



THIS MONTH:

- ◆ IRS Tips to Avoid Recovery Rebate Credit Confusion
- ◆ Investors May Need to Amend
- ◆ IRS Help for Financially Distressed Taxpayers

Investors May Need to Amend

Sometimes it does not pay to file early. A new law, enacted last fall, changed the deadline from Jan. 31 to Feb. 15, when brokers, including brokerage firms, mutual fund companies and barter exchanges, must furnish year-end Forms 1099-B to their customers. Where a broker furnishes these forms by mail, this means that the forms must be mailed, not received by that date. Because Feb. 15 fell on Sunday in 2009, and Monday, Feb. 16 was a federal holiday, the deadline was Feb. 17 this year.

In addition, the IRS announced that the Feb. 17 deadline also applied to other tax information that brokers report to their customers, including such items as interest and dividends, on a combined year-end statement.

Because of this, you may have filed without all of your forms and an amended return may be required.

This change was designed to make it easier for brokers to provide investors with accurate year-end statements on stock sales and other transactions. Inaccurate year-end statements that have to be corrected later often force investors to file amended individual returns. You can make the tax-filing process faster and easier and often avoid follow-up correspondence with the IRS by carefully reviewing all of your year-end statements. Make sure all social security numbers are correct, check income and withholding amounts and contact the issuer promptly, if any mistakes are found.

IRS Tips to Avoid Recovery Rebate Credit Confusion



In response to errors showing up on early tax filings, the Internal Revenue Service has urged taxpayers to make sure they properly determine eligibility for the recovery rebate credit before filing their 2008 federal tax returns. An early sampling of tax returns shows about 15 percent have errors involving the recovery rebate credit. Some tax returns erroneously claim the credit, do not claim the proper amount of recovery rebate credit or mistakenly enter the amount of the stimulus payment they received last year on the recovery rebate credit line.

To avoid delays in tax refunds, it is critical that taxpayers know the correct amount of the stimulus payment they received last year, if any, to help determine whether they qualify for the recovery rebate credit now. Go to the "How Much Was My Stimulus Payment?" tool that is available on the IRS Web site, IRS.gov. This can provide the correct amount in a matter of a few seconds.

Some individuals who did not get the economic stimulus payment, and a smaller number of those who did, may be eligible for the recovery rebate credit. However, most taxpayers who received the economic stimulus payment last year will not qualify for the recovery rebate credit on their 2008 federal income tax return.

Some of the major factors that could qualify you for the recovery rebate credit when filing your 2008 return include:

- Your financial situation changed dramatically from 2007 to 2008.
- You did not file a 2007 tax return.
- Your family gained an additional qualifying child in 2008.
- You were claimed as a dependent on someone else's return in 2007 but cannot be claimed as dependent by someone else in 2008.

IRS Help for Financially Distressed Taxpayers

If you are facing financial difficulties and struggling to meet your tax obligations the IRS can help. As the 2009 tax filing season begins, in addition to new credits, deductions and exclusions, the IRS is taking steps to help people who owe back taxes. Here are some areas where the IRS can help:



- **Added Flexibility for Missed Payments:** The IRS is allowing more flexibility for individuals with existing Installment Agreements who have difficulty making payments because of a job loss or other financial hardship. Depending on the situation, the IRS may allow a skipped payment or a reduced monthly payment amount. Taxpayers in this situation should contact the IRS.



- **Additional Review for Offers in Compromise on Home Values:** An Offer in Compromise (OIC), an agreement between a taxpayer and the IRS that settles the taxpayer's tax debt for less than full amount owed, may be a viable option for taxpayers experiencing economic difficulties. However, the equity taxpayers have in real property can be a barrier to an OIC being accepted. With the uncertainty in the housing market, the IRS recognizes that the real-estate valuations used to assess ability to pay are not necessarily accurate. So in instances where the accuracy of local real-estate valuations is in question or other unusual hardships exist, the IRS is creating a new, second review of the information to determine if accepting an offer is appropriate.

- **Prevention of Offer in Compromise Defaults –** Taxpayers who are unable to meet the periodic payment terms of an accepted OIC will be able to contact the IRS office handling the offer for available options to help them avoid default.
- **Postponement of Collection Actions:** IRS employees will have greater authority to suspend collection actions in hardship cases where taxpayers are unable to pay. If an individual has recently encountered a job loss or other financial problem, IRS assistants may be able to suspend collection in some situations without documentation to minimize burden on the taxpayer.
- **Expedited Levy Releases:** The IRS will speed the delivery of levy releases by easing requirements on taxpayers who request expedited levy releases for hardship reasons. Taxpayers seeking expedited releases of levies to an employer or bank should contact the IRS number shown on the notice of levy to discuss available options. When calling, taxpayers requesting a levy release due to hardship should be prepared to provide the IRS with the fax number of the bank or employer processing the levy.

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