

# 1040 *news*

December 2008

## Identity Theft and Your Tax Records

Be aware that the IRS does not initiate communication with taxpayers through e-mail.

The IRS has issued instructions on what to do if you suspect you are a victim of identity theft or if the IRS has notified you by mail of a tax issue that may have been created by identity theft. Here is a list of questions and answers that the IRS has compiled to help:

*What do you do if the IRS contacts you because of a tax issue that may have been created by an identity theft?*

If you receive a notice or letter in the mail from the IRS that leads you to believe someone may have used your Social Security number fraudulently, please respond immediately to the name, address, and/or number printed on the IRS notice. The notice will state that either more than one tax return was filed for you or that your tax return indicated wages for an employer that is unknown to you.

An identity thief might also use your Social Security number to file a tax return in hopes of

receiving a refund. If the thief files the tax return before you do, the IRS will think that you already submitted your tax return and have received your eligible refund.

*What do you do if you have not been contacted by the IRS but believe you are a victim of identity theft?*

Immediately provide the IRS with proof of your identity. You should submit a copy, not the original documentation, of your valid Federal or State issued identification, such as a social security card, driver's license, or passport, etc., along with a copy of a police report or Federal Trade Commission Identity Theft Affidavit. If the FTC is not notarized, a witness (non-relative) must sign it.

Mail documentation to:

Internal Revenue Service  
P.O. Box 9039  
Andover, MA 01810-0939

Fax documentation to:

1-978-247-9965

## IRS Seeks to Return \$266 Million of Undeliverable Refunds and Stimulus Payments to Taxpayers

The Internal Revenue Service is looking for taxpayers who are missing more than 279,000 economic stimulus checks totaling \$163 million and more than 104,000 regular refund checks totaling \$103 million that were returned by the U.S. Postal Service due to mailing errors. All a taxpayer should do is update their address and the IRS will distribute all checks due. All economic stimulus checks must be issued by December 31, 2008.

Taxpayers can check on a refund or stimulus check by calling 1-800-829-1954.

## Sales Tax Deduction

If you file a Form 1040, and itemize deductions on Schedule A, you have the option of claiming either state and local income taxes or state and local sales taxes—but you can not claim both. If you saved your receipts throughout the year, you can add up the total amount of sales taxes you actually paid and claim that amount.

If you did not save all your receipts, you can still choose to claim state and local sales

taxes by using the IRS online sales tax calculator.

In order to calculate your sales tax deduction, you must first answer a few online questions—then the system does the rest. Key in your zip code and a few entries from your draft Form 1040, and the Sales Tax Deduction Calculator will automatically figure the amount of state and local sales tax you can claim.

Note: Entries are anonymous and erased upon exiting the system or starting over.

*Be sure to review your tax planning letter for expert advice on individual and financial tax planning.*

## Insider News

### Holiday Hours

Dec. 24	8am-3pm
Dec. 25-26	Closed
Dec. 31	8am-5pm
January 1	Closed

### Tax Season

**Extended Office Hours**  
(Begins Saturday, February 7)

M—F 8am-5pm  
Saturday 8am-3pm

*Whalen & Company  
would like to wish you  
and yours a safe and  
joyous holiday season!*

## Getting the Most Out of Your Individual Charitable Contributions

Determining the charitable contribution deduction can be complex for some taxpayers. This is especially true when taxpayers donate to relatively unknown organizations, or donate property and/or bump into the various percentage limits that may apply to their contributions.

When determining your charitable contribution deduction, you must first ask if the organization is a qualifying charity. Sec. 170(c) of the Internal Revenue Tax Code ([www.irs.gov](http://www.irs.gov)) lists generic

qualifying organizations. Many, such as the American Red Cross and the American Cancer Society, are widely recognized as bona fide charities falling within these listings, but what about the relatively unknown organization?

You can consult IRS Publication 78, *Cumulative List of Organizations Described in Section 170(c) of the Internal Revenue Code of 1986* ([www.irs.gov](http://www.irs.gov)), to see if the organization is listed as a qualified charity.

This publication will also indicate whether the charity is a public charity

(50% limit) or a private charity (30% limit). If the charity is designated as private, you will have a 30% deductibility limit. Note: the publication does not list all qualifying organizations.

Examine these three things to determine your charitable contribution deduction for any year:

- The status of the recipient organization as a qualifying charity.
- The amount considered donated.
- The amount deductible in the current year.

## Beware Un-enrolled Tax Return Preparers

The Treasury Inspector General for Tax Administration (TIGTA) recently conducted a review to determine whether taxpayers receive accurate preparation of their income tax returns when using un-enrolled paid preparers.

Although taxpayers are ultimately responsible for the information reported on their tax returns, millions of taxpayers rely on preparers to prepare correct returns; and there are no national stan-

dards that preparers are required to satisfy before selling tax preparation services to the public. Because more than one-half of all taxpayers use preparers to file their tax returns, preparers have a significant effect on taxpayer compliance. In a limited sample of un-enrolled preparers (not CPAs), TIGTA found that most made significant errors when preparing tax returns.

TIGTA recommends that the IRS

*"In a limited sample of un-enrolled preparers, the Treasury found that most made significant errors when preparing tax returns."*

develop and require a single identification number to control and monitor all paid preparers. The IRS has agreed to study this issue.

## IRS Issued \$1.6 Billion in Fraudulent Tax Refunds

The Internal Revenue Service distributed roughly \$1.6 billion in refunds to taxpayers who filed falsified tax returns in 2006 and 2007, due to the failure of electronic fraud detection systems and an overextended staff.

The Treasury Inspector General for Tax Administration (TIGTA) found that the number of falsified tax returns filed in 2006 and 2007 rose significantly.

"The amount of refund fraud committed each year is growing exponentially, and if changes are not made, an even greater amount of fraudulent refunds will be issued in the coming years. This problem is becoming unmanageable," the report from TIGTA said.

The audit found that the IRS failed to stop \$894 million in fraudulent

refunds in 2006 and \$742 million fraudulent refunds in 2007, even after the fraud detection system was up and running.

To address the issue, the IRS recently created a special office to focus on questionable refunds, which will help identify fraudulent returns for this year's tax returns.