

# LETTER OF THE LAKES



MN - NATP

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## A NOTE FROM THE PRESIDENT



I seem to start the December Newsletter with the same thought year after year.... it feels like I just finished one tax season (actually I still have one 2010 return on my desk waiting for missing information) and it is time to start thinking about the next filing season. Every year seems to pass by a little bit more quickly.

I have some exciting news to share with all of you; I have been elected to serve NATP on the National Board of Directors. My term begins

January 1, 2012; so I will be stepping down as the President of the Minnesota Chapter. Your new President is Jane Amble; please join me in congratulating Jane on her newly acquired and well deserved position. I will continue to serve MN NATP as the Region 4 Director.

Tax professionals continue to see new changes and challenges at both the federal and state levels. Preparer registration is well under way. EVERY tax professional, regardless of designations and existing licenses should now have registered for a PTIN (and renew by December 31, 2011). Those tax professionals who are not an EA, CPA or Attorney will need to take the RTRP (Registered Tax Return Preparer) Exam and pass by 2013. If you are concerned about taking and passing the exam; let your MN Chapter help you; we will, again be offering RTRP Exam Review Courses in 2012 – watch the newsletter and the NATP website ([www.natptax.com](http://www.natptax.com))

for dates and locations.

I encourage you to mark your calendars now for the NATP National Conference & Expo and for the MN NATP Fall Conference & Annual Meeting in 2012. The National Conference will be held in Baltimore, MD from July 9-12. The MN NATP Fall Conference will be held in Alexandria, MN September 13 & 14.

Form 1040 Workshop: If you did not have the opportunity to attend the Form 1040 Workshops that were held in November, there is one more chance on January 9<sup>th</sup> in the Twin Cities. For more information, please visit the NATP website.

Thank you all for allowing me to serve as your Chapter President for the past three (plus) years; I truly feel that it has been a great honor. I look forward to representing you all at the National level over the next three years.

**Merry Christmas to you all!**

### At-Large Board Member Opening

There is currently an open position on the MN NATP Board of Directors. The position is At-Large, which means any MN Member is eligible to serve in this position. If you are interested in helping to make MN NATP the best that it can be; please consider serving on the Board of Directors. If you have questions regarding the position, please contact Kelly Nokleby at 320.564.3537.

## IRS Updates

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### *Voluntary Classification Settlement Program*

The Voluntary Classification Settlement Program (VCSP) is a voluntary program described in [Announcement 2011-64](#) (PDF) that provides an opportunity for taxpayers to reclassify their workers as employees for employment tax purposes for future tax periods with partial relief from federal employment taxes. To participate in this new voluntary program, the taxpayer must meet certain eligibility requirements, apply to participate in VCSP by filing Form 8952, Application for Voluntary Classification Settlement Program, and enter into a closing agreement with the IRS.

The VCSP allows eligible taxpayers to obtain relief similar to that currently available through the [Classification Settlement Program](#) for taxpayers under examination.

#### Eligibility

The VCSP is available for taxpayers who want to voluntarily change the prospective classification of their workers. The program applies to taxpayers who are currently treating their workers (or a class or group of workers) as independent contractors or other nonemployees and want to prospectively treat the workers as employees.

A taxpayer must have consistently treated the workers as nonemployees, and must have filed all required Forms 1099 for the workers to be reclassified under the VCSP for the previous three years to participate in VCSP. Additionally, the taxpayer cannot currently be under audit by the IRS and the taxpayer cannot be currently under audit concerning the classification of the workers by the Department of Labor or by a state government agency.

If the IRS or the Department of Labor has previously audited a taxpayer concerning the classification of the workers, the taxpayer will be eligible only if the taxpayer has complied with the results of that audit.

Exempt organizations and Government entities may participate in VCSP if they meet all of the eligibility requirements.

#### VCSP Agreements

A taxpayer participating in the VCSP will agree to prospectively treat the class or classes of workers as employees for future tax periods. In exchange, the taxpayer:

- Will pay 10 percent of the employment tax liability that may have been due on compensation paid to the workers for the most recent tax year, determined under the reduced rates of section 3509(a) of the Internal Revenue Code. See [VCSP FAQ 16](#), for information on how payment under the VCSP is calculated. Also see Instructions to Form 8952;
- Will not be liable for any interest and penalties on the amount; and
- Will not be subject to an employment tax audit with respect to the worker classification of the workers being reclassified under the VCSP for prior years.

In addition, as part of the VCSP program, **taxpayer will agree** to extend the period of limitations on assessment of employment taxes for three years for the first, second and third calendar years beginning after the date on which the taxpayer has agreed under the VCSP closing agreement to begin treating the workers as employees.

## IRS Updates, cont.

### Applying for VCSP

To participate in the VCSP, a taxpayer must apply using [Form 8952, Application for Voluntary Classification Settlement Program](#). The application should be filed at least 60 days from the date the taxpayer wants to begin treating its workers as employees. Taxpayers who want to begin treating a class or classes of workers as employees for the fourth quarter of 2011 should file Form 8952 as soon as possible. The IRS will make every effort to process Form 8952 with sufficient time to allow for the voluntary reclassification on the requested date.

Along with the application, the taxpayer should provide the name of a contact or an authorized representative with a valid Power of Attorney (Form 2848). The IRS will contact the taxpayer or authorized representative to complete the process after reviewing the application and verifying the taxpayer's eligibility.

Eligible taxpayers accepted into the VCSP will enter into a closing agreement with the IRS to finalize the terms of the VCSP, and will simultaneously make full and complete payment of any amount due under the closing agreement.

### Resources

[VCSP Frequently Asked Questions](#)

[Form 8952, Application for Voluntary Classification Settlement Program and instructions](#)

[Announcement 2011-64](#) (PDF)

### *IRS Moves to Next Phase of Return Preparer Initiative; New Competency Test to Begin*

IR-2011-111, Nov. 22, 2011

The Internal Revenue Service is moving into the next phase of its effort to improve the tax preparation industry by launching the new Registered Tax Return Preparer competency test.

The new competency test is part of a larger initiative to increase oversight of the tax preparation industry. Last year, the IRS required all paid tax return preparers to obtain a Preparer Tax Identification Number (PTIN). Those tax return preparers who currently have a valid PTIN and are required to take the new test will have until Dec. 31, 2013, to pass it.

Preparers who pass the test and meet other requirements will be given a new designation: Registered Tax Return Preparer. In order to maintain that designation, the individuals must renew their PTINs annually and complete 15 hours of continuing education each year. Enrolled Agents, Certified Public Accountants, and attorneys, among others, are exempt from the new testing and education requirements. These professional groups already meet more stringent guidelines to obtain their professional credentials.

"This is another major step forward in our effort to enhance tax preparation service to millions of taxpayers. People should feel assured that the person they hire to prepare their federal tax returns has a working knowledge of the tax code," said Doug Shulman, IRS Commissioner. "The majority of tax return preparers are reputable professionals but the few bad apples cause great harm to taxpayers and the industry."

## IRS Updates, cont.

The fee for the competency test is \$116, which includes the IRS portion of the fee and the fee for Prometric Inc., a third-party test vendor. The test covers preparation of the Form 1040 and its related schedules. Test scheduling begins next week. Initial test takers won't receive their test scores for two to six weeks to allow the IRS to validate the exam and determine the pass/fail cutoff. Once validation is complete, around mid-January, those taking the computer-based test will receive their scores at the test center immediately upon completing the test.

Prometric will eventually administer the test at more than 260 centers nationally, but the test is not available at all locations currently. Test sites will be added daily and international locations may be added in the future.

Over 750,000 tax return preparers have obtained PTINs. The IRS estimates that approximately 350,000 people may be initially subject to the Registered Tax Return Preparer test requirement.

[Fact Sheet 2011-12](#) provides additional details about the test, including which preparers are required to take it and how to schedule an appointment.

### Work on background check implementation plans continue

The IRS continues to study the most appropriate ways for requiring certain tax return preparers to undergo a background check. The background check is necessary to ensure tax return preparers have not engaged in disreputable conduct and are suitable for practice before the IRS. The IRS will provide additional guidance concerning the background check in coming months.

While the IRS continues to review the issues surrounding background checks, it will issue Registered Tax Return Preparer certificates to individuals who pass the Registered Tax Return Preparer test and a tax compliance check. Individuals issued Registered Tax Return Preparer certificates may begin using the Registered Tax Return Preparer designation, but they still may be subject to additional background checks that the IRS may implement in the future.

### Special Enrollment Examination remains unchanged

The process for individuals to become an Enrolled Agent remains unchanged. Most Enrolled Agents have passed a comprehensive three-part IRS test (Special Enrollment Examination) covering individual and business standards and representation rules. Enrolled Agents also must complete 72 hours of continuing education every three years. Most Enrolled Agents have unlimited practice rights before the IRS, which means they can represent clients regarding any tax matter.

The process for registering and taking the Special Enrollment Examination remains unchanged. More information on the Registered Tax Return Preparer Competency Examination and the Special Enrollment Examination is available at [www.irs.gov/taxpros/tests](http://www.irs.gov/taxpros/tests).

### PTIN renewal season reminder

All PTIN holders must renew their PTINs for the 2012 filing season by Dec. 31, 2011. The PTIN renewal fee for 2012 is \$63. Return preparers who obtained their PTINs by creating an online account should renew their PTINs at [www.irs.gov/ptin](http://www.irs.gov/ptin).

Preparers who used paper applications to receive their 2011 PTINs were sent an activation code that they can use to create an online account and convert to an electronic renewal for 2012. Individuals can also renew using a paper Form W-12, IRS Paid Preparer Tax Identification Number Application, but renewing electronically avoids a four to six week wait for processing the renewal request.

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## Welcome New Members

Welcome to MN NATP! We are excited to have you as part of our family!

New MN NATP Members that have joined us during October and November:

**Evan D Barshack**, Minneapolis; **James Berry**, Burnsville; **James K Bunin**, Minneapolis; **John Byrne**, Rochester; **Mary Cichanowski**, Winona; **Debra Lynn Daberkow-Wright**, Crystal; **Gerald Goblirsch**, Kerkhoven; **Dean M Haupt**, PTP, Britt; **Stephen Heasley**, Inver Grove Heights; **Tammie Jenson**, Detroit Lakes; **Brad Johnson**, St. Cloud; **Bette Koenen, EA**, Maple Grove; **Ning Liu, CPA**, Maple Grove; **Stewart James Murfield**, Fairmont; **Karin A Nelson**, Nisswa; **Kristin Nelson**, Mora; **Derek Olson**, Baudette; **Ford A Peterson**, Dassel; **Donna Schilla**, Aitkin; **Herbert H Schneider**, Bloomington; **Theodore Sosniecki, EA**, Little Canada; **Lynda Stromenger**, Plymouth; **Howard Alan Thompson**, Ham Lake; **Isaac Thompson**, Waseca; **Michael J. Toay**, Eden Prairie; **Gerson Yevu**, Shakopee; **Linda Marie Zins**, Oronoco; **David E Anderson**, Eden Prairie; **Sheila Arnold**, Preston; **Igor Dykhne**, Eagan; **John Jeffrey Fasbender, LLC**, Hastings; **John D Finnegan**, Hawley; **Phillip Gatlin**, Minneapolis; **Michelle Marie Halls**, Brooten; **Tami Kalina**, Perham; **Glenice K Karnes, EA**, Mankato; **Al Kissling**, Minneapolis; **Scott Mallory, CPA**, Inver Grove Heights; **Randy M Ruane**, Eagan; **Luke A Stultz**, Minneapolis; **Deanna Swedeen**, Pierz

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## Conference Educational Materials Still Available

This year's Fall Conference provided great speakers with lots of valuable information! If you or someone you know missed the conference, you can still obtain a copy of the printed materials.

We still have a few extra binders with over 400 pages of information regarding IRS and Minnesota Updates, Research, Audit Proofing Business Returns, Filing Status and Dependency, Form 4797, Schedule C, Life Estate and Remainder Interest, and Ethics.

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### STEP 2 Total Quantity and Cost Columns

Total Quantity of All Items	A	Total Cost	B
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## Calculate Your Quantity Discount Here

### STEP 3 Calculate Quantity Discount (Total Quantity × Quantity Discount Per Item)

Total Quantity of All Items (from STEP 2)	Quantity Discount Per Item						Quantity Discount
	1 Item	2 Items	3-5 Items	6-10 Items	11-20 Items	21+ Items	
	\$0.00/ item	\$3.00/ item	\$4.00/ item	\$5.00/ item	\$6.00/ item	\$7.00/ item	
A (items) ×							C = \$

### STEP 4 Calculate Shipping & Handling Charge (Total Quantity × S&H Charge Per Item)

Total Quantity of All Items (from STEP 2)	Shipping & Handling (S&H) Charge Per Item						Shipping & Handling Charge*
	1 Item	2 Items	3-5 Items	6-10 Items	11-20 Items	21+ Items	
	\$5.75/ item	\$4.75/ item	\$4.25/ item	\$3.75/ item	\$3.25/ item	\$2.25/ item	
A (items) ×							D = \$

\*Exclude *The TaxLibrary* Products. Please call for international orders.

### STEP 5 Calculate Order Cost (Total Cost - Quantity Discount + S&H Charge)

Total Cost (from STEP 2)	-	Quantity Discount (from STEP 3)	+	Shipping & Handling Charge (from STEP 4)	=	Order Cost
B	-	C	+	D	=	\$

### STEP 6 Finalize Your Order

Sales Tax	MN residents add 7.275% (Order Cost from STEP 5 × 0.07275)	= \$
Order Total	Order Cost (from STEP 5) + Sales Tax	= \$

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(If different, needed for credit card orders)

### PAYMENT OPTIONS Remember to include credit card number & expiration date.

Credit Card:  MasterCard  Discover  Visa  American Express Expiration Date

12	12	12	12	12	12	12	12	12	12
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3-Digit Security Code (optional)

12	12	12	12	12	12	12	12	12	12
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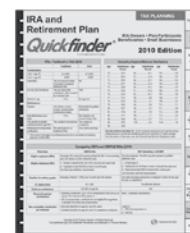
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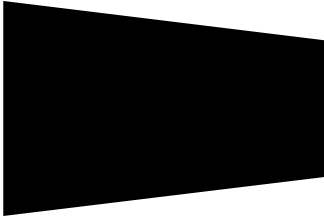
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