

## **Eight Ways to Save Time and Help Your Clients Using IRS e-Services**

By Jim Buttonow, CPA, CITP

Some practitioners are spending too much time on the phone with the IRS, needlessly navigating the phone lines to find the right person to help with what is most often a small matter. Fortunately, learning how to maximize the full range of e-Services tools can greatly improve efficiency and time savings.

The rate of e-Services usage among practitioners is increasing. For example, from [2011](#) to [2012](#), practitioners filed 17% more authorization forms and requested 33% more transcripts via e-Services. This growth is largely because tax professionals are learning more about how to use e-Services to save time addressing most client account-related issues.

The IRS has continually expanded e-Services to enable [Circular 230 practitioners](#) (such as CPAs, enrolled agents and attorneys) and practitioners whose firms have e-filed [five or more returns](#) in a calendar year to use three e-Services products:

Disclosure Authorization (DA) allows practitioners to file Forms 2848, *Power of Attorney and Declaration of Representative*, and Form 8821, *Tax Information Authorization*.

Transcript Delivery System (TDS) allows practitioners to obtain any of the five types of IRS transcripts.

Electronic Account Resolution (EAR) allows practitioners to make inquiries and resolve client account-related issues. EAR inquiries are answered by the same IRS customer service representatives who handle PPS calls, but without the wait times. EAR also offers the ability to work with one PPS representative to resolve a client account issue. Keep in mind that you can't use EAR to resolve compliance issues, such as audits, appeals and collection matters.

Most practitioners are aware of the most common uses of e-Services. Here are eight less commonly known ways to maximize e-Services to save time and help your clients:

### **Get a complete tax history for a new client.**

Often, new clients arrive with incomplete tax records. Using TDS, you can get objective background information to use in tax preparation and planning. You can instantly download and review an electronic copy of your client's [returns from the past three years](#), or review your client's individual [wage and income information from the past 10 years](#). Reviewing account transcripts will also reveal any challenges to your client's tax returns, such as an underreporter notice or an audit. Having a complete picture of your client's tax history can help you begin a new client relationship with all the facts.

### **Determine qualification and apply for first-time penalty abatement.**

The IRS will abate certain filing and payment penalties for individual, business and payroll clients if your client has a clean compliance history. First-time abatement is a little-known administrative waiver that can benefit taxpayers with an isolated incident. According to a [2012 TIGTA report](#), in 2010, about 1.65

million individual taxpayers qualified for first-time penalty abatement. However, according to the same TIGTA report, only 8.8% of the taxpayers in the sample it tested actually received the abatement.

Using TDS, you can research your client's compliance history, including penalties assessed and unfiled returns, to determine whether your client qualifies for first-time penalty abatement. If your client qualifies, and his or her case is not in an IRS compliance function, you can use EAR to request and receive first-time abatement.

### **File an annual Form 8821 to get copied on your client's notices.**

In today's compliance environment, it's common for clients to receive IRS notices, which can stress the client relationship. However, you can turn IRS notices into an opportunity to strengthen your client relationships by submitting Form 8821 via e-Services DA to be copied on your clients' notices immediately.

### **Use wage and income transcripts to prevent a CP2000 underreporter notice.**

In 2012, the IRS sent [more than 4.5 million CP2000 notices](#) to individual taxpayers who may have incorrectly reported income on their returns. To prevent a CP2000 notice, first file an extension for your client. Historically, the IRS makes available wage and income information for the previous filing year via TDS at the end of May. Compare your client's wage and income information to his or her return. With this information, you can file a return that includes all income reported to the IRS.

### **Get a status update.**

A convenient feature of EAR is the ability to request a status update of actions on a taxpayer account. For instance, in an EAR inquiry, you can ask whether the IRS has received a penalty abatement request or appeal, which would not appear on an IRS transcript. You can also confirm whether the IRS has received correspondence on your client's account, even for some compliance issues, such as a CP2000 inquiry or mail audit. The IRS will provide a status update within three business days via e-Services.

### **Research tax identity theft.**

If you suspect that your client is the victim of tax identity theft, e-Services can be a helpful tool in researching and documenting the theft. Identity thieves commonly steal taxpayers' Social Security Numbers (SSNs) to file fraudulent returns or for employment purposes. Using TDS, you can request and review wage and income transcripts to identify unauthorized uses of your client's SSN. You can also request account transcripts to determine whether a return has been fraudulently filed under your client's SSN.

### **Establish a payment plan.**

If your client owes the IRS and can't pay at the time of filing, you can use the EAR installment agreement feature to set up most direct debit streamlined installment agreements for your client. For individuals, a direct debit installment agreement is applicable if your client [owes \\$50,000 or less and can pay the](#)

[balance within 72 months](#). The IRS also has an online payment arrangement tool on its website that allows taxpayers or their representatives to establish streamlined installment agreements.

### **Prepare for an audit.**

In an IRS field audit, the agent will do a three-year comparison of line items on filed returns. The agent will also compare your client's return to information statements filed on behalf of your client.

E-Services allows you to plan for these important audit steps. Using TDS, you can obtain electronic copies of your client's last three tax returns to complete a three-year return comparison, reviewing for significant fluctuations in income and expenses. TDS also allows you to access your client's information statements to confirm the proper reporting of specific sources of income and certain expenses on your individual taxpayer client's return.

E-Services doesn't provide wage and income information on Employee Identification Numbers. Call the IRS Practitioner Priority Service (PPS) business line to get this information before the examination. In either case, reconcile the reporting of your client's information statements before the examination, because the agent will ask questions about it.

With fewer resources and more to do, the IRS will expand its electronic capabilities. The [IRS has experimented with video conferencing for certain compliance functions, and IRS officials have said that the agency would like to improve its technology](#). In the future, the IRS could expand e-Services to allow for more complex interactions; for example, practitioners could submit audit responses or receive copies of client notices. The IRS will continue to improve its capabilities and move to more efficient electronic processes to provide service to taxpayers and ensure revenues for the U.S. Treasury.

*Reprinted with permission of the AICPA CPA Insider™ E-Newsletter*

[Jim Buttonow](#), CPA/CITP, is cofounder of New River Innovation, creator of [Beyond415](#). He has more than 25 years of experience in IRS practice and procedure. Reach Jim at [JButtonow@Beyond415.com](mailto:JButtonow@Beyond415.com).