

IMRS Hot Issues

February 2, 2011

2011 Filing Season: February 14 Filing Start for Some Taxpayers; Stockpiling Permitted; Deadline Extended to April 18

The 2011 filing season began in January for the majority of taxpayers. However, the IRS needed to reprogram its processing systems for three provisions that were extended in the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 that became law on Dec. 17, 2010. People claiming any of these three items — involving the state and local sales tax deduction, higher education tuition and fees deduction, and educator expenses deduction as well as those taxpayers who itemize deductions on Form 1040 Schedule A — will need to wait to file their tax returns until tax processing systems are ready, which the IRS estimates will be [February 14](#). Due to the late changes, Electronic Return Originators (EROs) and Online Providers may hold tax returns containing one or more of these forms until the IRS can accept them. The EROs and Online Providers must advise taxpayers that the returns will not be e-filed until the IRS can accept the returns. The stockpiling rule does not apply in this situation. Taxpayers will have until Monday, [April 18](#) to file their 2010 tax returns and pay any tax due because Emancipation Day, a holiday observed in the District of Columbia, falls this year on Friday, April 15. For more information, see [IR-2011-1](#).

Additional Guidance for Tax Return Preparers

[Notice 2011-6](#) provides guidance regarding the implementation of new Treasury regulations governing tax return preparers. Section 1 of the notice indicates that certain tax return preparers, who are supervised by a Circular 230 practitioner in a specified manner, are not subject to competency examination or continuing education requirements, and may not sign tax returns or represent taxpayers before the IRS. It explains the status of tax return preparers who do not prepare individual income tax forms (Form 1040). It identifies the forms that require a Preparer Tax Identification Number (PTIN). Section 2 of the notice provides interim rules applicable to certain PTIN holders regarding competency examinations, return preparation, practice, continuing education and ethics during the implementation phase of the new regulations governing tax return preparers.

The following items are held over by popular demand from the Hot Issues report updated in late January.

Relief for Tax Return Preparers Who Have Pending PTIN Applications (IMRS 11-0001387)

Certain individuals who've made a good faith effort to obtain a PTIN timely but have experienced processing issues are being advised that they may prepare returns during the interim period while their applications are pending. These notifications are being issued on the online system to people who have made four unsuccessful attempts to register and in writing (email or letter) to individuals who have timely submitted paper applications and payments. These individuals may use a PTIN issued before September 28, 2010, or their social security number, if they do not have a previously issued PTIN, as the preparer tax identification number on returns. Additional information may be found in [Notice 2011-11](#).

Workers' Take-Home Pay Affected by Changes in 2011 Payroll Taxes (IMRS Issue 10-0001411)

Income tax withholding is increasing for many workers in 2011 due to the expiration of the Making Work Pay Credit. This income tax withholding increase, however, is partially or fully offset by a two-percentage point reduction in the social security employee tax rate in 2011, from 6.2 percent to 4.2 percent of wages paid, provided by the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010. The offset is partial for workers with modest incomes. For any Social Security tax over withheld during January, employers should make an offsetting adjustment in workers' pay as soon as possible but not later than March 31, 2011. The reduced Social Security withholding will have no effect on the employee's future Social Security benefits.

Form W-4 Confirmed as Correct (IMRS Issue 10-0001410)

All income limitation, deduction limitation and withholding table amounts on the 2011 Forms W-4 and W-4P have been confirmed with the U.S. Department of the Treasury as correct. Because withholding calculations take into account many factors, they may sometimes appear to be inappropriate. Specifically, the income limitation amounts \$40,000 (\$10,000 if married) included in the second bulleted item under Line H of Form W-4 (Line G for W-4P) have been verified as correct.