Learning Objectives

- Understand how to complete the new Form W-4
- Advise a taxpayer about the need to check his or her withholding
- Understand tax issues for gig workers
- Know how virtual currency transactions are reported and taxed
- Recognize potential tax scams
- Know how to develop and implement cybersecurity policies and procedures
- Understand how to request a transcript
- Identify sources of information that are available from the IRS

Issue 1: Income Tax Withholding
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- Primary goal - accuracy and privacy for employees while minimizing burden for employers and payroll processors.
- Designed to improve the accuracy of employee withholding amounts.
- No longer uses allowances, tied to the amount of the personal exemptions claimed.
- The Form is now divided into 5 Steps.

Review of New Form W-4 – Step 1

Basic Personal Information

Review of New Form W-4 – Step 3

Dependents

Complete Steps 3–4b) on Form W-4 for only ONE of these jobs. Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3–4b) on the Form W-4 for the highest paying job.)

- If your income will be $200,000 or less ($400,000 or less if married filing jointly):
  - Multiply the number of qualifying children under age 17 by $2,000 $  
  - Multiply the number of other dependents by $300 $  
  - Add the amounts above and enter the total here $
Issue 2: The Gig Economy

Are You an Employee?

- Employee’s portion of Social Security, Medicare and Additional Medicare taxes
- Behavioral control
- Financial control
- Type of relationship
Employee or Independent Contractor?

- Employee
- Independent contractor
- Form SS-8

Tax Payments, Including Estimated Tax Payments

- Form 1040-ES - Estimated Tax for Individuals
- Direct pay
- EFTPS (Electronic Federal Tax Payment System)
- Form W-4 - Employee's Withholding Allowance Certificate

Business Expenses and Income

Independent Contractor

- Recordkeeping and timeframes
- Car expenses
- Business use of your home
- Business transactions
- Information Returns
Self-Employment Taxes

- Self-employed/independent contractor
- Social Security
- Medicare taxes
- Additional Medicare taxes
- Estimated taxes

Issue 3: Virtual Currency

What is Virtual Currency?

- Digital Representation of Value
- It is not Legal Tender
Virtual Currency

- General Tax Rules
- IRS Notice 2014-21

Virtual Currency

- Reporting
- Recordkeeping
- Penalties

Issue 4: Cybersecurity
Educate yourself on phishing scams

- Many data thefts start with a phishing email
- Click on a link to a fake website
- Open an attachment with embedded malware
- Spear phishing email to pose as a trusted source
- Malicious Code/Malware

Outline for a Data Security Plan

- Designate plan coordinator
- Identify and assess risks to customer data
- Design and implement safeguards
- Select services providers
- Evaluate and adjust the plan
- Use Publication 4557, Safeguarding Taxpayer Data, to help create plan

Create a Data Security Plan

- Required under federal law
- The Gramm-Leach-Bliley (GLB) Act
- Federal Trade Commission (FTC) Safeguards Rule
- IRS Revenue Procedure 2007-40 for Authorized IRS e-file Provider
“Security Six” Protections

Deploy the “Security Six” protections:
1. Anti-virus software
2. Firewalls
3. Two-factor authentication
4. Backup software/services
5. Drive encryption
6. Virtual Private Network (VPN)

“Security Six” # 3
Two-factor authentication

• Adds an extra layer of protection beyond a password
• User must enter credentials
  • username and password plus
  • another step (such as a security code sent via text to a mobile phone)

“Security Six” # 6
Virtual Private Network (VPN)

• A VPN provides a secure, encrypted tunnel to transmit data between a remote user via the internet and the company network
• Search for “Best VPNs” to find a legitimate vendor
• Client e-filed returns begin to reject
• Clients who haven’t filed tax returns begin to receive authentication letters (5071C, 4883C, 5747C) from the IRS
• Clients receive refunds that have not filed tax returns
• Clients receive tax transcripts that they did not request
• Clients who created an IRS online services account receive an IRS notice that their account was accessed or disabled.

• The number of returns filed with tax practitioner’s Electronic Filing Identification Number (EFIN) exceeds number of clients;
• Tax professionals or clients responding to emails that practitioner did not send;
• Network computers running slower than normal;
• Computer cursors moving or changing numbers without touching the keyboard;
• Network computers locking out tax practitioners.

• EFIN accounts
  • Too many returns filed with your EFIN
  • Contact e-Help Desk (866) 255-0654
• PTIN accounts
  • Too many returns filed
  • Complete Form 14157
• CAF accounts
  • Signs of identity theft
  • Contact Practitioner Priority Service
How Tax Pros Report Data Theft

- Contact IRS and law enforcement
- IRS Data Loss Mailbox and stakeholder liaisons are your points of contact
- Search “data loss” or “stakeholder liaison” on IRS.gov
- Contact state tax agencies/attorneys general
- Email Federation of Tax Administrators for state agency contacts at StateAlert@taxadmin.org
- Contact Experts
- Security expert and/or insurance company
- Review “Data Theft Information for Tax Professionals” at IRS.gov/identitytheft

Resources

- Publication 4557, Safeguarding Taxpayer Data
- Publication 5293, Data Security Resource Guide for Tax Professionals
- Small Business Information Security – The Fundamentals at NIST.gov

Issue 5: Tax Transcripts
Masked Individual Transcripts

Here's what is visible on the new tax transcript:

- Last 4 digits of any SSN/ITIN/EIN
- Last 4 digits of any account/phone number
- First 4 characters of any name
- First 4 characters of a business name
- First 6 characters street addresses
- All money amounts, including wage and income, balance due, interest and penalties

Alternatives to Faxing (Unmasked Transcripts)

Only the Wage and Income Transcript is available to third parties as unmasked.

For Individual Taxpayers:
Call IRS toll-free; mail only

For Tax Professionals
With authorization: access e-Services' Transcript Delivery Service
Without authorization or no TDS access: call PPS, fax authorization, access e-Services mailbox

Alternatives to third-party mailing

Third-party mailing option on Form 4506, 4506-T and 4506T-EZ will end July 1.

- Tax professionals can access individual and business transcripts via Transcript Delivery System;
- High-volume users can become or contract with participants in the Income Verification Express Service program;
- No impact on the Department of Education/IRS Data Retrieval Tool