



Municipal Digest

Spring 2014

Information on IRS Programs and Resources for Municipal Government Agencies

When a disaster strikes, IRS can help

If a natural disaster – such as a tornado, hurricane, or flood - or other emergency occurred in your community, many families and businesses could be impacted. IRS resources and services are available to assist victims in a disaster situation.

Special tax law provisions may help taxpayers and businesses recover financially from the impact of a disaster, especially when the federal government declares their location to be a major disaster area. Depending on the circumstances, the IRS may grant additional time to file currently due returns and pay currently due taxes.

Both individuals and businesses in a federally declared disaster area can get a faster refund by electing to deduct qualified losses related to the disaster on the tax return for the previous year, usually by filing an amended return.

To assist victims in filing for disaster loans and grants, the IRS will provide copies of previously filed tax returns free of charge. Taxpayers should complete and submit **Form 4506, Request for Copy of Tax Return**, and clearly identify it as a disaster-related request. Transcripts of account can also be ordered by submitting a **Form 4506-T, Request for Transcript of Tax Return**. There is no charge for transcripts.

The IRS has a number of resources on our **Disaster Assistance web site**, including:

- **Publication 2194 – Disaster Resource Guide** – is a disaster loss kit to help individuals and businesses claim casualty losses on property that was destroyed by a natural disaster.
- **Publication 547 – Casualties, Disasters and Thefts** - explains how to figure gain or loss, how to treat reimbursements, and more.
- **Tax Topic 515 – Casualty, Disaster, and Theft Losses** – gives an overview on claiming a tax loss due to the destruction of or damage to property in a disaster.
- **Preparing for a Disaster web page** – provides tips on paperless recordkeeping, documenting valuables and business equipment, and updating emergency plans.

The IRS also offers online videos on **IRS Disaster Assistance, Reconstructing Records after a Disaster, Disaster Loss Deductions, and Planning for Business Continuity after a Disaster**.

Disaster assistance from other federal government agencies is available on these web sites:

- **DisasterAssistance.gov** - This is a one stop web portal where disaster victims can find more than 70 forms of assistance from 17 federal agencies.
- **FEMA.gov** - Citizens affected by certain major disasters may qualify to apply for assistance from FEMA and find locations of FEMA Disaster Recovery Centers..
- **READY.gov** – Informs individuals and businesses about emergency preparedness and response.

If a disaster does occur, you can contact the IRS Disaster Assistance Hotline – (866) 562-5227 – for information and assistance.

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Useful Links

- Municipal Agency Partnering Program (MAPP)
- EITC resources for municipalities
- IRS.gov homepage
- Tax forms & pubs
- Find your local IRS office
- Tax information for local governments
- Identity protection
- Disaster relief
- Taxpayer Advocate Service





IRS announces “Dirty Dozen” Tax Scams for 2014

The Internal Revenue Service has issued the annual “Dirty Dozen” list of tax scams, and reminded taxpayers to use caution to protect themselves against schemes ranging from identity theft to return preparer fraud.

“Taxpayers should be on the lookout for tax scams using the IRS name,” said IRS Commissioner John Koskinen. “These schemes jump every year at tax time. Scams can be sophisticated and take many different forms. We urge people to protect themselves and use caution when

viewing e-mails, receiving telephone calls or getting advice on tax issues.”

Heading the list of the Dirty Dozen tax scams for 2014 are:

Identity Theft

Identity theft occurs when someone uses an individual’s personal information, such as their name, Social Security number, or other identifying information, without their permission, to commit fraud or other crimes. In many cases, an identity thief uses a legitimate taxpayer’s identity to fraudulently file a tax return and claim a refund.

The IRS’s work on identity theft and refund fraud continues to grow. The IRS has a special section on IRS.gov dedicated to **identity theft issues**, including YouTube videos, tips for taxpayers and an assistance guide. For victims, the information includes how to contact the IRS Identity Protection Specialized Unit. For other taxpayers, there are tips on how taxpayers can protect themselves against identity theft.

Pervasive Telephone Scams

The IRS has seen a recent increase in local phone scams across the country, with callers pretending to be from the IRS in hopes of stealing money or identities from victims.

These phone scams include many variations. Some callers threaten arrest or driver’s license revocation. Sometimes these calls are paired with follow-up calls from people saying they are from the local police department or the state motor vehicle department.

If an individual gets a call from someone claiming to be from the IRS, and they know they owe taxes or think they might owe taxes, they should call the IRS at 800-829-1040. The IRS employees at that line can help with a payment issue, if there is an issue.

If the individual knows they don’t owe taxes or have no reason to think they owe taxes (for example, they have never received a bill or the caller made bogus threats as described above), they should call the Treasury Inspector General for Tax Administration at 800-366-4484 to report the incident.

Phishing

Phishing is a scam typically carried out through an unsolicited email or a fake website that poses as a legitimate site to lure potential victims and prompt them to provide personal and financial information. Armed with this information, a criminal can commit identity theft or financial theft.

If an individual receives an unsolicited email that appears to be from either the IRS or an organization closely linked to the IRS, such as the Electronic Federal Tax Payment System (EFTPS), they should report it by sending the email to **phishing@irs.gov**.

It is important to keep in mind the IRS does not initiate contact with taxpayers by email to request personal or financial information. This includes any type of electronic communication, such as text messages and social media channels.

False Promises of “Free Money” from Inflated Refunds

Scam artists pose as tax preparers, promising large federal tax refunds to victims. They prey on low-income individuals, the elderly, and non-English speakers. Scammers dupe people into making claims for fictitious rebates, benefits or tax credits; or, they file a false return in a person’s name and that person never knows that a refund was paid.

Taxpayers should take care when choosing an individual or firm to prepare their taxes. Honest return preparers generally: ask for proof of income and eligibility for credits and deductions; sign returns as the preparer; enter their IRS Preparer Tax Identification Number (PTIN); provide the taxpayer a copy of the return.

Return Preparer Fraud

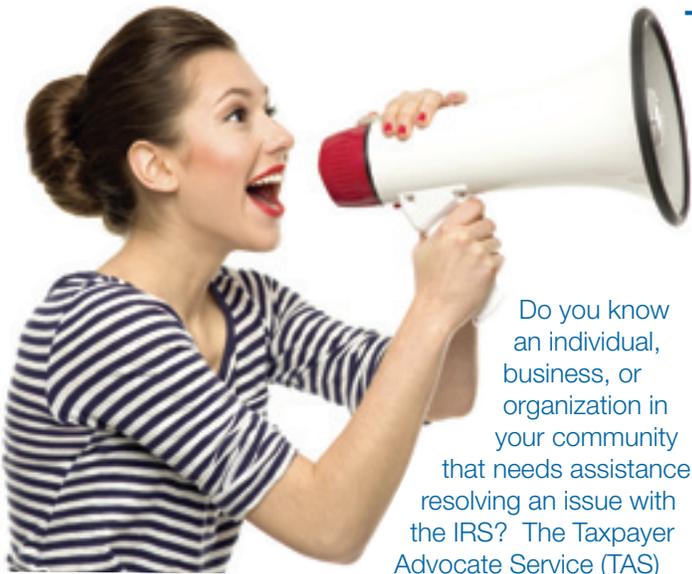
About 60 percent of taxpayers will use tax professionals this year to prepare their tax returns. Most return preparers provide honest service to their clients. But, some unscrupulous preparers prey on unsuspecting taxpayers, and the result can be refund fraud or identity theft.

The IRS has a web page to **assist taxpayers in choosing a preparer**, which includes details on preparer qualifications and information on how and when to make a complaint. Taxpayers are legally responsible for what’s on their tax return even if it is prepared by someone else, and should take care when choosing an individual or firm to prepare their return.

Other scams on the Dirty Dozen list are:

- Hiding Income Offshore
- Impersonation of Charitable Organizations
- False Income, Expenses or Exemptions
- Frivolous Arguments
- Falsely Claiming Zero Wages or Using False Form 1099
- Abusive Tax Structures
- Misuse of Trusts

More information on these **tax scams** is available at IRS.gov. The IRS reminds taxpayers that tax scams can take many forms beyond the “Dirty Dozen,” and people should be on the lookout for other schemes.



Taxpayer Advocate Service is “Your Voice at the IRS”

Do you know an individual, business, or organization in your community that needs assistance resolving an issue with the IRS? The Taxpayer Advocate Service (TAS) may be able to help.

TAS is an independent organization within the IRS and is “Your Voice at the IRS.” It helps taxpayers resolve problems and recommends changes that will prevent the problems. TAS has at least one office in every state, the District of Columbia and Puerto Rico, and at every IRS campus.

TAS Services

TAS can provide free help if the taxpayer can’t resolve a problem with the IRS and:

- Their problem is causing financial difficulties for them or their business,
- They are facing an immediate threat of adverse action, such as eviction, or
- They have tried to contact the IRS but have not received a response, or the IRS has not responded by the date promised.

To contact TAS, a taxpayer can call the nearest office, whose number is in local directories, in **Publication 1546**, and on the TAS website at <http://www.irs.gov/Advocate>. Taxpayers can also call TAS toll-free at 1-877-777-4778.

Taxpayers can read about key tax issues, and recommendations for resolving them, in the **National Taxpayer Advocate’s Annual Report to Congress**.

Systemic Advocacy

If you know of a tax problem that affects more than one taxpayer, you can submit information to TAS through the Systemic Advocacy Management System (SAMS). By doing this, you can help TAS tackle the “big-picture” problems that:

- Affect multiple taxpayers
- Involve IRS systems, policies, and procedures
- Involve protecting taxpayer rights, reducing burden, ensuring fair treatment, or providing essential taxpayer services

Submit these issues online to the **SAMS database** on IRS.gov. You’ll be asked to describe the issue briefly and provide your name and email address. Do not include any personal taxpayer information like your Social Security number.

Taxpayer Advocacy Panel

Taxpayers also have an opportunity to provide direct input to the IRS through the Taxpayer Advocacy Panel (TAP). The TAP is an independent panel of citizen volunteers who listen to taxpayers, identify taxpayers’ issues, and make suggestions for improving IRS service and customer satisfaction. You can contact TAP by phone at (888) 912-1227, or submit feedback at improveirs.org.

Low Income Taxpayer Clinics help resolve issues with IRS

Low Income Taxpayer Clinics (LITCs) represent low income individuals in disputes with the Internal Revenue Service, including audits, appeals, collection matters, and federal tax litigation.

LITCs can also help taxpayers respond to IRS notices and correct account problems. Some LITCs provide education for low income taxpayers and taxpayers who speak English as a second language (ESL) about their taxpayer rights and responsibilities.

LITC services are free or low cost for eligible taxpayers. LITCs are independent from the IRS but

receive some of their funding from the IRS through the LITC grant program. Each clinic determines whether prospective clients meet income guidelines and other criteria before agreeing to represent them.

The **Low Income Taxpayer Clinic Map** and **Publication 4134, Low Income Taxpayer Clinic List**, provide information on clinics in your area.

The opening of the **2015 grant application** period will be announced in late spring, 2014. The application form and other details will be available on IRS.gov.

Educate your employees about tax compliance

Even though tax filing season is winding down, it's always a good time to educate your employees about their tax responsibilities. There's a wealth of information available to help managers navigate the myriad of questions employees can pose as they try to stay compliant with their tax obligation or deal with an unfortunate mistake.

The IRS has created a **web page to help employers** educate their employees about tax compliance. The page includes a link to the Outreach Corner, which features articles about taxes that employers can use for internal communication products, such as newsletters and intranet websites. Employers can subscribe online to get regular updates from the **Outreach Corner**. There are also links on the web page to Widgets, "What if..." scenarios, and the IRS YouTube channel.

In addition, these helpful IRS publications can be accessed on the web page:

- **Publication 4849 - *Can't Pay the Tax You Owe Fact Sheet***
- **Publication 4852 - *Talkpoints for Managers - Federal Employee Tax Compliance Responsibilities***
- **Publication 4854 - *Employee Tax Compliance Messages***

Use these communication products to help your employees understand their tax compliance responsibilities and find the many IRS resources that are available year-round to help them file and pay their taxes on time.



If name changes, contact Social Security

Brides typically have a "to do" list to help them plan their wedding. One item they might want to add to the list, if they are changing their last name: Contact the Social Security Administration to update their name before they file their next tax return.

The name on a tax return must match Social Security records. If a taxpayer filed a single return as Mary Green last year, and this year files a joint return as Mary Jones, using the same Social Security number, there will be a mismatch unless Mary changed her name with Social Security. The IRS will likely send a letter to the individual to resolve the mismatch. And if she is expecting a refund, there could be a delay.

Brides aren't the only ones who might need to update their records. Individuals should contact Social Security if:

- They got married or divorced and changed their name.
- A dependent claimed on a tax return had a name change. For example, this would apply if a child was adopted and that child's last name changed.

To **notify SSA of a name change**, individuals should file **Form SS-5, *Application for a Social Security Card***. The form is available on **SSA.gov**, by calling 800-772-1213, or at a Social Security office. A completed Form SS-5 can be submitted at an SSA office or by mail. The new card will have the same SSN as before but will show the individual's new name.

Tax data by county and zip code is available online

Municipal agencies can now get aggregate information from tax year 2011 individual income tax returns, sorted by either county or zip code. The IRS provides the following data online and free of charge:

- Number of returns, which approximates the number of households
- Number of personal exemptions, which approximates the population
- Adjusted gross income
- Wages and salaries
- Pension income
- And more

Data on deductions and credits is also available, including:

- Mortgage interest deducted
- Charitable contributions deducted
- Earned income tax credit
- Child and dependent care credit
- Residential energy credit

This information sorted by **county** and by **zip code** is available on the IRS's Statistics of Income web site. Click on your state on the online map, and then open the spreadsheet of tax return data.

