

IDAHO

State Tax Commission

CP 2000 MANUAL

A REFERENCE GUIDE FOR CP2000 PROCEDURES

CASE (AUTOMATION) AND AUDIT

Updated
September 2019



Introduction

This manual serves as the CP2000 Program guidebook for the Desk Audit & Withholding Unit. It contains essential information to aid staff in conducting audits, including step-by-step instructions for reviewing leads, setting indicators, automation case flow, building an audit and preparing correspondence.

Overview of the CP2000 Program

What is a CP2000?

A CP2000, also known as a federal audit adjustment, is a program which compares the income and expenses a taxpayer reports on their federal tax return to the amounts other parties report were paid to the taxpayer. If the taxpayer's income is underreported or incorrect, the Internal Revenue Service (IRS) adjusts their return and issues a bill for any additional taxes.

Why does a CP2000 affect the ISTC?

The income and expense amounts reported on a taxpayer's Idaho individual income tax return must match the amounts reported on their federal return. Any change to the federal Adjusted Gross Income (AGI) must also be reported to the Idaho State Tax Commission (ISTC).
Code 63-3011A

What happens when the ISTC receives notification from the taxpayer?

If the taxpayer provides written notice of the CP2000 or a copy of the final federal determination, Idaho has one year from the date of delivery to make adjustments to the Idaho return, unless later statutes apply.
Code 63-3068(f)

If the taxpayer submits an amended return, Idaho has three years from the delivery date of the amended return to make adjustments.
Code 63-3068(i)

Information redacted pursuant to Idaho Code Section 74-109(4)

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Overview

POWER OF ATTORNEY INDICATOR (POA)

IF THERE IS A POA INDICATOR, CHECK THE YEARS THAT IT APPLIES TO AND THE TYPE OF TAX THAT IT COVERS. IF THE POA INDICATOR WAS ENTERED OVER A YEAR AGO AND IT APPEARS THEY MAY NOT REPRESENT THE TAXPAYERS ANY LONGER, CONTACT THE POA BEFORE PROCEEDING. MAKE THE PROPER CRM NOTES.

Generally, we must communicate with the representative. The Idaho Taxpayer's Bill of Rights limits, but does not prohibit, contacting a taxpayer who is represented by a person designated in a POA.

We may send copies of correspondence to the taxpayer unless specifically instructed not to do so. Sending copies of correspondence to the taxpayer helps ensure that the taxpayer knows we are communicating with their representative.

We may contact the taxpayer:

- About matters outside the scope of issues addressed in the POA
- If we cannot determine the representative's name or address
- If the representative does not respond within seven days

See Idaho Code section 63-4003(1) for details.

A POA does not grant rights; it gives authority.

A "general power of attorney" grants the representative authority to take any actions the principal (taxpayer) could take for himself.

A limited POA grants the representative only the authority expressed in the POA. Read a POA carefully to determine the extent of authority granted to the representative.

When preparing letters or NODDs to a taxpayer with a POA, address the correspondence to the taxpayer(s) in care of the POA's name and address. Tech support will prepare and mail a true copy to the taxpayer unless otherwise directed not to do so.

Example:

George Taxpayer is represented by Mike POA. The letters you issue would read:

GEORGE TAXPAYER
C/O MIKE POA
123 TAXPAYER AVE
ANYWHERE ID 83701

Has an amended return been filed for the adjustment year?

Information redacted pursuant to Idaho Code Section 74-109(4)

Is this a joint year?

Information redacted pursuant to Idaho Code Section 74-109(4)

Taxpayers Who are No Longer Filing Joint Return

Information redacted pursuant to Idaho Code Section 74-109(4)

Grocery Credit

Amounts allowed per exemption may change depending on the year and can easily be reviewed by looking at the Idaho individual income tax forms and instructions found on our website at: tax.idaho.gov.

An individual doesn't qualify for the credit for any month or part of a month for which he/she:

- Wasn't a resident of Idaho
- Received assistance from the federal food stamp program
- Was incarcerated
- Lived illegally in the United States

If the grocery credit claimed is not the entire amount, you will need to re-calculate the grocery credit amount being adjusted.

Code 63-3024A

Adjustment for Wages and/or Pensions/Annuities

Information redacted pursuant to Idaho Code Section 74-109(4)

Information redacted pursuant to Idaho Code Section 74-109(4)

Retirement Benefits Deduction Code 63-3022A

Idaho has an allowable subtraction for retirement benefits. It is limited. In order to deduct some of the qualifying retirement benefits, the individual must either be 65 or older **or** 62 and disabled. If the taxpayer is NOT at least 65, you do not need to look any further. We will not be able to determine if they are disabled and qualify. If they are 65 or older, please review the qualifications below.

| | |
|-------------------------------|-------------------------------------|
| Blind/65 Forms 40 and 43 Only | |
| Taxpayer is 65 | <input checked="" type="checkbox"/> |
| Spouse is 65 | <input type="checkbox"/> |
| Taxpayer is Bld | <input type="checkbox"/> |
| Spouse is Bld | <input type="checkbox"/> |
| TP as Dep | <input type="checkbox"/> |
| Sp as Dep | <input type="checkbox"/> |

Please review the **Idaho individual income tax booklets** to confirm the Qualified Retirement Benefits for the year you are working.

Qualifications

In order to deduct some of the qualifying retirement benefits, there are several criteria the taxpayer must meet:

- 1) Age
- 2) Retirement Type
- 3) Filing Status
- 4) Deduction Entitlement

AGE

As previously discussed, in order to deduct some of the qualifying retirement benefits, the individual must either be 65 or older **or** 62 and disabled.

RETIREMENT TYPE

| | <u>Taxable to Idaho</u> | <u>Not Taxable to Idaho</u> |
|--|--|---|
| Civil Service Employees: | Annuities paid by the Federal Employees Retirement System (FERS). First digit of account number will be 7. | Annuities paid by the USA Civil Service Retirement System (CSRS). |
| Idaho Firefighters: | Benefits paid out of the Public Employee Retirement System of Idaho (PERSI) <i>Base Plan</i> . | Annuities paid by Public Employee Retirement System of Idaho (PERSI) relating to <i>Firemen's Retirement Fund (FRF)</i> . |
| Police Officers of an Idaho City: | Benefits paid out of the PERSI or an Idaho city <i>Base Plan</i> . | Retirement benefits paid out of the PERSI or an Idaho city relating to <i>Policemen's Retirement Fund</i> . |
| Servicemen: | None. | Benefits paid by the US to a retired US military member. |

FILING STATUS

The retirement benefits deduction cannot be claimed if an individual is married and filing separately.

DEDUCTION ENTITLEMENT

An un-remarried widow or widower of a pensioner who is 65 or older, or 62 and disabled, is eligible for the deduction, even though the deceased spouse was not eligible at the time of death. In this situation, the amount of the retirement benefits that can be considered for the deduction for the taxable year of the spouse's death is limited to the benefits paid to the spouse as a widow. However, once a widow remarries, they will be forever ineligible for the retirement deduction (meaning the deduction is not reinstated by divorce).

39R

The retirement benefits deduction is subtracted on the Idaho 39R. Although the deduction is listed as a line item, Area C shows the boxes that need to be completed in order to determine how much retirement is deductible. This worksheet considers any federal railroad retirement and social security benefits received.

The maximum retirement benefits deduction amounts that may be deducted change from year to year. Please review the **Idaho individual income tax booklets** to determine the deduction amount for the year you are working.

MISCELLANEOUS

Disability pension paid by the Federal Railroad Retirement Act may not be included in Box 5 of your Form RRB-1099, if the taxpayers are under the minimum retirement age. Instead it may be included on line 7 of Form 1040 as wages.

Any 1099 paid by the Railroad Board is not taxable to Idaho, this includes unemployment, retirement, or miscellaneous.

CALCULATION

Itemized to Standard Deduction Calculation

- Itemized Deduction
- State Tax Add back
Net Itemized Deduction
- Adjustment Amount Schedule A
Net Itemized Deduction after Schedule A Adjustment
- Standard Deduction Amount
= Itemized to Standard Adjustment

Please keep in mind that this calculation is only used when you reduce the taxpayer's original Itemized Deduction amount to a point where the Standard Deduction becomes more favorable. If the CP2000 includes a Schedule A adjustment but no Itemized Deductions were claimed on the Idaho return, you no longer will have a Schedule A adjustment.

Verifying/Accepting Taxpayer Information Received

Information must be verified before it is accepted.

If a taxpayer submits additional information, such as a final determination letter from the IRS or a corrected W-2 or 1099 from a company, you must review this information before accepting it.

Correspondence from the IRS can be misleading. If the document provided appears to show a refund, a reduction in tax, a zero-missing income, or that the audit has been reversed, you should request a copy of the current federal account transcript as verification. If the transcript agrees that the audit has been reduced or reversed, then your NODD can be adjusted accordingly or cancelled.

If an NODD has been adjusted or cancelled, a letter is mailed to the taxpayer explaining our decision.

NODD Procedures

Issue an NODD in Audit when the taxpayer has:

- Not responded to the billing letter within the 30 days given
- Not paid the billing letter in full
- Failed to respond to a Consent to Assessment letter
- Sent a letter disagreeing with the billing letter

Case automatedly sends out the NODD.

CREATING THE NODD

TECH SUPPORT SENDING AN NODD TO A POA

Unlike the billing letter, if the taxpayer has a POA, the NODD must be sent to both the POA **and** the taxpayer.

The NODD name and address section will match the billing letter as follows:

JOHN TAXPAYER
C/O REPRESENTATIVE
REPRESENTATIVE STREET ADDRESS
REPRESENTATIVE CITY, STATE, ZIP

The difference is, a copy of the NODD will also be mailed to the taxpayer. It is tech support's job to make this copy and print the taxpayer's address on an envelope so the NODD copy may be mailed. It is your job to make sure that when you submit your NODD to tech support, a sticky note is accompanied to request that a copy of the NODD be mailed to the taxpayer along with the taxpayer's address.

WHAT DOES TECH SUPPORT DO?

Tech support takes your NODD from the basket, sorts it with all other NODDs received, and files it according to the interest date. Each day, tech support pulls the NODDs with the most current interest date to prepare for mailing.

Note: If the total tax due on a Notice of Deficiency Determination is \$25,000+, tech support will send the NODD certified, therefore CRM notes may also include a certified number.

Envelopes are prepared, and the Taxpayer Rights brochure is enclosed along with an employee code return envelope, and the NODD. Just before mailing, tech support adds all NODDs to a tracking database. Once these steps are complete, the NODD is ready to mail.

NODD REVISIONS

- **If the Federal Information received indicates the IRS has reduced the audit but NOT cancelled it, you will need to treat the information as a protest and revise the NODD.**
- CRM notes must be made detailing the changes.
- The information should be scanned and attached to the case after it is verified.
 - a. If the taxpayer supplies federal information, it is okay to attach this to the case. When we order federal information, we don't attach it to the case because it's FTI.
- The NODD should be adjusted. A Modified NODD with the reduced figures should be mailed to the taxpayer.
- When reducing the liability, it is not necessary to reissue the NODD. Only cancel and reissue if the IRS changes result in an increase of the tax owed on the NODD.

If the taxpayer provides a W-2 showing additional state withholding- the NODD should be adjusted to credit the taxpayer for the amount withheld if the issue is within statute. A Modified NODD with the reduced figures should be mailed to the taxpayer.

Modifying an NODD

In case you will need to close your case and open an audit and continue with the following.

If the NODD should be modified due to additional information provided with or subsequent to a protest, *a modified audit report must be issued.*

When the modification results in an increase in tax:

If new issues or a reconsideration of a previous issue arise that result in an increase in the amount of the deficiency, **a new NODD is required to be issued as soon as possible.** A new NODD is issued to re-start the taxpayer's protest rights timeline.

1. Make detailed CRM notes explaining why the NODD is being re-issued.
2. Cancel the original NODD by sending the taxpayer an Administrative Error Letter that states the NODD has been canceled.
3. Prepare and issue a corrected NODD with the corrections clearly explained on page two of the new NODD.
4. Follow the normal procedures of CRM notes, attaching, staging, etc.

When the modification results in a decrease in tax:

If the original deficiency is being modified downward because of additional information we have received from the taxpayer or due to something we caught, **do not re-issue the NODD page for the new amount.**

- The audit explanation should fully describe the adjustments that have been modified (EX: additional withholding or other changes). Any action required on the part of the taxpayer should be stated in the letter
- Send the taxpayer a modified deficiency letter along with the modified audit report
- Include a Protest Withdrawal Statement to be signed and returned
- Make CRM notes explaining why the changes have been made
- Scan and attach the modified audit report and letter to the audit/case manager in GenTax
- **Do not include the NODD page in the modified audit report as this will re-stage the protest period**

CANCELING AN NODD

If you have verified that the IRS has reversed their adjustment, you must begin the process of canceling your case.

1. Make CRM notes in the case to describe what sort of information you received, what the account transcripts (FTI) showed, and why you're canceling the case.
 - a. Example CRM note: received info from TP stating they had basis on securities adjustment & that IRS reversed. Viewed fed info – it verifies CP2000 reversed
 - b. Attach the information received from the TP. Do not attach the federal information used to verify its validity, which must be kept in an orange FTI folder in your locked and labeled filing cabinet.
2. Send the taxpayer an NODD Cancel Closing letter to inform him/her that the case has been closed.

Amended Returns

Receiving amended returns can have many different effects on your audit. This manual provides procedures for the common scenarios.

OVERVIEW

When reviewing a return, the most important question to answer is: Should I accept the return?

Items to consider that will affect how you proceed include:

- The stage the audit is at – Did the return come in during the billing letter stage, NODD stage, or after the audit had closed?

- How you received the return - Did you receive a physical return at your desk, a work item letting you know the return is in imaging, or an e-mail from a collector telling you the return is in the TDB Return Review folder.
- What the return affects – Is the return related to your audit?
- What the return includes – Is the CP2000 included in the amended return? Are there any other adjustments? Are these adjustments related to the CP2000?
- The statute on the return – Is the return within the three-year statute to amend, the one-year after audit to amend, or out of statute? Are any of the adjustments out of statute?
- What does the current account transcript show – Did the IRS accept this amended return?

If the amended return accounts for the CP2000 adjustment, you do NOT need to request federal information. If there is a doubt (cost basis, etc.) request the IRS account transcript.

When amended returns come in, you will either receive them at your desk to review, as incoming scanned mail or you will receive a Work Item when the return first enters the processing stream (generally, before the return is batched). At this point the return has been imaged and is available for review.

CRM Notes

Regardless of how you receive the return, you will always make CRM notes in your case or audit to state what you received, what you reviewed, what the return included, etc. This note should be private (see private), so only certain individuals have access to review the note. Once you decide on whether to accept the return or deny the return, you'll then make an un-private note for TA in Case and Public Audit Note in **Audit**, that addresses what to do with the return.

Work items

Regardless of if you receive the physical return, or just receive the work item letting you know the return is in imaging, you will always receive a work item.

Amended Returns Received at Billing Letter Stage

If you accept the figures on the amended:

1. If you are working with an imaged amended return, make a CRM note in the Audit springboards so TA knows it is okay to process (EX: Reviewed 2018 amended return; it includes all CP2K adj and is ok to process per normal TA edits).
2. If you are working with a *paper* amended return, send it to processing, and make appropriate CRM notes in the Audit springboards (so TA can see it's ok to process). Scan and attach a copy of the amended return to your audit. This is back-up in case the return somehow gets misplaced in Revenue Operations (RO).
 - i. **Don't** assess Penalty and Interest. Do not write it on the return.
3. In both situations, mail the close letter to the taxpayer and close the case or audit.

If you don't accept the amended return:

1. Have TA post the amended return as filed

- Currently it takes six + months for TA to post amended prior year returns.
 - a. At this point you can either wait (up to 6 months) to issue the NODD (see if IRS will accept the amended) or issue NODD and possibly cancel later-if the IRS accepts the amended return). The IRS has stated that it takes 8 to 12 weeks to accept or deny an amended return. This will take longer during tax season.
 - If you wait to issue the NODD, make a clear CRM note as to why and reorder the federal information every 60 days (up to 6 months). If no changes after 6 months issue the NODD (adjusting the amended return to the current federal AGI).

2. Issue the NODD adjusting the amended return to the current federal AGI.

- a. Issue the NODD using the taxable income and tax from the amended return. You are now adjusting the amended return to the current federal AGI. The taxpayer must protest this NODD or the file will be posted after the NODD hardens.

If the taxpayer protests this NODD, the file should be sent to Tax Appeals. One last check of FTI info is needed before the file is sent to Tax Appeals. See Tax Appeals Procedures.

Amended Returns Received Before the NODD Hardens

If you accept the amended:

1. Make a CRM note. Cancel the NODD.
2. Mail NODD Cancel Closing letter to the taxpayer and close the audit. Scan and attach the cancel close letter to the case.
3. Send the amended return to processing. Note: Even though the amended may have been imaged in TA, it must be sent through normal processing procedures again. Print the return from imaging, then take the return and log it in at tech support to be taken to processing.

If you do not accept the amended:

If a NODD has already been issued, have TA reverse/invalidate the amended return and treat the amended return as a protest.

- Send 14-day protest acknowledgment letter to the taxpayer.

If the file is already in protest:

- Print a copy of the amended for your protest file
- Have TA reverse/invalidate, and either
 - Hold for possible IRS acceptance/changes or
 - Send the file to Tax Appeals

The IRS states it takes 8 to 12 weeks to process amended returns. Check the FTI info every 45 to 60 days but **don't hold the file longer than six months** If the IRS *accepts* the amended return, cancel the NODD and follow the procedures listed above.

1. **If the Amended return does not match the current IRS Account Transcript (after 6 months):** The file should be forwarded to Tax Appeals for determination. There may be situations or issues that dictate sending the file to Tax Appeals sooner.

There are other options depending on the amended return, IRS information, other documentation the taxpayer may have provided. You may need to modify the current NODD.

Modifying an NODD

If the IRS has made changes but has not accepted the amended return filed or reversed the entire amount of the adjustment

OR

If the audit should be modified due to additional information provided with or subsequent to the protest, a modified audit report must be issued.

Modification results in an increase in tax:

If there are new issues or a reconsideration of a previous issue that results in an **increase** in the amount of the deficiency, a new NODD must be issued as soon as possible.

- Cancel the original NODD
- Send the taxpayer an administrative error letter
- Prepare a correcting audit with corrections clearly explained on page 2 of the new NODD
- Make CRM notes explaining why this is being done and attach a copy of the changes and the Administrative error letter to the audit.

Modification results in a decrease in tax:

If the original deficiency is being **modified downward** because of additional information we have received from the taxpayer **don't re-issue the NODD page for the new amount.**

- The audit explanation should fully describe the adjustments that have been modified (EX: additional withholding or other changes). Any action required on the part of the taxpayer should be stated in the letter.
- Send the taxpayer a modified deficiency letter along with the modified audit report (**Not the NODD page**).
- Include a Protest Withdrawal Statement to be signed and returned.
- Make CRM notes explaining why the changes have been made.

Scan and attach the modified audit report and letter to the Audit springboard in GenTax.

Amended Returns Received after the Audit NODD Hardens but Before it is Posted

In this situation you have options:

You can post your NODD and forward the return to the Collection Division. If it's not postmarked by the due date it is considered late. See your manager as it may be better to review the fed information (even though the amended is late) before you post the NODD.

1. If you accept the figures:

- a. Make a CRM note.
- b. Mail NODD Cancel Closing letter to the taxpayer and close the audit.
- c. Entry in Working Papers should be 1, 1, and 0.
- d. Change Stage to Close. Submit. Post. Close.
- e. Send the amended return to processing. Don't assess Penalty and Interest. If you send the amended return to processing it may take 6 to 8 months to process.

If you don't accept the figures, see "Amended Returns Received After Audit"

Amended Returns Received After Audit

If a return (amended or actual) is filed by a taxpayer and received **after the audit is closed**, it must be considered a separate issue from a previous case if it has been paid in full and the collection case has been closed.

If there is a doubt about an amended return, see your manager.

- Review amended return received after audit to identify what changes were made after the NODD

Remember to check the dates to see if the amended return is still within statute (3 years from the date of the originally filed return for items unrelated to the CP2000 adjustments). One year from the hard (due) date of the NODD for the CP2000 adjustments if the regular three- year statute has expired.

Unrelated Amended Return

If an amended return is being amended for something **unrelated** to the CP2000 adjustment contact the taxpayer and ask them if it was their intent to leave off the CP2000 adjustment because they've already paid it. If this is the case TA can process the amended return **without** TDB having to reverse our adjustment.

- Make a CRM note (in the closed audit) that you have verbally confirmed with the taxpayer that they did not include the CP2K because it has already been paid.
- Make a CRM note accepting the amended return as filed

If there is a doubt, see your manager. An NODD may be issued adjusting the amended for the CP2000. A Net Operating Loss (NOL) carryback may dictate a reversal of the CP2000 depending on the amount of the loss.

REVIEW AND VERIFY WHETHER OR NOT THE IRS HAS ACCEPTED THE AMENDED:

1. *Information redacted pursuant to Idaho Code Section 74-109(4)*
2. If you reverse the CP2000, send the owner of the collection case a courtesy email to let them know. Make CRM notes in the closed audit and in the reversing audit.

Is the Account in Collections?

Check to see if a collector has been assigned and notify them of the information received. They would likely send the return (or information) to you to be reviewed and approved so it may have come (to you) from them.

1. Review the return (request and verify federal AGI information to see if it's been accepted by the IRS) and if it has, talk to the collector. Depending on their preference, you will send it to process or forward it to the collections department.
2. **IF IRS HAS ACCEPTED:** Make a "very brief" CRM note in the closed audit and Financials. "Amended matches IRS AGI and is ok to accept; reversed original CP2000 audit". If the note is in Financials it will also show up in the Collections notes.
 - o Open a 2nd audit to reverse the CP2K tax, penalty and interest (and accrued interest, if any); making appropriate CRM notes
3. **IF IRS HAS NOT ACCEPTED:** During the collections process we don't have to accept an amended return until the IRS accepts it; however, we need to issue a NODD to deny the amended return. It is up to the collector whether to stop or continue collections. See **NODD TO DENY AMENDED** section.

IF THE COLLECTIONS CASE IS CLOSED: And the IRS has not accepted the amended. See **NODD TO DENY AMENDED** section.

If the Case was Closed as a Paid in Full Billing Letter:

Information redacted pursuant to Idaho Code Section 74-109(4)

If the Case was Closed after a Hardened NODD:

Information redacted pursuant to Idaho Code Section 74-109(4)

NODD to Deny Amended

If the amended return received after audit is NOT accepted by the IRS:

1. Open a new audit.
2. Document in the CRM notes exactly what changes have been made on the amended return.
3. Document any changes (if any) to the current IRS account transcript.
4. Prepare audit report beginning with Idaho taxable income and income tax liability as previously adjusted in the original NODD.
5. Schedule any audit adjustments reversed as a result of the amended return (received after audit) –if no reversal of audit adjustments is to be allowed, the adjustment is 0.
6. Issue new NODD with 63-day protest rights. The Page 2 Explanation of Items should spell out exactly why the amended return is being denied and include appropriate code and rule sections. **Request Federal Account Transcript when the new NODD hardens to check for changes.**
7. The taxpayer must protest the 2nd NODD in order to have a redetermination made. They can do this right away or wait until the end of the NODD 63-day period. If this happens prepare the file for Tax Appeals as soon as possible after the NODD has been issued.

Follow the normal audit closing procedures regarding recording Work papers, scanning and attaching documents, etc.

63-3068. Period of limitations for issuing a notice of deficiency and collection of tax.

(a) Except as otherwise provided in this section, a notice of deficiency, as provided in section 63-3045, Idaho Code, for the tax imposed in this chapter shall be issued within three (3) years from either the due date of the return, without regard to extensions, or from the date the return was filed, whichever is later.

(f) When Idaho taxable income or tax credits for any taxable year have been adjusted as a result of a final federal determination, the period of limitation for issuing a notice of deficiency shall be reopened and shall not expire until the later of one (1) year from the date of delivery of the final federal determination to the state tax commission **by the taxpayer**, three (3) years from the due date of the return, without regard to extensions, or three (3) years from the date the return was filed. For purposes of this subsection the term "final federal determination" shall mean the final resolution of all issues which were adjusted by the internal revenue service. When the final federal determination is submitted, the taxpayer shall also submit copies of all schedules and written explanations provided by the internal revenue service. **Upon the expiration of the period of limitations as provided in subsections (a) and (m) of this section, only those specific items of income, deductions, gains, losses, or credits which were adjusted in the final federal determination shall be subject to adjustment for purposes of recomputing Idaho income, deductions, gains, losses, credits, and the effect of such adjustments on Idaho allocations and apportionments.**

63-3069. Notice of adjustment of federal or state tax liability. (1) Upon final determination of any deficiency or refund of federal taxes written notice shall be immediately sent to the state tax commission **by the taxpayer.**

(2) Upon final determination of any deficiency or refund of income tax due to another state or territory to which the credit for taxes paid another state or territory applies, as provided in section 63-3029, Idaho Code, written notice shall be immediately sent to the state tax commission by the taxpayer.

890. NOTICE OF ADJUSTMENT OF FEDERAL TAX LIABILITY (RULE 890).

Section 63-3069, Idaho Code. (3-20-97)

01. Final Determination. The term final determination as used in Section 63-3069, Idaho Code means final federal determination as defined in Section 63-3068(f), Idaho Code. (3-20-97)

02. Written Notice. (3-20-97)

a. Written notice shall include copies of all Revenue Agents' reports, and any other documents and schedules required to clarify the adjustments to taxable income. If the final determination results in a refund of state taxes, an amended Idaho income tax return must accompany the written notice to be a valid claim for refund. (3-20-97)

b. Written notice included with an income tax return for a year or years other than the year subject to the federal adjustment shall not constitute the required notification. (3-20-97)

03. Immediate Notification. The Tax Commission may impose negligence penalties on any additional tax due if the taxpayer has not provided the written notice within sixty (60) days of the final determination. (3-20-97)

63-3072. Credits and refunds.

(d) Notwithstanding any other provisions of this section, when Idaho taxable income and/or tax credits for any taxable year have been adjusted as a result of a final federal determination, the period of limitations for claiming a refund or credit of tax, penalties, or interest shall be reopened and shall not expire until the later of one (1) year from the date of delivery of the final federal determination to the taxpayer by the internal revenue service, three (3) years from the due date of the return, without regard to extensions, or three (3) years from the date the return was filed. For purposes of this subsection, the term "final federal determination" shall mean the final resolution of all issues which were adjusted by the internal revenue service. When the final federal determination is submitted, the taxpayer shall also submit copies of all schedules and written explanations provided by the internal revenue service. Upon the expiration of the period of limitations as provided in subsections (b) and (h) of this section, only those specific items of income, deductions, gains, losses or credits which were adjusted in the final federal determination shall be subject to adjustment for purposes of re-computing Idaho income, deductions, gains, losses, credits, and the effect of such adjustments on Idaho allocations and apportionments.

880. CREDITS AND REFUNDS (RULE 880).

Section 63-3072, Idaho Code.

(3-20-97)

05. Closed Issues. The Tax Commission shall deny a credit or refund claim for a taxable year for which the Tax Commission has issued a Notice of Deficiency, unless the taxpayer shows that the changes on the amended return are unrelated to the adjustments in the Notice of Deficiency or that the changes result from a final federal determination.

(3-20-97)

IDAHO ADMINISTRATIVE CODE

IDAPA 35.02.01 – Tax Commission

325. NOTICE OF DEFICIENCY: PROTEST PROCEDURES (RULE 325). Sections 63-3045 and 63-3045B, Idaho Code.

07. Amended Return After Audit. An Amended return will be accepted for a taxable year for which a protest is pending only in the following circumstances:

- a. The taxpayer demonstrates that the changes on the amended return are unrelated to the issues examined in the audit:
- b. The changes are the result of the federal audit adjustments; or

The amended return is submitted as part of the procedure for resolving the protest.

WORK ITEMS

Work items are used to tell you many different things. They are most commonly used to indicate; when you have received a payment on an audit, when you have received a return on an audit, or when additional follow-up on an audit is needed.

PAYMENT NOTIFICATIONS

Payment notifications are generated when payments are received for both open and closed audits, for partial payments or payments in full, and for account, return, or audit payments.

When you receive a payment notification work item, the first step is to check for an open case or edit.

You may not need to take any action or make any notes; simply click the “Complete” button which brings you two new buttons; Confirm or Cancel. Click Confirm.

Once you hit Confirm the Work Item is completed and the date and time autofill in the Completed box and the Work Item is now closed.

RETURN NOTIFICATIONS

Once you issue an audit, if the taxpayer submits any amended returns for that tax year, an Amended return notification Work Item will be sent to you for review. These should be considered a priority and depending on the stage of your case acted upon accordingly. SEE AMENDED RETURNS.

Return notifications are generated when returns are received for either open or closed audits, and for initial return or amended returns.

Once you have completed a Work Item close the group and it will return to the Work Items list. Go to the next Work Item and repeat the process.

WORK DATES

Billing letters-35 days (28 days to the due date on letter plus five to seven days for mailing delays)

Federal information requests-7 to 14 days

NODDs-70 days (63 days to the due date plus time for tech support and 7 days for mail delays)

Protests- you have 14 days to send the acknowledgement letter. Once the letter is mailed, you should review your work date every 30 to 45 days depending on the situation. If awaiting a change at the federal level, the work date can be pushed out 45 to 60 days with appropriate notes made.

Protest withdrawal letters- Allow 37 to 45 days for a response and then prepare a Protest Summary and send the file to Tax Appeals for review.

Files in Tax Appeals- 180 days is about average.

Daily work priority guidelines: Return phone messages; Incoming mail; My Work- working past due items first.

Payments

Whenever possible, encourage a taxpayer to pay the billing letter in full or make payments up until the NODD hardens. There is no set amount they will have to pay. The taxpayers can pay the amount in full or any portion thereof. The more they can pay, the more beneficial it will be for them.

Reminder: If the taxpayer is paying by check, advise them to write the audit year and reference number on the face of the check to avoid confusion.

When a taxpayer makes payments on the billing letter you need to verify these payments have been applied correctly; the payment should post to financials as “audit payments.” If there is a payment error, please send an email to your manager with the ID and it will be corrected.

Check that the payment has been applied to the correct audit year. Make a CRM note in your case about the payment amount and any remaining balance due. We do not routinely send out notices with remaining balances due until after the NODD has been posted. However, we can create one if the taxpayer specifically requests it.

Is the taxpayer currently paying on an already established A/R? If the taxpayer is in collections and in a payment agreement you can see this by looking at Financials and indicators. In this case just acknowledge the payment by completing and okaying (closing) the work item.

NOTE: If the taxpayer doesn't pay the billing letter in full, then we can't assume full agreement and we must issue an NODD or CTA. Any paid amount will be included on the NODD page.

- If it's a partial payment make a CRM note. If the taxpayer does not pay in full by the time the NODD is issued the partial payment should be included on the NODD page.

Applying Refunds to Billing Letters:

- If a taxpayer pays the billing letter in full—legal has stated, we may take payment in full as “full agreement” to the assessment and post our audit.
- If a taxpayer asks us to apply all or part of a tax refund to the liability-- we need to have either a hardened NODD or Signed CTA.
- Taxpayer sends us a check for part of the assessment and asks us to apply his refund to the rest of the assessment—we still need to have the taxpayer sign the CTA or get a hardened NODD for the entire assessment amount before we post the audit.

Taxpayer Pays the Tax Only-

If the taxpayer pays the tax only, an NODD is still required for the total Tax, Penalty & Interest.

BE CAREFUL: The interest should only be calculated through the date we received the tax payment because interest is not assessed on penalty. However, the due date on the NODD must still be out 63 days to preserve the taxpayers protest rights.

PROTEST

What Constitutes a Protest?

A protest must be received or postmarked by the due date on the NODD.

To be considered a **valid** protest, it should contain the following items:

- Taxpayer name, address and taxpayer ID/ social security number
- Date/ Years of the NODD
- Taxpayer's signature or the signature of a person authorized to act as the taxpayer's representative
- The specific legal or factual reasons the taxpayer believes the NODD is in error

Idaho Code Section 63-3045 and Idaho administrative and Enforcement Rule 320

A general request for additional time is not a protest; however, per Audit Division Administrator, a 28-day letter should be sent.

A request for more time that also includes "I disagree with the NOD" or "I protest" but does not include the other requirements to be a perfected protest, is to be treated as an unperfected protest and addressed with a 28-day letter.

- 1) Once a TP is notified that a protest is unperfected, they have 28 days to perfect the protest. Failure to do so may result in posting the NOD after the 29th day (per the code), and so any remaining portion of the 63-day protest period on the NOD would be nullified. However, if the TP is "protesting" for more time, post the NODD after it hardens or the 29th day, whichever is later.
- 2) A response to the 28-day letter that fails to include all the missing elements to become a perfected protest is not sufficient to justify further extending the grace period to protest, even if the taxpayer states that their intent is to protest.

HOWEVER, in order to be fair and equitable to the taxpayer, our business practice is to acknowledge any of the following as a protest:

- Anything the TP writes that says they disagree
- Any document provided by the taxpayer that appears to disagree with the audit
- An amended return (for CP2000 only)

Innocent Spouse

If a taxpayer discusses innocent spouse, our case will continue until they can provide proof that they are in contact with the IRS regarding this matter. Proof could be a preliminary determination from the IRS, or the Final determination.

This isn't considered a protest for audit. The taxpayer is protesting the liability, not the audit assessment. The taxpayer will have the right to protest the liability after the audit is closed

Auditor will request the IRS final decision from the taxpayer

Auditor will request 1040 Separate Assessments for each account to see if the IRS made any adjustments.

If a final IRS decision isn't made by the time the audit closes, the auditor will email the Income Tax Program Specialist in the Collection Division, stating the taxpayer is claiming they're an innocent spouse

Once proof is provided, our case is halted until the IRS makes their final determination. The IRS could rule innocent spouse is denied, partially granted, or fully granted. You will be able to tell based on the IRS's final determination paperwork. If the relief is only partially granted, you will need to determine what portion of the income should be attributed to which taxpayer. When the IRS works on innocent spouse, they stop documenting on the MFJ Account Transcripts and instead use Separate Assessment Account Transcripts on the IRS transcript.

A manager will need to post and close your audit or case if innocent spouse is recognized.

Billing Letter Protest Procedures

A protest can be received at any stage of the process. If received before an NODD has been issued, issue the NODD and send it with the protest acknowledgment letter. If received after the NODD, then only the protest acknowledgment letter is required.

NODD Protest Procedures

If the taxpayer writes to you within the protest period, stating that he does not agree with the amounts, but needs extra time to provide an amended return; other information; or the matter is still not resolved with the IRS, we have little choice but to grant him the additional time. You must acknowledge the protest and can give him extra time to provide the information. If he fails to file the amended return; provide documentation or the documentation does not sufficiently show the IRS audit has been reversed, the file must be transferred to Tax Appeals, who will schedule a hearing with the taxpayer.

If the taxpayer says they are still working with the IRS on the issue- this is a **protest** - even if it comes before the NODD. Place the audit in protest. The taxpayer is required to send periodic status updates until IRS issues are resolved. If the NODD is just being issued, give the taxpayer the NODD due date as the expectation date for the first status update, otherwise, give 60 days.

Send taxpayer(s) a protest acknowledgement letter (see below) acknowledging their protest and giving them a due date (30 days, depending on case situation). Set your case work date out the due date of the letter plus seven days for mail delays.

Note: IRS issues can drag on for months, so expect to allow at least 6 months or more- provided the taxpayer continues to provide timely status updates. If the taxpayer(s) fails to provide status updates, or

more than 6 months has passed with no indication that a federal amended return was filed and no change to the data on the IRS site, send the withdraw letter. If the taxpayer fails to withdraw by the deadline, send the file to Tax Appeals.

IF A PROTEST COMES IN FOR ONE SPOUSE OF A MFJ AUDIT-IT APPLIES TO THE ENTIRE AUDIT. Neither NODD can be hardened or posted if the other spouse has protested.

In summary: Protest-

1. Scan and attach the protest letter to case
2. Send a protest acknowledgment letter **with specific instructions**
 - a. Identify what documentation you need from the taxpayer
 - b. When do you expect it (due date is 30-45 days depending on situation)?

Protest Withdrawals

Once an assessment is protested- one of three things must happen before the case can move forward.

1. You accept the documentation provided by the taxpayer and cancel the NODD
2. The Taxpayer decided to agree with you and withdraws their protest in writing.
3. The file is forwarded to Tax Appeals for a decision.

In instances where there is no more you can do to resolve the case, but the taxpayer has protested the original NODD and:

1. The taxpayer has not provided any additional information or amended return and has ignored several due date(s).
2. The IRS has partly reduced the audit, and you are reducing but not withdrawing the NODD.
3. A taxpayer pays the NODD in full after a protest is filed. (Many taxpayers pay in order to stop interest from continuing to accrue but still want to protest the NODD. We cannot assume that payment in full means they have withdrawn their protest.)
4. The taxpayer still needs to formally withdraw the protest or else the file should go to Tax Appeals.

A short free form letter should be sent to the taxpayer with a "Protest Withdrawal Insert".

Please check one of the following and return this letter before **(DATE)**. If no response is received by that date, the pending audit may be sent to our tax appeal unit for further consideration.

_____ I withdraw my protest. I have enclosed payment or expect to be billed for the amount due.

I still disagree and wish to continue my protest:

_____ I am enclosing more information to support my position.

_____ Please forward this file to your tax appeal unit for further consideration.

| | | | |
|-----------|------|-----------|------|
| Signature | Date | Signature | Date |
|-----------|------|-----------|------|

Give a specific due date on the protest withdrawal. Leave the case Stage as Protest to avoid an accidental posting and set the work date out seven days past the due date you set on the protest withdrawal form.

If you need your taxpayer to withdraw his protest and he has not responded to your initial request, send a 2nd request with a 30-day due date; stating the file will be forwarded to Tax Appeals if we do not hear from them.

If you do not receive the signed protest withdrawal the case should be sent to Tax Appeals for resolution.

If you receive a signed protest withdrawal form back from the taxpayer, you must;

1. Scan and attach the withdrawal form to your case
2. Write a good CRM note
3. Close your case (Post the audit or take other closing action as appropriate to your case)

Amended Returns Protest Procedures

When Idaho taxable income or tax credits for any taxable year have been adjusted as a result of a federal determination, the period of limitations for claiming a refund or credit of tax, penalties or interest shall be reopened and shall not expire until the **later of**:

- One year from the date of delivery of the federal determination **to the taxpayer by the IRS**
- Three years from the due date of the return, without regards to extensions
- Three years from the date the return was filed

PROTESTS AFTER AUDITS

If a taxpayer submits additional information (but not a return) after the Audit/Case has closed, we will review the information and pull federal account transcripts to see if our assessment needs to change. If we are making any modifications to our assessment, staff will need to fill out the Audit Review Form to explain why the change is necessary. Once approval to make modifications is received from the manager, staff are to scan and attach the document to their Audit/Case, and make the necessary modifications to the tax return or open up a reversing Audit to remove the Audit postings, plus interest (if posted through Audit).

AMENDED AFTER ASSESSMENTS

Legal issued a memo on amended returns filed after a hardened NODD. The memo concluded that if the original return is still in statute, a letter must be sent to cite Income Tax Rule 880.05 and deny the return because the 63 days within which to protest has passed and the NODD is now "final".

CRM Notes

Customer Resource Management notes, also known as CRM notes, are strategic notes that help manage the Tax Commission's relationships and describe customer interaction.

Information redacted pursuant to Idaho Code Section 74-107(15)

Keeping good CRM notes is important. Coworkers that take your telephone calls in your absence need to be able to quickly tell what stage the case is in, when the next stage is scheduled, and what the taxpayer needs to do. Collectors may also review your case in order to learn what happened over the course of the audit.

CRM notes should be clear, concise, factual, and professional. They should never contain your opinions, or any defamatory or derogatory remarks. Always remember that a taxpayer can request a copy of his/her file, which would include all CRM notes. Once a CRM note is made, it cannot be edited or deleted. If a CRM note is made in error, an additional CRM note directing the reader to disregard the erroneous note is necessary.

What needs a CRM note? Make a CRM note every time you touch your audit/case (receiving information, payment, a phone call, federal information, etc.). A good rule of thumb is to make a CRM note with enough detail so anyone can quickly and easily understand where the case is at.

The following table lists several scenarios, and possible questions you may want to answer in your case.

| Scenarios | Possible Questions to Answer | CRM Note Example |
|---------------------------------------|--|--|
| You received a voicemail: | Who called? When? Did the caller provide a telephone number? Did the caller request a callback? What did the caller say? | Received VM from TP, stated he planned on submitting pymt but had Qs regarding BL. Requested callback @ 208.334.7790 |
| You left a message: | Did you ask for a callback? Did you leave office hours? Did you leave a message with a machine, or a person? | Called TP, left VM for callback. |
| You received/placed a telephone call: | Who called? When? What was discussed? Was the call transferred? Did the caller provide updated contact information? | TP called, stated he was submitting pymt but wanted to know about audit. Briefly described IRS audit and CP2000, listed adj and who from. TP stated he understood. |
| You received correspondence: | What correspondence did you receive? Who sent the correspondence? Was there different contact information listed? | Received ltr from TP stating he disagreed with CP2000 adj as pension was rolled over. Provided copies of docs showing rollover. |

| | | |
|---|---|---|
| | When did you receive the correspondence? What did the correspondence say? Did you review the correspondence further? What did you decide? Do you need to send the correspondence elsewhere? | |
| You spoke with someone in the agency or county: | Who did you speak with? What did they say? What did you say? What did you determine? | Spoke to BK; okay to proceed with audit |

Occasionally, it may be necessary to “write a book” in your CRM notes, as you need to detail specific aspects of a taxpayer’s conversation for future use. The following is an example of a CRM note that is quite long, yet necessary for this specific taxpayer situation:

“The taxpayer (TP) called, stated she had filed 2009 with H&R Block like she did every yr, and had even been levied for her tax due by Idaho State Tax Commission (ISTC). Verified TP was not mixed up with IRS. Explained we had no return or payments (pymt) for 2009. TP continued to state she was levied for 2009; Reviewed collection notes & attempted to explain to TP that while she was levied IN tax year 2009, the levies were FOR 07 & 08 balance. Unsure if TP understood; offered to transfer to collections. TP states she's filing bankruptcy (BK); Explained some taxes are not exempt. Stated she could send in 09 return and levy info; she asked about pymt arrangements; explained she'd need to contact collections re:PA”

As previously stated, your CRM notes should be concise and only highlight the essentials – it is not too often that “writing a book” is necessary. Always attempt to verify and include current contact information in your CRM note whenever possible.

Type your CRM note into the text field and click **Save**.

Note: Once the CRM note is saved, you cannot go back and change anything, including checking or unchecking any boxes.

Special Taxpayer Circumstances

There are some adjustment situations that involve different procedures. Listed out separately are some taxpayers or adjustments that require different procedures.

PERSONAL REPRESENTATIVES

A personal representative is an individual you place in charge of settling your estate after your death, also sometimes referred to as an executor. Sometimes the personal representative of an estate without a will is called an administrator. See the Deceased section for more info on finding a personal rep of a taxpayer.

If a personal representative is known, make a CRM note in your case and address all future correspondence to the representative. If there is no known personal representative, you will need to attempt to find one: Review the Idaho Repository to see if a personal representative was established. Contact the county (often listed in the death record) of the last known address for the taxpayer and ask if there was an estate probated. If there was an estate, get the name of the executor or personal representative. If there was no estate probated, try to find a living relative. If you cannot find a relative, you may have to close the case. It is recommended that you bring cases like these to your Manager for review.

Married Filing Joint - No Longer Married

If taxpayers filed married filing joint for the adjustment year but are no longer filing jointly, the following applies:

Case will send two letters, check that the last names match the return filed for the CP200 year. On the taxpayer that has a change in their current last name, their current name should only be showing on the letter sent to them.

Audit

- **Open only one audit in audit manager.** There is only one audit/liability. It should be under the Prime. There will also only be one case.
- **Keep good CRM notes**-so we know what has been said or sent, when, where and to whom. Use caution when making CRM notes not to disclose confidential information regarding either party.

Billing Letters must be sent, with both names, to each address. Scan and attach both billing letters to the Audit. Last names may change after divorces; be sure that the taxpayers' last names on the letters is what it was when they were married. On the taxpayer that has a change in their current last name, their current name should only be showing on the letter sent to them.

- **Separate NODDs must be prepared**, with both s taxpayers’ names, one to each address.
- If we cannot locate one taxpayer before the other taxpayers’ NODD hardens, then we will post the hardened NODD and close the case. We have done all we can. Make good CRM notes.
- If we locate the other taxpayer after an NODD has gone to the first...
 1. **Don’t cancel the NODD** on the 1st taxpayer. Let it harden but hold off on posting and closing. **Send a new NODD to the 2nd taxpayer.**
 2. If the 1st NODD hardens on the 1st taxpayer and we feel the 2nd NODD went to a good address on the other taxpayer —Don’t post the first NODD yet. Hold the 1st NODD until the second NODD hardens. Then post one NODD adjustment for both.
- **If a protest comes in for the first taxpayer of a MFJ adjustment-it applies to the entire audit.** Only the taxpayer who has protested will receive the acknowledgement of protest. Be cautious of the information you provide to the taxpayers in this type of situation.

Married Filing Separate for the Adjustment Year

Treat the inquiry the same as a single tax year. In communicating with the taxpayer, be sure of who you are speaking to and be aware of who you can give information to. Depending on how each party filed, community property laws may apply.

POA Procedures

POAs 63-3045(4)

The following information addresses matters related to Power of Attorneys. If you have any questions regarding Power of Attorneys, please contact the designated form processor in your area.

WHAT IS A POA?

A POA is the legal authority to act for another person in specified or all legal and financial matters. The Idaho POA form is a legal document giving this power to the individual the taxpayer specifies. The POA does not grant rights, it gives authority. A “general POA” grants the representative authority to take any actions the taxpayer could take for himself. A “limited POA” grants the representative only the authority expressed in the POA. You will need to read the POA carefully to determine the extent of the authority granted to the taxpayer.

See Idaho Code section 63-4003(1) for details.

POA PROCEDURES

When a POA form is received in TDB, it must be reviewed to make sure it is valid. You will need to:

- Review the POA form to verify the required information is filled out and correct. It is highly encouraged that you double check your review with the POA form processor

- Add a CRM note to your audit: POA received (date), (POA Name), (POA Contact Info), (Tax Types & Periods)
- Scan and attach the POA form to case **before** forwarding the form to your assigned processor

Note: Do not add or modify contact and address information for a POA; this is the responsibility of the form processor.

POA FORM PROCESSOR'S RESPONSIBILITIES

The POA processor for TDB will review each form to determine if it is acceptable and that all required information has been provided. POA process is in the tech support area. As previously stated, it is encouraged that you do this prior to making your CRM note and attaching the form to your case.

If the form is acceptable, the processor will:

- a. Add the POA Limited or POA Indicator
- b. Add a POA contact type including representative(s) name(s), phone number(s), and e-mail (if provided).
- c. Add the POA address to GenTax
- d. Image the POA form

If the form is **not** acceptable and/or if required information is not provided, the processor will return the POA form to the auditor to obtain the missing required information.

POA LIMITED

A "limited POA" grants the representative only the authority expressed in the POA; therefore, it must clearly state the taxpayer's intent as it applies to matters of Idaho state taxation. Any form or document received that does not provide the address for the POA representative is considered a limited POA.

When a POA Limited indicator is added, it is for information only.

- Because they are normally for filing services or for POAs where no address has been provided, we do not send copies of correspondence to them. However, if contact information is provided, we need to be contacting the POA Limited regarding taxpayer accounts.

CHANGES TO ACTIVE POAS (UPDATING & REVOKING)

If you have a change to a POA address:

- Send address change requests to your respective POA processor.

A POA address cannot be changed once the indicator has been set. The indicator will have to be reset for a new address to be associated.

REVOKING

A POA may be revoked if the taxpayer expresses the intent to revoke it, or by a new POA revoking prior POAs. POAs may also be revoked without notice given to the ISTC, and for this reason, we should not rely on older POAs where the matter to which it relates has been inactive for a lengthy period of time. To verify a POA is still active for the period you are working on, see POA Validity.

It is ISTC preferred method to have revocations in writing. If it is revoked verbally, the taxpayer should be encouraged to send in a written revocation. Even without written revocation, a verbal revocation should be considered valid. A letter to the taxpayer confirming the verbal revocation is recommended.

If a written revocation cannot be obtained and it is taken over the phone, the individual must provide:

- Name, address, and SSN/EIN of the taxpayer and
- Name and address of the representative
- Notation of intent to revoke POA

CRM notes with this information **must** be entered at the time of the call

If the POA needs to be revoked, send all revocation requests to your respective processors for action.

POA VALIDITY

A POA remains valid until:

- It expires on a date expressed in the POA
- It expires on the conclusion of the specific matters to which it refers
- The taxpayer expressly revokes it (verbally or in writing). But be careful - the ISTC may not have notice that the taxpayers revoked their POA
- It expires because the principal becomes incapacitated and unable to make his own decisions (such as the decision to revoke the POA). An exception to this rule is a "Durable POA", which expresses the principal's desire that the power continue upon his or her disability. Many durable POAs apply only to medical care
- It expires on the taxpayer's death. When a taxpayer becomes deceased, a representative will need a new POA signed by the personal representative (executor) appointed by the court. In the event there is no probate proceeding in court, the representative will need a new POA signed by the taxpayer's heirs

To verify if a POA is still active for the period you are working on, you may certainly call the taxpayer or representative and ask. Sending copies of correspondence to the taxpayer is one way to help ensure that the taxpayer knows we are communicating with his representative. If he does not object, then we may presume (absent something abnormal) that the POA remains valid.

More than one person can represent a taxpayer at the same time (such as both a lawyer and a CPA). When we receive a second POA that does not expressly state whether the first POA remains in effect, prudence requires seeking clarification from the principal or the representative named in the second POA about whether the first POA remains in effect.

MARRIED FILING JOINT WITH POAS

Why do we require that all taxpayers that are identified on the POA form to sign the POA form?

Under Idaho law, either spouse has the right to manage and control the community property (including liabilities such as tax debts) without the consent of the other spouse. However, one spouse acting alone cannot transfer or encumber real property owned by both or enter into a contract affecting rights to the other spouse's separate property. One spouse cannot, therefore, empower an agent to do either of these acts for the other spouse. This can be relevant when there are actions such as consent to filing a tax lien or when completing a compromise and closing agreement. Because of these exceptions, *it is better practice to have both sign the POA.*

- e. However, the ISTC need not deny validity to a POA signed by only one spouse so long as the acts of the representative do not affect title to realty or the separate property of the other spouse.

If taxpayers filing a joint return have later divorced, one former spouse may only empower a representative to act on behalf of himself or herself-not the other former spouse.

CONTACT

Generally, we communicate with the appointed representative rather than the taxpayer. We may send copies of correspondence to the taxpayer, unless we are instructed not to do so. Sending copies of correspondence to the taxpayer helps ensure that the taxpayer knows we are communicating with his representative.

We may contact the taxpayer:

- About matters outside the scope of the issues addressed in the POA
- If we cannot determine the representative's name or address
- If the representative does not respond within seven days

See Idaho Code section 63-4003(1) for more details.

If the box on the POA is checked stating they "don't want the representative to receive copies of notices and communications", don't address letters or NODDs to the POA, or courtesy copy (cc) the POA of correspondence. They may be a POA for telephone communication only. Glossary of terms

| Term | Definition |
|-------------------|---|
| Durable POA | A POA that survives the incapacitation of the principal. |
| General POA | A POA without a limitation of granted powers may be limited in scope but not authority, i.e. authority over tax matters without limitation. |
| Limited POA | A POA with limitations on scope and authority of granted powers. |
| Responsible Party | An individual responsible for the tax liability of a business. |

| | |
|----------------------------|--|
| Successor | An individual or entity, through acquisition of another entity, held liable for debts of the acquired entity. |
| Guardian | Someone appointed to take care of another person or of another person's property. |
| Conservator | A person, official, or institution designated to take over and protect the interests of an incompetent. |
| Ward Ward of Court | A person who by reason of incapacity (as minority or mental illness) is under the protection of a court either directly or through a guardian or conservator appointed by the court. |
| Personal Representative | A person who manages the affairs of another or another's estate. |
| Executor | A person named in a decedent's will to carry out the provisions of that will. |
| Trustee | A person or a body of persons, appointed to administer the affairs of a company, institution, estate, etc... |

Posting Errors/Negative Adjustment

Manager approval is required:

If an adjustment gets posted incorrectly or too soon, the only way to correct it is by creating a second adjustment with negative work papers to zero out the first adjustment. Try to avoid this situation, if possible.

CRM note the original amount of tax, penalty and interest that was posted incorrectly from the original audit. **Add up any additional interest that has accrued.

Make good CRM notes about why this negative adjustment is necessary.

Attach any pertinent documentation to the audit

If there have been payments made, they will now show up as a refund amount.

If you received information after the adjustment has posted (i.e. Unclaimed letter returns, or taxpayer finally provides documentation the IRS cancelled or reversed the adjustment) notify your Manager.

If the collections case has already been assigned, the information must be forwarded to the Collection Division for handling. Send a courtesy email to the collector. They will likely want you to reverse the tax, penalty and interest and make the appropriate notes. When in doubt ask your manager.

If IRS has reduced the tax. If you receive information from the taxpayer showing the IRS reduced their assessment, and your adjustment has already posted, **forward the data to the Collection Division as soon as possible.** Send a courtesy email to the collector to let them know the information is on its way and how it may affect their case. They may want you to make the adjustment. If so, another audit will need to be opened to make the changes. See your manager.

SELF-DISCLOSURE

If the taxpayer self-discloses within 120 days of the IRS CP2000 notification, they are not charged a penalty. There is not a way to remove the penalty in Case or add a Case before a Lead, therefore an Audit must be opened.

Contacting Taxpayers

Mail

If you need to send follow-up letters, have a co-worker or manager review the letter for grammar, spelling, and content. Look at it from the taxpayer's point of view and make your letter as understandable as the content allows. If you are forwarding FTI information, make sure you redact the SSN and EIN.

E-mail

E-mail is a quick method to contact taxpayers. We need to send a disclaimer and get approval from the taxpayer before we exchange information through email.

Example: The Idaho State Tax Commission can't ensure the confidentiality or security of unencrypted audit-related information and attachments that are sent electronically by e-mail or other means. If you wish to send and receive documents in this manner, please reply by placing an 'x' next to the statement below.

____ I understand and accept the security risk of corresponding through unencrypted email.

Fax

Faxed information should include a coversheet giving the Taxpayer or POA's contact information on it. If a letter is being sent, make sure it has been reviewed for accuracy and contact.

The Counter (TPS)

Occasionally a taxpayer will want to meet face to face. You may be contacted by TPS or the security desk. Review the account before meeting with the taxpayer so that you are clear on the issues. If needed, bring the relevant portions of the file with you. (Typically, you will need to confirm the information regardless after meeting with the taxpayer). If you are uncomfortable meeting with the taxpayer alone, your manager or a co-worker can accompany you.

If there is currently a collection case, you may need to contact the Collections Division to have them sit in on the meeting.

PHONE

VOICE MAIL

We try to return phone calls within 24 to 48 hours as schedules allow. Make clear CRM notes outlining why the taxpayer called and their contact information. Update contacts and verify addresses in GenTax as well.

TRANSFERS

If you are transferring a call to another person, give the account information, the tax year involved, the amount (if it's not already posted) and what the taxpayer is wanting.

If you are taking a phone call for a co-worker, do not overextend your authority. In general, we try to secure documentation to support a taxpayer's position if they disagree with a billing statement or NODD. Take notes of the conversation and email the co-worker assigned to it with the name and ID number of the taxpayer.

COLLECT CALLS

The Tax Commission does not accept collect calls, as the cost is too expensive. When such calls are received, the name is usually given. Write down the name of the taxpayer before you decline the call and send a letter to the taxpayer notifying them of the 800 line.

CALLING A TAXPAYER

When you are contacting the taxpayer, be aware of who you are talking to. The account should be pulled up in GenTax before you make the call. If there is a spouse you cannot give information to, be careful. It is better not to give out taxpayer information when in doubt.

RETURNING A CALL

Since the taxpayer contacted you already, be aware of what they previously asked about. Have the account pulled up in GenTax so that you can prepare for any questions they may have.

PHONE ETIQUETTE

In general, keep personal information out of the conversation. Be courteous to the taxpayer but try to stay on task. If they do not seem to understand the situation, and they have a tax preparer, suggest that they speak with their tax preparer. Identify yourself clearly and let them know you are with the Idaho State Tax Commission. Once you know who you are speaking to and that they are either the taxpayer involved, or an authorized representative (POA which we have on file) details of the case may be given.

OUT OF THE OFFICE

If you will be out of the office for an extended period of time, make sure to update your voicemail message, and let your manager know so that phone coverage can be established. You should also set up your out of office automated response for your email.

Locating Taxpayers (Skiptracing)

Accurint Requests/Postal Tracers

When a billing letter comes back with a bad address a good address needs to be found.

First check the returned correspondence for a yellow sticker with an updated or forwarding address.

If the NODD has been issued but returned as a bad address, the age of the NODD will determine your next step.

If the NODD is near or past the hard date, it will have to be reissued. Make a good CRM note. If less than 30 days to hard date you will need to reissue the NODD.

If the NODD is relatively new, you can resend it by regular mail to the new address using an “Unclaimed letter” discussed under NODD procedures.

If a Billing Letter has been returned, a second letter is sent to a new address, if the second Billing letter is returned, the NODD is sent to a third address.

Last Known Good Address

Due to recent legislative changes we are not required to send NODDs certified. TDB has adopted the policy that we should make every effort to make sure we’ve notified our taxpayer **prior** to posting a hardened NODD. Therefore, we should make every effort to make sure the address we are using is the best possible address. This may require extra upfront efforts in address research using means available to us.

We should make efforts within reason to locate the taxpayer before we post using last known good address and document all attempts in CRM notes.

Use the three-strike approach:

1. Is there more current info?
2. Have you requested a postal tracer for the last known good address?
3. Request current year (last year) Fed info. If you use an address you must set the FTI indicator, "Temp-Address". Once this new address has been verified by a third party or the taxpayer you can cease the indicator and make a comment. EX: TP verified address of ...

Taxpayers are required to file timely returns informing the Commission of their current address information. If the Commission is in contact with the taxpayer and he moves, he has an obligation to notify us of the new address. If he fails to do this and we have attempted to contact him at the best location we can identify—we are within our rights to post the liability and send it to the Collection Division.



PO Box 36 • Boise ID 83722-0410
800 Park Blvd., Plaza IV • Boise ID 83712-7742

POSTMASTER
«City» «State» «PostalCode»

Date: December 11, 2013

ADDRESS INFORMATION REQUEST

Please furnish this agency with the new address, if available, for the following individual or verify whether or not the address given below is one at which mail for this individual is currently being delivered. If the following address is a post office box, please furnish the street address as recorded on the box holder's application form.

Name: «Name»
Last Known Address: «ADDRESS1»
«City» «State» «PostalCode»

I certify that the address information for this individual is required for the performance of this agency's official duties.

«EC» Tax Discovery Bureau

===== FOR POST OFFICE USE ONLY =====

- | | |
|--|--|
| <input type="checkbox"/> MAIL IS DELIVERED TO ADDRESS ABOVE | <input type="checkbox"/> NOT KNOWN AT ADDRESS ABOVE |
| <input type="checkbox"/> NEW ADDRESS _____ | <input type="checkbox"/> MOVED, LEFT NO FORWARDING ADDRESS |
| <input type="checkbox"/> BOXHOLDER'S STREET ADDRESS _____ | <input type="checkbox"/> NO SUCH ADDRESS |
| | <input type="checkbox"/> OTHER (SPECIFY) _____ |

Agency Return Address
IDAHO STATE TAX COMMISSION
TAX DISCOVERY BUREAU
800 PARK BLVD. PLAZA IV
P.O. BOX 36
BOISE, IDAHO 83722-0410

Postmark/Date Stamp

Name Change

If a taxpayer claims their name has changed, they will need to contact ARM. You can transfer the taxpayer to TPS, extension 7660 and they should be able to assist them or find someone to assist them. Do not send them any correspondence to the “new” name until it has been verified and updated in GenTax.

If we have their name wrong in our system and you can see on their returns it is different than GenTax, you can e-mail the lead worker in ARM and request this be corrected. You can use the TPS transfer list for the current lead worker in ARM.

FEDERAL INFORMATION INCLUDED IN A LETTER OR DOCUMENT: billing letter or other correspondence or other items containing FTI are attached (TC68 or 042 pages).

FEDERAL INFORMATION INCLUDED IN NODD IN AN ATTACHMENT: The indicator should be set as soon as the NODD is attached *but can be set ahead* when you know you will use the federal information in the NODD you are preparing or have prepared. In a case where the NODD is not issued (EX: returns are received before NODD is issued) you can change the indicator and cease it with a COMMENT made as to why. **The NODD or BL letter attachment should also contain FTI=YES as TYPE or be included in file name or description.**

IF FEDERAL INFORMATION WAS INADVERTENTLY/INCORRECTLY SCANNED and ATTACHED TO THE ADJUSTMENT OR AUDIT CASE. Comment Example: Fed info in attachment in TDB 2015-2018 CP200 case.

**** FEDERAL INFORMATION transcripts SHOULD NEVER BE ATTACHED.** If a taxpayer provides this information, it should be **noted that it came from the taxpayer.** Federal returns **received from the taxpayer** can be attached. It is considered taxpayer information **not** federal information. The IRS will review these indicators and check that the comments are properly and specifically filled out.

Federal Tax Reports Available

For individual taxpayers, the following tax reports are available:

Account Transcript (All Tax Years)

- Taxpayer’s name, address, SSN, tax year balance and filing status
- Federal AGI, federal TI, self-employed TI, self-employment tax
- Date tax return was received
- Payments, interest and penalties
- Additional tax, interest and penalties as a result of an IRS adjustment.

Return Transcript (Most Current 3 Tax Years)

A line by line listing of the federal return as filed (all lines, all forms).

Record of Account (Most Current 3 Tax Years)

A combination of the Account Transcript and the Return Transcript.

Wage & Income Report

A recap of all wages and income reported to the IRS by third parties.

Safeguard Procedures for IRS Material

All persons having access to Federal information should be aware that there are penalties for improper disclosure of such information. **This includes federal information obtained (printed or written) from GenTax Warehouse Manager.** When the auditor receives or prints federal information, the following procedures are required:

The information must always be kept in an orange folder and in a locked file cabinet labeled “Contains FTI” when not being used.

Do not make photocopies of the information.

The information needs to be labeled FTI or Federal Information with a stamp or written across the top of the document.

All federal information (**including printouts from Warehouse Manager**) needs to be destroyed in the appropriate manner.

For the Boise office: Return the information to the person who ordered it, so it can be disposed of correctly.

For the field offices: The federal information must be mailed to the Government Liaison Specialist or authorized staff to be destroyed.

1. The mailed document must be double sealed. (Double Sealed means inside two envelopes; the interoffice envelope does not count as one of the seals).
2. An email needs to be sent notifying the Government Liaison or authorized staff of the information being returned.
3. When the information is received the Government Liaison or authorized staff needs to respond saying they have received the information.

Preferably, federal information from warehouse should not be printed out or written down. If you do print it out or write it down, these documents are considered federal information and need to be protected as such.

Federal Information should not be taken out of the office.

Refer to IRS Publication 1075 for more information on Federal information disclosure.

Link: <http://www.irs.gov/pub/irs-pdf/p1075.pdf>

All FTI

1. Do not look up or order FTI on taxpayers you are not working on.
2. Do not look up or order your own information or information of family, ex-spouses, close friends and business associations, even for testing purposes. If you run into a conflict of interest, have someone else look it up.
3. Do not discuss FTI with people (including STC employees) who do not have a “need to know”.

Only discuss Federal Tax Information for official purposes with those who have a “need to know” in discrete surroundings. Use general case examples without names when seeking advice. Do not gossip about your cases.

Personal Computer Files:

1. Password-protect any files containing FTI and/or lock down your computer when you must leave your desk for an extended period. (Ctrl + Alt Delete or Windows+ L)
2. All FTI data must be locked up during non-office hours. If you’re leaving for the day or have a long period of training, lock your file cabinet where your sensitive information is kept. If employees leave their desk, they must turn their papers over or put their work away.
3. Keep FTI files in a separate folder from your other files.
4. Set a reminder to delete the file when your need and use of it is finished.
5. Do not transfer or back up the file to disc.
6. Do not e-mail the file, as our e-mail system does not meet IRS requirements.

All electronic information must be encrypted. Work secured – all FTI should be placed in that folder (Billing Letters, CTAs, returned mail, etc.).

E-mailed data must be encrypted, check before you send emails, some information we are not allowed to send.

Under any circumstances, do not e-mail a SSN. If you receive an e-mail that includes a SSN and you must reply to the e-mail, be very careful to check that you removed all instances of the SSN in the subject, body, and thread of the e-mail. We do not recommend retyping the e-mail and e-mail address, as you may retype it incorrectly and the e-mail could be forwarded to the wrong individual.

Paper Documents with FTI:

Paper files containing sensitive data must be shredded. When your use with the FTI information is finished, all paper files that contain sensitive data should be shredded.

Remember, sensitive information doesn't just pertain to taxpayer information; it would also be procedures, training materials, etc. relating to the Tax Commission. When in doubt, shred it. Most people shred everything, just to be safe.

Once you begin working cases, you may be ordering federal tax information from the IRS. Once you receive this paper information, it is required to stay in an orange folder. Once you have no more use for the federal tax information, you are to turn it back to the person who ordered it)– this is the one example of something that we do not shred ourselves.

Computer Printouts from GenTax

1. Selection Manager Reports
2. Batched FTI
3. Any FTI transferred to paper
4. Co-Mingled documents such as Audit Reports, TC68's
 - a. Stamp documents with "FTI=Yes" stamp if they do not have the stamp or are not batched.
 - b. Keep documents in orange folder to help identify them as FTI.
 - c. Lock up documents when not using them.
 - d. If documents need to go to the field office, give to the government liaison to mail out.
 - e. When you are through with the documents, give them back to the person who you ordered it from or mail double-sealed to government liaison or assistant. (Field offices must send FTI notification e-mail that FTI has been mailed.)

Penalties for Disclosure and Browsing

Internal Revenue Code section 7213(a) (2) provides that if you disclose confidential federal tax information to any person who is not authorized to have access to the information, you will be subject to prosecution. If found guilty, you will be punished by imprisonment of up to five years and/or required to pay a fine which may be as high as \$5,000.

Internal Revenue Code section 7213A (a) (2) provides that if you willfully inspect return or return information not authorized by law, you will be subject to prosecution. If found guilty, you will be punished by imprisonment of up to one year and/or required to pay a fine which may be as high as \$1,000.

Section 7431 of the Internal Revenue Code authorizes a taxpayer to file a civil suit against you if you willfully or negligently inspect or disclose any return or return information of the taxpayer. Damages for doing so are the greater of \$1,000 for each unauthorized act or a total of actual and punitive damages sustained by the taxpayer, plus the cost of the prosecution.

Also see Code Section 63-3076.