the credit:

- A copy of the settlement statement showing all parties' names and signatures, property address, sales price, and date of purchase. Normally, this is the properly executed Form HUD-1, Settlement Statement.
- For mobile home purchasers who are unable to get a settlement statement, a copy of the executed retail sales contract showing all parties' names and signatures, property address, purchase price and date of purchase.
- For a newly constructed home where a settlement statement is not available, a copy of the certificate of occupancy showing the owner's name, property address and date of the certificate.

In addition, the new law allows a long-time resident of the same main home to claim the homebuyer credit if they purchase a new principal residence. To qualify, eligible taxpayers must show that they lived in their old homes for a five-consecutive-year period during the eight-year period ending on the purchase date of the new home. The IRS has stepped up compliance checks involving the homebuyer credit, and it encouraged homebuyers claiming this part of the

credit to avoid refund delays by attaching documentation covering the five-consecutive-year period:

- Form 1098, Mortgage Interest Statement, or substitute mortgage interest statements,
- Property tax records or
- Homeowner's insurance records.

The IRS also reminded homebuyers that the new documentation requirements mean that taxpayers claiming the credit cannot file electronically and must file paper returns. Taxpayers can still use [IRS Free File](#) to prepare their returns, but the returns must be printed out and sent to the IRS, along with all required documentation.

Normally, it takes about four to eight weeks to get a refund claimed on a complete and accurate paper return where all required documents are attached. For those homebuyers filing early, the IRS expects the first refunds based on the homebuyer credit will be issued toward the end of March.

Economic Recovery Payment Contact Information

The [Economic Recovery Payment \(ERP\)](#) will be a reduction to any [Making Work Pay Tax Credit](#) for which the recipient qualifies. The Making Work Pay tax credit will be claimed on the recipient's 2009 tax return filed in 2010. Taxpayers who can't recall if they received the economic recovery payment should contact their respective agency for confirmation before completing and filing their 2009 tax return in 2010. **The IRS will not be able to provide this information.** If a taxpayer needs to know whether they got a payment they should contact their respective agency personally.

- Social Security Administration: Toll Free number 800-772-1213. General ERP inquiries can be answered by the SSA Web site: www.ssa.gov/recovery.
- Veterans Administration: Toll free number is 800-827-1000. General ERP inquiries can be answered by going to the VA Web site: www.va.gov/recovery.
- Railroad Retirement Board: Go to the RRB Web site at www.rrb.gov/recovery for more details.

As a general rule, **these agencies will not provide the verification to a return preparer who calls the agency independently.** These agencies have policies, similar to the IRS, that information is available to a third party representative only if that individual is formally authorized to represent the taxpayer with the agency. For tax related questions, these agencies will refer callers back to the [Recovery Payment](#) pages

on our IRS.gov web site and only secondarily be advised to call our toll free number (800-829-1040).

For more IRS information regarding the economic recovery payment and the Making Work Pay credit see these [questions and answers](#).

Servicewide Key Messages for Tax Professionals

This quarters [Servicewide Key Messages for Tax Professionals](#) are now available on irs.gov. Tax return preparers perform a vital function in assisting taxpayers in meeting their tax obligations. As a tax professional, you have a vested interest (as both a taxpayer and a tax preparer) in the protection of the integrity of the tax filing system. We are committed to providing tax professionals

with the information and tools you need to prepare timely, accurate, and complete tax returns for their clients.

The National Taxpayer Advocate delivered her [2009 Annual Report to Congress](#).

National Taxpayer Advocate Nina E. Olson today released her annual report to Congress, warning that increased demands on the IRS have eroded the agency's ability to meet taxpayer service needs and expressing concern that IRS collection practices are harming financially struggling taxpayers without producing significant revenue gains. In the preface to the report, Olson noted that she is required by statute to identify taxpayer problems, but she wrote that "the IRS in many respects has had an extremely successful year." She cited, in particular, the IRS's success in implementing significant legislative changes designed to stimulate the economy in the midst of the filing season.

Among the key issues and themes identified in this year's report:

- [Telephone Service](#).
- [Examination and Collection Issues](#).
- [Preparer Regulation](#).
- [Rethinking the "Pay Refunds First, Verify Eligibility Later" Approach to Tax Returns Processing](#).
- [Running Social Programs through the Tax System](#).

Related Items:

- [Executive Summary of 2009 Annual Report to Congress](#)
- [Complete Report: 2009 Annual Report to Congress](#)

Five Filing Facts for Recently Married or Divorced Taxpayers

If you were married or divorced recently, there are a couple of things you'll want to do to ensure the name on your tax return matches the name registered with the Social Security Administration.

Here are five facts from the IRS for recently married or divorced taxpayers. Following these steps will help avoid problems when you file your tax return.

1. If you took your spouse's last name or if both spouses hyphenate their last names, you may run into complications if you don't notify the SSA. When newlyweds file a tax return using their new last names, IRS computers can't match the new name with their Social Security Number.
2. If you were recently divorced and changed back to your previous last name, you'll also need to notify the SSA of this name change.
3. Informing the SSA of a name change is a snap; you'll just need to file a Form SS-5, Application for a Social Security Card at your local SSA office.
4. Form SS-5 is available on SSA's Web site at www.socialsecurity.gov, by calling 800-772-1213 or at local offices. It usually takes about two weeks to have the change verified.
5. If you adopted your spouse's children after getting married, you'll want to make sure the children have an SSN. Taxpayers must provide an SSN for each dependent claimed on a tax return. For adopted children without SSNs, the parents can apply for an Adoption Taxpayer Identification Number – or ATIN – by filing Form W-7A, Application for Taxpayer Identification Number for Pending U.S. Adoptions with the IRS. The ATIN is a

temporary number used in place of an SSN on the tax return. The W-7A is available on IRS.gov, or by calling 800-TAX-FORM (800-829-3676).

- [Social Security Administration](#)
- Form SS-5, Application for a Social Security Card ([PDF](#))
- Form W-7A, Application for Taxpayer Identification Number for Pending U.S. Adoptions ([PDF 42K](#))

Payroll Professionals Tax Center - Information for Payroll Professionals and Their Clients

The IRS has created a new [Payroll Professionals Tax Center](#). This is a one-stop center for anything related to the payroll professionals and their client. IRS.gov now has several Tax Centers designed to provide relevant tax related information for specific industries and professions. Tax Centers are available for the Agricultural Industry to the Trucking Industry. A full listing is available on the [Industries/Professions](#).

IRS Nationwide Tax Forums

Tax professionals should make plans to attend the 2010 IRS Nationwide Tax Forums, which will be held in Atlanta, Chicago, Orlando, Fla; New York, and Las Vegas. Earn valuable CPE or CFP credits, while getting the latest updates on key federal and state tax law issues, reconnecting with friends and colleagues and enjoying networking opportunities. Online registration opens March 1. [Program details and hotel information have been posted to the internet.](#)

New IRS e-file Security and Privacy Standards for Online Providers

The [IRS has mandated six new security, privacy, and business standards](#) to better serve taxpayers and protect their information collected, processed and stored by online providers of individual income tax returns. Although these standards become mandatory on Jan. 1, 2010, there will be an enforcement grace period until Dec. 31, 2010.

Exempt Organization Update

1. [Rev. Proc. 2010-8: New User Fees for Exempt Organization Matters](#)
2. [Rev. Proc. 2010-4: Updated Procedures for Issuance of Ruling and Information Letters](#)
3. [Rev. Proc. 2010-5: Updated Procedures for Issuance of Technical Advice](#)
4. [IRS Proposes New Requirements for Tax Return Preparers](#)
5. [Statistical Information of Interest to Tax-Exempt Organizations](#)
6. [Providing Earthquake Relief to Haiti](#)
7. [Form 990 Resources and Tools](#)
8. [Understanding IRS Notices and Letters](#)
9. [Form 8872 Filing Dates for 2010](#)
10. [Revenue Procedure 2010-9: Determinations and Rulings](#)
11. [Reminder: File Form 990 Series Returns Timely to Preserve Tax-Exempt Status](#)
12. [IRS Announces Qualified Disaster Treatment for Haiti](#)
13. [Register Now! New Small and Mid-sized Workshop Locations Added for Spring](#)
14. [Haiti Relief Donations Qualify for Immediate Tax Relief](#)
15. [IRS Issues Electronic Filing Waiver Request Procedures](#)
16. [Save the Date! 2010 Tax Forums Announced](#)

If you have a technical or procedural question relating to Exempt Organizations, visit the [Charities and Nonprofits](#) homepage on the IRS.gov Web site. If you have a specific question about exempt organizations, call **EO Customer Account Services at 1-877-829-5500**. [Subscribe](#) to EO Update.

IRS Announces Qualified Disaster Treatment for Haiti

In a [News Release](#) the Internal Revenue Service today announced the designation of the earthquake in Haiti in January 2010 as a qualified disaster for federal tax purposes. The agency also issued [guidance](#) allowing recipients of qualified disaster relief payments to exclude those payments from income on their tax returns. Also, the guidance allows employer-sponsored private foundations to assist victims in areas affected by the January 2010 earthquake in Haiti without affecting their tax-exempt status.

2010 Annual SB/SE Customer Base Survey to Begin

The IRS will [begin conducting its annual telephone survey of small business and self-employed taxpayers](#) starting January 18, 2010 and running through mid-April, 2010. This survey is for small business and self-employed taxpayers who file certain income tax forms, including: 1120, 1120S, 1065 and 1040 with schedules C, E or F. Completing the survey is strictly voluntary, and all individual responses will remain anonymous to the IRS. The interviewers from PMR will not ask for any personal or financial information, including Social Security or Employer Identification Numbers, or banking, or credit card information.

Purchasing Real Property from a Foreign Person

There may be [tax obligations](#) for both the buyer and the seller when a [foreign person](#) sells real property in the United States.

The Health Coverage Tax Credit and the COBRA Subsidy

Some people who are eligible for the COBRA subsidy, [which has been extended through February](#) also qualify for the [health coverage tax credit \(HCTC\)](#) and may want to choose this more generous benefit, instead. The HCTC pays 80 percent of health insurance premiums for those who qualify. Eligible individuals must be receiving Trade Adjustment Assistance benefits or be over the age of 55 and receiving pension payments from the Pension Benefit Guaranty Corporation. Individuals must also be enrolled in a qualified health plan.

Foreign Corporations

Certain U.S. citizens and residents who are officers, directors or shareholders in a foreign corporation may be [required to file Form 5471](#), Information Return of U.S. Persons With Respect to Certain Foreign Corporations. Related link: [Forms 5471-Automatic Assessment of Penalties under IRC Section 6038\(b\)\(1\)](#)

Justice Department Seeking Injunctions Barring 13 Tax Preparers in Four States

The Justice Department announced Jan. 7 that it has filed six civil injunction lawsuits in Michigan, Ohio, Illinois, and Rhode Island against individuals and their tax preparation services to enjoin them from engaging in a variety of schemes involving false deductions and credit claims.

The lawsuits were filed in late December 2009 and early January 2010 and claimed the defendants fraudulently reduced their customers' federal income tax liabilities. The complaints sought to bar the preparers from preparing federal returns for others, filing returns for others, and representing customers before the Internal Revenue Service.

Complaints Filed in Four District Courts.

According to DOJ, the following were filed:

- A complaint filed in the U.S. District Court for Rhode Island against Brier, Jeffrey Sroufe, Esther Santiago, Maria Caroline Halog, Criselyn Rivera, Nitza Benitez, Carmen Miranda, Refunds Now Inc., RNTS, FTIRS Inc., POTIRS Inc, and IHIRS Inc., claimed the defendants inflated dependent exemptions, claimed fraudulent earned income tax credits, falsified charitable contribution and business expense deductions, and reported false expenses

related to rental real estate (United States v. Brier, D.R.I., No. CA09-607 ML, complaint filed 12/15/09).

- A complaint filed in the U.S. District Court for the Eastern District of Michigan against Harold K. Solomon, doing business as Solomon Service, said he made false business expense claims and claimed false or fabricated itemized deductions on more than 1,900 returns (United States v. Solomon, E.D. Mich., No. 2:10-cv-10038-SFC-MAR, complaint filed 1/5/10).
- A complaint filed in the U.S. District Court for the Southern District of Ohio against Erin Pryor, doing business as EP Express Tax Service, alleged Pryor claimed fraudulent disabled access and earned income tax credits as well as false telephone excise tax refund claims on more than 230 tax returns (United States v. Pryor, S.D. Ohio, No. 1:10CV06, complaint filed 1/5/09).
- A complaint filed in the U.S. District Court for the Northern District of Illinois against Matoi Rimes, doing business as Rimes Accounting Service, claimed Rimes inflated or fabricated itemized deductions, rental property deductions, and business expense deductions and misused the refund anticipation loan program for more than 3,100 tax returns (United States v. Rimes, N.D. Ill., No. 1:10-cv-00066, complaint filed 1/6/09).
- A complaint filed in Northern District of Illinois against Dove claimed he inflated or fabricated charitable contribution deductions, inflated or fabricated business expense deductions, and claimed false deductions for tuition and rental expenses (United States v. Dove, N.D. Ill., No. 1:10-cv-00060, complaint filed 1/6/09).
- A complaint filed in the Northern District of Illinois against Bradford and Burkland-Valdez claimed the pair fabricated or falsified employee business expenses, mileage, cash contributions, rental losses, and medical expense deductions (United States v. Bradford, N.D. Ill., No. 1:10-cv-00067, complaint filed 1/6/09).

IRS Announces Streamlined and Simplified Notices to Taxpayers

YouTube Video: [Received a Letter from the IRS?](#)

The Internal Revenue Service today unveiled its first redesigned notices that are part of an on-going effort to improve the way it corresponds with taxpayers. The nine new notices are among the first to be reviewed and revised for clarity, effectiveness and efficiency. The agency also will create an office that ensures the effort to improve communications is on-going and permanent.

“One of my priorities is to ensure that we have clear and simple communication with taxpayers. In the past, our notices often looked more like legal documents and not an effort to communicate clearly. The differences between the old and new notices are like night and day. They show the potential of our on-going effort in this area,” said IRS Commissioner Doug Shulman. In July 2008, Shulman appointed the Taxpayer Communications Taskgroup to review IRS correspondence. The task group found that IRS notices have different looks, messages and do not use consistent language. Because of this, some notices are creating unnecessary confusion for taxpayers.

Nine notices will feature the new design format beginning in January. These notices account for approximately 2 million pieces of correspondence with individuals, businesses and exempt organizations. The new format includes a plain language explanation of the nature of the correspondence, clearly states what action the taxpayer must take and presents a consistent, clean design. The new format also guides taxpayers to appropriate pages on IRS.gov where they can find accurate and relevant information quickly and easily. By reducing the potential for confusion, these notices will improve the taxpayers’ ability to get problems resolved quickly, and improve overall compliance.

Shulman also announced this important work will be made a permanent part of the IRS through a new office to oversee improvements to taxpayer correspondence. The new office, called Office of Taxpayer Correspondence, will be directed by Jodi Patterson, who led the initial effort. Tax

preparers are already seeing some of this effort. In March, the IRS reduced to 2 from 13 the number of inserts included to tax preparers as part of notice CP 161, which is mailed to business taxpayers who underpay their taxes. There are approximately 2.3 million CP 161 notices sent annually.

Check out the revised [Understanding Your IRS Notice or Letter](#) web page on irs.gov.

Employee Plans New: Special Edition - January 2010

This Special Edition contains the following articles:

- Cycle D Submission Period Ends on February 1, 2010
- New Address for Determination Letter Applications
- April 30 Deadline for DC Pre-Approved Plans
- Free Phone Forum on Funding-Based Benefit Restrictions - January 26, 2010
- DOL Corner.

To read the January 2010 Special Edition, please access the [newsletter file](#) directly or visit the [Current Edition of the Employee Plans News page](#) in the Retirement Plans Community section of the IRS.gov Web site.

IRS Free File Study

In an effort to increase the number of individual income tax returns filed electronically, Electronic Tax Administration and Refundable Credits (ETARC) officials have requested an analysis of taxpayers who use the Free File program. The Free File program is a free federal tax preparation and electronic filing program for eligible taxpayers developed through a partnership between the IRS and the Free File Alliance, a group of private sector tax preparation companies. Read the full [Free File Demographics and Migration Analysis](#) report.

2007 Corporation Source Book is now available in two formats

The [2007 Corporation Source Book](#) is now available in two formats, a [Comma Separated Value \(.csv\)](#) file and [Excel tables](#). The purpose of the .CSV file, which contains only numeric characters, is to provide users a way to download the entire Source Book in one file and use in most statistical software packages. Download and file use instructions can be found on the website. The Source Book presents balance sheet, income statement, tax, and other selected items by size of total assets for all returns with and without net income. Statistical tables are available by industrial sectors, major groups within a sector, and minor industries within a major group. Industry detail is based on the North American Industry Classification System (NAICS).

Five Ways to Obtain IRS Forms and Publications

The Internal Revenue Service has free tax forms and publications on a wide variety of topics. If you need IRS forms, here are five easy methods for getting the information you need.

1. On the Internet You can access forms and publications on the IRS Web site 24 hours a day, seven days a week, at IRS.gov.

2. By Phone You can call 1-800-TAX-FORM (800-829-3676) Monday through Friday 7:00 am to 10:00 pm local time – except Alaska and Hawaii which are Pacific time – to order current year forms, instructions and publications as well as prior year forms and instructions. You should receive your order within 10 days.
 3. At Convenient Locations in Your Community During the tax filing season, many libraries and post offices offer free tax forms to taxpayers. Some libraries also have copies of commonly requested publications. Many large grocery stores, copy centers and office supply stores have forms you can photocopy or print from a CD.
 4. By Mail Order your tax forms and publications from the IRS National Distribution Center at 1201 N. Mitsubishi Motorway, Bloomington, IL, 61705-6613. You should receive your products 10 days after receipt of your order.
 5. Taxpayer Assistance Centers There are 401 TACs across the country where IRS offers face-to-face assistance to taxpayers, and where taxpayers can pick up many IRS forms and publications. Visit IRS.gov and go to Contact My Local Office on the Individuals page to find a list of TAC locations by state. On the Contact My Local Office page, you can also select TAC Site Search and enter your zip code to find the IRS walk-in office nearest you as well as a list of the services available at specific offices.
- Publication 910, Guide to Free Tax Services ([PDF 636K](#))
 - Publication 2053A, Quick and Easy Access to IRS Tax Help and Forms ([PDF 40K](#))
 - Order [Publication 1796](#), Federal Tax Products on CD-ROM, from NTIS — the National Technical Information Service.
 - [State tax forms](#)

Talking Tax Forms

The Internal Revenue Service has federal tax form formats which are available to individuals who are sight impaired. [More than 700 talking federal income tax forms are available on its web site.](#) The speech friendly forms are easy to use with Microsoft Active Accessibility compliant screen readers and Dragon Naturally Speaking Voice Recognition Software. Braille and large-print forms and publications are also available on-line.

New Online Small Business Tax Workshop

The revised [Virtual Small Business Tax Workshop](#) offers updated content with interactive features and a new reference section.

IRS Commissioner Discusses Corporate Transparency

IRS Commissioner Doug Shulman [discussed corporate transparency](#) at the New York State Bar Association Taxation Section Annual Meeting in New York City, Jan. 26, 2010.

Technical Guidance

[Announcement 2010-03](#) provides for plan years beginning on or after January 1, 2009, automatic **approval for certain changes in funding method** with respect to **single-employer defined benefit plans** that result either from a change in the valuation software used to determine the liabilities for such plans or from a change in the enrolled actuary and the business organization providing actuarial services to the plan. This guidance is being provided in response to numerous requests from actuaries and plan sponsors, many of whom are continuing to modify their valuation software in order to implement the changes to the funding rules made by the Pension Protection Act of 2006, the Worker, Retiree, and Employer Recovery Act of 2008, and guidance regarding these legislative changes.

[Notice 2010-06](#) permits taxpayers to correct certain failures of a **nonqualified deferred compensation plan** to comply with the plan document requirements of § 409A, or in certain circumstances to limit the amount includible in income and additional taxes under § 409A as a result of a plan document failure. Notice 2010-6 also clarifies certain aspects of Notice 2008-113, which addresses failures of nonqualified deferred compensation plans to comply with § 409A in operation.

[Notice 2010-11](#), Under IRC section 163(e)(5)(F)(iii), the notice extends the suspension of the applicability of § 163(e)(5) for certain applicable **high yield discount obligations** (“AHYDOs”) to December 31, 2010. Under § 163(e)(5), a corporate issuer’s interest deduction for original issue discount on an AHYDO is deferred or disallowed.

[Notice 2010-12](#) extends the application of future regulations under **section 956**, as described in Notice 2008-91, 2008-2 C.B. 1001, to an additional tax year beginning before January 1, 2011. Notice 2010-12 also extends the application of Rev. Proc. 2008-26, 2008-1 C.B. 1014, which applies to section 956(c)(2)(J), to calendar year 2010.

[Notice 2010-13](#) updating the procedures for requesting a waiver of the **requirement to electronically file returns** when required by regulations and IRS publications. This notice affects **corporations and tax-exempt organizations** that file Form 1120, U.S. Corporation Income Tax Return; Form 1120-F, U.S. Income Tax Return of a Foreign Corporation; Form 1120S, U.S. Income Tax Return for an S Corporation; Form 990, Return of Organization Exempt From Income Tax; Form 990-PF, Return of Private Foundation or Section 4947(a)(1) Trust Treated as a Private Foundation, and returns, amended returns and superseding returns in the Form 1120 and 990 family of returns that are required to be electronically filed. The notice also reduces the perfection period for rejected e-file returns from 20 to 10 days.

[Revenue Procedure 2010-12](#) extends, by two years, the period for temporary guidance regarding certain **stock distributions by publicly traded corporations** that are regulated investment companies (RICs) or real estate investment trusts (REITs). For stock dividends declared on or after January 1, 2008 and before December 31, 2011, the Service will treat a stock distribution by a publicly traded RIC or REIT pursuant to a stock-in-lieu-of-money election (under the terms defined in the revenue procedure) as a distribution of property to which section 301 applies by reason of section 305(b), and the amount of such distribution of stock will be considered to equal the amount of the money which could have been received instead. In addition, the distribution will not be a preferential dividend under section 562(c).

[Revenue Procedure 2010-13](#) requires taxpayers to report to the Internal Revenue Service their **groupings and regroupings of activities** and the addition of specific activities within their existing groupings of activities for purposes of **section 469**. Internal Revenue Code Section 469 generally provides that income, losses, and credits from an activity will be **passive** unless the taxpayer materially participates in the activity. Treasury Regulation Section 1.469-4 allows taxpayers to group activities provided they make up an appropriate economic unit to enable taxpayers to meet the material participation standards.

[Revenue Ruling 2010-04](#) provides guidance on whether a **tax return preparer** is liable for criminal and civil penalties under Internal **Revenue Code sections 7216 and 6713** when the tax return preparer **uses tax return information to contact taxpayers** to inform them of changes in tax law that could affect the taxpayers’ income tax liability reported in tax returns previously prepared or processed by the tax return preparer; uses tax return information to determine which taxpayers’ future income tax return filing obligations may be affected by a prospective change in tax rule or regulation and to contact such taxpayers to notify them of the changed rule or regulation, explain how the change may affect them, and advise them with regard to actions they may take in response to the change; or discloses tax return information contained in the list permitted to be maintained by the tax return preparer under section 301.7216-2(n) to a third-party

service provider that creates, publishes, or distributes, by mail or e-mail, tax information and general business and economic information or analysis for educational purposes or for purposes of soliciting additional tax return preparation services for the tax return preparer, for the purpose of obtaining the 'newsletter' creation, publication, and or distribution services offered by the third-party service provider.

[Revenue Ruling 2010-05](#) provides guidance on whether a **tax return preparer** is liable for criminal and civil penalties under **Internal Revenue Code sections 7216 and 6713** when the tax return preparer **discloses (1) to a professional liability insurance carrier tax return information** required by the insurance carrier to obtain or maintain professional liability insurance coverage; (2) to a professional liability insurance carrier tax return information required by the insurance carrier to promptly and accurately report a claim or a potential claim against the tax return preparer, or to aid in the investigation of a claim or potential claim against the tax return preparer; (3) to a professional liability insurance carrier tax return information to the preparer's professional liability insurance carrier in order to obtain legal representation under the terms of the insurance policy; or (4) tax return information to an unrelated attorney for the purpose of evaluating a claim or potential claim against the tax return preparer.

[REG-137036-08](#) contains proposed regulations relating to **employment tax liability of agents** authorized by the Secretary under section 3504 of the Internal Revenue Code (Code) to perform acts required of employers with respect to taxes under the Federal Unemployment Tax Act on wages paid for **home care services**, as defined in these regulations. These proposed regulations affect **employers who are home care service recipients**, as defined in these regulations, and their designated agents. These regulations also propose amendments to modify the existing regulations under section 3504 to be consistent with the organizational structure of the Internal Revenue Service (IRS), and to update the citation to the Internal Revenue Code of 1986.

[Notice 2010-15](#) provides guidance in the form of **questions and answers** with respect to certain provisions of the Heroes Earnings Assistance and Relief Tax Act of 2008 ("**HEART Act**"). The notice also requests comments regarding any additional issues relating to the sections of the HEART Act that are addressed in the notice.

[Revenue Ruling 2010-06](#) provides various prescribed rates for federal income tax purposes including the **applicable federal interest rates**, the adjusted applicable federal interest rates, the adjusted federal long-term rate, the adjusted federal long-term tax-exempt rate. These rates are determined as prescribed by section 1274.

[Announcement 2010-09](#) explains the potential content of a schedule that will require certain business taxpayers to **report uncertain tax positions** on their tax returns and invites public comments on the Internal Revenue Service's approach.

[Revenue Procedure 2010-15](#) updates Rev. Proc. 2008-14, 2008-1, C.B. 435, and identifies circumstances under which the **disclosure on a taxpayer's income tax return** with respect to an item or a position is adequate for purpose of reducing the understatement of income tax under section **6662(d)** of the Internal Revenue Code; (relating to the substantial understatement aspect of the accuracy-related penalty), and for the purpose of avoiding the tax **return preparer penalty** under section 6694(a) (relating to understatements due to unreasonable positions) with respect to income tax returns.

[Notice 2010-19](#) applies to taxpayers making **gifts in trust** during 2010. Under section 2511(c), a **transfer of property to a non-wholly-owned grantor trust** is a transfer by gift of the entire interest in the property. To determine whether a transfer to a wholly-owned grantor trust constitutes a gift, the gift tax provisions in effect prior to 2010 apply.

