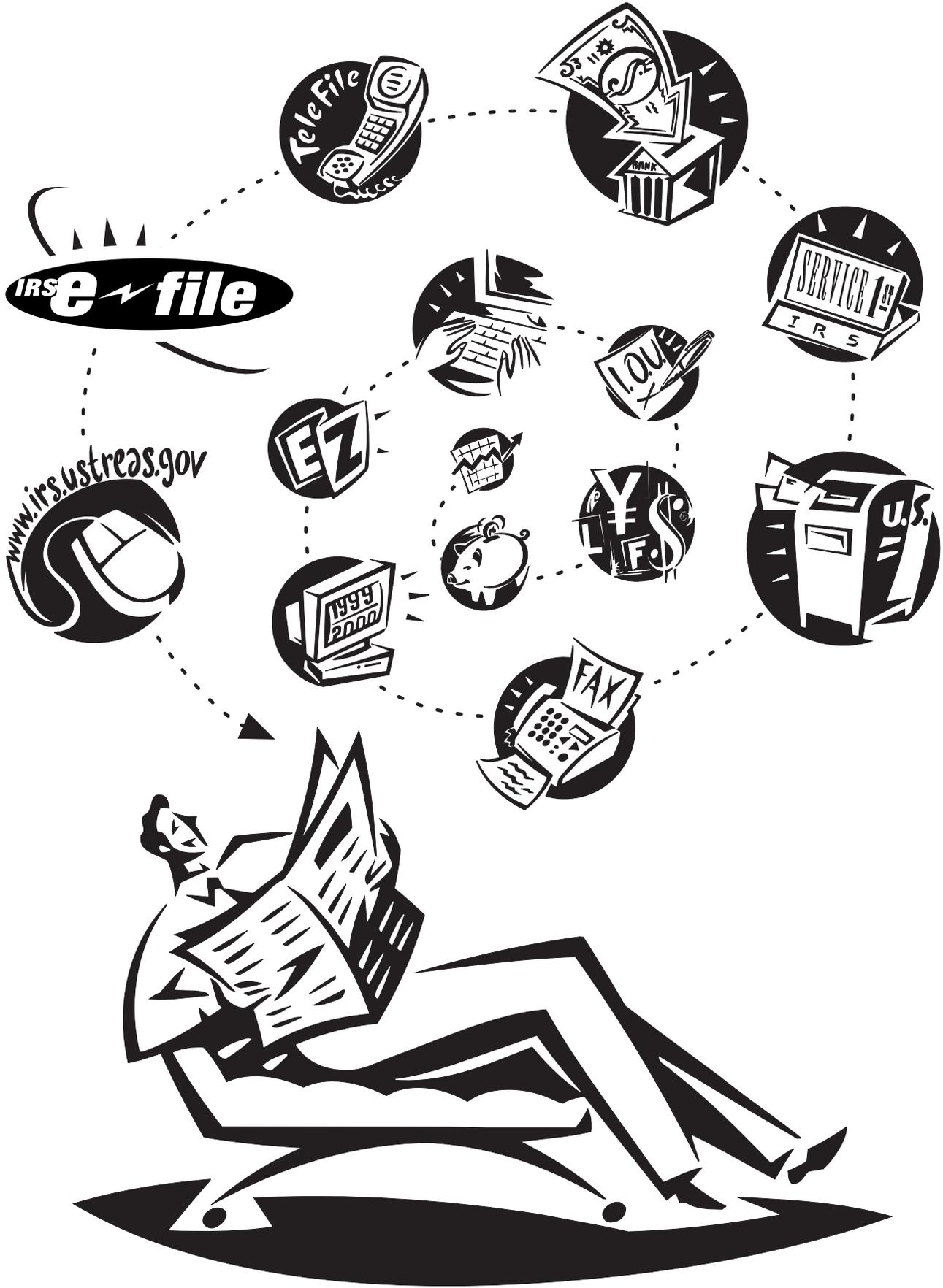


TAX SUPPLEMENT 1999



IRS Modernization Is Good News for Taxpayers

A Message to Taxpayers from IRS Commissioner Charles O. Rossotti.

You might have heard recently that the IRS is changing. It's true. I'd like to offer a few comments about our new emphasis on customer service and fairness to all taxpayers and give you a glimpse of the new IRS that will serve all taxpayers better. We're not just putting a new face on the IRS, we're fundamentally changing our organization and our business philosophy to serve you better.

The new IRS will be organized with taxpayer needs in mind. We'll be composed of "operating divisions" that will specialize in working with groups of taxpayers that have similar needs. One division will focus on helping our largest group of taxpayers, those who have only wage and investment income. Other divisions will work with self-employed and small business taxpayers, corporations and tax-exempt organizations. Our new organization will result in more of our employees being avail-

able to work directly with taxpayers and give them the information and assistance they need.

Over the next couple of years, we'll be modernizing the way we work, with more focus on understanding, solving and preventing taxpayer problems. Just as companies develop very particular marketing programs to reach customers with differing needs, we at the IRS will be tailoring our publications, education, communications and assistance programs to taxpayers with particular needs. We'll be making filing easier for each taxpayer by providing easily accessible, high-quality assistance. All of our operations will be designed to help taxpayers prevent most problems before they occur.

We're also taking advantage of technology and introducing more electronic products and services for taxpayers. Millions more taxpayers used our popular e-file and TeleFile programs last year, and we're making things even easier for e-filers in 1999.

Our latest innovation will allow e-filers who owe taxes to have their tax payments transferred directly to the U.S. Treasury from their bank accounts. Traffic on our Internet site, where you can find tax help and download many of our forms and publications, has nearly tripled. We have new electronic options for businesses, including 941TeleFile for filing employment tax returns by phone and the Electronic Federal Tax Payment System (EFTPS) for making tax payments. We're not stopping there. We have plans for many more innovations in electronic filing, payment and communications that will make filing and paying taxes even easier.

At the IRS, we're working hard to serve taxpayers better. What we're doing today is only the beginning of an IRS that is re-dedicated to high standards of customer satisfaction and efficiency.

Kids Are a Tax Bonus

People starting a family think about many things, like naming their child, clothing, education and so on. But one thing they might not have thought about is the tax benefit of having children. Sure, they probably know about the exemption for a dependent, but this year there's another tax benefit — the child tax credit.

Depending on their income, people may be able to claim up to a \$400 credit on their 1998 tax return for each qualifying child under age 17. This means they can reduce the tax owed by up to \$400 for each child — not a bad deal! For families with one or two children, the credit is nonrefundable. In other words, they may use the credit to reduce the tax they owe to zero, but they would not receive any remainder as a refund. However, if they have three or more children, a portion of the child tax credit may be refundable. (The maximum credit will rise to \$500 per child in 1999.)

As with many things in life, there are limits that come with the benefits. The amount of the child tax credit depends on one's income. The value of the credit is \$400 per qualifying child, but the total credit is reduced by \$50 for each \$1,000, or part thereof, that their adjusted gross income exceeds \$110,000 for joint filers, \$55,000 for married filing separately, and \$75,000 for single filers.

For more information about the credit, see the instructions for Form 1040 or Form 1040A, or visit the IRS Web site at www.irs.ustreas.gov.



Change of Address

Don't let a refund get lost or returned to the Internal Revenue Service. Taxpayers should add the IRS to their list of people and places to notify about their change of address. If the IRS doesn't have their current address, then a tax refund or any letters about past returns may never get to them. Fill out IRS Form 8822 and send it to the IRS.



Call IRS for Service

It's easier to get tax help and information from the Internal Revenue Service. Print, fax, telephone and computer services are available all year long. Here are some numbers to remember. "800" and "877" numbers are toll-free.

- Free forms and publications—1-800-829-3676 (1-800-TAX-FORM). Get Publication 910 for a list of most publications, some in Spanish.

- CD-ROM of most IRS forms and publications—buy a CD for \$25 from the National Technical Information Service at 1-877-233-6767 or for \$18 at www.irs.ustreas.gov/cdorders on the Internet.

- Recorded tax messages on TeleTax—1-800-829-4477 for automated refund information and to hear over 140 tax topics, some in Spanish.

- Hearing-impaired tax assistance—1-800-829-4059 using TTY/TDD equipment.

- Tax assistance—1-800-829-1040.

- Taxpayer Advocate—1-877-777-4778 to help cut through red tape when problems can't otherwise be resolved.

- IRS on the Internet—

- Web: www.irs.ustreas.gov

- File Transfer Protocol:

- [ftp.irs.ustreas.gov](ftp://irs.ustreas.gov)

- Telnet: [iris.irs.ustreas.gov](telnet://iris.irs.ustreas.gov)

- Modem—1-703-321-8020

- Forms and instructions by TaxFax—dial 1-703-368-9694 from the fax machine.

- International TaxFax numbers—dial from the fax machine.

- Bonn: [49] (228) 339-2822/2824

- San Juan: (787) 759-4524/4525

- Tokyo: [81] (3) 3224-5465



An IOU for Taxes Due

The taxes are finished. The bottom line reads "Amount You Owe." But the money's not there. Now what?

"People should ask the Internal Revenue Service about their payment options," said John Dalrymple, IRS Chief Operations Officer. Those who can't pay their tax bills in full should fill out an Installment Agreement Request (Form 9465) and send it to the IRS along with their tax returns.

"This single-page form allows people to estimate a monthly payment that will fit within their budget and allow them to pay off the taxes owed in a reasonable period of time," explained Dalrymple.

An installment agreement generally must be approved by the IRS and some additional information may be required. However, under a new tax law provision beginning July 22, 1998, the IRS must grant an installment agreement if:

- the tax is owed by an individual and is not more than \$10,000,

- the taxpayer has not failed to file or pay tax in the preceding five years,

- the taxpayer has not entered into an installment agreement under these provisions in the preceding five years,

- the agreement requires full payment within three years, and

- the IRS determines that the taxpayer is not financially able to make full payment immediately.

Once the installment agreement is set, taxpayers must meet two requirements: they must agree to make their installment payments on time, and they must stay current with their federal taxes during the agreement period. If they fail to meet either of these conditions, they will default on the installment agreement and be required to pay their tax bill in full.

"Before entering into an installment agreement, people should explore all financial sources available that would enable them to pay the full amount of taxes owed," said Dalrymple. This is important because they will face additional costs when they enter into a longer-term payment arrangement. There is a \$43 fee for an approved installment agreement. In addition, inter-

est and late-payment penalties are added to any unpaid tax. People may be able to obtain loans at banks or other lenders with more favorable rates. Those who decide to request an installment agreement should pay as much of their tax bill as they can with their return to reduce the amount of interest and penalties on the unpaid tax.

Another payment option can help people recover from severe financial debt—an offer in compromise allows people to pay an amount less than the full amount of taxes owed. If their financial situation is such that it's obvious they may never be able to pay all the taxes owed, or there is a pending dispute regarding the tax liability, the IRS may accept an offer in compromise. "Although this particular payment option can be instrumental in helping a taxpayer recover from severe financial debt, many don't know it exists," said Dalrymple.

Before entering into an offer in compromise, most people must complete Form 656 and a comprehensive financial statement showing assets, liabilities and income. The financial statement is no longer required if the only issue is a dispute over the amount of tax. The offer must reflect the maximum they can pay. Also, they must agree to meet all their federal tax obligations for five years or until the amount offered is paid in full, whichever is longer. Those who fail to meet the terms of the offer will once again owe all their back taxes in full.

"The IRS believes an offer in compromise makes good business sense," said Dalrymple. "It benefits taxpayers by giving them the opportunity to get out from under a heavy financial burden. It gives them a fresh start and brings them back into the tax system. It also benefits the IRS and all taxpayers by bringing in taxes that may not be collectible any other way."

So for people who find themselves facing an unexpected tax bill, and payment in full just isn't an option, remember these payment alternatives. For more information, call the IRS at 1-800-829-1040.



IRS Offers Free Help

The Internal Revenue Service offers free tax help and year-round customer service to taxpayers. Get free Publication 910, *Guide to Free Tax Services*, to read all about the tax help, publications and services for individuals and businesses. Call 1-800-829-3676 to order. Here are some highlights.

Advocates for Taxpayers

People who have not found help with their tax problem through traditional IRS contacts can ask their taxpayer advocate for help. The advocate has the authority to cut through red tape and intercede for people who are experiencing a hardship because of a tax problem. Call toll-free 1-877-777-4778.

Volunteer Tax Help

Get help with basic tax returns through the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs. Both provide specially trained volunteers to prepare basic tax returns. VITA and TCE volunteers help older individuals, those with disabilities, and non-English speaking taxpayers with their taxes in places convenient to them. Call the IRS for the nearest location.

Braille and Large-Print Materials

Federal tax materials in Braille are available at Regional Libraries for the Blind and Physically Handicapped in conjunction with the Library of Congress. These materials include Publication 17, *Your Federal Income Tax*; Publication 334, *Tax Guide For Small Business*, and Forms 1040, 1040A and 1040EZ, and Schedules A and B, with instructions. Large-print copies of Form 1040, its schedules and instructions are in Publication 1614. Large-print copies of Form 1040A, Schedules 1, 3 and EIC, and instructions are in Publication 1615. The copies can be used as worksheets to figure tax, but can't be filed as tax returns.



Picking a Tax Professional

Many people admit that taxes are just too much to deal with. So they decide to hire a professional who is familiar with the ins and outs of tax laws.

Enrolled agents, attorneys and certified public accountants are all professionals with varying degrees of specialized expertise in finances and federal taxes. To help make the best choice, people should ask themselves these questions before picking a person or firm to handle their taxes: How complicated is my tax situation? Do I know others who have used the preparer? Does the preparer offer the electronic filing and payment options I want? Will the preparer be there later in the year, or in a year or two, to answer questions on my return? What does the preparer offer for the fee being quoted?

The answers will make the search for a tax professional easier.



Capital Gains Tax Expanded

For people who owned stocks, mutual funds or other investments last year, chances are the new capital gains tax rules will affect how they file their tax returns and how much tax they'll owe from those investments.

Last year, the Taxpayer Relief Act of 1997 went into law, affecting millions of taxpayers on their 1997 tax returns. Many were able to take advantage of lower capital gains rates. This year, the benefits of the Act have been expanded and now apply to sales of property held more than one year, instead of 18 months.

If the net capital gain is from collectibles or Section 1202 gain (from

qualified small business stock), then the maximum capital gains rate is 28 percent. If the net capital gain is from unrecaptured Section 1250 gain (from depreciable real property), then the maximum capital gains rate is 25 percent. If the net capital gain is from other gain, then the maximum rate is 20 percent, but only 10 percent for gains that would otherwise be in the 15 percent tax bracket.

Taxpayers who have capital gains distributions from mutual funds must use Schedule D to report them, rather than Schedule B. Those who have ordinary dividends of more than \$400 must file Schedule B.

For more information about the capital gains tax changes, see a financial advisor or get free IRS Publication 550, *Investment Income and Expenses*, Publication 564, *Mutual Fund Distributions*, and Schedule D and its instructions. Call 1-800-829-3676 to order, or visit the IRS Web site at www.irs.ustreas.gov.



Double Check Tax Returns

A couple of misplaced numbers or an incorrect name can stall the processing of a tax return and any expected refund. It's worth the time to double check every tax form and schedule before sending it off to the Internal Revenue Service. Here's a list of things to look out for.

- Numbers that are transposed, left out or totaled incorrectly.
- Incorrect or missing Social Security numbers (SSNs). All dependents must have one (use Form SS-5 to apply). SSNs won't be preprinted on the tax package label, so people must be sure to write theirs on the return.
- Incorrect or missing employer identification numbers (EINs) for employers and sole proprietors.
- Names that have changed because of marriage or divorce. (Notify the Social Security Administration (SSA) immediately after a change.)
- Aliens who do not qualify for SSNs must get IRS-issued individual taxpayer identification numbers (ITINs) (use Form W-7 to apply).
- People in the process of a domestic adoption may need an adoption taxpayer identification number (ATIN) for the child (use Form W-7A to apply).

Don't forget to use the label and envelope from the tax package. Doing so can reduce the chance of misrouted mail or refunds because of hard-to-read handwriting. Make sure the envelope has enough postage and complete addresses, both return and IRS, so it won't go astray in the mail. Remember to sign and date the return. If taxes are due, make the check payable to the United States Treasury and don't staple it to the return.

To get IRS Forms W-7 and W-7A, call 1-800-829-3676. To get SSA Form SS-5, call 1-800-772-1213.



IRAs Make Dollars and Sense

Make those golden years more golden with careful retirement planning. Whether retirement days are around the corner or well over the horizon, it's important to plan ahead. For many, setting up an individual retirement arrangement (IRA) can provide that extra peace of mind.

IRAs are savings plans that give individuals tax benefits as an incentive to set aside money until retirement. Contributions to a traditional IRA may be deductible and the earnings on the account are not taxed until withdrawn. Although withdrawals are generally taxable, retirees may pay a lower tax rate than when they were working.

Anyone who has taxable compensation — such as wages, tips, commissions or taxable alimony — and who will be under age 70½ at the end of the year, can set up a traditional IRA. Money can be put into an IRA any time during the year or by the due date of the tax return for that year, not including extensions.

Annual IRA contributions are limited to the lesser of \$2,000 or the person's compensation, but if only one spouse has compensation, contributions may still be made to an IRA for the other spouse. If neither spouse is covered by an employer retirement plan, the contributions to a traditional IRA are deductible on their tax return. If either spouse is covered by an employer's plan, the deductibility of IRA contributions depends on their joint income level.

Generally, individuals cannot make withdrawals before turning age 59½ without being penalized. But new rules allow penalty-free withdrawals for certain purposes, such as for higher education expenses and up to \$10,000 for a first-time home purchase. Other penalty exceptions apply to amounts used for unreimbursed medical expenses that are more than 7½ percent of adjusted gross income or for medical insurance for a taxpayer who receives unemployment compensation for at least 12 consecutive weeks.

Congress added some new IRA provisions beginning in 1998. One is a new plan called the Roth IRA. The Roth IRA features nondeductible contributions, with tax-free distribu-

tions if they begin after the fifth year the taxpayer has a Roth IRA (starting with the initial contribution year) and the taxpayer is at least age 59½, or disabled, or the distribution is a qualified first-time home buyer distribution (limited to \$10,000). If the owner dies, the beneficiary can receive tax-free distributions if it has been more than five years since the owner opened the Roth IRA.

Annual contributions to all IRAs —Roth and traditional—are limited to a total of \$2,000 per person. The limit for Roth IRAs is phased out as adjusted gross income (AGI) increases from \$95,000 to \$110,000 (\$150,000 to \$160,000 on a joint return). Unlike the traditional IRA, Roth IRAs allow people to contribute after they reach age 70½ and don't require withdrawals while they are living.

People with AGI under \$100,000 can convert a non-Roth IRA into a Roth IRA. They will have to pay tax as though they had withdrawn the funds, but there is no early withdrawal penalty. If the conversion takes place in 1998, the taxable amount may be spread over four years. That is, one-quarter of the taxable conversion is included in income in 1998, 1999 and so on. Married couples filing separate returns can't convert a non-Roth IRA into a Roth IRA.

Publication 590, *Individual Retirement Arrangements (IRAs)*, has information on deductible and nondeductible contributions, withdrawals, the new rules beginning in 1998 and what actions will result in penalties. Publication 553, *Highlights of 1998 Tax Changes*, discusses recent tax law. To order, call 1-800-829-3676 or visit the IRS Web site at www.irs.ustreas.gov.



Credit Cards May Be Used to Pay Taxes



This year, some people who owe the Internal Revenue Service money have a new payment option. “We have two arrangements that allow the payment of federal income taxes by credit card for the first time,” said Bob Barr, IRS *e-file* executive.

“One arrangement will let people who e-file using Intuit’s TurboTax® or MacInTax® software package pay the amount owed to the U.S. Treasury with any NOVUS credit card,” explained Barr. NOVUS card brands include Discover Card® and Private Issue® and other NOVUS cards.

The other arrangement processes credit card payments by phone through an agreement with US Audiotex. “After e-filing by TeleFile, a personal computer or through an authorized e-file provider, people can call a toll-free number to charge the balance due,” said Barr. Those who file a paper return may also use this system. US Audiotex will accept Mastercard, American Express, and NOVUS credit cards.

The IRS will not have any fees for credit card payments; however, users will pay the companies a convenience fee based on the amount charged.

Tax Changes for 1998 Can Benefit Taxpayers

When filling out tax forms this year, take note of some of the changes that could make the difference between getting a refund and paying more taxes.

Depending on their income, people may be able to claim up to a \$400 credit for each qualifying child under age 17. New this year, the child tax credit could reduce the tax to zero, or even become a refundable credit for taxpayers with three or more qualifying children.

People can benefit from a number of educational incentives. The Hope credit lets people below certain income levels claim a credit for the first two years of post-secondary education. It’s limited to \$1,500 per year for qualified tuition and expenses. The lifetime learning credit applies to qualified tuition and expenses for undergraduate, graduate and professional degree courses paid after June 30, 1998, for courses starting after that date. The credit is 20 percent of expenses, up to \$1,000 per return. Certain limits apply to both credits.

In addition to these credits, people can set up Education IRAs featuring nondeductible contributions of up to \$500 a year for a named beneficiary under age 18. And people can tap into their other IRAs to pay for qualified higher education expenses. Also, a limited amount of interest paid on higher education loans is deductible. Some restrictions apply to each benefit.

Another new IRA is the Roth IRA. It features nondeductible contributions, with tax-free distributions if they begin after the fifth year the taxpayer has a Roth IRA, the taxpayer is at least age 59½ or disabled, or the distribution is a qualified first-time home buyer distribution.

New capital gains tax rules may reduce the tax owed on investments. The benefits of lower rates now apply to sales of property held more than one year instead of 18 months. Schedule D will take taxpayers step by step through the rates and rules.

The earned income tax credit (EITC) could be worth a few dollars, or up to \$3,756 for people with more than one qualifying child, up to \$2,271 for one qualifying child. For those with no children, the EITC could be worth up to \$341. The amount people can earn and still be eligible for the credit in 1998 is \$30,095 for those with more than one child, \$26,473 with one qualifying child, and \$10,030 with no children. People who aren’t eligible for the EITC, but who claim it anyway, could be prohibited from taking it for up to 10 years.

Rules for getting installment agreements, offers in compromise and innocent spouse relief are now less stringent. And people who haven’t been able to resolve their problems through normal IRS channels have a new toll-free line to a taxpayer advocate: 1-877-777-4778.

Social Security numbers will not be printed anywhere on the tax instruction booklets or labels, so people need to make sure they put their correct SSNs on their tax returns and other forms. And those who owe taxes can write their checks to the United States Treasury, but don’t staple the check to the return.

Get details on these topics and more in the tax instruction booklets or in free IRS Publication 553, *Highlights of 1998 Tax Changes*. Call 1-800-829-3676 to order. Or check out the IRS Web site at www.irs.ustreas.gov.



Faster Refunds With Direct Deposit

Expecting a tax refund? Get it faster by directly depositing it into a bank account.

Depositing a refund into a checking or savings account is more secure because there's no check to get lost. And it takes the U.S. Treasury less time than issuing a paper check. So people can get their refunds faster without making a special trip to the bank.

Direct Deposit is available for all individuals, regardless of how they file their returns — by phone, computer or mail. Those who mail the IRS a paper return can fill in the "Refund" section.

People should ask their financial institutions if they accept Direct Deposit, including joint refunds into individual accounts. They can also verify the correct routing and account numbers.

Although Direct Deposit can be used in most situations, it can't be used when filing a prior year's return. Also, Direct Deposit will not occur if the name on the tax return and bank account don't match. Direct deposits of refunds won't go into foreign bank accounts, either. If, for some reason, the refund can't be directly deposited into a taxpayer's account, the U.S. Treasury will send a check instead.



Educational Incentives Give Tax Breaks

People continuing their education or planning for a child to attend college should learn about the educational incentives available to them. These incentives could change the bottom line on their tax returns.

The Hope credit lets people below certain income levels claim a credit for the first two years of post-secondary education expenses. The credit is limited to \$1,500 per year for qualified tuition and expenses. Tuition expenses eligible for the credit must be reduced by any tax-free funds, such as grants or scholarships. Graduate and professional level fees are not allowed. The credit applies to payments made after 1997, for academic periods starting after that year.

People can claim the Hope credit for each eligible student in their family. The student must be enrolled in at least half of the full-time workload for the course of study. The credit is not allowed to students convicted of a felony drug offense. A person can claim the Hope credit for only two tax years for each eligible student.

The lifetime learning credit applies to qualified tuition and expenses for undergraduate, graduate, and professional degree courses paid after June 30, 1998, for courses starting after that date. People under certain income levels can claim this credit for an unlimited number of years. The credit is 20 percent of expenses, up to a maximum credit of \$1,000 per return. The credit amount doesn't increase with additional eligible students in the family, and it cannot be claimed for students' expenses during years when the Hope credit is claimed for those students.

Both the Hope and lifetime learning credits are reduced rateably as a taxpayer's adjusted gross income rises from \$40,000 to \$50,000 (double those amounts for a married couple filing jointly).

In addition to these credits, people under certain other income levels can deduct a limited amount of the interest paid on qualified higher education loans, but only for the first 60 months of loan payments. The maximum deduction is \$1,000, and students must have been enrolled for at least half the normal full-time

course load required. This deduction phases out as adjusted gross income rises from \$40,000 to \$55,000 (\$60,000 to \$75,000 for married couples filing jointly). Taxpayers do not have to itemize on Schedule A to claim the student loan interest deduction.

People who are dependents and married couples filing separate returns cannot claim the student loan interest deduction or the Hope and lifetime learning credits.

Individual retirement arrangements (IRAs) can help provide for education as well as retirement. People who have IRAs can tap into them to pay for qualified higher education expenses. They won't have to pay the 10 percent penalty tax on early withdrawals, but they will have to pay tax on the amount withdrawn.

The Education IRA is set up as a funding vehicle to pay educational expenses of a named beneficiary. It features nondeductible contributions of up to \$500 a year per beneficiary, with no tax on the earnings if withdrawals are less than qualified higher education expenses in the year of the withdrawal. The beneficiary must be under 18 when the contribution is made. The \$500 limit is reduced if a contributor has income above certain levels.

And for people whose employers pay for their education, the employer-provided educational assistance is excluded from their wages. The maximum exclusion amount is \$5,250 and is for undergraduate courses, not for graduate level courses.

Publications 590, *Individual Retirement Arrangements (IRAs)*, and 970, *Tax Benefits for Higher Education*, have more details about these tax breaks and the income phaseout rules. To order, call 1-800-829-3676 or visit the IRS Web site at www.irs.ustreas.gov.



New IRA for Education

The Taxpayer Relief Act of 1997 created an Education IRA that is not a retirement savings vehicle, but one used to pay for qualified higher education expenses of a designated beneficiary.

The Education IRA features nondeductible contributions of up to \$500 a year per beneficiary, with no tax on the earnings if withdrawals are less than qualified higher education expenses in the year of the withdrawal. The beneficiary must be under 18 when the contribution is made. The \$500 limit is reduced (phased out) if a contributor has adjusted gross income above \$95,000 (\$150,000 on a joint return).

Withdrawals not used for higher education purposes will be partially taxable to the beneficiary and will generally be subject to an additional 10 percent penalty. This will also apply to any amount remaining in an Education IRA when the benefi-

ciary reaches age 30. There is no tax on a rollover from a beneficiary's Education IRA to an Education IRA of certain family members.

Publications 590, *Individual Retirement Arrangements (IRAs)*, and 970, *Tax Benefits for Higher Education*, have more information. To order, call 1-800-829-3676 or visit the IRS Web site at www.irs.ustreas.gov.



Taxes in Spanish



People who need tax help in Spanish can get free IRS Publication 579SP, *Cómo Preparar la Declaración de Impuesto Federal*. It has information in Spanish about which form to file, which filing status to choose, taxable and nontaxable income and some of the more common tax credits. Call 1-800-829-3676 to order.

IRS e-file This Year

People who want their tax refunds faster and their tax returns more accurate should use IRS *e-file*. This year, IRS *e-file* even offers people who owe money several options to "file now, pay later."

The IRS' electronic filing program, called IRS *e-file*, offers people increased ease of filing, speedier delivery of refunds and more accurate tax returns. Those who use e-file will get their refunds in half the time as paper filers, even faster when deposited directly into a bank account. Since e-filed returns are more accurate, there's less chance people will hear from the IRS about mistakes on their returns.

"This year, IRS *e-file* offers additional benefits to those who owe money with their returns," explained Bob Barr, IRS *e-file* executive. "By providing bank information when they file electronically, people can direct when they want their payment made to the U.S. Treasury." Also for

the first time, taxpayers can choose to pay their taxes with a credit card.

Payments can be made anytime after the tax return is filed until April 15. "This feature will let people file early, have the peace of mind knowing their returns have been accepted by the IRS, and manage their finances without waiting until the last minute to file and pay," explained Barr.

There are several ways to use IRS *e-file*. People can ask their tax professional to e-file their returns. They can use their personal computer and commercial tax preparation software to e-file from home. In some cases, people with simpler tax returns can use their telephones to file if they get a

TeleFile booklet in the mail.

"Last year, more than 24 million returns, or nearly 20 percent of all returns, were sent to the IRS electronically," said Barr. "It's our goal to make e-file the preferred way to file with the IRS." The accuracy, speed of refunds, and ease of filing are benefits many people have noted in previous years. "We think IRS *e-file* offers even more this year since people who owe money can file at any time during the tax season and pay by April 15 using a credit card or authorizing a withdrawal from their bank account. And, of course, people can still e-file and send a paper check if they choose," Barr added.



Missing Form W-2

Employers have until February 1, 1999, to issue a Form W-2 to each employee. Employees should check with their employers if they don't have the W-2 within a couple days after that. If they still don't get the W-2 by February 15, they may call the IRS for help at 1-800-829-1040.



Tax Withholding on Government Payments

People who get certain government payments can choose to have federal income tax withheld from them. Doing so can eliminate the need to file and pay quarterly estimated taxes.

Those who get unemployment compensation, Social Security or tier 1 railroad retirement benefits, Commodity Credit Corporation loans or certain crop disaster payments can make this choice. Fill out Form W-4V, "Voluntary Withholding Request," and give one to each payer from which you get these types of payments. Call 1-800-829-3676 to get the form.

Get Credit When It's Due

The earned income tax credit (EITC) means extra cash in the pockets of many workers. But some who are eligible for the credit don't get it. Why?

"Because to get the EITC, people must file a tax return," said John Dalrymple, IRS Chief Operations Officer. "Some workers earn so little, they legally don't have to file," Dalrymple explained. "By not filing, they're missing out on money they're entitled to receive—from a few dollars to as much as \$3,756."

The EITC is a special tax break for lower-income workers. It's a refundable credit that reduces the tax some workers owe and may give them refunds. A unique feature of the credit is that people can get it even if they don't owe any federal tax or they had no tax taken out of their paychecks.

The credit is based on the amount of income earned and the number of qualifying children the workers have. A qualifying child can be a son or daughter, adopted child, grandchild, or stepchild who lives with the taxpayer in the United States for more than half the year and who meets certain age requirements. There are special rules for foster children. Workers without a qualifying child may also get a credit of up to \$341.

To qualify, workers must have earned income from wages or self-employment. Their 1998 adjusted gross income (AGI) must be less than \$30,095 if they had two or more qualifying children or less than \$26,473 if they had only one qualifying child. A worker without a qualifying child must have AGI of less than \$10,030, be at least age 25 and under 65, not be claimed as a dependent on anyone else's return and must have lived in the United States for more than half the year.

Workers claiming the credit cannot have more than \$2,300 in investment income, such as interest or dividends, and cannot be a qualifying child of someone else. Special rules apply to U.S. military personnel, nonresident aliens and divorced couples who have dependents.

Certain workers may be able to get extra money added to their paychecks throughout the year with the advance EITC. Details are on Form W-5, "Earned Income Credit Advance Payment Certificate," which they must fill out and give to their employers.

While the IRS wants people who are eligible for the credit to claim it, they are also cautioning taxpayers who claim the credit to be certain they qualify. "Due to new tax legislation, people who aren't eligible for the credit, but claim it anyway, will have to meet additional requirements if they want to claim the credit in the future. In some cases, they may not be able to claim the credit for a number of years," said Dalrymple.

For more information on the EITC, call 1-800-829-3676 and order free Publication 596, *Earned Income Credit* (in English or Spanish), and Form W-5. Or check out the IRS Web site at www.irs.ustreas.gov.



Taxes and Home Ownership

Whether buying a first home or in the process of selling one, home ownership can have a big effect on tax returns.

Some of the settlement fees and closing costs can be deducted in the tax year the home is bought. These costs include certain real estate taxes, mortgage interest and points that meet certain requirements.

Other costs may be included in the basis of the property. Basis is a way to measure the investment in a home for tax purposes. Costs like abstract and recording fees, surveys and owner's title insurance are included in the basis.

People who itemize deductions can deduct interest on most mortgages secured by their first or second home. They can deduct qualifying points on a loan to buy or improve their main home in the year they paid them. And they can usually deduct real estate taxes imposed by state or local governments for the general public welfare.

The Taxpayer Relief Act of 1997 replaced two tax breaks for home sellers with a more generous one. Under the old law, those 55 and older could exclude up to \$125,000 of gain.

And anyone who bought a replacement home within two years of the sale might postpone taxes on some or all of the gain. Under the new law, taxpayers can exclude up to \$250,000 of gain (\$500,000 on a joint return, if both meet the residency requirement) from the sale of a home.

The new exclusion is allowed once every two years, but only if the person used the home as a principal residence for at least two out of the five years before the sale. The seller must pay tax on any gain exceeding the exclusion — the replacement home rule no longer applies. If a person sells before satisfying the two-year residency requirement because of a change in employment or health, the maximum exclusion amount (\$250,000 or \$500,000) is prorated by the percent of the two-year time met. This proration also applies to anyone who owned a home on Aug. 5, 1997, and sells it before Aug. 5, 1999, regardless of whether there was a change in employment or health.

Because of this larger exclusion of gain, the average person may not need to keep track of the home's cost basis once the two-year residency requirement is met. Only if the home

sells for more than the maximum exclusion amount will the taxpayer even have to figure the gain. In that case, one would need accurate records of all items affecting the basis. This includes improvements such as adding a room, finishing a basement or putting up a fence.

More information on buying, owning or selling a home is covered in the following free publications. Call 1-800-829-3676 or check them out on the IRS Web site at www.irs.ustreas.gov.

- Publication 523, *Selling Your Home*
- Publication 530, *Tax Information for First-Time Homeowners*
- Publication 936, *Home Mortgage Interest Deduction*



Relief for Innocent Spouses

Sometimes happily ever after doesn't work out, and two people end up going their separate ways. Although they might divide their belongings, they can't break up any previous tax bills or tax returns they filed together.

This is known as joint and several liability. It means that one spouse is as liable as the other for all items appearing on returns they filed together and equally liable to pay all the tax due, whether or not they're divorced. So if a joint return is audited, each spouse is liable for any additional tax that may be assessed, even if it was from something the other spouse deducted or forgot to report. In such a situation, a taxpayer could request innocent spouse relief from joint and several liability.

In 1998, Congress passed a law making the requirements for obtaining such relief less stringent. People can request this relief in three ways — expanded innocent spouse relief, separate liability election and equitable relief.

The expanded innocent spouse relief is a new version of an old law. Prior innocent spouse requirements were relatively strict. The new law relaxes those requirements to a point where taxpayers may be relieved of a portion of the additional assessment they did not know about or had no reason to know about.

Separate liability election allows certain taxpayers to elect to have the additional assessment limited to the portion that would be allocated to

their share of the item(s) at issue, based, for example, on their own earnings or deductions.

Equitable relief is available when a person does not meet the conditions for innocent spouse or separate liability relief, but it would nevertheless be unfair to hold the person responsible for an unpaid tax or an additional assessment. Such a case might arise when one spouse did not know, and had no reason to know, that the other spouse took the money intended for paying the tax and used it for his or her own benefit instead.

The IRS has revised Publication 971, *Innocent Spouse Relief*, and Form 8857, which people may use to request this relief, to reflect the new provisions of the law. Both are available by calling 1-800-829-3676.

File Taxes from Home

The Internal Revenue Service offers a convenient filing option for people who like to prepare their own tax returns using a personal computer. With tax preparation software available commercially and their computer modems, they can file their taxes with IRS *e-file*.

IRS *e-file*, the IRS' electronic filing program, offers people increased ease of filing, speedier delivery of refunds and more accurate tax returns. Since e-filed returns are more accurate, there's less chance people will hear from the IRS about mistakes on their returns.

"People can e-file from their PCs whether they expect a refund or owe money," said Bob Barr, IRS *e-file* executive. "Last year, nearly 1 million people filed their tax returns using this option—nearly two and a half times the number in 1997." Those who use e-file will get their refunds in half the time as paper fil-

ers, even faster when deposited directly into a bank account.

"This year for the first time, individuals who owe money and use IRS *e-file* can choose to pay electronically by authorizing a withdrawal from their bank account to make the payment to the U.S. Treasury. This feature will let people file early, have the peace of mind of knowing their returns have been accepted by the IRS, and manage their finances and time without waiting until the last minute to file and pay," Barr explained. Any amount due must be paid to the U.S. Treasury by April 15.

The IRS hopes to make this filing option totally paperless for many people. "This year we are offering people who filed last year using their PCs the option of using an *e-file* Customer Number similar to a PIN," said Barr. "This will eliminate the need to send us a paper signature document."

To take advantage of IRS *e-file*, people can complete their returns using tax preparation software and send the information electronically via modem to a transmitter, who will forward it directly to the IRS. The IRS sends an acknowledgment that the return was accepted.

Check the IRS Web site at www.irs.ustreas.gov to find out more about this e-file option.



No Refund for Some



Expecting a refund, but haven't paid certain bills? Some people may find themselves waiting a long time. Federal law allows income tax refunds to be taken to pay off all or part of past-due child and spousal support, delinquent student loans, income tax or other federal debts. The IRS will let people know if their refund was used to pay back what they owe.

E-file Now — Pay Later

More people are taking advantage of the IRS electronic filing options that make filing their tax returns easier, faster and more accurate. This year, those who owe money will have the option of paying electronically also.

"We're adding more features to our IRS *e-file* program for people who owe money with their return," explained Bob Barr, IRS *e-file* executive. "Although they could have filed early and written a check later, we found most people preferred to wait until April 15 to file and pay together. Waiting until the last

minute often led to careless errors and long lines at the post office. Now, individuals can file electronically as soon as they're ready, get confirmation that the IRS has received their return, and pay when they choose. This option is similar to that used by many people to pay their mortgages or to pay other expenses," said Barr.

The new electronic payment option is available only to people who file their returns electronically either through a tax professional or from their personal computer using tax preparation software, according to Barr. By providing bank account information when they file electronically, people can designate when they want their tax payment made. Payments can be made anytime after the tax return is filed until April 15.

To find out more about electronic payments and the IRS *e-file* options, check with your tax professional or check the IRS Web site under IRS *e-file*.



Taxpayer Advocates Working to Put Service First at the IRS

When Elayne Goldstein's telephone rings at the Internal Revenue Service, the call is usually from a taxpayer who has an unresolved tax problem. On this day, the caller was complaining about receiving a collection letter from the IRS and was expressing frustration with having made multiple contacts with different IRS employees about his problem—without a solution.

As far as Ms. Goldstein is concerned, the buck stops in her office. She is a taxpayer advocate at the IRS with the authority to make sure that the IRS takes all necessary actions to correctly and completely resolve a taxpayer's problem. "The most important aspect of being a taxpayer advocate is knowing that you can drop all other work and priorities to deal with that individual taxpayer who needs your attention at the moment," Ms. Goldstein says. Last year, taxpayer advocates like Ms. Goldstein made sure that some 237,103 cases nationwide were effectively resolved.

Even though the IRS has had a Problem Resolution Program since 1977, recent tax legislation has given taxpayer advocates more independence from the IRS and more authority to cut through the "red tape." According to Ms. Goldstein, once she confirms that the taxpayer's problem meets criteria to be brought into the Problem Resolution Program, it is assigned to a caseworker within the IRS who is in the best position to resolve the matter. The caseworker is required to contact the taxpayer within seven days to acknowledge receipt of the case. In that contact, the caseworker is to provide his or her name and tele-

phone number, clarify what the problem is, and provide the taxpayer with either an expected date of completion of the case or the date by which the caseworker will get back to the taxpayer with the status of the case.

Taxpayer advocacy at the IRS has won strong support from IRS Commissioner Charles Rossotti. Mr. Rossotti, a business manager by trade, has put the IRS on a path of improved customer service. He has been at the forefront of Problem Solving Days, where taxpayers who have unresolved problems can get one-on-one assistance from the IRS.

A provision in the recently enacted IRS Restructuring and Reform Act gives the taxpayer advocate greater authority to intercede on behalf of taxpayers who are experiencing a hardship. The taxpayer advocate must now consider such factors as the threat of adverse action from the IRS, whether there is a delay of more than 30 days in resolving taxpayer account problems, significant costs incurred by a taxpayer while waiting for relief from an IRS action, and irreparable injury to, or long-term adverse impact on, a taxpayer if relief is not granted, when making a determination of hardship.

According to Ms. Goldstein, the Problem Resolution Program is for those people whose problem remains unresolved after attempts to resolve the matter through traditional IRS contacts have been unsuccessful. Generally, most taxpayer problems can be resolved on the first contact by either calling or writing, or visiting an IRS office. A good rule of thumb before contacting

the taxpayer advocate with a problem is if the taxpayer:

- Has contacted the IRS on the same issue at least 30 days after an initial inquiry or complaint, or 60 days after the filing of an original or amended return or claim, or
- Has received no response from the IRS by the date promised, including commitment dates on IRS forms, or
- Believes that established systems have failed to resolve the problem.

Taxpayers need to be aware of the fact that the advocates do not have the authority to overturn the tax law or regulations. However, the taxpayer advocate does remain a strong ally of the public to help resolve those seemingly unsolvable problems with the IRS. "The most satisfying part about being an advocate is seeing a customer satisfied with the work we do for them, regardless of whether the ultimate results of the case are in their favor or not," Ms. Goldstein says.

For the assistance of a taxpayer advocate, call toll-free at 1-877-777-4778. People who have access to TTY/TDD equipment may call 1-800-829-4059 and ask for Problem Resolution.



Taxpayers Have Rights

The Internal Revenue Service is changing. And people at the IRS are working hard to provide top quality service. In dealing with the IRS, taxpayers are entitled to fair treatment, privacy, and representation, in addition to specific rights that apply in collection, examination, or appeals matters. Get the details about taxpayer rights in the free IRS Publication 1, *Your Rights as a Taxpayer*, also available in Spanish. Call 1-800-829-3676 to order.

Standard Deduction for Dependents

People who can be claimed as a dependent by another get a higher standard deduction for 1998. The standard deduction is the greater of \$700 or the person's earned income plus \$250, up to the regular standard deduction of \$4,250 for a single person. This helps relieve many working dependents with under \$250 of investment income of the need to file a tax return or to have any tax withheld from their pay.

When Names Change

Names change for different reasons, such as marriage or divorce. People should notify the Social Security Administration (SSA) when their names change because names and Social Security numbers on tax returns must match those the SSA has on record. If they don't match, federal tax refunds could be delayed or the Internal Revenue Service may contact those affected to straighten out the mismatch.

Tax Breaks After Disasters

Losing personal or business property due to a fire, flood, hurricane, theft or other similar event is devastating. But many people can recover some disaster losses through federal income tax breaks.

People who suffer a casualty, loss or theft may be able to deduct the loss when they itemize deductions on their tax returns. If the loss happens in an area declared a disaster area by the president, people can choose to deduct the loss when they file their tax returns for the year of the loss, or amend their returns for the year before the loss, whichever provides the better tax result.

If additional time is granted to disaster victims for the filing of returns and paying taxes, interest will not be charged for that period.

For details, get free Publications 547, *Casualties, Disasters, and Thefts (Business and Nonbusiness)*, and 1600 (1600SP in Spanish), *Disaster Losses*. Call 1-800-829-3676.



TeleFile: Your Easiest Way to File

TeleFile, the IRS' file-by-phone option, offers many people the quickest, easiest way to file a return. "TeleFile is easy. People who use it love it, and become our best ambassadors for the program," said Bob Barr, IRS *e-file* executive. "Ninety-nine percent of last year's users intend to use it again."

Last year, nearly 6 million people filed their tax returns with a simple 10-minute phone call to the IRS, and the number of users is expected to increase again this year. And why not?

"TeleFile is totally paperless. Just complete the TeleFile worksheet in the tax booklet, call the toll-free number, and follow the easy step-by-step instructions. TeleFile instantly calculates any taxes or refund due. A customer service number acts as a signature and a confirmation number indicates we received your return. That's all there is to it," explained Barr.

The IRS sends a special instruction booklet to those people who may be able to use TeleFile. With this booklet and a Touch-Tone phone, people can file their returns at any time, 24 hours a day, 7 days a week. "Only those who receive the booklet can use TeleFile," said Barr.

"Therefore, it's important that people keep the booklet in a safe place until they are ready to file."

"Besides the benefits of quick, convenient filing, TeleFile users will get their refunds in half the time than if they filed a paper return—even faster if individuals choose to have their refunds deposited directly into their bank accounts," Barr added.

The TeleFile idea is expanding. Several states also offer their own TeleFile program that lets residents file their state returns by phone. "This year, the IRS is testing a joint TeleFile option with two states, Kentucky and Indiana," Barr noted. "Individuals who qualify will be able to file both their federal and state returns with a single call." What could be easier?



SSNs – Write On

The IRS is listening to what taxpayers are saying. In response to taxpayers' concerns about privacy, the IRS isn't printing taxpayers' Social Security numbers anywhere in the tax instruction booklets. But the tax returns must still have the SSNs, so taxpayers should remember to write them on before sending their returns to the IRS.



Click onto IRS



People don't have to be Internet savvy to click onto the Internal Revenue Service's Web site. The site provides easy access to IRS tax forms, publications and other helpful information for individuals and businesses to browse or download. Click onto www.irs.ustreas.gov and check it out.

Don't Pay the IRS This Year

When the bottom line of the tax return says "Amount You Owe," write a check, but make it payable to the United States Treasury, not the Internal Revenue Service. Taxes fund the whole government—they don't just pay for the IRS. Enclose the check in the envelope, but don't staple it to the return.



Phone In Form 941

Small businesses have an option to file their Form 941 quarterly returns using a system that has proved highly popular and successful among individual taxpayers. Each quarter, the Internal Revenue Service is mailing to millions of eligible small businesses the 941TeleFile package. The package allows qualifying businesses to file using a Touch-Tone telephone.

The package sent by the IRS contains everything a business needs to successfully use 941TeleFile: the 941TeleFile Tax Record, a payment voucher and a paper Form 941 for those who do not meet the filing requirements.

Instructions on the first page list the qualifications. A business that meets these should complete the tax record using the instructions, then call the TeleFile system using a Touch-Tone phone and the toll-free number listed. A recording guides users step by step through the phone call and all the entries are repeated so users can check their accuracy. As the user enters information, 941TeleFile computes all the taxes and balances. At the end of the phone call, the system provides a

confirmation number that the user records on the space provided on the 941TeleFile Tax Record. The tax record is the proof of filing and the official record of filing the return and should be saved. The call takes about 10 minutes; there is nothing to mail.

April 1998 was the first time that 941TeleFile was made available to small businesses nationwide. The IRS receives more than 300,000 returns per quarter through 941TeleFile.

The 941TeleFile system will begin accepting calls for the first quarter of 1999 on April 1, 1999. The IRS TeleFile help desk is available to assist and answer questions users have or to help them file. The number is 1-901-546-2690 and is not a toll-free call.



Boost Employees' Take Home Pay

Even in good times, many employees have a hard time making ends meet. Employers can help many of their employees get more take home pay. How? With a tax benefit for employees called the advance earned income tax credit (advance EITC). Advance EITC allows employers to add a portion of their employees' earned income tax credits directly to their paychecks.

To get the advance EITC, employees must expect to earn less than \$26,928 in 1999, expect to have at least one qualifying child, complete Form W-5 and give it back to their employers. See Publication 15, *Employer's Tax Guide (Circular E)*.

For more information on advance EITC, or to download the form or publication, visit the IRS Web site at www.irs.ustreas.gov. Or call 1-800-829-3676 to get the free publication and form.

Business Taxpayers Should Look for Tax Changes

The new year seems always to bring with it tax law changes that affect business owners filling out their annual tax returns or that require planning for the next year. Things are no different in 1999. The changes affect how self-employed people and farmers handle income on 1998 returns, and provisions that business owners should be aware of for planning in 1999.

On 1998 returns, the amount of health insurance premiums deductible by self-employed people increases from 40 percent to 45 percent. From 1999 through 2001, 60 percent will be deductible.

Farmers can elect to compute their 1998 income taxes by averaging

farm income over a three-year period. This became effective for tax years beginning after December 31, 1997, and ending before January 1, 2001.

One of the more high-profile changes takes effect after December 31, 1998. Self-employed people and employees may be able to take a home office deduction if they use the office for administrative or management activities and meet basic tests. There must be no other fixed place where the person conducts substantial administrative or management activities and the office must be used exclusively and regularly as a place of business. An employee's home office deduction qualifies if the office is used for the employer's conve-

nience. One warning here: an employee's decision not to use suitable space made available by the employer can affect the deductibility.

The IRS will waive penalties on businesses that timely use paper federal tax deposit coupons while converting to the Electronic Federal Tax Payment System (EFTPS). This penalty relief will run through June 30, 1999. It applies to all taxpayers required to enroll in EFTPS and deposit electronically starting July 1, 1997, or later. Two toll-free EFTPS customer service numbers, 1-800-945-8400 and 1-800-555-4477, can answer questions.

On the Road for Business

On the road again? Business travelers should know what expenses are tax deductible and what receipts to hang on to.

There are three types of car trips that are tax deductible: traveling from one business location to another, making business trips out of town and staying overnight, and going to temporary business locations.

Keeping a car log is essential for each business use. Taxpayers must keep complete and accurate mileage records, or the Internal Revenue Service could disallow the deduction.

There are two methods for claiming business car expenses—actual expenses or the standard mileage rate. With actual expenses, taxpayers can add all their car operating expenses for the year—gas, oil, tires, repairs, license fees, garage rental, insurance and depreciation, subject to certain limitations—and then deduct the percentage of the total that was for business, based on mileage records.

Instead of tracking actual car costs, taxpayers can use the standard mileage rate. Multiply the business mileage by the standard rate of 32.5 cents per mile.

Travel expenses are ordinary and necessary expenses while away from home on business. Taxpayers should keep whatever documents they can gather to prove where they went, why they went there, how long they stayed and how much they spent. If the travel includes some business and

some personal aspects, they should keep clear records showing exactly how much is related to business.

Taxpayers should keep lodging receipts, including receipts for cleaning and laundry, telephone charges and tips. They should also keep transportation receipts, such as airline, train or bus ticket stubs, travel agency receipts, rental car or taxi receipts. These should show the dates and services involved. And, of course, keep meal receipts. Generally, taxpayers must keep a log of meal expenses and save receipts of \$75 or more. If they don't want to keep track of the actual cost of meals, they can use a standard meal allowance, which varies depending on where they are traveling in the United States. Taxpayers can generally claim only 50 percent of the cost of meals and tips while traveling.

For more information about the business use of a car or business travel expenses, call 1-800-829-3676 and ask for Publication 463, *Travel, Entertainment, Gift and Car Expenses*, or download it from the IRS Web site at www.irs.ustreas.gov.



Free Tax Information for Small Businesses On Paper and On-line

Keeping a small business running smoothly is no easy task, and taxes only complicate the job. The Internal Revenue Service publishes free tax information to help small business owners and sole proprietors tackle their tax obligations.

Publication 334, *Tax Guide for Small Business*, provides general information for sole proprietors who file Schedule C or C-EZ. Publication 1518 is a 12-month wall calendar for small businesses that provides tax tips ranging from starting a small business to planning for retirement. It also shows the taxes due each month,

lists other free publications and describes ways to get tax and business information from IRS and other agencies. Publication 910, *Guide to Free Tax Services*, describes year-round tax services, tax season assistance and frequently requested publications for businesses and individuals. Two other publications serve more specialized audiences: Publication 225, *Farmer's Tax Guide*, and Publication 595, *Tax Highlights for Commercial Fishermen*.

These and other IRS publications and forms are available by calling 1-800-829-3676.

Family Business Estate Tax

Family-owned small businesses get special treatment on their estate taxes. For 1998, up to \$675,000 of the value in qualified, family-owned business interests can be excluded from a decedent's taxable estate.

To qualify for claiming the special tax treatment, the family-owned business interest must be more than 50 percent of the decedent's estate and the decedent's family must own at least 30 percent of the business. A business meets the definition of family owned if it is owned at least 50 percent by one family, at least 70 percent by two families, or at least 90 percent by three families.

The exclusion will decrease in the future as the value of the regular estate tax exclusion increases. The total value of both exclusions will be limited to \$1.3 million.

Those who don't want to wait for publications through the mail and have access to a personal computer will find that the IRS Web site, www.irs.ustreas.gov, offers forms, publications and interactive assistance. Clicking on the "Tax Info for Business" section provides frequently asked tax questions and the latest information on selected business tax topics. Business owners can browse publications online or download forms they need. The IRS Web site also provides links to other sites of interest to businesses.

Get Ready for Year 2000



On January 1, 2000, some computer-based systems will begin processing information as if it were January 1, 1900. This is called the Year 2000 problem or the "Y2K bug." It may cause problems for businesses unless they act now.

This is not just a computer problem. It could affect any equipment that uses a computer chip, as well as the suppliers and business partners small businesses rely on. Here are three steps every business person should take.

First, take a self-assessment test. People should check their computers, as well as any electronic equipment that uses time-sensitive embedded electronic chips. The U.S. Small Business Administration's Y2K Web site explains how to take this test.

Second, take action now. People should fix any Y2K problems they uncover, and test their results. They can ask their vendors for assistance.

Third, stay informed. Logging on to various Internet Y2K sites is an excellent way to stay current, and the SBA Web site is a good place to start.

Businesses should ask their banks, building managers, suppliers, customers and others critical to their business if they are Y2K compliant.

For more information, contact the SBA at 1-800-U-ASK-SBA or at www.sba.gov on the Internet.

More Businesses Pay Taxes Electronically

Two million business taxpayers have enrolled in an electronic tax payment system that allows them the convenience of making their federal tax payments directly from their homes or offices. The Electronic Federal Tax Payment System (EFTPS) eliminates paper coupons and checks and uses instead telephones or personal computers to pay federal taxes.

Said by the IRS to be "the easiest way to pay federal taxes," EFTPS requires no special equipment. Payments by phone take less than five minutes. If a taxpayer wishes to use a personal computer, free, Windows-based software is available. Taxpayers can also choose to work through their financial institutions. Based on specific direction from the taxpayer, tax information and payment instructions are processed through EFTPS to the government. No government agency or outside party has unauthorized access to a taxpayer's account or company information.

EFTPS is an alternative offered by the Treasury Department to provide businesses with a simple, inte-

grated approach to managing their tax dollars and information. Last year, the Treasury collected over \$1 trillion through the system. Approximately 4,000 businesses are enrolling each week.

Two Treasury Department financial agents, the First National Bank of Chicago and NationsBank, manage the system. These banks enroll people in the system, provide customer service, direct payments to the government's account and provide the tax payment information to the IRS. Taxpayers do not have to open accounts at these banks to participate. They can authorize their own bank or the Treasury financial agent to initiate payments for them. A business that decides to use its own bank should check with the bank for specific instructions, deadlines and fees for using EFTPS.

Some businesses that use payroll companies may already be making EFTPS payments. A business should ask its payroll company if it has already enrolled the business in EFTPS and which taxes the company will be paying for the business. The IRS says that it is still a good idea for a business to enroll in EFTPS separately so there is flexibility should the business change payroll companies.

To use EFTPS, businesses must first enroll. They can begin using EFTPS as soon as they receive their payment instruction packet and personal identification number. Businesses that want an enrollment form or have questions can call EFTPS Customer Service at 1-800-945-8400 or 1-800-555-4477.



At the IRS we solve problems 24 hours a day.



You've told us—when you run into a tax question, you want the answer *now*.

So we're expanding our hotline hours. Phone toll-free 24 hours a day, seven days a week to speak to an IRS expert.

You'd rather go on-line? We've loaded our Web site with answers, including the most Frequently Asked Questions.

We also hold special Problem Solving Days when you can walk into a local IRS office with your tax problem and get help on the spot. Schedules are available on our Web site or by toll-free hotline.

For tougher problems, there's the IRS Problem Resolution Program. Your personal advocate can be assigned to work with you to reach a solution.

And IRS *e-file* helps you get your refund faster, by filing electronically—day or night. E-filers can even *pay* taxes electronically. Talk about fast and easy!

IRS toll-free hotline
1-800-TAX-1040
Web site
www.irs.ustreas.gov

The Internal Revenue Service  Working to put service first

At the IRS
we solve
problems
24 hours
a day.



You've told us—when you run into a tax question, you want the answer *now*.

So we're expanding our hotline hours. Phone toll-free 24 hours a day, seven days a week to speak to an IRS expert.

You'd rather go on-line? We've loaded our IRS Web site with answers, including the most Frequently Asked Questions.

We also hold special Problem Solving Days when you can walk into a local IRS office with your tax problem and get help on the spot. Schedules are available on our Web site or by toll-free hotline.

For tougher problems, there's the IRS Problem Resolution Program. Your personal advocate can be assigned to work with you to reach a solution.

And IRS *e-file* helps you get your refund faster, by filing electronically—day or night. Now e-filers can even *pay* taxes electronically.

Talk about fast and easy!

IRS toll-free hotline

1-800-TAX-1040

Web site www.irs.ustreas.gov

The Internal Revenue Service

Working to put service first

2 1/16"x10" 65 linescreen

At the IRS
we solve
problems
24 hours
a day.



You've told us—when you run into a tax question, you want the answer *now*.

So we're expanding our hotline hours. You can phone toll-free 24 hours a day,

seven days a week to speak to an IRS expert.

You'd rather go on-line? We've loaded our Web site with answers, including the most Frequently Asked Questions.

We also hold special Problem Solving Days when you can walk into a local IRS office with your tax problem and get help on the spot. Schedules are available on our Web site or by toll-free hotline.

For tougher problems, there's the IRS Problem Resolution Program. Your own personal advocate can be assigned to work with you to reach a solution.

And IRS *e-file* helps you get your refund faster, by filing electronically—day or night. E-filers can even *pay* taxes electronically.

Talk about fast and easy!

IRS toll-free hotline 1-800-TAX-1040

Web site www.irs.ustreas.gov

The Internal Revenue Service  Working to put service first

4 3/4"x10" 65 linescreen

At the IRS we solve problems 24 hours a day.



You've told us—when you run into a tax question, you want the answer *now*.

So we're expanding our hotline hours. You can phone toll-free 24 hours a day, seven days a week to speak to an IRS expert.

You'd rather go on-line? We've loaded our IRS Web site with answers, including the most

Frequently Asked Questions.

We also hold special Problem Solving Days when you can walk into a local IRS office with your tax problem and get help on the spot. Schedules are available on our Web site or by toll-free hotline.

For tougher problems, there's the IRS Problem Resolution Program. Your personal advocate can be assigned to work with you to reach a solution.

And IRS *e-file* helps you get your refund faster, by filing electronically—day or night. Now e-filers can even *pay* taxes electronically.

Talk about fast and easy!

IRS toll-free hotline

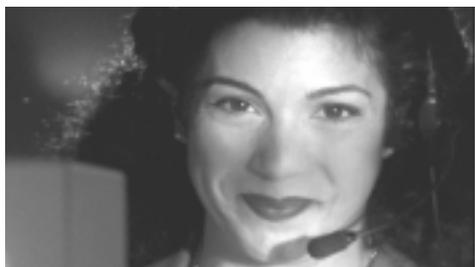
1-800-TAX-1040

Web site www.irs.ustreas.gov

The Internal Revenue Service  *Working to put service first*

7"x4 7/8" 65 linescreen

At the IRS we solve problems 24 hours a day.



You've told us—when you run into a tax question, you want the answer *now*.

We're expanding our hotline hours. Phone toll-free 24 hours a day, seven days a week to speak to an IRS expert.

You'd rather go on-line? We've loaded our IRS Web site with helpful taxpayer information.

For tougher problems, there's the IRS Problem Resolution Program. A personal advocate can be assigned to work with you to reach a solution.

And IRS *e-file* helps you get your refund faster, filing electronically, day or night—even *pay* taxes electronically.

Talk about fast and easy!

IRS toll-free hotline

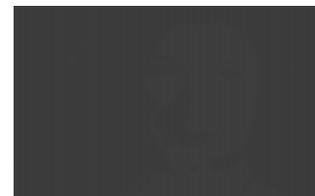
1-800-TAX-1040

Web site www.irs.ustreas.gov

The Internal Revenue Service  *Working to put service first*

4 3/4"x4 3/4" 65 linescreen

At the IRS we solve problems 24 hours a day.



Call our hotline 24 hours a day, seven days a week. Or visit our Web site for answers.

For tougher problems, there's our Problem Resolution Program with your own personal advocate.

IRS toll-free hotline

1-800-TAX-1040

Web site www.irs.ustreas.gov

The Internal Revenue Service  *Working to put service first*

2 1/16"x5" 65 linescreen



*Working to put
service first*



Department of the Treasury
Internal Revenue Service

Publication 1049B (Rev. 1/99)
Catalog Number 62319Q
