



Small Business/Self-Employed

Collection

Revenue Officer Training Unit 1

Instructor Guide



ELMS 11567

Official IRS Training Material

This material was designed specifically for training purposes only. Under no circumstances should the contents be used or cited as authority for setting or sustaining a technical position.

Lesson 1

BMF Referrals

Overview

Introduction

The Internal Revenue Code (IRC) section 6020(b) procedure is an important administrative tool when resolving Del Ret cases. When taxpayers refuse to file certain business tax returns voluntarily, IRC section 6020(b) procedures can resolve the case.

Lesson Materials

- ∞ Coursebook
 - ∞ Letter 1085(DO), *30-Day Letter, Proposed IRC 6020(b) Assessment*
 - ∞ Form 941, *Employer's Quarterly Federal Tax Return*
 - ∞ Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*
 - ∞ Form 1065, *U.S. Partnership Return of Income*
 - ∞ Form 5604, *Section 6020(b) Action Sheet*
 - ∞ Letter 1616(DO), *30-Day Letter, Proposed IRC 6020(b) Assessment, Partnership Return*
 - ∞ Laptop with ICS training database
-

Continued on next page

Lesson 1

BMF Referrals

Instructor Information

Introduction



Show slide #T -1 to introduce the lesson title and topic.

This lesson discusses preparation of tax returns under Internal Revenue Code (IRC) section 6020(b). Emphasis is placed on Form 940 and Form 941, since the participants will encounter these forms most frequently.

Lesson Data

The following table provides helpful information:

Estimated Time	∞ Three hours, 30 minutes
Participant Materials	∞ Coursebook
	∞ Letter 1085(DO), <i>30-Day Letter, Proposed IRC 6020(b) Assessment</i>
	∞ Form 941, <i>Employer's Quarterly Federal Tax Return</i>
	∞ Form 940, <i>Employer's Annual Federal Unemployment (FUTA) Tax Return</i>
	∞ Form 1065, <i>U.S. Partnership Return of Income</i>
	∞ Form 5604, <i>Section 6020(b) Action Sheet</i>
	∞ Letter 1616(DO), <i>30-Day Letter, Proposed IRC 6020(b) Assessment, Partnership Return</i>
Instructor Material	∞ Instructor Guide

Continued on next page

Overview, Continued

References

- ∞ IRC section 6020(b)
 - ∞ IRM 5.1.11, *Delinquent Return Investigations*
 - ∞ Document 6209, *IRS Processing Codes and Information*
 - ∞ Publication 5, *Your Appeal Rights and How to Prepare a Protest If You Don't Agree*
 - ∞ Publication 15, *Circular E — Employer's Tax Guide*
-

Objectives

At the end of this lesson, you will be able to:

- ∞ Describe the process used to prepare BMF returns under IRC section 6020(b).
 - ∞ Describe the steps used to prepare the IRC section 6020(b) referral package.
-

Continued on next page

Instructor Information, Continued

Lesson Data (continued)

References	<ul style="list-style-type: none">∞ IRC section 6020(b)∞ IRM 5.1.11, <i>Delinquent Return Accounts</i>∞ Document 6209, <i>IRS Processing Codes and Information</i>∞ Publication 5, <i>Your Appeal Rights and How to Prepare a Protest If You Don't Agree</i>∞ Publication 15, <i>Circular E — Employer's Tax Guide</i>
Supplies	<ul style="list-style-type: none">∞ Whiteboard and markers∞ Computer projection system and screen∞ Slides∞ Laptop with ICS training database

Objectives



Show slides #T -2 and #T -3. Present the lesson objectives.

At the end of this lesson, the participant will be able to:

- ∞ Describe the process used to prepare BMF returns under IRC section 6020(b).
- ∞ Describe the steps used to prepare the IRC section 6020(b) referral package.

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Overview, Continued

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Instructor Information, Continued

In This Lesson This lesson contains the following topics:

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Authority

Introduction

If a taxpayer neglects or refuses to file a tax return, there are administrative remedies available to the Service to secure a return. These remedies are found in the:

- ∞ Internal Revenue Code (IRC)
 - ∞ Treasury Regulations
 - ∞ Delegation Orders
-

Internal Revenue Code

IRC section 6020(b), *Execution of Return by Secretary*, states:

1. Authority of Secretary to Execute Return — If any person fails to make any return required by any internal revenue law or regulation made thereunder at the time prescribed therefore, or makes, willfully or otherwise, a false or fraudulent return, the Secretary shall make such return from his own knowledge and from such information as he can obtain through testimony or otherwise.
-

Treasury Regulations

Treasury Regulation 301.6020 -1(b) grants authority to Internal Revenue Service revenue officers or other employees to prepare returns for a taxpayer based on the employee's knowledge and information.

Delegation Order

The authority granted the Secretary to execute returns is further granted by Delegation Order 5 -2 (Rev. 2) to. Internal Revenue Agents; Tax Compliance Officers; Tax Auditors; GS -09 Revenue Officers and Revenue Officer Examiners; Compliance Services Collection Operations Managers; Campus Automated Substitute for Return Operations Managers; Campus Examination Operation Managers; GS -09 Campus Examination Revenue Agents; GS-09 Campus Examination Tax Compliance Officers; Campus Examination Managers; GS-09 Individual Tax Advisory Specialists; GS -11 Bankruptcy Advisors; GS -09 Bankruptcy Specialists; Indian Tribal Government Specialists; Federal State and Local Government Specialists; Tax Exempt Bonds Specialists; Collection Centralized Case Processing Managers; Senior Employment Tax Specialists; Employment Tax: Tax Examining Technicians; Estate Tax Examiners and Estate Gift Tax Managers.

Continued on next page

Authority

Introduction



Show slide #T -4 and discuss the sources of administrative authority used to promote compliance.

Internal Revenue Code

Review the language of IRC section 6020(b) and paraphrase it for the participants.

Point out that the Code, Treas. Regs. and Delegation Orders allow for the preparation of **any** return. It is the IRM that defines which returns can be prepared by which employee category.

Delegation Order

Explain that delegation orders grant revenue officers or other employees authority to perform certain duties. In the case of IRC section 6020(b), employees in these positions are allowed to prepare returns if the taxpayer fails to comply.

Continued on next page

Authority, Continued

Applicable Returns

1. The following returns may be prepared, signed and executed by revenue officers under the authority of IRC 60 20(b),
 - a) Form 940, Employer's Annual Federal Unemployment Tax Return
 - b) Form 941, Employer's Quarterly Federal Tax Return
 - c) Form 943, Employer's Annual Tax Return for Agricultural Employees
 - d) Form 944, Employer's Annual Federal Tax Return
 - e) Form 720, Quarterly Federal Excise Tax Return
 - f) Form 2290, Heavy Highway Vehicle Use Tax Return
 - g) Form CT-1, Employer's Annual Railroad Retirement Tax Return
 - h) Form 1065, U.S. Return of Partnership Income
-

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Authority, Continued

**Applicable
Returns**

Review the types of returns that journey level revenue officers (grade 9 or above) are authorized to prepare. Tell the participants that their on -the-job instructors will assist them with IRC section 6020(b) referrals.

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Authority, Continued

Compliance Issues

When you recommend an assessment under IRC section 6020(b), you will prepare all the returns necessary for full compliance. If a return will become due during the time other returns are being processed under IRC section 6020(b), prepare that return as well.

The IRC section 6020(b) process provides for written notice to the taxpayer of our intent to file returns on their behalf. Letter 1085(DO), *30-Day Letter, Proposed IRC 6020(b) Assessment*, provides this notice. Taxpayers have 30 days from the date you mail the proposed assessment to respond to the Letter 1085(DO).

Example

Helen Paine has not yet filed Forms 941 for the first and second quarters of the year. She has four employees.

You send proposed assessments to Ms. Paine on October 20. You must include the current third quarter return which is due on October 31 as well as the returns for the two delinquent periods. Ms. Paine has until November 19 to respond.

Timeline:

1st Quarter	2nd Quarter	Today	3rd Quarter
due 04/30	due 07/31	10/20	due 04/30

All three periods are included with the Letter 1085(DO) since the third quarter will become due while the other returns are processed under IRC section 6020(b) procedures.

Authority, Continued

Compliance Issues



Direct the participants to remove the following from their Forms Package.

- ∞ Letter 1085(DO), *30-Day Letter, Proposed IRC 6020(b) Assessment*

Discuss the example. Emphasize the timeline that shows the three returns needed for full compliance. Stress that the third quarter return is included on Letter 1085(DO) because it will become due during the 30 -day notice period.

The Letter 1085(DO) is discussed in more detail later in this lesson.

First Contact

Field Call Required

A field call is to obtain information and ensure that the entity is liable for the return is required before using IRC 6020(b) authority.

Required First Contact Actions

If, on your first field contact, the taxpayer does not immediately file the delinquent returns, and does not indicate that the returns were not due:

- ∞ set a specific date for filing
- ∞ secure sufficient information so an accurate return can be prepared if the taxpayer fails to file by the specified date such as:
 - Total wages, number of employees and tax withheld (Forms 941, 944 and 943)
Note: Do not ask to review the taxpayer's records for this information.
 - Name of states in which wages were paid (Form 940)
 - Number of partners in the partnership, their names, addresses, social security numbers/ employer identification number, each partner's interest percentage in the partnership, and the partnership's gross income (Form 1065/K-1). If possible, obtain copies of the partnership agreement and copy of the last filed Form 1065.
- ∞ advise the taxpayer that the IRS can consider their refusal to file as willful neglect and subject to the trust fund recovery penalty, criminal penalties or both,
- ∞ explain the trust fund recovery penalty, if applicable.
- ∞ advise the taxpayer that if the returns are not filed voluntarily, they will be prepared and filed under the authority of IRC section 6020(b).

A summons is not required before using IRC 6020(b) procedures; however, in some cases, a summons may be the appropriate action if you cannot establish an estimated amount of tax liability, and the taxpayer is being uncooperative.

Continued on next page

First Contact

**Field Call
Required**

Advise the participants that a field call is required before using IRC section 6020(b) authority.

**Required First
Contact
Actions**



Show slides #T -5 and #T-6. Point out the required elements of the first contact interview.

Emphasize to the participants they should

- ∞ set a deadline, and
 - ∞ explain the consequences of failing to file the return.
-

Continued on next page

First Contact, Continued

Sources of Information

It is important to secure as much information as possible on the first contact. To prepare a return under IRC section 6020(b), enough information must be obtained from the taxpayer or other sources to provide a complete explanation of the basis for the assessment amount.

The taxpayer generally has the most accurate information, but if the taxpayer does not provide the information, other sources are available, including:

- ∞ state employment commission and municipal records.
 - ∞ State Reverse File Matching Initiative (SRFMI) data.
 - ∞ W-2/W-3 information on BMFOLU, prior tax return information provided from TRDBV and TXMOD on IDRS.
-

First Contact, Continued

Sources of Information



Show slide #T -7 and review sources of information for return preparation under section 6020(b)



Ask the participants:

What other sources of information might be available?

Possible Responses:

- ∞ *State tax returns*
 - ∞ *Employees*
 - ∞ *Income tax or partnership returns*
 - ∞ *Department of Labor*
-

First Contact Role Play

Purpose

The purpose of the following role play is to give you an opportunity to practice securing information needed for IRC section 6020(b) assessment of Form 941 during the first contact interview.

Observer's Checklist

Complete this checklist as you observe the role play.

Action	!	Comments
Taxpayer's rights were observed		
Type of information secured by revenue officer		
Questions asked were pertinent to the investigation		
Specific and reasonable deadline was set for filing the returns		
Taxpayer acknowledged the date for filing the returns		
Taxpayer advised of the consequences of not filing		

First Contact Role Play

Purpose



The role play allows the participants to practice securing information needed for IRC section 6020(b) assessment of Form 941 during the first contact interview.

Time

20 minutes

Props

Taxpayer seated at desk or table.

Directions

Request volunteers or select two participants. Participant #1 is the revenue officer. Participant #2 is the taxpayer. If time permits, request several participants play the roles of revenue officer and taxpayer. Give each role player one of the handouts that follow.

Remind the participants that in the role play taxpayer's rights need to be observed. It is good practice for participants to introduce themselves, ask about Publication 1, and perform the other basic interview tasks in a role play.

During the role play, ask the other participants to complete the observer checklist in the coursebook.

After the role play, debrief the group using the following questions.

1. What types of information did the revenue officer secure?
 2. Did the revenue officer obtain enough information to complete a return if the taxpayer does not file?
 3. Was a specific and reasonable deadline set for filing the returns?
 4. Was the taxpayer advised of the consequences of not filing? What are the consequences?
-

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First Contact Role Play, Continued

Handout Revenue officer

Role Player **Participant:** Revenue Officer
Demeanor: Professional and prepared.

Scenario You have a Del Ret for Form 941 for two quarters.

You are making a field call to the taxpayer's business. This is your first contact with the taxpayer.

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First Contact Role Play, Continued

Handout Taxpayer

Role Player **Participant:** Taxpayer
Demeanor: Cooperative, but reserved.

Scenario You are a sole proprietor with 15 employees. Your weekly gross payroll is approximately \$14,000.

Your payroll clerk always filed your returns. The payroll clerk, Jim Vassar , is on an extended leave of absence. You do not know when he will return. You do not feel comfortable filing the returns yourself.

Employment Tax Returns

Introduction

Revenue officers are delegated the authority to prepare employment tax returns, including:

- ∞ Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*
 - ∞ Form 941, *Employer's Quarterly Federal Tax Return*
 - ∞ Form 943, *Employer's Annual Federal Tax Return for Agricultural Employees*
 - ∞ Form 944, *Employer's Annual Federal Tax Return*
 - ∞ Form CT-1, *Employer's Annual Railroad Retirement Tax Return*
-

Correct Amount of Wages Paid

It is important to identify the type of return and secure estimates of the tax liability. The amount of tax due is directly based on the amount of wages paid. This is the most important information needed to complete employment tax returns. The wage information must be as accurate as possible.

Records Are Unavailable

If the taxpayer cannot provide the information you need to estimate the payroll, make note of:

- ∞ the number of employees,
 - ∞ the wages paid by hour,
 - ∞ the number of hours and days the employees work, including overtime,
 - ∞ any business expansion since the last returns were filed, and
 - ∞ any recent changes to the operation.
-

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Employment Tax Returns

Introduction

Emphasize that revenue officers are delegated authority to prepare employment tax returns.

Correct Amount of Wages Paid

Stress that since the amount of tax due is directly based on the amount of wages paid, it is important to accurately determine this figure.

Records Are Unavailable



Show slide #T -8 and stress the importance of observing the taxpayer's place of business during the field call. Remind the participants to take detailed notes.

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Employment Tax Returns , Continued

Third Party Sources

If the taxpayer refers you to an accountant for their records, secure the accountant's

- ∞ name,
- ∞ address, and
- ∞ telephone number.

Sometimes you cannot get sufficient information from either the taxpayer or the accountant. Third party information may be available from the employees themselves or neighboring businesses.

Employment Tax Returns, Continued

Third Party Sources

Point out that a power of attorney (POA) is not needed to secure information only.



Ask the participants:

Can you think of any other third party sources that might provide information?

Possible Responses:

- ∞ *Payroll clerks*
 - ∞ *Timekeepers*
 - ∞ *Bookkeepers*
 - ∞ *Outside return preparers*
-

Computing the Tax Liability

Form 941

When information for withholding is not available, then compute the withheld income tax by taking 20 percent of the gross wages.

The Federal Insurance Contribution Act (FICA) rate is set by law. The rate for a particular period is given on the tax return. You can also find the FICA rate in Document 6209, *IRS Processing Codes and Information*. With this information, you can now complete an employment tax return.

Example

Gibson's Carwash furnished you with the payroll records that indicate gross wages paid, but not the amount withheld.

The records show the following:

- ∞ 24 employees who each work 20 hours weekly.
- ∞ Six employees who each work 40 hours weekly.
- ∞ All employees were paid \$6.00 an hour.
- ∞ Four managers were each paid \$500 a week.

To determine the amount of Federal income tax withheld for one quarter, compute the total weekly payroll, then the quarterly payroll:

Employees	Time	Rate	Gross Payroll
24	× 20 hrs.	× \$6.00	= \$ 2,880
6	× 40 hrs.	× \$6.00	= \$ 1,440
4	week	× \$500.00	= \$ 2,000
Weekly payroll			\$ 6,320
Weeks per quarter			× 13
Quarterly payroll			\$82,160

Compute the withholding for the quarter as follows:

$$\$82,160 \times 20\% = \$16,432$$

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Computing the Tax Liability

Form 941



Direct the participants to remove the following from their Forms Package.

- ∞ Form 941, *Employer's Quarterly Federal Tax Return*

Discuss the example. Explain that once the revenue officer determines the gross wages paid in a quarter, they can compute the withholding and FICA amounts.

Emphasize:

- ∞ a quarter has 13 weeks,
- ∞ if the actual withholding amount is not known, compute it using 20 percent of the gross wages,
- ∞ compute FICA at the applicable rate for the year of the Form 941.

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Computing the Tax Liability, Continued

Form 941
(continued)

Example (continued)

Use the same amount of gross quarterly payroll to determine the FICA tax liability with the social security rate of 12.4% and the Medicare rate of 2.9%.

Gross Quarterly Payroll		FICA Rate	
\$82,160.00	×	12.4%	= \$10,187.84
\$82,160.00	×	2.9%	= \$ 2,382.64
		Total FICA Liability	\$12,570.48

Inflation
Factor

If you do not have actual wage amounts for the Del Ret period, try to obtain state wage information or research SRFMI data. When you do not have the actual wage amount, you can use internal sources such as CC BMFOLI and CC BMFOLR to locate the last period satisfied (LPS).

Use the wage information amount from the LPS increased by an inflation factor of 2.5 percent times the number of quarters between the LPS and the Del Ret period.

Example

If the LPS Form 941 filed was 6/30/2008 reflecting wages of \$10,000, the wage amount to be used for 9/30/2008 would be \$10,250.

LPS wage amount	\$10,000
Inflation factor	× .025
Adjustment	\$ 250
LPS wage amount	+10,000
Wage amount for 9/ 30/2008	\$10,250

If wages were computed for 12/31/2008, the correct wage amount would be \$10,500.

LPS wage amount	\$10,000
Inflation factor	× .05 (.025 × 2)
Adjustment	\$ 500
LPS wage amount	+10,000
Wage amount for 12/31/2008	\$10,500

Continued on next page

Computing the Tax Liability, Continued

Form 941
(continued)



Ask the participants:

Based on the example and using the Form 941:

What amount is entered on Form 941, line 2?

Correct Answer:

The total wages that we computed, \$ 82,160.

What amount is entered on Form 941, line 3?

Correct Answer:

The withholding amount we computed at 20 percent of the wages, \$16,432.

What amount is entered on Form 941, line 5d?

Correct Answer:

Using the social security rate of 12.4%, and the Medicare rate of 2.9%, the FICA amount on wages of \$82,160 would be \$12,570.48.

**Inflation
Factor**

Emphasize that an inflation factor is used to determine wage information when you do not have the actual wage amount.

Internal sources such as CC BMFOLI and CC BMFOLR will provide the last period satisfied (LPS).

Review the example. Point out that the inflation factor is added to the LPS wage amount. The inflation factor compounds by the number of quarters between the Del Ret and the LPS.

Continued on next page

Computing the Tax Liability, Continued

ICS Activity Case Facts

The following case facts are provided for **Endicott Transportation**.

- ∞ The taxpayer ceased operations in March 2011
 - ∞ No deposits made.
 - ∞ The final Form 941 for 03/31/2011 was not filed.
 - ∞ After a field visit, you determine there are sufficient assets to satisfy the assessed balances due, and the amount due from the unfiled tax returns.
 - ∞ You were unable to obtain payroll records from any sources. However, you did discover there were three employees and one office manager.
 - ∞ No employees received tips.
 - ∞ The social security and Medicare wages are equal to the total wages.
 - ∞ Wages were earned equally throughout the quarter.
 - ∞ No one was eligible for earned income credit.
-

ICS Activity 6020b Wages

Use the facts above to prepare the auto-populating Form 941 from the ICS templates, for the Del Ret period 03/31/2009.

Step	Action
1	Access Endicott Transportation on the ICS training database.
2	On the <i>Case Summary</i> screen, access Bal 01 201012 by double clicking on the module.
3	Click "Module Detail" dropdown menu.
4	Scroll down, highlight and select "View Return Information."
5	Multiply the Total Compensation Amount by the inflation factor.
6	$\$12,043.80 \times 2.5\% = \301.10
7	Add the Total Compensation Amount to the inflation factor amount to determine the total wages for IRC section 6020(b).

Continued on next page

Computing the Tax Liability, Continued

**ICS Activity
Case Facts**

Briefly review the case facts provided in the coursebook for **Endicott Transportation**.

**ICS Activity
6020b Wages**



Ask the participants to access **Endicott Transportation** on ICS. Lead the participants in a walkthrough on how to apply the inflation factor of 2.5 percent to the LPS wage amount.

Continued on next page

Computing the Tax Liability, Continued

**ICS Activity
Auto-
Populating
Form 941**

Step	Action																																						
1	Continuing with Endicott Transportation , click "Exit" to return to the <i>Balance Due Module Summary</i> screen.																																						
2	Click "Template Listings" hot button.																																						
3	Click "Employment Tax Forms/6020B."																																						
4	Click the + sign next to Form 941.																																						
5	Click on "Form 941 -Year 2011 to highlight this option.																																						
6	Click "Next."																																						
7	<p>In the Form 941 -2011 text box, enter the following:</p> <p>Do you wish to input dollar amounts in order to generate a completed 941 YES</p> <p>The taxpayer's name and address will auto-populate. Press tab to get to</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td>Select Quarter Ended Date</td> <td>March 31st</td> </tr> <tr> <td>Is this TP a seasonal employer and therefore does not have to file a return for every quarter</td> <td>NO</td> </tr> <tr> <td>If TP does not have to file returns in the future, enter date final wages paid</td> <td>3/31/2011</td> </tr> <tr> <td>Enter state abbreviation where deposits were made or MU for multiple states</td> <td>LA</td> </tr> <tr> <td>Line 1 – Number of Employees</td> <td>4</td> </tr> <tr> <td>Line 2 – Total Wages and Tips</td> <td>12344.90</td> </tr> <tr> <td>Line 3 – Total Income Tax Withheld</td> <td>2468.98</td> </tr> <tr> <td>Line 5a – Taxable Social Security Wages</td> <td>12344.90</td> </tr> <tr> <td>Line 5b – Taxable Social Security Tips</td> <td>0.00</td> </tr> <tr> <td>Line 5c – Taxable Medicare Wages and Tips</td> <td>12344.90</td> </tr> <tr> <td>Line 7 – Tax Adjustments – Current quarter fraction of cents</td> <td>0.00</td> </tr> <tr> <td>Line 8 – Tax Adjustments – current quarter sick pay</td> <td>0.00</td> </tr> <tr> <td>Line 9 – Tax Adjustments – current quarter adj. for tips and life insurance.</td> <td>0.00</td> </tr> <tr> <td>Line 11 – Total Deposits for Quarter</td> <td>0.00</td> </tr> <tr> <td>Line 12a – If applicable, enter COBRA premium assistance payments</td> <td>0</td> </tr> <tr> <td>Line 12b – Enter number of recipients who received COBRA assistance payments rep...</td> <td>0</td> </tr> <tr> <td>Line 15 – If necessary, first month liability</td> <td>1452.58</td> </tr> <tr> <td>Line 15 – If necessary, second month liability</td> <td>1452.58</td> </tr> <tr> <td>Line 15 – If necessary, third month liability</td> <td>1452.58</td> </tr> </tbody> </table> <p style="text-align: center;"><i>(Table continued on next page)</i></p>	Select Quarter Ended Date	March 31st	Is this TP a seasonal employer and therefore does not have to file a return for every quarter	NO	If TP does not have to file returns in the future, enter date final wages paid	3/31/2011	Enter state abbreviation where deposits were made or MU for multiple states	LA	Line 1 – Number of Employees	4	Line 2 – Total Wages and Tips	12344.90	Line 3 – Total Income Tax Withheld	2468.98	Line 5a – Taxable Social Security Wages	12344.90	Line 5b – Taxable Social Security Tips	0.00	Line 5c – Taxable Medicare Wages and Tips	12344.90	Line 7 – Tax Adjustments – Current quarter fraction of cents	0.00	Line 8 – Tax Adjustments – current quarter sick pay	0.00	Line 9 – Tax Adjustments – current quarter adj. for tips and life insurance.	0.00	Line 11 – Total Deposits for Quarter	0.00	Line 12a – If applicable, enter COBRA premium assistance payments	0	Line 12b – Enter number of recipients who received COBRA assistance payments rep...	0	Line 15 – If necessary, first month liability	1452.58	Line 15 – If necessary, second month liability	1452.58	Line 15 – If necessary, third month liability	1452.58
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Line 8 – Tax Adjustments – current quarter sick pay	0.00																																						
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Computing the Tax Liability, Continued

ICS Activity
Auto-
Populating
Form 941

Continuing with **Endicott Transportation**, discuss the preparing of Form 941.

Direct the participants to look at the bottom of the Form 941, which shows the required IRC section 6020(b) statement and the correct transaction code for IRC section 6020(b) returns.

Note: There are no open Del Rets for Endicott Transportation on the ICS training database. For purposes of the ICS walkthroughs in this lesson, assume the Form 941 for 03/31/11 and Form 940 for 12/31/11 are not filed.

Continued on next page

Computing the Tax Liability, Continued

ICS Activity
Auto-
Populating
Form 941
(continued)

Step	Action
8	Click "Save."
9	ICS Print Manager will be displayed. Click "Switch to Word" to view form.
10	Answer "Yes" when prompted "Are you sure you want to switch to Microsoft Word? ICS Print Manager will exit upon switching."

Compare the completed Form 941 on your laptop with the completed form at the end of this lesson.

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Computing the Tax Liability, Continued

Form 940

To prepare a Form 940, *Employer's Annual Federal Unemployment Tax Return*, use the same method to calculate the total wage information for all four quarters.

The FUTA (Federal Unemployment Tax Act) tax rate is 6.2 percent. The tax applies to the first \$7,000 that the employer pays to each employee in wages during the year.

A credit can be taken against the FUTA tax for amounts that the employer paid into state unemployment funds. The credit cannot be more than 5.4 percent of taxable wages.

Complete the return by following the directions for computing the Form 940.

Example

At Gibson's Carwash gross payroll for six employees was \$1,440 a week. Gross payroll for four managers was \$2,000 a week and gross payroll for one summer helper was \$6,000. The FUTA tax is computed as follows:

Total payments for year		\$184,880
Minus payments over \$7,000		(108,880)
$(\$1,440 \times 52) - (7,000 \times 6) =$	\$ 32,880	
$(2,000 \times 52) - (7,000 \times 4) =$	<u>\$ 76,000</u>	
	\$108,880	
Total taxable wages		<u>76,000</u>
FUTA rate		<u>.062</u>
Total FUTA tax		\$ 4,712

Continued on next page

Computing the Tax Liability, Continued

Form 940



Direct the participants to remove the following from their Forms Package.

- ∞ Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*

Review the example. Point out that the quarterly wages are multiplied by four to compute the yearly payment.

Continued on next page

Computing the Tax Liability, Continued

**ICS Activity
Case Facts**

The following case facts are provided for **Endicott Transportation**.

- ∞ The taxpayer ceased operations in March 2011.
- ∞ No deposits were made.
- ∞ The Form 940 for the period ending 12/31/2011 was not filed.
- ∞ After a field visit, you determine there are sufficient assets to satisfy the assessed balances due and the amount due from the unfiled periods.
- ∞ \$12,344.90 is the final wages for 6020(b) calculated for March 31, 2011. No employee earned more than \$7,000 .
- ∞ There were no payments made to the state of Louisiana unemployment division.

Continued on next page

Computing the Tax Liability, Continued

ICS Activity
Case Facts

Briefly review the case facts provided in the coursebook for **Endicott Transportation.**

Continued on next page

Computing the Tax Liability, Continued

**ICS Activity
Auto-
Populating
Form 940**

Use the following case facts to prepare the calculating Form 940 for the unfiled period. Use the ICS templates, auto -populating the entity fields from ICS.

Step	Action																														
1	Access Endicott Transportation from the ICS training database.																														
2	Click the "Template Listings" hot button.																														
3	Click "Employment Tax Forms/6020B."																														
4	Click the + sign next to Form 940.																														
5	Click "Form 940 -Year 2011"																														
6	Click "Next."																														
7	In the Form 940 -2011 text box, enter the following: <table border="1" data-bbox="581 741 1383 1674"> <tbody> <tr> <td>Do you wish to input dollar amounts in order to generate a completed 940</td> <td>YES</td> </tr> <tr> <td>Are you going to give the TP the maximum credit?</td> <td>NO</td> </tr> <tr> <td>Did the TP pay wages in a state that is subject to Credit Reduction</td> <td>NO</td> </tr> <tr> <td>Enter Taxpayer Name</td> <td>ENDICOTT TRANSPORTATION</td> </tr> <tr> <td>Enter Taxpayer Trade Name, if any</td> <td></td> </tr> <tr> <td>Enter Taxpayer's Address</td> <td>PO BOX 777</td> </tr> <tr> <td>Enter Taxpayer's City, State and Zip</td> <td>ALEXANDRIA, LA 70339</td> </tr> <tr> <td>Enter TP TIN</td> <td>32-1196714</td> </tr> <tr> <td>Part 1 – Line 1 – Enter state abbreviation where TP is required to pay state unemployment ...</td> <td>LA</td> </tr> <tr> <td>Part 2 – Line 3 – Gross Wages</td> <td>12344.90</td> </tr> <tr> <td>Part 2 – Line 5 – Amount over \$7,000 per person</td> <td>0</td> </tr> <tr> <td>Part 2 – Line 7b – FUTA wages paid before 7/1/0211</td> <td>12344.90</td> </tr> <tr> <td>Part 2 – Line 7d – FUTA wages paid after 6/30/2011</td> <td>0</td> </tr> <tr> <td>Part 3 – Line 11 – if credit reduction applies, enter amount from line 3 of schedule A (Fo...</td> <td>0</td> </tr> <tr> <td>Part 4 – Line 13 – Total FUTA Tax deposited for the year</td> <td>0</td> </tr> </tbody> </table>	Do you wish to input dollar amounts in order to generate a completed 940	YES	Are you going to give the TP the maximum credit?	NO	Did the TP pay wages in a state that is subject to Credit Reduction	NO	Enter Taxpayer Name	ENDICOTT TRANSPORTATION	Enter Taxpayer Trade Name, if any		Enter Taxpayer's Address	PO BOX 777	Enter Taxpayer's City, State and Zip	ALEXANDRIA, LA 70339	Enter TP TIN	32-1196714	Part 1 – Line 1 – Enter state abbreviation where TP is required to pay state unemployment ...	LA	Part 2 – Line 3 – Gross Wages	12344.90	Part 2 – Line 5 – Amount over \$7,000 per person	0	Part 2 – Line 7b – FUTA wages paid before 7/1/0211	12344.90	Part 2 – Line 7d – FUTA wages paid after 6/30/2011	0	Part 3 – Line 11 – if credit reduction applies, enter amount from line 3 of schedule A (Fo...	0	Part 4 – Line 13 – Total FUTA Tax deposited for the year	0
Do you wish to input dollar amounts in order to generate a completed 940	YES																														
Are you going to give the TP the maximum credit?	NO																														
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Part 4 – Line 13 – Total FUTA Tax deposited for the year	0																														
<i>(Table continued on next page)</i>																															

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Computing the Tax Liability, Continued

ICS Activity
Auto-
Populating
Form 940



Ask the participants to access **Endicott Transportation** on ICS. Direct the participants to prepare Form 940 for 2011 using the templates and auto-populating the entity fields from ICS.

Remind the participants that the Form 940 Instruction worksheet is required if there were payments made to the state after the due date of the return.

Computing the Tax Liability, Continued

ICS Activity
Auto-
Populating
Form 940
(continued)

Step	Action
8	Click "Save."
9	ICS Print Manager will be displayed. Click "Switch to Word" to view the form.
10	Answer "Yes" when prompted "Are you sure you want to switch to Microsoft Word? ICS Print Manager will exit upon switching."

Compare the completed Form 940 on your laptop with the completed form at the end of this lesson.

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Partnership Return

Form 1065

Form 1065, *U.S. Partnership Return of Income*, is an “information only” return. This means that it is not a taxable return. The Form 1065 provides a report of a partnership’s financial operations and each partner’s share of income or credit. Partners are responsible for reporting this information on their own Form 1040, *U.S. Individual Income Tax Return*.

Civil Penalty

The penalty for the failure to file a Form 1065 is charged for each month (or part of a month) that the failure continues.

- ∞ For returns due before December 21, 2007, the penalty is \$50 per person who was a partner in the partnership at any time during the year, for each month or part of a month the return is late or incomplete, for up to five (5) months.
- ∞ For returns due after December 20, 2007 and before 1/1/2009, the penalty changed to \$85 per partner. (For returns with tax periods beginning in 2008, the penalty is increased by \$1 per person for each month the return is late or incomplete), the penalty can be charged for up to twelve (12) months.

The penalty for each month is calculated by multiplying the applicable base penalty rate by the number of persons who were a partner in the partnership at any time during the taxable year.

- ∞ For returns due before December 21, 2007, the base penalty rate is \$50.
- ∞ For returns due after December 20, 2007, but before January 1, 2009, the base penalty rate is \$85.
- ∞ For returns due after December 31, 2008 the base penalty rate is \$89, if the taxable year does not begin in 2008 and the taxable year does not begin after December 31, 2009.
- ∞ For returns due after December 31, 2008, the base penalty is \$90 if the taxable year begins in 2008.
- ∞ For returns with tax periods beginning after December 31, 2009, the base penalty rate is \$195.

A person is a partner for penalty calculation purposes if the person was a partner for any portion of the year (returns required to be filed after December 20, 2007). A partner is included in the total number of partners, even if only a partner for a portion of the year.

Continued on next page

Partnership Return

Form 1065



Ask the participants:

What is the purpose of an “information only” return?

Correct Answer:

The purpose of the return is to furnish information, not to report a tax.

What are other examples of “information only ” returns?

Possible Responses:

- ∞ *Form 1120S*
- ∞ *Form W-2*
- ∞ *Form W-3*
- ∞ *Form 1099*

Civil Penalty

Discuss the example. Explain that the referral process involves a civil penalty because there is no tax due on a Form 1065.

Continued on next page

Partnership Return , Continued

Civil Penalty (continued)

Example

John Harris, Christine Drew and Thomas Harper formed a partnership January 1, 2008. After the first year they did not file a Form 1065. They are the general partners. There are twelve limited partners.

The return was due April 15, 2009. It is now December 4. The penalty amount would be:

$$\$89 \text{ per month} \times 8 \text{ months} \times 15 \text{ partners} = \$10,680$$

How to Prepare

Form 1065 does not require any calculations. Prepare the Form 1065 under IRC section 6020(b) by providing:

- ∞ the name of the partnership,
- ∞ its address,
- ∞ employer identification number (EIN), and
- ∞ the number of partners.

After the IRC section 6020(b) process is completed, the penalty is assessed against the partnership when the return posts to the Master File (MF).

Partnership Penalty Nonassertion

Revenue Procedure 84 -35 provides a reasonable cause safe harbor for certain small partnerships. Under this procedure, a domestic partnership comprised of 10 or fewer partners, each of whom is a natural person (other than a nonresident alien) and each of whom has fully reported his or her share of the income, deductions, and credits of the partnership on timely filed income tax returns, is considered to have met the reasonable cause test and is not subject to the penalty.

If a partnership of 10 or fewer partners fails to qualify for relief under Revenue Procedure 84 -35, the partnership may still show reasonable cause for failure to file a timely and complete return (see Revenue Procedure 84 - 35, § 3.03).

Partnership Return, Continued

How to Prepare



Direct the participants to remove the following from their Forms Package.

- ∞ Form 1065, *U.S. Partnership Return of Income*

Point out the parts of the form that require an entry.

Partnership Penalty Nonassertion



Show slide #T-9 and discuss the circumstances when the civil penalty is not imposed. Stress that all three criteria must be met.

Section 6020(b) Referral

Administrative Process

If the taxpayer fails to file the delinquent returns by the specified date, your next step is to prepare returns under IRC section 6020(b) authority. The referral includes:

- ∞ two sets of each prepared return,
 - ∞ blank copies of the tax returns,
 - ∞ Form 5604, *Section 6020(b) Action Sheet*,
 - ∞ Letter 1085(DO), *30-Day Letter, Proposed IRC 6020(b) Assessment*, for employment and excise tax returns,
 - ∞ Letter 1616(DO), *30-Day Letter, Proposed IRC 6020(b) Assessment, Partnership Return*, for partnership returns, and
 - ∞ a return envelope. Do not use a postage -paid envelope.
-

Prepare Returns

Each set of the prepared returns includes an original and a copy of the return.

- ∞ Mail one set to the taxpayer, with a blank form for each return prepared.
- ∞ Retain the other set in your case file for use if the taxpayer fails to respond to your notice of proposed assessment .

The returns should be prepared based on the most accurate information available. The gross payroll or approximation of the gross payroll, will be the basis of computing the withheld tax, social security and Medicare taxes due. If there are no figures available for tax withheld, multiply the gross wages by 20 percent and use that figure.

Form 5604

Form 5604, Section 6020(b) Action Sheet, is used to initiate returns under the authority of IRC 6020(b). Fully document the ICS history with a complete explanation of the basis for the assessment(s). The explanation should include information such as wages paid, income tax withheld, FTD's or payments, and any calculations or other information used to establish the correct liability for each tax period. This information is important because it could be used later if the taxpayer requests an appeal, files suit, or files Form 911, Request for Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance order).

Continued on next page

Section 6020(b) Referral

Administrative Process



Direct the participants to remove the following from their Forms Package.

- ∞ Form 5604, *Section 6020(b) Action Sheet*
- ∞ Letter 1616(DO), *30-Day Letter, Proposed IRC 6020(b) Assessment, Partnership Return*

Refer the participant to Letter 1085(DO), *30-Day Letter, Proposed IRC 6020(b) Assessment*, provided earlier in the lesson .



Show slides #T -10 and #T -11. Introduce the package of forms and letters needed to process a IRC section 6020(b) referral.

Prepare Returns

Discuss what is meant by a set of returns. Explain that if the taxpayer signs and returns the original set, the taxpayer will still have a copy. Likewise, if the revenue officer sends the original forward for assessment because the taxpayer failed to respond, there is a copy for the case file.

Form 5604

Briefly discuss Form 5604, *Section 6020(b) Action Sheet* . Emphasize that the explanation of the computation is important if the taxpayer disputes the amount.

Continued on next page

Section 6020(b) Referral, Continued

Completing Form 5604

Section 1 of Form 5604 includes:

- ∞ Basic taxpayer information including name, address, and TIN
- ∞ Date of field call
- ∞ Date returns sent to taxpayer
- ∞ Revenue officer's name and signature
- ∞ Each tax period and the type of tax.

A short narrative explains your basis for assessment and pertinent information. For example, if you prepare the return from state employment commission information, put a statement to that effect on Form 5604.

If the liability is based on prior quarterly information or the last return filed information on the Del Ret, state what other information was secured to clearly establish that a liability exists.

Sections II and III are discussed later in this section.

Continued on next page

Section 6020(b) Referral, Continued

**Completing
Form 5604**

Review Form 5604 and discuss how to complete Part 1. Advise the participants to provide a detailed explanation of the basis for the assessment in the ICS history.

Explain that a return is filed for only the periods the business was known to operate.

Continued on next page

Section 6020(b) Referral, Continued

**ICS Activity
Form 5604**

Use the following information to prepare Form 5604 for **Allen Technology, Inc.**

- ∞ Date of first contact was 10/26/2011.
- ∞ Taxpayer advised to file by 11/26/2011.
- ∞ You explained refusal to file and the TFRP.
- ∞ You referred the case on 12/06/2007.

Step	Action
1	Access Allen Technology, Inc. from the ICS Windows training database.
2	From the <i>Case Summary screen</i> , click the "Template Listings" hot button.
3	Click "Employment Tax Forms/6020B."
4	Click "Form 5604 -Section 6020(b) Action Sheet."
5	Click "Next."
6	Click "Select All" and then click "Next."
<i>(Table continued on next page)</i>	

Continued on next page

Section 6020(b) Referral, Continued

ICS Activity Form 5604



Direct the participants to access **Allen Technology , Inc.** on ICS. Direct them to complete Form 5604 using the information in this section.

Review and discuss completed Form 5604.

Continued on next page

Section 6020(b) Referral, Continued

ICS Activity
Form 5604
(continued)

Step	Action																																										
7	Enter the following information in the Form 5604 text box:																																										
	<table border="1"> <tr> <td>Do you want to generate a L1085?</td> <td>No</td> </tr> <tr> <td>Do you want to email this document to Centralized Case Processing?</td> <td>YES</td> </tr> <tr> <td>Enter Name Control of Taxpayer for Email message</td> <td>ALLE</td> </tr> <tr> <td>Enter first line of taxpayer name</td> <td>ALLEN TECHNOLOGY, INC.</td> </tr> <tr> <td>Enter first line of taxpayer address</td> <td>1034 BACONE BOULEVARD</td> </tr> <tr> <td>Enter taxpayer city, state and zip</td> <td>SHREVEPORT, LA 70340</td> </tr> <tr> <td>Enter TIN</td> <td>32-1205024</td> </tr> <tr> <td>If applicable, enter date of field call</td> <td>10/26/2011</td> </tr> <tr> <td>If applicable, enter date of 341 meeting</td> <td></td> </tr> <tr> <td>Were you able to contact taxpayer?</td> <td>YES</td> </tr> <tr> <td>Enter Contact Date</td> <td>10/26/2011</td> </tr> <tr> <td>Did you explain filing and FTD requirements</td> <td>YES</td> </tr> <tr> <td>Did you explain refusal to file and IRC 7203?</td> <td>YES</td> </tr> <tr> <td>Did you explain TFRP?</td> <td>YES</td> </tr> <tr> <td>Enter Date taxpayer was advised to file</td> <td>11/26/2011</td> </tr> <tr> <td>If applicable, enter date returns sent to CCP</td> <td></td> </tr> <tr> <td>If applicable, enter date case was transferred to CCP</td> <td></td> </tr> <tr> <td>Enter table periods – maximum of 11 entries</td> <td>Table Data</td> </tr> <tr> <td>Enter basis for assessment</td> <td>The LFR, 01 -201003 was used</td> </tr> <tr> <td>Enter name of the Employee to Contact</td> <td>ROBERT WILEY</td> </tr> <tr> <td>Enter phone number of Employee to Contact</td> <td>(999) 555-3177</td> </tr> </table>	Do you want to generate a L1085?	No	Do you want to email this document to Centralized Case Processing?	YES	Enter Name Control of Taxpayer for Email message	ALLE	Enter first line of taxpayer name	ALLEN TECHNOLOGY, INC.	Enter first line of taxpayer address	1034 BACONE BOULEVARD	Enter taxpayer city, state and zip	SHREVEPORT, LA 70340	Enter TIN	32-1205024	If applicable, enter date of field call	10/26/2011	If applicable, enter date of 341 meeting		Were you able to contact taxpayer?	YES	Enter Contact Date	10/26/2011	Did you explain filing and FTD requirements	YES	Did you explain refusal to file and IRC 7203?	YES	Did you explain TFRP?	YES	Enter Date taxpayer was advised to file	11/26/2011	If applicable, enter date returns sent to CCP		If applicable, enter date case was transferred to CCP		Enter table periods – maximum of 11 entries	Table Data	Enter basis for assessment	The LFR, 01 -201003 was used	Enter name of the Employee to Contact	ROBERT WILEY	Enter phone number of Employee to Contact	(999) 555-3177
Do you want to generate a L1085?	No																																										
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Enter name of the Employee to Contact	ROBERT WILEY																																										
Enter phone number of Employee to Contact	(999) 555-3177																																										
8	Click "Save."																																										

Open the Form 5604 attachment on the email.

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Section 6020(b) Referral, Continued

Letters 1085 and 1616

Letter 1085(DO), *30 Day Letter, Proposed IRC 6020(b) Assessment*, and Letter 1616(DO), *30 Day Letter, Proposed IRC 6020(b) Assessment, Partnership Return*, are cover letters. They give the taxpayer one more chance to file the delinquent returns voluntarily.

The deadline to respond is 30 days, or 60 days if the taxpayer's mailing address is outside the United States.

- ∞ Letter 1085(DO) is used for employment taxes and excise tax returns.
 - ∞ Letter 1616(DO) is used for partnership returns.
-

Forms Preparation

Complete the IRC section 6020(b) package:

- ∞ Prepare the returns,
- ∞ Complete Form 5604, and
- ∞ Complete your related documentation on ICS.

A journey level revenue officer (grade 9 or above) signs the Letter 1085(DO) or Letter 1616(DO) and completes the reviewer block in Section II of Form 5604. Your OJI or manager will sign the letter until you reach journey level.

Items for Mailing

Mail the taxpayer the following:

- ∞ an original and copy of the return prepared for each delinquent period, including the current quarter, if appropriate.
 - ∞ a blank return for each delinquent period.
 - ∞ the applicable cover letter.
 - ∞ a return-addressed, non-postage paid envelope.
 - ∞ Publication 5, *Your Appeal Rights and How to Prepare a Protest If You Don't Agree*
-

Continued on next page

Section 6020(b) Refer ral, Continued

Letter 1085(DO) and Letter 1616(DO)

Compare these letters so the participants can see the difference in wording.
Point out that:

- ∞ Letter 1085(DO) is used for employment taxes and excise taxes.
 - ∞ Letter 1616(DO) is used for Form 1065, *U.S. Return of Partnership Income*.
-

Forms Preparation

Advise the participants to ensure their history entries are clear and detailed enough to support the section 6020(b) recommendation.

Emphasize that the OJI or manager must sign the Letter 1085 until the revenue officer is at journey level (grade 9 or above).

Emphasize to retain a copy of the letter and tax returns in the case file.

Items for Mailing



Show slides #T -12 and #T-13. Discuss the documents mailed to the taxpayer.

Continued on next page

Section 6020(b) Referral, Continued

Taxpayer Options

The taxpayer has several options outlined in the cover letter. The taxpayer can:

- ∞ agree with the proposed assessment, sign the prepared forms, and return them to you.
- ∞ use the blank forms enclosed to prepare and sign returns which they believe are more accurate.
- ∞ mail additional information to you or request a further discussion with you.
- ∞ request an appeals conference. The appeal rights are explained in detail in Publication 5.

Taxpayer Response

If the taxpayer responds by submitting signed forms, either self-prepared returns or the ones you prepared, make a pre-assessment collection determination. Submit the returns for processing.

If...	Then...
the taxpayer indicates they can pay in full	compute penalties and interest on the amount due.
full payment is not submitted with the return	contact the taxpayer and request full pay, including penalties and interest.
the taxpayer cannot full pay	Consider <ul style="list-style-type: none"> ∞ an installment agreement ∞ declaring the account currently not collectible ∞ opening an ICS only pre-assessed module.

If the taxpayer provides new information, either by mail or in a conference, which materially changes the requirement to file these returns, proceed as the new data indicates.

Continued on next page

Section 6020(b) Referral, Continued

**Taxpayer
Options**

If the taxpayer responds to the section 6020(b) letter, they should be given the opportunity to file the correct returns voluntarily, with a deadline.

**Taxpayer
Response**

Review the table in the coursebook. Procedures for secured returns are in IRM 5.1.11.7.1.

Stress that revenue officers should request full payment when receiving Balance Due returns. If full payment is not secured, explore alternative means of collection.

Continued on next page

Section 6020(b) Referral, Continued

Taxpayer Requests an Appeal

If the taxpayer requests an Appeals conference:

- ∞ Forward the case to Appeals on Form 12209, 12835, Transmittal of Case to Appeals, or Form 3210, Document Transmittal.
- ∞ Establish a control at group level while the case is pending in Appeals. This is usually done by creating an Other Investigation (OI) on ICS.
- ∞ To place the Del Ret module in suspense while the taxpayer exercises the right of appeal, choose " **Surveyed** " and then "6020(b) Unagreed Appeal" from the Close Mod menu on the Del Ret Module Summary screen.
- ∞ The group manager will periodically follow up with Appeals concerning the status of the case.

Continued on next page

Section 6020(b) Referral, Continued

**Taxpayer
Requests an
Appeal**

Advise the participants that the taxpayer may request to appeal the proposed assessment.

Advise the participant that a control on ICS should be established at the group level while the case is pending in Appeals. This is usually done by creating an Other Investigation (OI) on ICS.

Advise that the group manager will periodically follow up with Appeals concerning the status of the case.

Continued on next page

Section 6020(b) Referral, Continued

Taxpayer Fails to Respond

If you do not receive a response from the taxpayer within the allotted timeframe:

- ∞ complete the remaining blocks in Section 3 and Section 5 of the Form 5604, *Section 6020(b) Action Sheet*,
 - ∞ type, print or stamp the statement, “This return was prepared and signed under the authority of section 6020(b) of the Internal Revenue Code. Apply Condition Code 4” and sign the return. **Note:** If you use the template Form 941 in the IRC section 6020(b) process, it will automatically insert this statement.
 - ∞ sign the return. If the return is not signed, it will not be processed.
 - ∞ process the return as you would any other return you receive from a taxpayer.
-

Plan of Action

You must develop a plan of action to collect the assessments that the IRC section 6020(b) generates. If immediate enforcement is needed, request a prompt assessment.

Optional Process

Most IRC section 6020(b) actions involve multiple tax periods. Manually preparing and processing these referrals can be time consuming.

An optional process is referring IRC section 6020(b) actions to centralized case processing (CCP) in Philadelphia. You must complete Form 5604 and document your ICS case history. Send or e-mail the Form 5604 to CCP.

CCP will:

- ∞ create the returns, cover letter and any other necessary documents,
 - ∞ compute the liability,
 - ∞ note your ICS history with the Letter 1085 mailing date, and
 - ∞ sign the returns for processing if the taxpayer does not respond.
-

Section 6020(b) Referral, Continued

Taxpayer Fails to Respond Discuss the procedure to process the returns if the taxpayer does not respond to the IRC section 6020(b) actions.

Plan of Action Stress to the participants that they must develop a plan of action to deal with the assessments.

Optional Process



Show slides #T -14 and #T-15. Review the procedures when sending IRC sections 6020(b) referrals to centralized case processing.

Referrals to the Employment Tax Examination Program

Employees Changed to Independent Contractors

You may encounter an in -business taxpayer who claims to no longer have employees. If the business is essentially the same as when the taxpayer filed employment tax returns, ask the taxpayer how the business is functioning without employees.

If you observe people who appear to be employees, ask what their relationship is to the business. If the taxpayer tells you the business now uses only independent contractors or consultants, you may have a situation that requires closer scrutiny.

Employer - Employee Relationship

You learned earlier there are:

- ∞ criteria for determining whether or not an employer -employee relationship exists.
- ∞ general rules that establish that someone is an independent contractor instead of an employee.
- ∞ three primary categories of evidence that show the right of the employer to direct and control the worker.

If the circumstances you observe indicate a reasonable assumption that an employer -employee relationship exists, you should refer your case to an employment tax specialist.

Referral to Employment Tax Examiners

Secure as much information as possible such as:

- ∞ the number of people under contract,
- ∞ the number of hours they work,
- ∞ the amount paid to each contractor, or
- ∞ any other pertinent data relative to employment.

Using this information, prepare a referral memorandum for the Employment Tax Examination (ETE) program coordinator for further investigation. IRM 5.1.11.7.5 provides procedures for closing the Del Ret as a referral to Examination.

Referrals to the Employment Tax Examination Program

Employees Changed to Independent Contractors

Advise the participants they should carefully question an in -business taxpayer who claims to have no employees. Use the question below or conduct a brief demonstration to reinforce the importance of gathering information.



Ask the participants:

What are some questions you would ask an in -business taxpayer who claims to have no employees?

Possible Responses:

- ∞ *Who makes your product, or provides your service?*
- ∞ *How many people do you have under contract?*
- ∞ *How many hours do these people work each week?*
- ∞ *How do they report their time?*
- ∞ *How much do you pay them?*
- ∞ *How did you select them?*
- ∞ *Do they provide their own tools or supplies?*
- ∞ *What do you do if you are unhappy with their services?*
- ∞ *Do you or someone else supervise them?*



Consider conducting a demonstration of a brief interview between a revenue officer and an in -business taxpayer. Ask a co-instructor to assist you. You can use the questions provided above or your own questions.

Employer - Employee Relationship

Remind the participants that Publication 15, *Circular E*, identifies the criteria that help determine if an employer -employee relationship exists.

Referral to Employment Tax Examiners

Briefly discuss the Employment Tax Examination (ETE) program. Advise the participants that referrals will be made to the ETE program coordinator depending on the area procedures.

Module T — Lesson 1 — Exercise

Question 1

Determine if IRC section 6020(b) is appropriate.

- a. You requested the taxpayer to file Form 941 for the second quarter of last year. The taxpayer missed the deadline and is not returning your telephone calls.

_____ Yes _____ No

- b. You receive a Del Ret for Form 940 and Form 941 for last year. The business, a sole proprietorship, appears to be defunct. You cannot find the owner, his SSN or any assets.

_____ Yes _____ No

- c. You receive a Del Ret for a Form 1065. You speak with one of the general partners. He tells you the partnership had no income last year so he does not intend to file the Form 1065.

_____ Yes _____ No

Question 2

List three sources of information for preparing payroll tax returns if the taxpayer refuses to file them.

∞

∞

∞

Continued on next page

Module T — Lesson 1 — Exercise

Instructions



Direct the participants to work individually for 15 minutes to complete the exercise. Participants should be prepared to cite where they found the answer to the question and to justify their responses.



Ask the participants to access **Job Services** on ICS. Explain that for the purposes of this exercise, the quarter ending June 30, 20109 is the only one to be addressed. For the purpose of this training exercise, only one delinquent period will be used. Advise the class that all the periods would be addressed in an on -the-job situation.

Answers

Reconvene the class and review the answers as a large group discussion. Ask the participants to volunteer answers and discuss why they answered as they did. This activity should take no longer than 10 minutes.

Module T — Lesson 1 — Exercise, Continued

Question 3

Access **Job Services** from the ICS training database. Using the following information, prepare Form 941, Letter 1085, and Form 5604 using ICS and templates.

Job Services, a partnership, did not file Form 941 for the quarter ending June 30, 2010.

You made a field call on October 26, 2012. You asked Tammy Walker, a general partner, to file the return. You set a filing deadline of November 9, 2012. You explained IRC section 6020(b) regarding IRS prepared returns to Ms. Walker.

It is now November 26, 2012 and Ms. Walker did not send the returns. Ms. Walker did tell you she used a payroll service, A -1 Payroll. You call A 1 Payroll and they provide you with the following information.

Number of employees:	4
Gross payroll for the quarter:	\$23,500
Federal income tax withheld:	4,570
FICA:	Use calendar year 2011 rates

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Module T — Answers to Exercises

Lesson 1

Question 1

- a. Yes
- b. No. Close the Del Ret as unable to locate.
- c. Yes. It does not matter if the partnership had a gain or a loss. It still must file Form 1065.

Question 2

Any three of the following sources of information for preparing payroll tax returns.

- ∞ Payroll records
- ∞ Prior tax returns
- ∞ State and municipal records
- ∞ Third party testimony

Question 3

- ∞ The completed Form 941, Letter 1085, and Form 5604 are on the following pages.

Continued on next page

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Module T — Answers to Exercises, Continued

Lesson 1
(continued)

Question 3

This is the completed Form 941.

Form 941 for 2010: Employer's QUARTERLY Federal Tax Return <small>(Rev. October 2010) Department of the Treasury — Internal Revenue Service</small>		951110 <small>OMB No. 1545-0029</small>			
(EIN) Employer identification number 3 2 - 1 7 4 1 1 3 4 Name (not your trade name) Job Services Trade name (if any) _____ Address 500 Coltey Highway Number Street Suite or room number New Orleans LA 70339-0000 City State ZIP code		Report for this Quarter of 2010 (Check one.) <input type="checkbox"/> 1: January, February, March <input checked="" type="checkbox"/> 2: April, May, June <input type="checkbox"/> 3: July, August, September <input type="checkbox"/> 4: October, November, December			
Head the separate instructions before you complete Form 941. Type or print within the boxes.					
Part 1: Answer these questions for this quarter.					
1	Number of employees who received wages, tips, or other compensation for the pay period including: Mar. 12 (Quarter 1), June 12 (Quarter 2), Sept. 12 (Quarter 3), or Dec. 12 (Quarter 4)	1 4			
2	Wages, tips, and other compensation	2 23500 . 00			
3	Income tax withheld from wages, tips, and other compensation	3 4570 . 00			
4	If no wages, tips, and other compensation are subject to social security or Medicare tax	<input type="checkbox"/> Check and go to line 6e.			
5a	Taxable social security wages* <table style="display: inline-table; border-collapse: collapse;"><tr><td style="border: 1px solid black; padding: 2px;">23500 . 00</td><td style="padding: 2px;">x .124 =</td><td style="border: 1px solid black; padding: 2px;">2914 . 00</td></tr></table>	23500 . 00	x .124 =	2914 . 00	*Report wages/tips for this quarter, including those paid to qualified new employees, on lines 5a–5c. The social security tax exemption on wages/tips will be figured on lines 6c and 6d and will reduce the tax on line 6e.
23500 . 00	x .124 =	2914 . 00			
5b	Taxable social security tips* <table style="display: inline-table; border-collapse: collapse;"><tr><td style="border: 1px solid black; padding: 2px;">0 . 00</td><td style="padding: 2px;">x .124 =</td><td style="border: 1px solid black; padding: 2px;">0 . 00</td></tr></table>	0 . 00	x .124 =	0 . 00	
0 . 00	x .124 =	0 . 00			
5c	Taxable Medicare wages & tips* <table style="display: inline-table; border-collapse: collapse;"><tr><td style="border: 1px solid black; padding: 2px;">23500 . 00</td><td style="padding: 2px;">x .029 =</td><td style="border: 1px solid black; padding: 2px;">681 . 50</td></tr></table>	23500 . 00	x .029 =	681 . 50	
23500 . 00	x .029 =	681 . 50			
5d	Add Column 2 line 5a, Column 2 line 5b, and Column 2 line 5c	5d 3595 . 50			
6a	Number of qualified employees first paid exempt wages/tips this quarter	6a _____			
6b	Number of qualified employees paid exempt wages/tips this quarter	6b _____			
6c	Exempt wages/tips paid to qualified employees this quarter <table style="display: inline-table; border-collapse: collapse;"><tr><td style="border: 1px solid black; padding: 2px;">0 . 00</td><td style="padding: 2px;">x .062 =</td><td style="border: 1px solid black; padding: 2px;">0 . 00</td></tr></table>	0 . 00	x .062 =	0 . 00	6c 0 . 00
0 . 00	x .062 =	0 . 00			
6e	Total taxes before adjustments (line 3 + line 5d – line 6c = line 6e)	6e 8165 . 50			
7a	Current quarter's adjustment for fractions of cents	7a 0 . 00			
7b	Current quarter's adjustment for sick pay	7b 0 . 00			
7c	Current quarter's adjustments for tips and group-term life insurance	7c 0 . 00			
8	Total taxes after adjustments. Combine lines 6e through 7c	8 0 . 00			
9	Advance earned income credit (EIC) payments made to employees	9 0 . 00			
10	Total taxes after adjustment for advance EIC (line 8 – line 9 = line 10)	10 8165 . 50			
11	Total deposits, including prior quarter overpayments	11 0 . 00			
12a	COBRA premium assistance payments (see instructions)	12a 0 . 00			
12b	Number of individuals provided COBRA premium assistance	12b _____			
12c	Number of qualified employees paid exempt wages/tips March 19–31	12c _____			
12d	Exempt wages/tips paid to qualified employees March 19–31 <table style="display: inline-table; border-collapse: collapse;"><tr><td style="border: 1px solid black; padding: 2px;">0 . 00</td><td style="padding: 2px;">x .062 =</td><td style="border: 1px solid black; padding: 2px;">0 . 00</td></tr></table>	0 . 00	x .062 =	0 . 00	12d 0 . 00
0 . 00	x .062 =	0 . 00			
13	Add lines 11, 12a, and 12e	13 0 . 00			
14	Balance due. If line 10 is more than line 13, enter the difference and see instructions	14 8165 . 50			
15	Overpayment. If line 13 is more than line 10, enter the difference <table style="display: inline-table; border-collapse: collapse;"><tr><td style="border: 1px solid black; padding: 2px;"> .</td></tr></table> Check one: <input type="checkbox"/> Apply to next return. <input type="checkbox"/> Send a refund.	.	15 _____		
.					
▶ You MUST complete both pages of Form 941 and SIGN it. Next ➔ For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher. Cat. No. 17001Z Form 941 (Rev. 10-2010)					

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Module T — Answers to Exercises , Continued

Lesson 1
(continued)


Question 3

Form 941, Page 2.

950210	
Name (not your trade name) Job Services	Employer identification number (EIN) 32-1741134
Part 2: Tell us about your deposit schedule and tax liability for this quarter.	
If you are unsure about whether you are a monthly schedule depositor or a semiweekly schedule depositor, see Pub. 15 (Circular E), section 11.	
16 <input type="checkbox"/> L <input checked="" type="checkbox"/> A	Write the state abbreviation for the state where you made your deposits OR write "MU" if you made your deposits in multiple states.
17 Check one: <input type="checkbox"/>	Line 10 on this return is less than \$2,500 or line 10 on the return for the preceding quarter was less than \$2,500, and you did not incur a \$100,000 next-day deposit obligation during the current quarter. Go to Part 3.
<input type="checkbox"/>	You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month and total liability for the quarter.
Tax liability: Month 1	<input type="text" value="2721"/> . <input type="text" value="83"/>
Month 2	<input type="text" value="2721"/> . <input type="text" value="83"/>
Month 3	<input type="text" value="2721"/> . <input type="text" value="84"/>
Total liability for quarter	<input type="text" value="8165"/> . <input type="text" value="50"/> Total must equal line 10.
<input type="checkbox"/>	You were a semiweekly schedule depositor for any part of this quarter. Complete Schedule B (Form 941): Report of Tax Liability for Semiweekly Schedule Depositors, and attach it to Form 941.
Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.	
18 If your business has closed or you stopped paying wages	<input type="checkbox"/> Check here, and enter the final date you paid wages <input type="text" value=""/> / <input type="text" value=""/> / <input type="text" value=""/> .
19 If you are a seasonal employer and you do not have to file a return for every quarter of the year	<input type="checkbox"/> Check here.
Part 4: May we speak with your third-party designee?	
Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.	
<input type="checkbox"/> Yes. Designee's name and phone number	<input type="text" value=""/> <input type="text" value=""/>
Select a 5-digit Personal Identification Number (PIN) to use when talking to the IRS. <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
<input type="checkbox"/> No.	
Part 5: Sign here. You MUST complete both pages of Form 941 and SIGN it.	
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.	
X	Sign your name here <input type="text" value=""/>
	Date <input type="text" value=""/> / <input type="text" value=""/> / <input type="text" value=""/>
	Print your name here <input type="text" value=""/> Print your title here <input type="text" value=""/> Best daytime phone <input type="text" value=""/>
Paid preparer use only	
Preparer's name <input type="text" value=""/>	Check if you are self-employed <input type="checkbox"/>
Preparer's signature <input type="text" value=""/>	PTIN <input type="text" value=""/>
Firm's name (or yours if self-employed) <input type="text" value=""/>	Date <input type="text" value=""/> / <input type="text" value=""/> / <input type="text" value=""/>
Address <input type="text" value=""/>	EIN <input type="text" value=""/>
City <input type="text" value=""/> State <input type="text" value=""/>	Phone <input type="text" value=""/>
	ZIP code <input type="text" value=""/>
Page 2 Form 941 (Rev. 10-2010)	
This return was prepared and signed by Revenue Officer Name (signature & date)	

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unit 1

Lesson 1

BMF Referrals

Module T
Referrals – BMF Returns

T-1



unit 1

Objectives

- Describe the process used to prepare BMF returns under IRC section 6020(b).

Module T
Referrals – BMF Returns

T-2


unit 1

Objectives

- Describe the steps used to prepare the IRC section 6020(b) referral package.

Module T
Referrals – BMF Returns

T-3

Authority



- Internal Revenue Code
- Treasury Regulations
- Delegation Orders

7-4

Module 7
Referrals – BMF Returns

First Contact



- Establish a specific and reasonable deadline
- Secure sufficient information to prepare returns

7-5

Module 7
Referrals – BMF Returns

First Contact



- Advise that refusal to file can be considered willful neglect and subject to TFRP and criminal penalties
- Advise of possible IRC section 6020(b) action

7-6

Module 7
Referrals – BMF Returns

Sources of Information



- Payroll records
- Prior tax returns
- State and municipal records
- Third party testimony

T-7

Module T
Referrals – BMF Returns

Note During Field Call...



- Number of employees
- Wages paid by hour
- Number of hours worked
- Any business expansion
- Recent changes

T-8

Module T
Referrals – BMF Returns

Revenue Procedure 84-35, Reasonable Cause Provisions



- Domestic partnership
- 10 or fewer partners
- All partners fully reported the partnership income on their individual income tax returns

T-9

Module T
Referrals – BMF Returns

Section 6020(b) Referral



- Two sets of each prepared return
- Blank copies of the tax returns
- Form 5604

7-10 *Module T Referrals – BMF Returns*

Section 6020(b) Referral



- Letter 1085 or Letter 1616
- Return envelope

7-11 *Module T Referrals – BMF Returns*

Mail to the taxpayer:



- Original and copy of the return for each period
- Blank return for each period

7-12 *Module T Referrals – BMF Returns*

Mail to the taxpayer:



- Cover letter
 - Letter 1085 or Letter 1616
- Return envelope
- Publication 5

T-13

Module T
Referrals – BMF Returns

CCP Processing of IRC 6020(b)



Revenue officer

- Completes Form 5604
- Identifies basis for liability
- Identifies wages and withholding amounts
- E-mails Form 5604 to CCP

T-14

Module T
Referrals – BMF Returns

CCP Processing of IRC 6020(b)



CCP

- Creates returns
- Sends Letter 1085
- Notes ICS history
- Signs returns

T-15

Module T
Referrals – BMF Returns

Module T — Answers to Exercises, Continued

Lesson 1
(continued)

Question 3 (continued)

This is the completed Form 5604.

Section 6020(b) Action Sheet													
Section 1. To be completed by Revenue Officer or Bankruptcy Specialist/Advisor													
1. Taxpayer name, address and TIN Job Services (32-1741134) 500 Coltey Highway, New Orleans, LA 70339-0000													
2. Date of field call 10/26/2012				OR		3. Date of 341 meeting				4. Date of contact 10/26/2012			
5. Explained filing and FTD requirements						<input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No		8. Date deadline to file set 11/09/2012			
6. Explained refusal to file and IRC §7203						<input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No					
7. Explained TFRP						<input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No		9. Unable to contact <input type="checkbox"/>			
10. Employee name and telephone number						11. Employee signature							
12. Date returns sent to taxpayer						OR		13. Date referred to CCP 11/26/2012					
14. Type of Tax	941												
15. Tax Period	201006												
16. Explain the basis for assessment or attach relevant ICS history (Include a statement concerning taxpayer's compliance for periods not listed and information on sources checked and used to establish the proposed tax liability.) Revenue Officer spoke to A-1 Payroll, who provided the wage and the withholding amounts for the quarter.													
Section 2. To be Completed by Centralized Case Processing													
Date request received in CCP						Reviewer's name							
Date Letter 1085 or 1616 mailed to taxpayer						Date case returned to revenue officer							
Reason for return													
Section 3. To be Completed by RO, CCP, or Bankruptcy Specialist/Advisor													
Results of Letter 1085 or 1616													
<input type="checkbox"/> Taxpayer signed returns				<input type="checkbox"/> Taxpayer prepared return(s)				<input type="checkbox"/> Taxpayer not liable					
<input type="checkbox"/> No response								<input type="checkbox"/> Appeals conference requested					
Section 4. Appeals Action													
<input type="checkbox"/> Taxpayer agreed to liability \$ _____						<input type="checkbox"/> Taxpayer not liable							
<input type="checkbox"/> Taxpayer appealed to court													
Section 5. To be Completed by the Employee Signing the Return(s) Under IRC §6020(b)													
Date return(s) signed				Type of assessment									
				<input type="checkbox"/> Routine		<input type="checkbox"/> Prompt		<input type="checkbox"/> Quick		<input type="checkbox"/> Jeopardy			
Collection Determination													
<input type="checkbox"/> Full Payment Secured						<input type="checkbox"/> Preassessed Installment Agreement							
<input type="checkbox"/> Preassessed Form 53						<input type="checkbox"/> Preassessed ICS only module opened							
Form 5604 (Rev. 2-2013) Catalog Number 24110D publish.no.irs.gov Department of the Treasury-Internal Revenue Service													

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Module T — Answers to Exercises, Continued

Lesson 1
(continued)

Question 3 (continued)

This is the completed Letter 1085(DO).

Internal Revenue Service	Department of the Treasury
Date: 11/28/2011	Employer Identification Number: 32-1741134
Job Services 500 Coltey Highway New Orleans, LA 70339-0000	Forms: 941
	Tax Period(s) Ended: 06/30/2010
	Person to Contact: Revenue Officer
	Employee Identification Number: 99-99999
	Contact Telephone Number: (xxx) xxx-xxxx
	Contact Hours: 9:00 am to 2:30 pm
	Fax Number: (xxx) xxx-xxxx
Dear Tammy Walker:	
<p>We have reviewed your tax records and have found no record of you filing the tax forms identified above. We believe you are liable for filing and have prepared a tax return for each tax period identified above. If you agree that the returns are correct, please sign one copy of each and return it in the enclosed envelope. Keep a copy of the completed returns for your records.</p>	
<p>If you do not agree that we have prepared the returns correctly, you have 30 days from the date of this letter (60 days if this letter is addressed to you outside the United States) to do one of the following:</p>	
<ol style="list-style-type: none">1. If you have already filed the returns for these tax periods, please send us signed copies in the enclosed envelope; or2. Prepare and sign tax returns that you believe are correct and return them to us in the enclosed envelope; or3. Mail us any additional information you would like us to consider; or4. Request a conference with the person whose name and telephone number are shown above. At that time you may bring any additional information you would like considered. When you plan to come in for a discussion, please contact us in advance so that we can arrange a convenient time and place.	
Page 1 of 2	
Letter 1085 (DO) (Rev. 11-2003) Catalog Number: 40505S	

Continued on next page

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Module T — Answers to Exercises, Continued

Lesson 1
(continued)

Question 3 (continued)

Letter 1085(DO), Page 2

What will happen if you do not respond to this letter?

The Internal Revenue Code Section 6020(b) gives us the authority to prepare and file tax returns on your behalf. Therefore, if we do not hear from you within 30 days from the date of this letter (60 days if this letter is addressed to you outside the United States), we will process the enclosed tax returns that we have prepared for you. You will then be billed for the amount of tax due, plus any additional penalties and interest.

Your Appeal Rights And How To Prepare A Protest If You Do Not Agree

If you do not agree with any or all of the IRS findings given you, then you may request a meeting or telephone conference with the supervisor of the person who issued the findings. If you still do not agree, you may appeal your case to the Area Director of General Appeals. For your convenience, we have enclosed Publication 5, *Your Appeal Rights and How to Prepare a Protest If You Don't Agree*.

If you have any questions, please contact the person whose name and telephone number are shown above.

If you write to us for any reason about this matter, please attach a copy of this letter to help identify your case.

Thank you for your cooperation.

Sincerely,

Revenue Officer

Enclosures:
Completed Tax Returns
Envelope
Blank Forms
Publication 5

Page 2 of 2

Letter 1085 (DO) (Rev. 11-2003)
Catalog Number: 40505S

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Sample Form 941, Endicott Transportation

Form **941 for 2011: Employer's QUARTERLY Federal Tax Return** (Rev. January 2011) Department of the Treasury — Internal Revenue Service 950111
OMB No. 1545-0029

(EIN) 3 2 - 1 1 9 6 7 1 4

Employer identification number **3 2 - 1 1 9 6 7 1 4**

Name (not your trade name) **Endicott Transportation**

Trade name (if any) _____

Address **PO BOX 777**
 Number Street Suite or room number
Alexandria **LA** **70339**
 City State ZIP code

Report for this Quarter of 2011
(Check one.)

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Prior-year forms are available at www.irs.gov/form941.

Read the separate instructions before you complete Form 941. Type or print within the boxes.

Part 1: Answer these questions for this quarter.

1 Number of employees who received wages, tips, or other compensation for the pay period including: <i>Mar. 12</i> (Quarter 1), <i>June 12</i> (Quarter 2), <i>Sept. 12</i> (Quarter 3), or <i>Dec. 12</i> (Quarter 4)	1	<input style="width: 80%;" type="text" value="4"/>
2 Wages, tips, and other compensation	2	<input style="width: 80%;" type="text" value="12344 . 90"/>
3 Income tax withheld from wages, tips, and other compensation	3	<input style="width: 80%;" type="text" value="2468 . 98"/>
4 If no wages, tips, and other compensation are subject to social security or Medicare tax		<input type="checkbox"/> Check and go to line 6e.

	Column 1		Column 2	
5a Taxable social security wages	<input style="width: 80%;" type="text" value="12344 . 90"/>	× .104 =	<input style="width: 80%;" type="text" value="1530 . 77"/>	
5b Taxable social security tips	<input style="width: 80%;" type="text" value="0 . 00"/>	× .104 =	<input style="width: 80%;" type="text" value="0 . 00"/>	
5c Taxable Medicare wages & tips	<input style="width: 80%;" type="text" value="12344 . 90"/>	× .029 =	<input style="width: 80%;" type="text" value="358 . 00"/>	
5d Add Column 2 line 5a, Column 2 line 5b, and Column 2 line 5c				5d <input style="width: 80%;" type="text" value="1888 . 77"/>
5e Section 3121(q) Notice and Demand—Tax due on unreported tips (see instructions)				5e <input style="width: 80%;" type="text" value="0 . 00"/>

For 2011, the employee social security tax rate is 4.2% and the Medicare tax rate is 1.45%. The employer social security tax rate is 6.2% and the Medicare tax rate is 1.45%.

6a Reserved for future use.

6b Reserved for future use. **Do Not Complete Lines 6a-6d**

6c Reserved for future use.

6e Total taxes before adjustments (add lines 3, 5d, and 5e)	6e	<input style="width: 80%;" type="text" value="4357 . 75"/>
7 Current quarter's adjustment for fractions of cents	7	<input style="width: 80%;" type="text" value="0 . 00"/>
8 Current quarter's adjustment for sick pay	8	<input style="width: 80%;" type="text" value="0 . 00"/>
9 Current quarter's adjustments for tips and group-term life insurance	9	<input style="width: 80%;" type="text" value="0 . 00"/>
10 Total taxes after adjustments. Combine lines 6e through 9	10	<input style="width: 80%;" type="text" value="4357 . 75"/>
11 Total deposits, including prior quarter overpayments	11	<input style="width: 80%;" type="text" value="0 . 00"/>
12a COBRA premium assistance payments (see instructions)	12a	<input style="width: 80%;" type="text" value="0 . 00"/>
12b Number of individuals provided COBRA premium assistance		<input style="width: 80%;" type="text"/>
13 Add lines 11 and 12a	13	<input style="width: 80%;" type="text" value="0 . 00"/>
14 Balance due. If line 10 is more than line 13, enter the difference and see instructions	14	<input style="width: 80%;" type="text" value="4537 . 75"/>
15 Overpayment. If line 13 is more than line 10, enter the difference		<input style="width: 80%;" type="text"/> Check one: <input type="checkbox"/> Apply to next return. <input type="checkbox"/> Send a refund.

► You MUST complete both pages of Form 941 and SIGN it. **Next** ➔

For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher. Cat. No. 17001Z Form 941 (Rev. 1-2011)

Continued on next page

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Sample Form 941, Endicott Transportation Continued

Name (not your trade name) Endicott Transportation		950211
Employer identification number (EIN) 32-1196714		
Part 2: Tell us about your deposit schedule and tax liability for this quarter.		
If you are unsure about whether you are a monthly schedule depositor or a semiweekly schedule depositor, see Pub. 15 (Circular E), section 11.		
16	<input type="checkbox"/> L <input type="checkbox"/> A	Write the state abbreviation for the state where you made your deposits OR write "MU" if you made your deposits in multiple states.
17	Check one: <input type="checkbox"/> Line 10 on this return is less than \$2,500 or line 10 on the return for the preceding quarter was less than \$2,500, and you did not incur a \$100,000 next-day deposit obligation during the current quarter. If you meet the <i>de minimis</i> exception based on the prior quarter and line 10 for the current quarter is \$100,000 or more, you must provide a record of your federal tax liability. If you are a monthly schedule depositor, complete the deposit schedule below; if you are a semiweekly schedule depositor, attach Schedule B (Form 941). Go to Part 3.	
	<input type="checkbox"/> You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month and total liability for the quarter, then go to Part 3.	
	Tax liability: Month 1	1452 . 58
	Month 2	1452 . 58
	Month 3	1452 . 58
	Total liability for quarter	4357 . 74 Total must equal line 10.
	<input type="checkbox"/> You were a semiweekly schedule depositor for any part of this quarter. Complete Schedule B (Form 941): Report of Tax Liability for Semiweekly Schedule Depositors, and attach it to Form 941.	
Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.		
18	If your business has closed or you stopped paying wages <input type="checkbox"/> Check here, and enter the final date you paid wages <input style="width: 100px;" type="text" value=" / / "/>	
19	If you are a seasonal employer and you do not have to file a return for every quarter of the year . . . <input type="checkbox"/> Check here.	
Part 4: May we speak with your third-party designee?		
Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.		
<input type="checkbox"/> Yes. Designee's name and phone number <input style="width: 200px;" type="text"/> <input style="width: 100px;" type="text"/>		
Select a 5-digit Personal Identification Number (PIN) to use when talking to the IRS. <input style="width: 20px;" type="text"/> <input style="width: 20px;" type="text"/> <input style="width: 20px;" type="text"/> <input style="width: 20px;" type="text"/> <input style="width: 20px;" type="text"/>		
<input type="checkbox"/> No.		
Part 5: Sign here. You MUST complete both pages of Form 941 and SIGN IT.		
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
X	Sign your name here <input style="width: 250px; height: 30px;" type="text"/>	Print your name here <input style="width: 150px; height: 20px;" type="text"/>
	Date <input style="width: 80px;" type="text" value=" / / "/>	Print your title here <input style="width: 150px; height: 20px;" type="text"/>
		Best daytime phone <input style="width: 100px; height: 20px;" type="text"/>
Paid Preparer Use Only		
Preparer's name	<input style="width: 200px; height: 20px;" type="text"/>	Check if you are self-employed . . . <input type="checkbox"/>
Preparer's signature	<input style="width: 200px; height: 20px;" type="text"/>	PTIN <input style="width: 50px; height: 20px;" type="text"/>
Firm's name (or yours if self-employed)	<input style="width: 200px; height: 20px;" type="text"/>	Date <input style="width: 80px;" type="text" value=" / / "/>
Address	<input style="width: 200px; height: 20px;" type="text"/>	EIN <input style="width: 50px; height: 20px;" type="text"/>
City	<input style="width: 100px; height: 20px;" type="text"/>	Phone <input style="width: 50px; height: 20px;" type="text"/>
State	<input style="width: 30px; height: 20px;" type="text"/>	ZIP code <input style="width: 50px; height: 20px;" type="text"/>
Page 2		Form 941 (Rev. 1-2011)

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Sample Form 940, Endicott Transportation

Form **940 for 2011: Employer's Annual Federal Unemployment (FUTA) Tax Return** 850111
 Department of the Treasury — Internal Revenue Service OMB No. 1545-0028

(EIN) Employer identification number **3 2 - 1 1 9 6 7 1 4**

Name (not your trade name) **Endicott Transportation**

Trade name (if any)

Address: **PO BOX 777**
 Number Street Suite or room number
Alexandria **LA** **70339**
 City State ZIP code

Type of Return
 (Check all that apply.)
 a. Amended
 b. Successor employer
 c. No payments to employees in 2011
 d. Final: Business closed or stopped paying wages
 Prior-year forms are available at www.irs.gov/form940.

Read the separate instructions before you complete this form. Please type or print within the boxes.

Part 1: Tell us about your return. If any line does NOT apply, leave it blank.

1a If you had to pay state unemployment tax in one state only, enter the state abbreviation 1a **L** **A**
 1b If you had to pay state unemployment tax in more than one state, you are a multi-state employer 1b Check here. Complete Schedule A (Form 940).
 2 If you paid wages in a state that is subject to CREDIT REDUCTION 2 Check here. Complete Schedule A (Form 940).

Part 2: Determine your FUTA tax before adjustments for 2011. If any line does NOT apply, leave it blank.

3 Total payments to all employees 3 **12344 . 90**
 4 Payments exempt from FUTA tax 4 **0 . 00**
 Check all that apply: 4a Fringe benefits 4c Retirement/Pension 4e Other
 4b Group-term life insurance 4d Dependent care
 5 Total of payments made to each employee in excess of \$7,000 5 **0 . 00**
 6 Subtotal (line 4 + line 5 = line 6) 6 **0 . 00**
 7a Total taxable FUTA wages (line 3 - line 6 = line 7a) (see instructions) 7a **0 . 00**
 7b Line 7a FUTA wages paid before 7/1/2011 7b **0 . 00** x .008 = 7c **0 . 00**
 7d Line 7a FUTA wages paid after 6/30/2011 7d **0 . 00** x .006 = 7e **0 . 00**
 8 FUTA tax before adjustments (line 7c + line 7e = line 8) 8 **12344 . 90**

Part 3: Determine your adjustments. If any line does NOT apply, leave it blank.

9 If ALL of the taxable FUTA wages you paid were excluded from state unemployment tax, multiply line 7a by .054 (line 7a x .054 = line 9). Go to line 12 9 **666 . 62**
 10 If SOME of the taxable FUTA wages you paid were excluded from state unemployment tax, OR you paid ANY state unemployment tax late (after the due date for filing Form 940), complete the worksheet in the instructions. Enter the amount from line 7 of the worksheet 10 **.**
 11 If credit reduction applies, enter the amount total from Schedule A (Form 940) 11 **.**

Part 4: Determine your FUTA tax and balance due or overpayment for 2011. If any line does NOT apply, leave it blank.

12 Total FUTA tax after adjustments (lines 8 + 9 + 10 + 11 = line 12) 12 **765 . 38**
 13 FUTA tax deposited for the year, including any overpayment applied from a prior year 13 **.**
 14 Balance due (If line 12 is more than line 13, enter the excess on line 14.)
 • If line 14 is more than \$500, you must deposit your tax.
 • If line 14 is \$500 or less, you may pay with this return. (see instructions) 14 **765 . 38**
 15 Overpayment (If line 13 is more than line 12, enter the excess on line 15 and check a box below.) 15 **.**
 ▶ You MUST complete both pages of this form and SIGN it. Check one: Apply to next return. Send a refund.

Next ➔

For Privacy Act and Paperwork Reduction Act Notice, see the back of Form 940-V, Payment Voucher. Cat. No. 11234O Form **940** (2011)

Continued on next page

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Sample Form 940, Endicott Transportation, Continued

850211	
Name (not your trade name) Endicott Transportation	Employer identification number (EIN) 32-1196714
Part 5: Report your FUTA tax liability by quarter only if line 12 is more than \$500. If not, go to Part 6.	
16 Report the amount of your FUTA tax liability for each quarter; do NOT enter the amount you deposited. If you had no liability for a quarter, leave the line blank.	
16a 1st quarter (January 1 – March 31)	16a <input type="text" value="191"/> . <input type="text" value="35"/>
16b 2nd quarter (April 1 – June 30)	16b <input type="text" value="191"/> . <input type="text" value="35"/>
16c 3rd quarter (July 1 – September 30)	16c <input type="text" value="191"/> . <input type="text" value="35"/>
16d 4th quarter (October 1 – December 31)	16d <input type="text" value="191"/> . <input type="text" value="33"/>
17 Total tax liability for the year (lines 16a + 16b + 16c + 16d = line 17)	17 <input type="text" value="765"/> . <input type="text" value="38"/> Total must equal line 12.
Part 6: May we speak with your third-party designee?	
Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.	
<input type="checkbox"/> Yes. Designee's name and phone number <input type="text"/> <input type="text"/>	
Select a 5-digit Personal Identification Number (PIN) to use when talking to IRS <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	
<input type="checkbox"/> No.	
Part 7: Sign here. You MUST complete both pages of this form and SIGN it.	
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that no part of any payment made to a state unemployment fund claimed as a credit was, or is to be, deducted from the payments made to employees. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.	
<input checked="" type="checkbox"/> Sign your name here	<input type="text"/>
Date <input type="text" value="/ /"/>	Print your name here <input type="text"/>
	Print your title here <input type="text"/>
	Best daytime phone <input type="text"/>
Paid preparer use only Check if you are self-employed <input type="checkbox"/>	
Preparer's name <input type="text"/>	PTIN <input type="text"/>
Preparer's signature <input type="text"/>	Date <input type="text" value="/ /"/>
Firm's name (or yours if self-employed) <input type="text"/>	EIN <input type="text"/>
Address <input type="text"/>	Phone <input type="text"/>
City <input type="text"/> State <input type="text"/>	ZIP code <input type="text"/>
Page 2	Form 940 (2011)

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Sample Form 5604, Section 6020(b) Action Sheet, Allen Technology, Inc.

Section 6020(b) Action Sheet									
Section 1. To be completed by Revenue Officer or Bankruptcy Specialist/Advisor									
1. Taxpayer name, address and TIN Allen Technology, Inc (32-1205024) 1034 Bacone Boulevard, Shreveport, LA 70340									
2. Date of field call 10/17/2011			OR	3. Date of 341 meeting			4. Date of contact 10/26/2011		
5. Explained filing and FTD requirements			<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	8. Date deadline to file set 11/28/2011				
6. Explained refusal to file and IRC §7203			<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No					
7. Explained TFRP			<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	9. Unable to contact <input type="checkbox"/>				
10. Employee name and telephone number Robert Wiley (999) 5553177					11. Employee signature				
12. Date returns sent to taxpayer				OR	13. Date referred to CCP 12/06/2011				
14. Type of Tax	941	941	941	940					
15. Tax Period	201006	201012	201103	201012					
16. Explain the basis for assessment or attach relevant ICS history (include a statement concerning taxpayer's compliance for periods not listed and information on sources checked and used to establish the proposed tax liability.) The LFR, 01-200703 was used									
Section 2. To be Completed by Centralized Case Processing									
Date request received in CCP					Reviewer's name				
Date Letter 1085 or 1616 mailed to taxpayer					Date case returned to revenue officer				
Reason for return									
Section 3. To be Completed by RO, CCP, or Bankruptcy Specialist/Advisor									
Results of Letter 1085 or 1616									
<input type="checkbox"/> Taxpayer signed returns	<input type="checkbox"/> Taxpayer prepared return(s)			<input type="checkbox"/> Taxpayer not liable					
<input type="checkbox"/> No response	<input type="checkbox"/> Appeals conference requested								
Section 4. Appeals Action									
<input type="checkbox"/> Taxpayer agreed to liability	\$ _____			<input type="checkbox"/> Taxpayer not liable					
<input type="checkbox"/> Taxpayer appealed to court									
Section 5. To be Completed by the Employee Signing the Return(s) Under IRC §6020(b)									
Date return(s) signed			Type of assessment						
			<input type="checkbox"/> Routine	<input type="checkbox"/> Prompt	<input type="checkbox"/> Quick		<input type="checkbox"/> Jeopardy		
Collection Determination									
<input type="checkbox"/> Full Payment Secured	<input type="checkbox"/> Preassessed Installment Agreement								
<input type="checkbox"/> Preassessed Form 53	<input type="checkbox"/> Preassessed ICS only module opened								
Form 5604 (Rev. 2-2013) Catalog Number 24110D publish.no.irs.gov Department of the Treasury-Internal Revenue Service									

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