

TABLE OF CONTENTS

	Page
I. IRS ENFORCEMENT STATISTICS	2
II. COURTS ADMONISHING THE GOVERNMENT FOR INSTANCES OF OVERREACH	3
III. THE 2005-2009 IRS STRATEGIC PLAN	3
IV. EXAMINATION PROGRAM LETTER FOR THE IRS SMALL BUSINESS/SELF-EMPLOYED (SB/SE) OPERATING DIVISION FOR FY 2008	5
V. PREPARER PENALTIES: SUMMARY OVERVIEW OF AMENDED IRC §6694	6
A. Return Preparer.	7
B. Standards of Conduct	7
i. Not Frivolous	7
ii. Reasonable Basis	7
iii. Realistic Possibility of Success - 33%	7
iv. Substantial Authority - 40-45%	8
v. More Likely Than Not for Relief - 51% or more	8
C. Adequate Disclosure Under Notice 2008-13, 2008-3 I.R.B. 282	9
D. Reasonable Basis and Reliance on Information Received from Taxpayer	10
E. Reasonable Cause and Good Faith Exception	10
F. Returns and Claims for Refund Subject to the IRC §6694 Penalty	11
G. Appeal Rights. Unagreed Cases	12
H. Relationship to Deficiency Procedures	12
I. Short Statute	12
J. Unagreed Return Preparer Cases	12
K. Refund Claims/Deficiency Procedure	12
L. Third Party Contacts (IRC §7602)	12
M. Statute of Limitations	13
VI. UNLAWFUL DISCLOSURES - IRC §7216	13
VII. OTHER PREPARER RELATED PENALTIES	14
i. IRC §6695(a)	14
ii. IRC §6695(b)	14
iii. IRC §6695(c)	14
iv. IRC §6695(d)	14
v. IRC §6695(g)	15
vi. IRC §6701	15
vii. IRC §6713(a)	15
viii. Criminal Sanctions	15
a. IRC §7206(1)	15
b. IRC §7206(2)	15
c. IRC §7207	15
d. 18 U.S.C. §371.	15

	e.	Mail Fraud Wire Fraud and Money Laundering	15
	ix.	Injunctions IRC §7407(a)	15
	x.	IRC §6695A	15
VIII.		WHISTLEBLOWER REWARDS	16
IX.		OPR AND THE MANDATORY REFERRAL IF PENALTIES ASSESSED	16
X.		NOTIFICATION OF STATE LICENSING AUTHORITIES	17
XI.		SUMMARY AND RECOMMENDATIONS FOR RETURN PREPARERS	18
	A.	Your Client is Not Your Friend.	18
	B.	Think “More Likely than Not”.	18
	C.	Think Disclosure.	18
	D.	Tax Advice is Sufficient for IRC §6694 to Apply.	18
	E.	Mandatory OPR Referrals.	18
	F.	Penalties Could be 150% of Fees Received.	18
	G.	Requirements to Notify State Licensing Authorities.	19
	H.	Establish a System of Checklists for Preparation and Advice - and Follow the System.	19
	I.	Emails Have a Life of Their Own	19
	J.	There Are no Hypothetical Questions.	19
	K.	Fight, Fight, Fight . . . if Facing a Preparer Penalty.	19
	L.	Maintain the Appearance of Cooperation and Reasonableness When Representing Clients in a Tax Dispute.	19
	M.	New Clients.	19
	N.	Supporting Data.	19
	O.	Preparer Judgment.	19
	P.	Document Your Advice to Clients and Other in Writing.	19
	Q.	No Good Deed Goes Unpunished.	19
	R.	Anticipate Increased Assertions of Preparer Penalties.	20
	S.	Limit the Nature and Scope of Services to be Provided in the Engagement Letter.	20
	T.	Disclose, Disclose, Disclose.	20
XII.		LOOKING TO THE FUTURE OF IRS ENFORCEMENT	20
XIII.		FUTURE ESTATE TAX LEGISLATIVE CONSIDERATIONS	21
	A.	Estate and Gift Tax Overview	21
	B.	Current Law: Economic Growth and Tax Relief Reconciliation Act of 2001	22
	C.	What Estate Tax Legislation May Be Considered in the Future?	22
	i.	Permanent Repeal of the Estate Tax	22
		1. Whether to Preserve the Other Changes to the Taxation of Gifts and Inherited Assets made by EGTRRA	22
		2. Modified Gift Tax	23
		3. Modified Carryover Basis at Death for Capital Gains Purposes	23
	ii.	Modification of Estate Tax	24
		1. Applicable Exclusion Amount	24
		2. Tax Rates	25
		3. Family Owned Businesses and Farms	25

4.	Blended Considerations	25
D.	Planning Considerations Looking Ahead	26
i.	Flexibility is the Key in Future Planning Strategies	26
ii.	What Does the Grantor Intend?	26
iii.	Life Insurance - Still Beneficial?	26
iv.	Use of Irrevocable Trusts in 2009, 2010 and 2011?	26
v.	Impact on Charitable Giving?	26
vi.	Who Will Lobby the Most (Insurance, Companies, Charitable Organizations) to Retain an Estate Tax Regime?	26

ATTACHMENTS

Tax Gap Map for Tax Year 2001	27
Individual Income Tax Underreporting Gap Estimates, Tax Year 2001	28
Individual Income Tax Underreporting Gap	29
Individual Income Tax Underreporting Gap Little or No Information Reporting	30
Considerations re the Preparation and Examinations of Federal Estate Tax Returns	31
Form 706 Federal Estate Tax Return Pre-Filing Checklist	32
Frequently Asked Questions on Estate Taxes	33
Firm Profile	36
Biography of Charles P. Rettig	37

IRS Enforcement Priorities Staying Out of the Line of Fire!

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“There are clear indications that professional standards have eroded in some corners of the practitioner community. Attorneys and accountants should be the pillars of our system of taxation, not the architects of its circumvention.” (IRS Commissioner Mark W. Everson at his nomination hearing before the Senate Finance Committee, March 18, 2003)

If you get up early, work late, and pay your taxes, you will get ahead . . .if you strike oil. (J. Paul Getty)

I am proud to be paying taxes in the United States. The only thing is – I could be just as proud for half of the money. (Arthur Godfrey)

People who complain about taxes can be divided into two classes: men and women. (Unknown)

“There is nothing sinister in so arranging one's affairs as to keep taxes as low as possible. Everybody does so, rich and poor; and all do right, for nobody owes any public duty to pay more than the law demands.” (Justice Learned Hand)

“The power to tax is not the power to destroy while this court sits. . .” (U.S. Supreme Court Justice Oliver Wendell Holmes, Jr *Panhandle Oil Co. v. Mississippi ex rel. Knox*)

“In any moment of decision the best thing you can do is the right thing, the next best thing is the wrong thing, and the worst thing you can do is nothing.” (Theodore Roosevelt)

“The whale only gets harpooned when it comes up for air.” (Unknown -philosophy of many taxpayers re disclosure statements attached to returns)

I.

IRS ENFORCEMENT STATISTICS

The IRS made significant progress towards achieving its enforcement related goals in FYE September 30, 2007 (FY 2007) and has achieved increases in every major area of enforcement:

- (1) Increased overall individual audits by 7% to 1,384,563 in 2007 (a 1.03% audit coverage rate) from 1,293,681 in 2006 (a 0.98% audit coverage rate) from 1,215,000 in 2005, the highest number since at least 1998 (1,192,780 total individual audits). The number of field examinations - traditional "sit-down" audits - increased to 311,339 in 2007 from 302,959 in 2006 from 247,235 in 2005.
- (2) Audited 293,188 high income taxpayers (incomes exceeding \$100,000) in 2007 (a 1.77% audit coverage rate), up from 257,851 in 2006 (a 1.67% audit coverage rate) and from 219,208 in 2005 and far in excess of the 92,000 audited in 2001 and 164,314 in 1998. In 2007, the IRS audited 113,105 taxpayers with incomes exceeding \$200,000 (a 2.87% audit coverage rate).
- (3) Audited 31,382 very high income taxpayers (incomes exceeding \$1,000,000) in 2007 (a 9.25% audit coverage rate), up from 17,015 audits in 2006 (a 6.30% audit coverage rate).
- (3) Audited 17,657 S corporations in 2007 (a 0.45% audit coverage rate), up from 13,984 audits in 2006 (a 0.38% audit coverage rate), up from the 10,417 audited in 2005.
- (4) Audited 12,195 partnerships in 2007 (a 0.423% audit coverage rate), up from the 9,777 audited in 2006 (a 0.36% audit coverage rate), up from the 8,489 audited in 2005, the highest number since at least 1998 (10,082 audits).
- (5) Audited 20,020 small corporations in 2007 (a 0.92% audit coverage rate), up from the 17,871 audited in 2006 (a 0.80% audit coverage rate) and the 17,858 audited in 2005, more than double the 7,294 audits in 2004 (but less than the 41,818 audited in 1998).
- (6) Audited 17,871 small businesses in general rose to 59,516 in 2007, an almost 14% increase from the 52,223 audited in 2006.
- (7) Audited 9,644 larger corporations (assets over \$10 million) in 2007 (a 16.83% audit coverage rate), an 8.9% *decrease* from the 10,591 audited in 2006 (a 18.6% audit coverage rate) and the 10,829 audited in 2005.
- (8) Criminal prosecution recommendations increased to 2,837 in 2007 from 2,720 in 2006 from 2,859 in 2005 (from 3,527 in 1998) maintaining a 90.20% conviction rate with an average sentence of 22 months incarceration. In 1998, there were 1,636 recommendations with an average sentence of 16 months
- Increased overall collections through heightened enforcement efforts, from \$ 43.1 billion in 2004, to \$ 47.3 billion in 2005 to \$48.7 billion in 2006 to \$59.2 billion in 2007.
- (9) Increased enforced collection actions - increased levies to 3,757,190 in 2007 from 3,742,276 in 2006 from 2,743,577 in 2005 (from 2,503,409 in 1998 and 504,403 in 1999).
- (10) Increased enforced collection actions - increased lien filings to 683,659 in 2007 from 629,813 in 2006 from 522,887 in 2005 to (from 382,755 in 1998 and 167,867 in 1999).
- (11) Increased enforced collection actions - increased seizures to 676 in 2007 from 590 in 2006 from 512 in 2005 (from 2,259 in 1998 and 161 in 1999).
- (12) Overall IRS enforcement staffing has been increased to 21,187 in 2007 from 21,185 in 2006 from 20,211 in 2005 (*reduced* from 23,550 in 1998). Examining Revenue Agent staffing increased to 12,816 in 2007 from 12,778 in 2006 from 12,192 in 2005 (reduced from 13,708 in 1998). Collection Revenue Officer staffing