

# ELECTRONIC ACCOUNT RESOLUTION (EAR) Update Are You Listening? By Jim Leimbach, EA

**A** new client came in today. We'll just call him Mr. Joe Smith. He's single with no dependents. He came in with a letter from the IRS, Letter Number 2566 (SC/CG), a "Proposed Individual Income Tax Assessment." Mr. Smith had lost the tax calculation summary that had been sent with the letter, so I did not know what the basis was for the proposed tax assessment.

While Mr. Smith was in my office, I informed him that in order for me to address his problem with the IRS, I would need his permission to represent him. He concurred that was what he wanted and I then accessed the IRS' e-services, secure Web site. From there, I selected the Disclosure Authorization (DA) product and I then asked him to sign the electronic version of the Form 2848, Power of Attorney and Declaration of Representative (POA), called a DA.

He first entered in his AGI, AGI year, and date of birth to authenticate who he was, and then entered his electronic signature which was done by entering in a self-selected PIN he made up. I also electronically signed the DA by entering in my Centralized Authorization File (CAF) Number, my password for accessing the IRS' e-services Web site, and then my self-selected PIN. After hitting the "Send" button, it took about five seconds for me to obtain confirmation that the DA had been successfully processed into the CAF system.

I then informed my client that I needed to obtain a transcript showing all the income he had received during the year in question in order to ascertain the correctness of the proposed tax assessment. While he was in my office, I submitted a "Wage and Income Documents" transcript request from the Transcript Delivery

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#### About the Author:

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System (TDS) portion of the e-services Web site for the year in question.

There were two choices in how I could receive the transcript: the first choice was to have it displayed on my screen and the other choice was to retrieve an IRS email response from my secure (encrypted) mailbox on the e-services Web site. I chose to have it displayed on my screen since I would still be able to print it when displayed. After I hit the "Send" button, it took approximately one minute to receive the transcript.

I printed all six pages and after reviewing the information, concluded the proposed tax assessment was correct. My client owed \$7,890 but he was not in any position to pay the full amount. I discussed the options available and we both agreed that an Installment Agreement (IA) was the only alternative available to him.

I went back to the e-services Web site, and selected the EAR product which then allowed me to access the IA feature. I completed our proposed IA and I explained to my client that it could take up to three business days for a response on the IA submittal but that I expected to receive a response later in the afternoon. At the end of the day, six hours after having submitted the IA, I received the IRS approval for our proposed IA via an email I retrieved from my e-services secure (encrypted) mailbox.

Just before going to lunch, a prior client, we'll just call him Mr. Huffy, came in with a CP2000 Notice containing proposed changes to his 2001 tax return. Again, using the e-services Web site, I submitted the DA; obtained transcripts; and after reviewing the transcripts, determined that the CP2000 Notice was in error. The proposed change involved income that had, in fact, been reported on the client's 2001 return.

I logged onto the EAR portion of the e-services Web site and this time I accessed



the "Notice" feature which would allow me to address the CP2000 Notice and submit our disagreement with the proposed change. The Notice form provided me plenty of room to describe how the income had in fact been reported in my client's return. After transmitting our "Notice" submittal, I received my onscreen confirmation number which I printed for future reference.

After returning from lunch, I went back to the e-services Web site and retrieved the IRS' response from my e-services secure mailbox concurring that an error had been made and that they were updating my client's account to reflect no change.

All this sounds pretty far fetched doesn't it?

While it did not actually occur, the capability to electronically represent our

clients via a secure session on the Internet will be unveiled nationwide late this year, and you can be sure it will have a tremendous impact on the services we provide to our clients.

The IRS' effort to provide Electronic Account Resolution has been ongoing for several years. It all started back on November 26, 1997 when the Electronic Tax Administration (ETA) released a Request for Agreement (RFA) that NAEA responded to by submitting a proposal that members be provided the capability to resolve exam and collection issues with the IRS via secure email.

From that NAEA initiative, the IRS, in February 2000, launched a prototype secure Web site that would be used to develop and test the concept of electronic



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representation and would be the forerunner of the final secure Web site that would be implemented nationwide in 2003. The prototype was called the Practitioner Secure Messaging System (PSMS) and it provided NAEA members the ability to securely resolve account related issues.

After two years of testing by approximately 450 NAEA members, Terence H. Lutes, Director of ETA, deemed PSMS a success. Lutes stated in his email to the PSMS participants that, "For the *first time* in the history of the Service, we demonstrated the capability to interact securely with our practitioners over the Internet to resolve account-related inquiries."

The PSMS prototype was discontinued in May 2002 due to budgetary constraints, but that did not hamper the IRS' effort with the development of the final secure Web site. Usability Testing of the IRS' final secure Web site was conducted on April 22-23 of this year by a group of six practitioners. The following capabilities are

those you can expect when the IRS unveils nationwide the Electronic Account Resolution (EAR) Web site and are based on my firsthand experience from participating in the Usability Testing.

**Practitioner Qualifications:** Circular 230 practitioners (in good standing) must have e-filed 100 or more returns in the latest filing season. **Exception:** The IRS waived the 100 e-file requirement for the PSMS participants.

**Practitioner EAR Registration:** Practitioners will register over the Internet (via secure session) and submit specific personal tax information. IRS will validate the information, and the practitioner will then obtain a username, password, and PIN. The IRS will send the practitioner a confirmation number by mail and the practitioner must confirm the registration within 28 days.

## Electronic Account Resolution

The EAR portal of the e-services Web site is where practitioners will correspond directly with the IRS to resolve a client's tax issue. The products to be offered for individuals and businesses are:

- Account Problem
- Notice
- Complex Refunds
- Payment Tracer
- Installment Agreement

All selections provide a free text or memo area in which to elaborate on the details for a client's issue as you normally would in a letter. If additional information is requested by the IRS, the practitioner will submit a "Follow-up Inquiry" that will be linked to the previous submission.

**Account Problem:** Provides the practitioner the capability to address specific account posting issues such as those related to exam, collection, record of payments,

## E-Services

**1. Disclosure Authorization (DA):** The DA is essentially an electronic version of the Form 2848, POA that is processed directly into the CAF system via the IRS' secure (encrypted) Web site. The data elements needed for the Web site DA pages are the same as those required for the Form 2848 and follow the same flow. The biggest difference is how a client and practitioner sign the form.

For the client to sign, the practitioner will need to ensure the client has the following:

- AGI (from any return filed in the last three years)
- AGI Year
- Date of Birth
- PIN (self selected PIN like the e-file)

For practitioners to be able to sign, they will need:

- CAF number
- Password used for e-services Web site access
- PIN (self-selected)

### DA Pros:

- Immediate processing into the CAF system
- Immediate access to client's account

### DA Cons:

- Additional representatives must be able to access the Web site in order to digitally sign the DA. Not all practitioners will be granted access due to the IRS' 100 e-file requirement.
- DA is not available for business clients other than Sch C. Form 2848 must be mailed or faxed for manual input into the CAF prior to e-service access.

**2. Tax Information Authorization (Form 8821):** An additional option to the DA, this form can also be submitted to obtain information pertaining to a client. The digital signature requirement is the same.

**3. Transcript Delivery System (TDS):** The TDS was, hands down, the most impressive portion of the Usability Testing. The TDS is actually a separate portal of the e-services Web site yet a key component of EAR. After accessing TDS,

the user is provided a pop-down menu from which to select the type of transcript desired. Transcript menu selections are all in plain English such as "Wage and Income Documents" versus the computer transaction ID such as RTVUE or IRPOL, making it very easy for users to determine what type of transcript to select.

Transcripts can only be selected for one year at a time, but multiple requests can be submitted together in one session. So if a user needed transcripts for the last three years, he or she would fill out the form once and the tax period separately for each of the three years. Each tax period/type of return appears in a box at the bottom of the request screen. Once all information on the client is entered, you submit the transcript request containing all three years. There are five types of transcripts to be made available. They are:

### TDS

1. Account Transcript
2. Return Transcript
3. Record of Account
4. Verification of Non-filing
5. Wage & Income Documents

### Similar To:

- MFTRA-X
- RTFTP
- MFTRA-X + RTFTP
- IRS Letter
- IRPTR

and resolution of tax form(s) filed for a taxpayer, to name just a few. For instance, you would use Account Problem if you needed to find out the current balance owed or how 1040ES payments were posted.

**Individual Notice:** Provides the capability to address any IRS-generated notice that has been sent to the taxpayer. For instance, a practitioner would be able to resolve a CP2000 Notice (Notice of Proposed Changes) by submitting an agreement or disagreement for the CP2000.

**Complex Refunds:** Provides the capability to address refunds that can involve multiple years and a range of issues involving a taxpayer who has not received a refund due to 1040ES posting errors, 1040 refunds applied to other years, FMS Offsets, undeliverable or destroyed refund(s), and erroneous refund(s).

**Payment Tracer:** Provides the tracing of payments made by a taxpayer to the IRS that have not been posted by the IRS.

**Installment Agreement:** Provides the capability to submit an IA on behalf of a

taxpayer. IAs are limited to guaranteed and streamlined.

The Usability Testing of EAR and TDS did uncover shortfalls with both, which is to be expected in any development project this complex. Most notably was the excessive amount of Web pages required to complete a particular submittal. There were numerous tutorials some of which were a bit excessive and others that contained hard to read graphics imbedded in the tutorial. All-in-all though, the IRS has made a huge step forward in providing the tax practitioner community the capability to electronically represent clients and resolve their problems in a more efficient, timely, and secure manner.

The lessons learned from the two-year testing of PSMS were invaluable to the progress made so far. One significant improvement made as a result of PSMS was replacing the use of Digital IDs and RSA Security Keys with 128-bit encryption called Secure Socket Layer (SSL). The use of SSL provides the highest degree of security available for the IRS' e-services Web site while at the same time making it much easier for the user to access the Web site.

EAR and TDS will continue to undergo additional levels of testing before being implemented nationwide later this year. Earlier projected implementation dates had envisioned late August or early September for implementation. However, it appears that it will more than likely occur in November. The possibility of additional delays in the final implementation is certainly there, but the IRS recently solicited the PSMS participants for verification of their name and EFIN, which is an encouraging step forward.

I believe that EAR and TDS will grow much like e-file has, in which each year new and improved capabilities will be added. Once the general public is aware of tax practitioners having the capability to represent them electronically before the IRS, you can be sure that those utilizing EAR and TDS will be the preference of choice by taxpayers when it comes to meeting their representation needs. **EA**

The user can choose from two delivery methods as to how they wish to receive the transcripts. The first choice is to receive the transcript online (directly on the user's screen) and the second is to have it sent to the Secure Online Repository (SOR) which is a secure (encrypted) mailbox repository that the user will have to register for and receive during the e-services registration process. The secure mailbox can only be accessed by the authorized user after logging on to the e-services Web site. The user's SOR mailbox will contain all IRS responses from EAR and TDS submittals sent by the user. Either selection will allow a user to print the transcript.

The transcripts received will show the typical Transaction Code (TC) and also a short literal definition of the TC. This will be especially helpful for those practitioners who are not familiar with the multitude of TCs or who are not in possession of documentation to decipher the codes.

#### **TDS Pros:**

- Ease of navigation. Web pages are kept simple and concise.
- Transcripts received in just a few minutes (at most).
- Two selections of transcript delivery: onscreen or SOR (either of which can be printed).

#### **TDS Cons:**

- No help is available in determining exactly what data is provided in a particular transcript.
- TC literal description is much shorter than the full description which is not available to the user.
- SOR does not provide any identification in the email header that clearly identifies the taxpayer it pertains to, which makes it difficult to locate the desired email if several taxpayers are being addressed at similar times.