



Charles M. Pace, CPA
K. Brad Wooten, CPA

2809 Village Way
New Bern, NC 28562

P: 252.633.5096
F: 252.633.6901

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As of December, we will discontinue the mass mailing of our newsletter. We will instead send the newsletter via email. The reason for this change is an interpretation by the postal service relating to bulk mailings. For those of you that do not have access to email, we will be happy to continue to mail you the newsletter. For those who desire to have your newsletter emailed, please forward your email address to Kerran@paceandwooten.com. Thank you for your assistance and please do not hesitate to call if you have any questions.

Also, during this past “tax season”, several of you expressed concerns relating to the care of your aging parents. The questions were for the most part not financial in nature, but more along the lines of “What can I or should I do” in caring for my parent/parents? For those of you interested, I have arranged for several speakers with psychology backgrounds, speakers with the Craven Senior Citizens Center and Council on the Aging, an attorney, and representatives from in home care and assisted living facilities to address these concerns for you. The classes will be held at the First Baptist Church in New Bern with classes beginning September 7th and running through November 16th. If you are interested in attending the classes, please contact Charles Pace at (252) 633-5096. These classes are open to everyone and are at no charge to you, but if you sign up you are urged to attend all of the classes.

Audit Concludes That IRS Does Not Properly Respond to Taxpayer Correspondence [Audit Report No. 2011-40-058]: IRS does not adhere to its self-imposed policy of providing quality and timely responses to taxpayers’ correspondence regarding tax issues, the Treasury Inspector General for Tax Administration (TIGTA) said in a recent audit. As described in the audit, the agency’s policy, which is contained in Policy Statement P-6-12, is to respond to a taxpayer within 30 calendar days or provide an update on the status of the response. The audit found that while most responses to tax issue inquiries were accurate, the timeliness of most responses was inadequate. Interim letters are often mailed when the 30-day deadline cannot be met, the audit noted. “However, none of the systemically issued interim letters provide taxpayers with any information specific to their accounts, and the content is not clear regarding what taxpayers need to do,” TIGTA said. The results of the audit were based on two statistical samples and one judgmental sample from three IRS functions. According to the audit, of 73 correspondence cases sampled from the Accounts Management function, just 14 taxpayers (or 19%) received timely and accurate responses. In the review of 48 correspondence cases sampled in the Automated Underreporter Program, every taxpayer received an accurate response, but only 27 (or 56%) received a timely response. In the third sample of 73 correspondence cases from the Field Assistance Office, just six taxpayers (or 8%) received timely and accurate responses. Auditors also found that required interim letters were not always issued. “Finally, the IRS is not following Policy Statement P-6-12 guidelines and has not implemented any measures or processes to monitor and evaluate Policy Statement P-6-12 correspondence to ensure taxpayers receive timely responses to their correspondence,” TIGTA said. The audit is available at <http://www.treasury.gov/tigta/auditreports/2011reports/201140058fr.pdf>.

Circular 230 Disclaimer: Any tax advice contained in the body of this material was not intended or written to be used, and cannot be used, by the recipient for the purpose of (i) avoiding penalties that may be imposed under the Internal Revenue Code or applicable state or local tax law provisions, or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein. The taxpayer should seek advice based on the taxpayer’s particular circumstances from an independent tax advisor.

IRS Reminds Employers That Their Responsibilities Don't End After Outsourcing Payroll.

The IRS is reminding employers that they are ultimately responsible for the payment of income tax withheld, and both the employer and employee portions of Social Security and Medicare taxes, even if they outsource their payroll responsibilities to a third party [IRS e-News for Small Businesses, Issue No. 2011-17,8/3/11].

Outsourcing payroll to a third party can help ensure that filing deadlines and deposit requirements are met and greatly streamline business operations. However, it's the employer's ultimate responsibility to pay these taxes, even if the failure to pay is entirely due to the payroll service provider's negligence or fraud.

The IRS offers the following advice:

- (1) It strongly suggests that the address of record with the IRS not be changed to that of the payroll service provider. If there are any issues with an account, the IRS will contact the employer. Changing the address will make it more difficult for employers to be timely informed by the IRS of tax matters involving its business.
- (2) It advises employers to make sure that the payroll service provider is using the Electronic Federal Tax Payment System (EFTPS). EFTPS maintains a business's payment history for 16 months and can be viewed on-line. An employer can immediately confirm payments electronically, 24 hours a day, 7 days a week, through the Internet or by phone. Employers should register on the EFTPS System to get their own PIN and use this PIN to periodically verify payments. A red flag should go up the first time a payroll service provider misses or makes a late payment. Employers with an EFTPS account will also be able to make additional tax payments that their payroll service provider isn't making on their behalf (e.g., estimated tax payments).

The IRS cautions that there have been instances of individuals and companies acting under the guise of payroll service providers who have stolen funds intended for the payment of employment taxes. See http://www.irs.gov/compliance/enforcement/article/0,,id=22808_5,00.html for some recent IRS employment tax fraud investigations.

Employers who believe that a bill or notice received is a result of a problem with their payroll service provider should contact the IRS as soon as possible by calling the number on the bill, writing to the IRS office that sent the bill, calling (800) 829-4933, or visiting a local IRS office.

Estimated tax payments. The following estimated tax payments are due by September 15, 2011:

Individuals	3 rd Installment
Corporate Income Tax Years Ending:	
May 31, 2012	1 st Installment
March 31, 2012	2 nd Installment
December 31, 2011	3 rd Installment
September 30, 2011	4 th Installment

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