

IRS Information – November 2010

** denotes complete printed article included at meeting

1. **2010 IRPAC Report Made Available

<http://www.irs.gov/newsroom/article/0,,id=229212,00.html>

IR-2010-105, Oct. 20, 2010

WASHINGTON — The Information Reporting Program Advisory Committee (IRPAC) today released its [2010 Report](#), which is an annual report that includes recommendations on a wide range of tax administration issues.

[IRPAC](#) provides a public forum for the IRS and members of the information reporting community in the private sector to discuss relevant information reporting issues. The IRPAC is administered by the National Public Liaison Office of the IRS. IRPAC draws its members from the tax professional community

Based on its findings and discussions, IRPAC reviewed 30 issues and made recommendations on a broad array of issues and concerns, including the following:

- Health care reporting (Form W-2) for 2011.
- Information reporting (Form 1099-MISC) under the Patient Protection and Affordable Care Act of 2010.
- Cost basis reporting by financial institutions of customer cost basis in securities transactions.
- Payment reporting (Section 6050W) made in settlement of payment card and third party transactions.
- Withholding and tax information reporting of payments of U.S. source income to foreign financial institutions and non-financial foreign entities, under Foreign Account Tax Compliance Act (FATCA).

2. **Commissioner of Internal Revenue Douglas H. Shulman's Keynote Speech Before the AICPA Fall Tax Meeting

<http://www.irs.gov/newsroom/article/0,,id=229675,00.html>

IR-2010-107, Oct. 26, 2010

WASHINGTON — Good afternoon and thank you for that warm welcome and introduction and for inviting me to address AICPA's Fall Tax Meeting.

With the leaves changing, the days shortening, and children back in school, this is a time of year that speaks of change and getting down to work after the long days of summer.

And today, I would like to spend my time with you talking about some of the changes in our tax system that we could have barely imagined 10...15...or 20 years ago ... and how we are working smarter to stay on top of these changes and continually innovating to meet the challenges of tomorrow.

Our starting point is a given: our tax system is constantly changing. With its evolutions and revolutions, it's anything but static. The dizzying pace of change continues to accelerate with no signs of slowing down. And it's one hard stretch of road ahead full of dangerous curves, speed bumps and unexpected hazards.

For example, the sheer girth and complexity of the tax code continue to grow, in spite of efforts to simplify it. There have been an astonishing 4,400 legislative changes to the Code from 2000 to September of this year.

Our taxpayer base is also far more diverse and different than it was a mere 20 or 30 years ago, creating new needs and challenges to provide both innovative service channels and enforcement strategies.

For example, S corporations and partnerships, which are more difficult to audit, have grown rapidly. From 2000 to 2009, they increased by 55 percent and 70 percent respectively.

We are also dealing with an expanding number of Limited English Proficiency taxpayers who need to be served. To meet this need, IRS has over 1,800 bilingual employees who provide service to them. We also created a Spanish language web

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site and an IRS Multilingual Gateway and offer over 600 tax products translated into Spanish, Chinese, Vietnamese and Russian.

And as this audience well knows, our tax system reflects an enormous and dynamic global economy and all that it has ushered in... ..from complex transfer pricing issues to wealthy individuals using global capital markets to facilitate investment strategies.

Relationships and paradigms are shifting too as we break down barriers and open doors. This past year, I have spoken at length about the IRS retooling its relationship with large corporate taxpayers...how we are moving away from protracted trench warfare, which serves neither of us well, to earlier and speedier issue resolution and greater efficiency and certainty.

Congress has also expanded the IRS' portfolio of duties as we are increasingly asked to administer the tax portion of new social and economic programs, such as the Economic Stimulus, the Recovery Act, the HIRE Act, the Small Business Act ...and now, the tax provisions of the Affordable Care Act.

The simple fact is that our job is getting harder...much harder...with no let up in sight. And to make a tough job even tougher, resources are scarce and will continue to be for the foreseeable future.

My intention in describing the current state of play of our tax system is not to give you a pre-Halloween scare. Rather, I am hoping that by viewing the tax system through a wide angle lens, we can start to see how we can sort out and overcome some of the hurdles we face... improve our performance... and produce results we can all embrace, such as sound, fair and efficient tax administration...and of course, improved compliance.

Working smarter has been a theme of mine since I became Commissioner. But what does working smarter really mean? In the case of the IRS, it means evolving to keep pace with change, constantly looking ahead, and being innovative and more imaginative with available resources inside and outside the agency.

Let me dive down a little deeper into this concept. In many ways, it is all about a leveraged model.

In a classic business sense, leveraging translates to applying a relatively small amount of capital that yields a high level of impact or return for the company and its shareholders. For the IRS, it means maximizing the use of our resources, while tapping into the experience, specialized knowledge, infrastructure, technology and activities of other players in the tax system and making them an integral part of our service and compliance strategies.

By leveraging our joint resources, we can advance and support common objectives and outcomes we both desire, such as certainty, clarity and not wasting time and resources. The bottom line is that we can achieve far more working together than either of us could by working alone.

Before I get into a front-burner topic – the return preparer initiative – let me point out that we're already applying the concept of working smarter through leverage to achieve our goals. For example, over the past year, I reached out to members of corporate boards to hopefully leverage off of good corporate governance practices that might limit some risky tax planning behavior...and assure that corporate boards and audit committees are assessing and managing tax risk just as they do other material business risks.

I brought a similar message to the Council on Foundations...namely that good governance for a non-profit is mostly the same as general good governance. Both involve oversight of the organization's effectiveness in pursuing its mission. And both the IRS and foundations want many of the same things from tax-exempt organizations.

We want well-run institutions that deliver on their missions – or exempt purpose – in tax parlance. And we want appropriate controls in place to ensure clean books and records and adherence with legal requirements.

In this regard, we both benefit from what each of us does separately. And we both benefit by leveraging another set of eyes to look at the same issues.

Now, today, I want to speak about two key steps in this evolutionary chain of getting smarter and working smarter...and here too leverage plays a role. The first is the return preparer initiative.

I believe it is one of the most important initiatives and defining actions that the IRS has taken in recent years in improving both compliance and our ability to deliver better service to taxpayers; in this case, helping them to file accurate returns from the get-go and avoid potentially time-consuming problems later on.

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As with our international strategy, it is important to see the return preparer initiative as reflecting and adapting to changing elements in and around our tax system.

Sixty years ago, when the World Wide Web was not even a twinkle in a computer expert's eye, no one would have thought of e-File or IRS.gov. Today, no one would think of an effective and efficient tax administration system without them. In fact, our e-file rate is one of the biggest success stories of government modernization. Last year, we had a 70 percent e-file rate for individuals as compared to a mere 10 percent fifteen years ago. And this translates into a huge savings. For FY 2009, it cost us only 19 cents to process an e-filed return – a fraction of the \$3.29 it takes to process a paper return. And with e-file, taxpayers get their refund faster, with fewer data processing errors that can lead to hassles later in the process.

It was this same type of systemic change in our tax system – subtle at first and tectonic later – that would make the return preparer initiative not a “nice-to-have” but a “must have” program. Let's see why by taking a quick look in the rear view mirror.

For many years, most taxpayers prepared their own returns with pencil and paper and an adding machine. You could also always count on the 11:00 PM news story about procrastinating taxpayers lined up at the Post Office to mail in their returns, or seeking 11th hour preparation help from the IRS. One of my predecessors even stood outside of a Metro Station on April 15th handing out extension forms.

And that's the quaint, sleepy image that stayed the same until about 20-30 years ago. Then we had a wake up call that would irrevocably change the way people would prepare and file their taxes.

Growing tax code complexity fueled an explosive growth in tax return preparation. Once a cottage industry, today, more than 8 out of ten taxpayers use a tax preparer or tax software. And there are now an estimated 1 million individuals preparing tax returns for a fee. Barring some sort of massive tax simplification, this trend will continue.

There are a number of positives in this trend. As I noted earlier, one of the most important is that qualified return preparers can help taxpayers get it right...right from the start.

Working with the taxpayer, they can prevent inadvertent errors which can save both taxpayers and the IRS headaches and precious resources down the road.

And let's face facts....taxpayers want to keep their interactions with the IRS to a minimum. One of the best ways to insure that minimum interaction is for taxpayers to file an accurate and timely return...once again, getting it right the first time around.

In a world of greater complexity and sometimes the temptation to push the tax planning envelope beyond acceptable bounds, qualified return preparers can also advise taxpayers on the risk associated with a possible reporting position. They can also explain taxpayer rights and responsibilities. So, we at the IRS see the professional return preparer community as a strong ally in our efforts to boost overall service and compliance.

Now, an individual's return filing is often one of their biggest financial transactions in any given year. Yet any person can prepare a federal tax return for any other person for a fee.

The average person on the street might assume there is some sort of formal oversight or licensing for every return preparer. After all, even a barber must attend a formalized training program and obtain a license. However, that average taxpayer would be mistaken.

It might surprise taxpayers to learn that the level of oversight varies widely. There's little oversight of paid tax return preparers, particularly for those who are not attorneys, enrolled agents, and CPAs – like you – or other individuals

authorized to practice before the IRS. Again, it bears repeating that this is one of the most important annual financial transactions for taxpayers, yet many preparers do not have to meet any professionally-mandated competency requirements.

This begs the question. Are too many taxpayers rolling the dice when it comes to their paid return preparers? The Government Accountability Office, the Treasury Inspector General for Tax Administration and our own research suggest that our tax system and a large number of taxpayers may be poorly served by some return preparers. And let no one forget that it is the taxpayer who is legally responsible for penalties and interest if their return is not accurately prepared, or they claim deductions or tax credits to which they are not entitled.

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Given the critical mass of issues building around paid return preparers, the IRS launched its return preparer review in June of 2009. It meets two of our most important strategic goals and reflects our commitment to working smarter.

First, it strengthens partnerships with tax practitioners, tax return preparers, and other third parties to ensure effective tax administration. And second, it ensures all of the above and other third parties in the tax system have a minimal level of competency and adhere to professional standards... with an overarching goal of better service to taxpayers and increased compliance.

As most of you are aware, our return preparer initiative is now undergoing a staged implementation process. We took a big first step last month when we launched the new online PTIN application system. It's now up and running and will eventually get everyone into the system.

But more than just an identification number, the PTIN registration process gives us an important and better line of sight into the return preparer community than we've ever had before. We can leverage that information to help us better analyze trends, spot anomalies and potentially detect fraud.

Indeed, the PTIN process will help us build, in several years, a publicly-accessible database of those registered. I view this as an extremely important tool for consumers and another example of working smarter, as consumers will be able to search the database to ensure that their preparer is registered. This ups the game for everyone. The data base will confirm for the public which return preparers are properly registered with the IRS. It will also make it easier for everyone to find and track the bad actors out there. They won't be able to pull up stakes and move around anonymously.

There are a number of transition issues we are also working through as we implement the return preparer initiative. One of the first out of the gate was foreign PTINs for those paid return preparers outside of the United States who lack a Social Security Number, but prepare US tax returns for their clients. We recognized the hurdles they faced, and in response, are providing them with some needed flexibility.

We are also still refining our rules for people who work in a professional firm, like an accounting firm, who prepare all, or substantially all of a return under the supervision of an accountant, enrolled agent or lawyer. While this is a tricky area, and I can't give you definitive guidance until we publish our final guidance later this year, I will tell you that I am sympathetic to the argument that the rules should be flexible for people who have met a higher professional standard. Therefore, it is highly likely that as we implement the new rules and procedures there will be some relief for testing and continuing education requirements for people who do not sign a return and work in a professional firm under the supervision of an accountant, enrolled agent or lawyer.

We are also still working on a start date for testing, and an effective date for the 15 hours of continuing education. Some of those commenting encouraged us to slow down or delay these important parts of the program. While we are moving forward to put in place continuing education, we recognize the need for a staged transition to reduce burden and uncertainty. Therefore, during the first year of implementation, we intend to waive the requirement for continuing education. This will give us time to work through the many issues regarding CE, including working with third parties who already certify CE courses to attempt to leverage their infrastructure.

Finally, with any major initiative, I need to look at the people and structure that we will use to implement it. I am pleased to announce today that we are creating a Return Preparer Office inside of the IRS that will be led by David R. Williams, who is familiar to many of you for his work on the return preparer initiative. He will report directly to Steve Miller, Deputy Commissioner for Services and Enforcement.

This new office will have broad responsibility for the return preparer initiative. It will manage all of our activities related to continuing education and testing of all professionals under IRS jurisdiction. It will also manage the registration system and process, as well as coordinate resource planning for IRS efforts across the organization related to return preparers. If you have any insights, concerns and suggestions as we proceed on implementing the return preparer initiative, please feel free to contact David.

David's leadership on the return preparer initiative will complement the excellent work Karen Hawkins is carrying out as Director of the Office of Professional Responsibility. This critical organization will remain a separate entity within the IRS, and I see its impact being enhanced in the future to ensure that tax professionals meet the high ethical standards that taxpayers expect, need and deserve.

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Indeed, it is my intention to provide Karen and her able team increased resources to investigate additional cases of improper conduct, ethical violations and other disciplinary issues involving tax professionals falling under Treasury Circular 230. I think it's fair to say that we could see an appreciable jump in the OPR case load in the foreseeable future as we work to ensure that all return preparers are serving the American people well.

I would like to turn now to how we are working smarter with some of our largest corporate taxpayers. Our new uncertain tax position reporting requirement is a key element of our larger program to retool our relationship with these taxpayers and create greater efficiency and certainty.

Let me frame this discussion by saying that I believe the concept of more transparency is consistent with our nation's historic framework of a voluntary compliance system. Our tax system is set up in such a way that taxpayers fill out their own returns. This self-assessment system reflects the fact that it is the taxpayer, and not the IRS, who possesses all of the information relevant to tax liability. We then use information reported by the taxpayer to make judgments about issues to pursue, and returns to audit.

Inherent in this system is the basic assumption that a taxpayer will be forthcoming in dealing with the IRS with respect to the items it has reported on its tax return, including the underlying positions related to those items. But this is much more than an assumption – it is the foundation on which our tax system is built.

Guided by the fundamental principle that transparency is essential to achieving an effective and efficient self-assessment tax system, the IRS took a major step towards transparency this past January with Announcement 2010-9 to require business taxpayers to report basic information regarding their uncertain tax positions when they filed their tax returns. As many of you know, last month we released the Final Schedule UTP and Instructions effective for 2010 tax years along with a directive to the field and modifications to our Policy of Restraint to provide guidance to IRS examiners and other personnel regarding how we will implement UTP reporting.

This new requirement gets to the heart of information we need without trying to get into the taxpayer's head. I believe that it helps achieve what most taxpayers and the IRS strive for and basically want. And that's not the endless tug of war between the IRS and taxpayers, but certainty, consistent treatment and the efficient use of government and taxpayer resources by focusing on issues and taxpayers that pose the greatest risk of tax noncompliance.

The Final Schedule UTP fulfills these goals in a very balanced and sensible fashion and addresses important concerns expressed by affected taxpayers and the practitioner and business community. I would like to thank AICPA and its members for their very thoughtful and constructive comments which helped us craft a final product that moves us towards our shared objectives. Indeed we made some significant changes to the schedule based on the feedback we received. These include:

- A five-year phase-in for filing the schedule;
- Elimination of the maximum tax adjustment requirement;
- Clarification of concise description of an issue; and
- Clarification and strengthening of our policy of restraint

Our Schedule UTP needs also to be viewed as part of a major restructuring of the relationship with large corporate taxpayers that includes our permanent CAP program, fast-track appeals, industry issue resolution strategies, advanced pricing agreements, and other tools – all aimed at the goal of issue resolution and greater efficiency and certainty.

So here we are ... an IRS that is working smarter and evolving to meet today's and tomorrow's changes and challenges. To do so, we must be open and welcoming of new ideas and forge new relationships with taxpayers and other stakeholders. We must look for opportunities to make the best use of resources, including leveraging the enormous reservoir of expertise and experience that is infused throughout the professional tax community. And we must be willing to innovate as we seek continuous improvement and work on some of the country's most difficult and interesting problems.

That concludes my remarks and I thank you again for inviting me to share some thoughts with you. I would be happy to take a few questions.

3. **IRS Announces Pension Plan Limitations for 2011

<http://www.irs.gov/newsroom/article/0,,id=229975,00.html>

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IR-2010-108, Oct. 28, 2010

WASHINGTON — The Internal Revenue Service today announced cost of living adjustments affecting dollar limitations for pension plans and other retirement-related items for tax year 2011. In general, these limits will either remain unchanged, or the inflation adjustments for 2011 will be small. Highlights include:

- The elective deferral (contribution) limit for employees who participate in section 401(k), 403(b), or 457(b) plans, and the federal government's Thrift Savings Plan remains unchanged at \$16,500.
- The catch-up contribution limit under those plans for those aged 50 and over remains unchanged at \$5,500.
- The deduction for taxpayers making contributions to a traditional IRA is phased out for singles and heads of household who are active participants in an employer-sponsored retirement plan and have modified adjusted gross incomes (AGI) between \$56,000 and \$66,000, unchanged from 2010. For married couples filing jointly, in which the spouse who makes the IRA contribution is an active participant in an employer-sponsored retirement plan, the income phase-out range is \$90,000 to \$110,000, up from \$89,000 to \$109,000. For an IRA contributor who is not an active participant in an employer-sponsored retirement plan and is married to someone who is an active participant, the deduction is phased out if the couple's income is between \$169,000 and \$179,000, up from \$167,000 and \$177,000.
- The AGI phase-out range for taxpayers making contributions to a Roth IRA is \$169,000 to 179,000 for married couples filing jointly, up from \$167,000 to \$177,000 in 2010. For singles and heads of household, the income phase-out range is \$107,000 to \$122,000, up from \$105,000 to \$120,000. For a married individual filing a separate return who is an active participant in an employer-sponsored retirement plan, the phase-out range remains \$0 to \$10,000.
- The AGI limit for the saver's credit (also known as the retirement savings contributions credit) for low-and moderate-income workers is \$56,500 for married couples filing jointly, up from \$55,500 in 2010; \$42,375 for heads of household, up from \$41,625; and \$28,250 for married individuals filing separately and for singles, up from \$27,750.

Below are details on both the unchanged and adjusted limitations.

Section 415 of the Internal Revenue Code provides for dollar limitations on benefits and contributions under qualified retirement plans. Section 415(d) requires that the Commissioner annually adjust these limits for cost of living increases. Other limitations applicable to deferred compensation plans are also affected by these adjustments under Section 415. Under Section 415(d), the adjustments are to be made pursuant to adjustment procedures which are similar to those used to adjust benefit amounts under Section 215(i)(2)(A) of the Social Security Act.

The limitations that are adjusted by reference to Section 415(d) generally will remain unchanged for 2011. This is because the cost-of-living index for the quarter ended Sept. 30, 2010, while greater than the cost-of-living index for the quarter ended

Sept. 30, 2009, is less than the cost-of-living index for the quarter ended Sept. 30, 2008, and, following the procedures under the Social Security Act for adjusting benefit amounts, any decline in the applicable index cannot result in a reduced limitation. For example, the limitation under Section 402(g)(1) on the exclusion for elective deferrals described in Section 402(g)(3) will be \$16,500 for 2011, which is the same amount as for 2009 and 2010. This limitation affects elective deferrals to Section 401(k) plans, Section 403(b) plans, and the federal government's Thrift Savings Plan.

Effective Jan. 1, 2011, the limitation on the annual benefit under a defined benefit plan under section 415(b)(1)(A) remains unchanged at \$195,000. Pursuant to section 1.415(d)-1(a)(2)(ii) of the Income Tax Regulations, the adjustment to the limitation under a defined benefit plan under section 415(b)(1)(B) is determined using a special rule that takes into account that the cost-of-living indexes for the quarter ended Sept. 30, 2009, and for the quarter ended Sept. 30, 2010, were both less than the cost-of-living index for the quarter ended Sept. 30, 2008, and that the cost-of-living index for the quarter ended Sept. 30, 2010, is greater than the cost-of-living index for the quarter ended Sept. 30, 2009. For a participant who separated from service before Jan. 1, 2010, the participant's limitation under a defined benefit plan under section 415(b)(1)(B) is unchanged (i.e., the adjustment factor is 1.0000). For a participant who separated from service during 2010, the limitation under a defined benefit plan under Section 415(b)(1)(B) for 2011 is computed by multiplying the participant's 2010 compensation limitation by 1.0118 in order to reflect changes in the cost-of-living index from the quarter ended Sept. 30, 2009, to the quarter ended Sept. 30, 2010.

The limitation for defined contribution plans under Section 415(c)(1)(A) remains unchanged for 2011 at \$49,000.

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The Code provides that various other dollar amounts are to be adjusted at the same time and in the same manner as the dollar limitation of Section 415(b)(1)(A). After taking into account the applicable rounding rules, the amounts for 2011 are as follows:

The limitation under Section 402(g)(1) on the exclusion for elective deferrals described in Section 402(g)(3) remains unchanged at \$16,500.

The annual compensation limit under Sections 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii) remains unchanged at \$245,000.

The dollar limitation under Section 416(i)(1)(A)(i) concerning the definition of key employee in a top-heavy plan remains unchanged at \$160,000.

The dollar amount under Section 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a 5 year distribution period remains unchanged at \$985,000, while the dollar amount used to determine the lengthening of the 5 year distribution period remains unchanged at \$195,000.

The limitation used in the definition of highly compensated employee under Section 414(q)(1)(B) remains unchanged at \$110,000.

The dollar limitation under Section 414(v)(2)(B)(i) for catch-up contributions to an applicable employer plan other than a plan described in Section 401(k)(11) or Section 408(p) for individuals aged 50 or over remains unchanged at \$5,500. The dollar limitation under Section 414(v)(2)(B)(ii) for catch-up contributions to an applicable employer plan described in Section 401(k)(11) or Section 408(p) for individuals aged 50 or over remains unchanged at \$2,500.

The annual compensation limitation under Section 401(a)(17) for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed cost of living adjustments to the compensation limitation under the plan under Section 401(a)(17) to be taken into account, remains unchanged at \$360,000.

The compensation amount under Section 408(k)(2)(C) regarding simplified employee pensions (SEPs) remains unchanged at \$550.

The limitation under Section 408(p)(2)(E) regarding SIMPLE retirement accounts remains unchanged at \$11,500.

The limitation on deferrals under Section 457(e)(15) concerning deferred compensation plans of state and local governments and tax-exempt organizations remains unchanged at \$16,500.

The compensation amounts under Section 1.61 21(f)(5)(i) of the Income Tax Regulations concerning the definition of "control employee" for fringe benefit valuation purposes remains unchanged at \$95,000. The compensation amount under Section 1.61 21(f)(5)(iii) remains unchanged at \$195,000.

The Code also provides that several pension-related amounts are to be adjusted using the cost-of-living adjustment under Section 1(f)(3). After taking the applicable rounding rules into account, the amounts for 2011 are as follows:

The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for married taxpayers filing a joint return is increased from \$33,500 to \$34,000; the limitation under Section 25B(b)(1)(B) is increased from \$36,000 to \$36,500; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D), is increased from \$55,500 to \$56,500.

The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for taxpayers filing as head of household is increased from \$25,125 to \$25,500; the limitation under Section 25B(b)(1)(B) is increased from \$27,000 to \$27,375; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D), is increased from \$41,625 to \$42,375.

The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for all other taxpayers is increased from \$16,750 to \$17,000; the limitation under Section 25B(b)(1)(B) is increased from \$18,000 to \$18,250; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D), is increased from \$27,750 to \$28,250.

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The deductible amount under § 219(b)(5)(A) for an individual making qualified retirement contributions remains unchanged at \$5,000.

The applicable dollar amount under Section 219(g)(3)(B)(i) for determining the deductible amount of an IRA contribution for taxpayers who are active participants filing a joint return or as a qualifying widow(er) is increased from \$89,000 to \$90,000. The applicable dollar amount under Section 219(g)(3)(B)(ii) for all other taxpayers (other than married taxpayers filing separate returns) remains unchanged at \$56,000. The applicable dollar amount under Section 219(g)(7)(A) for a taxpayer who is not an active participant but whose spouse is an active participant is increased from \$167,000 to \$169,000.

The adjusted gross income limitation under Section 408A(c)(3)(C)(ii)(I) for determining the maximum Roth IRA contribution for married taxpayers filing a joint return or for taxpayers filing as a qualifying widow(er) is increased from \$167,000 to \$169,000. The adjusted gross income limitation under Section 408A(c)(3)(C)(ii)(II) for all other taxpayers (other than married taxpayers filing separate returns) is increased from \$105,000 to \$107,000.

The dollar amount under Section 430(c)(7)(D)(i)(II) used to determine excess employee compensation with respect to a single-employer defined benefit pension plan for which the special election under section 430(c)(2)(D) has been made is increased from \$1,000,000 to \$1,014,000.

Related Item: [Revenue Procedure 2010-40](#) contains certain inflation adjusted tax items for tax year 2011.

4. **IRS Seeks Applications for Advisory Committee for the Tax Exempt and Government Entities Division

<http://www.irs.gov/newsroom/article/0,,id=229998,00.html>

IR-2010-109, Oct. 28, 2010

WASHINGTON — The Internal Revenue Service is seeking applications for vacancies on the Advisory Committee on Tax Exempt and Government Entities (ACT). The committee provides a venue for public input on relevant areas of tax administration.

Vacancies exist in the following customer segments:

- Employee Plans – two vacancies
- Exempt Organizations – two vacancies
- Tax Exempt Bonds – one vacancy
- Indian Tribal Governments – two vacancies
- Federal, State and Local Governments – three vacancies

Members are appointed by the Department of the Treasury and serve two-year terms, beginning in June 2011. Applications will be accepted through Dec. 1, 2010.

The ACT is an organized public forum for the IRS and representatives who deal with employee plans, exempt organizations, tax-exempt bonds, and federal, state, local and Indian tribal governments. The ACT allows the IRS to receive regular input on administrative policy and procedures of the Tax Exempt and Government Entities Division (TE/GE).

Applications can be made by letter or by completing an application form available on IRS.gov. In either case, applications should reflect the proposed member's qualifications. Members of the ACT may not be federally registered lobbyists. A notice published in the Federal Register, dated Oct. 28, 2010, contains more details about the ACT and the application process.

The [ACT membership application](#) is available on this web site.

Applications should be sent to Steven Pyrek, TE/GE Communications and Liaison Director, Internal Revenue Service, 1111 Constitution Ave., NW– SE:T:CL Penn Bldg., Washington, DC 20224, or by fax to 202-283-9956 (not a toll-free number).

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5. **Nearly 70 Percent of Taxpayers Used IRS e-file in 2010

<http://www.irs.gov/newsroom/article/0,,id=231381,00.html>

IR-2010-112, Nov. 10, 2010

WASHINGTON — Nearly 99 million individuals filed their federal income tax returns electronically during 2010, a 3 percent increase in the IRS e-file rate. Of the 141.5 million returns filed so far this year, almost 70 percent were filed electronically.

Each year, more taxpayers chose to e-file their tax returns. Last year, nearly 95 million taxpayers or 67 percent used e-file. In the past decade, the number of individual tax returns e-filed has increased by 145 percent. The overall number of individual tax returns increased only by 8 percent. IRS e-file is no longer the exception; now it is the norm.

Year	Total	e-Filed	Percent
Filed	Returns	Returns	e-filed
2001	130,965,000	40,244,000	30.73%
2002	131,728,000	46,892,000	35.60%
2003	131,557,000	52,944,000	40.24%
2004	132,200,000	61,507,000	46.53%
2005	133,933,000	68,476,000	51.13%
2006	136,071,000	73,255,000	53.84%
2007	140,188,000	79,979,000	57.05%
2008	153,650,000	89,853,000	58.48%

2009	141,376,000	94,980,000	67.18%
2010	141,536,000	98,740,000	69.76%

Home Computer e-Filers

Taxpayers who prepare their own tax returns using home computers continued to set the pace for e-file. This year, more than 35 percent of e-filers prepared and filed their returns themselves.

Almost 35 million returns were e-filed from home computers, up 8 percent from last year.

Direct Deposit Refunds

More than 74 million refunds were electronically deposited into taxpayers' accounts, saving taxpayers a trip to the bank. More importantly, these taxpayers received their refunds at least a week faster than those receiving paper checks.

These direct deposit refunds accounted for almost 69 percent of all refunds, up from 66 percent of refunds last year. Overall, the IRS issued 109 million refunds, averaging \$2,994 per refund; direct deposit refunds averaged \$3,189 per refund.

2010 FILING SEASON STATISTICS

Cumulative through the weeks ending 11/06/09 and 11/05/10

Individual Income Tax Returns	2009	2010	% Change
Total Receipts	143,529,000	141,536,000	-1.4%
Total Processed	143,079,000	141,536,000	-1.4%

E-filing Receipts:

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TOTAL	95,478,000	98,740,000	3.4%
Tax Professionals	63,285,000	63,893,000	1.0%
Self-prepared	32,193,000	34,847,000	8.2%

Web Usage:

Visits to IRS.gov	275,308,302	281,765,152	2.3%
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Total Refunds:

Number	111,163,000	108,923,000	-2.0%
Amount	\$315.290Billion	\$326.125Billion	3.4%
Average refund	\$2,836	\$2,994	5.6%

Direct Deposit Refunds:

Number	72,982,000	74,460,000	2.0%
Amount	\$220.250Billion	\$237.444Billion	7.8%
Average refund	\$3,018	\$3,189	5.7%

6. **IRS Commissioner Doug Shulman's Statement on UBS/Voluntary Disclosure Program

<http://www.irs.gov/newsroom/article/0,,id=231520,00.html>

Nov. 16, 2010

Today, I'm pleased to announce the IRS has withdrawn the John Doe Summons in the UBS AG matter. We are taking this action in light of our success in obtaining the account holder information we sought through the summons and obtained under the August 2009 agreement with the Swiss government and UBS. We appreciate the help and assistance of the Swiss government and UBS during this process.

In addition, I'd especially like to thank the team at the U.S. Justice Department, for its tremendous work and support. We could not have done this without them. Working together, we were able to assure that the agreement was successfully

implemented and the United States expectations under this landmark agreement were realized. We look forward to continued partnership with Justice as we continue our work.

Today's announcement is yet another milestone in our ground-breaking efforts in the international tax compliance arena. Not only are we breaking through the walls of international bank secrecy, we are producing real results for U.S. taxpayers.

I can't say this enough: When people cheat on their taxes, the vast majority of honest U.S. taxpayers suffer the consequences and have to make up the difference.

The John Doe Summons in the UBS case was just one piece of a much larger effort underway here at the IRS on international issues. There are many elements to it.

As part of our efforts, we have renamed and reshaped our large corporate division into the Large Business and International Division in order to further emphasize and specialize our international and offshore banking efforts. We also continue to work closely with other governments through the Organization for Economic Co-Operation and Development.

Today, I want to give you an update on our high-profile efforts that touch on our continuing offshore banking efforts.

First, here is an update on our offshore voluntary disclosure program:

We have had thousands more taxpayers come in through our voluntary disclosure program since our special program ended last year. We had approximately 15,000 voluntary disclosures from individuals who came in before the VDP program ended.

And these voluntary disclosures continue. Since the special program closed, we have received an additional 3,000 voluntary disclosures from individuals with bank accounts from around the world. This is a significant development to get this many people — now over 18,000 individuals and counting — back into our tax system.

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We are finding that many of these voluntary disclosure cases involve significant amounts of previously unpaid tax. Account sizes and taxes vary considerably from case to case, but the closed cases so far have averaged more than \$200,000 in tax collections per case, which includes back taxes, interest and penalties. But collecting additional revenue for past misdeeds is not the only important consideration here — regardless of account size, it is important that we are bringing thousands of

U.S. taxpayers back into the system so they properly report and pay their taxes for years to come on their offshore accounts.

Second, let me update you on the results of the UBS AG agreement between the United States and Switzerland reached in August 2009.

As part of this agreement, the IRS has received approximately 4,000 UBS treaty-request accounts so far. We will get even more after the remaining account-holder appeals have been decided by the Swiss Federal Administrative Court.

These UBS treaty request account holders face a full-blown audit — and potentially more, depending on the circumstances — unless they came in through the voluntary disclosure program first.

The IRS expects the final count of UBS AG accounts received from various sources to exceed 7,500. This covers the entire spectrum, including accounts turned over outside the treaty request process under the February 2009 deferred-prosecution agreement and the offshore voluntary-disclosure program.

The VDP and UBS matters are significant, but there is obviously more to come. We have been scouring the vast quantity of data we received from the VDP applicants and from various other sources. Although more data mining is still to be done, this information has already proved invaluable in supplementing and corroborating prior leads, as well as developing new leads, involving numerous banks, advisors and promoters from around the world. And this remains just the start. As I have said from the beginning, this has never been about one bank or one country. We've produced results and will continue to produce results.

To conclude, we are sending a clear message to taxpayers that we are serious about tax compliance. We will tirelessly pursue anyone who tries to use international borders to their advantage and cheat honest taxpayers. As I've said throughout my tenure as Commissioner, combating international tax evasion will continue to be a top priority. We have additional cases and banks in our sights right now. This issue is not going away, and those who try to skirt U.S. tax laws by hiding assets and income offshore, and the banks and advisors who help them do it, will find themselves increasingly at risk due to our efforts in this area.