

# THE Wisconsin Accountant

## 2010 Seminars

**May 21**  
**Quik Books**  
*by Intuit*  
Green Bay  
Radisson Hotel  
(800) 333-3333

**June 21 - 22**  
**Summer Seminar**  
**Compilation**  
*by Bob Jennings*  
Madison  
Sheraton Hotel  
(608) 251-2300

**September 19 - 21**  
**WAA Annual Convention**  
Wisconsin Dells  
Wilderness Hotel  
(800) 867-9453

**September 30 - Oct 1**  
**Bob Jennings**  
**Business Entities**  
Wisconsin Dells  
Kalahari Resort  
(877) 254-5466

**October 18 - 19**  
**Federal Tax Update**  
Wausau  
Stoney Creek Inn  
(715) 355-6858

**November 1 - 2**  
**Gear Up 1040**  
Waukesha  
Country Springs Hotel  
(800) 247-6640

**November 29 - 30**  
**Bob Jennings**  
**1040 Update**  
Wisconsin Dells  
Kalahari Resort  
(877) 254-5466

**December 6 - 7**  
**Gear Up 1040**  
Hudson  
Hudson House Inn  
(715) 386-2394

Wisconsin Association of Accountants ■ 1-800-237-4080 - 715-425-0482 - [www.wiassociationofaccountants.com](http://www.wiassociationofaccountants.com)

## Health Care Benefits For Children Under Age 27 Under the Affordable Care Act

Submitted by Wisconsin Department of Revenue

### FEDERAL TREATMENT

For federal income tax purposes, the Patient Protection and Affordable Care Act, Public Law 111-149, and the Health Care and Education Reconciliation Act of 2010, Public Law 111-152, were signed into law by the President on March 23 and 30, 2010, respectively. These two Acts are referred to as the "Affordable Care Act."

Effective March 30, 2010, the Affordable Care Act provides that the exclusion from gross income of an employee for employer-provided accident or health insurance benefits for the employee, the employee's spouse, or the employee's dependents is extended to apply to any child of the employee who, as of the end of the tax year, has not attained the age of 27. This new age 27 standard replaces the lower age limits that applied under prior tax law, as well as the requirement that a child generally qualify as a dependent for tax purposes.

Thus, if the child is age 26 or less at the end of the tax year, the exclusion applies even if the child provides more than one-half of his or her own support, earns more income than the exemption amount, does not live with the taxpayer, or if any other restriction applies which prevents the employee from claiming a dependency exemption.

Employees who have children who will not have reached age 27 by the end of the year are eligible for the new tax benefit from March 30, 2010, forward, if the children are already covered under the employer's plan or are added to the employer's plan at any time. For this purpose, a child includes a son, daughter, stepchild, adopted child, or eligible foster child.

### WISCONSIN TREATMENT

The provisions of the Affordable Care Act do not apply for Wisconsin income tax purposes unless they are adopted by the Wisconsin Legislature. The Legislature is currently adjourned. It is anticipated that the Legislature will consider whether or not to adopt these provisions in the next session which will begin in January of 2011.

Until the provisions of the Affordable Care Act are adopted, Wisconsin must follow federal law in effect prior to the Affordable Care Act. For purposes of the exclusion from gross income of an employee for employer-provided accident or health insurance benefits, the child under age 27 must either be claimed as a dependent for income tax purposes or the employee must provide over one-half of the child's support for the calendar year and the child must not be the qualifying child of any other taxpayer.

If these requirements are not met, the fair market value of the adult child's health insurance coverage is income and taxable wages to the employee.

Employers must either (1) include the amount that is taxable for Wisconsin purposes (but not taxable for federal purposes) in Box 16 of the 2010 Form W-2, or (2) provide employees with a supplemental "Wisconsin only" Form W-2 with the taxable benefits shown in Box 16.

Individuals filing 2010 Form 1 or 1NPR should use Wisconsin Schedule I, Adjustments to Convert Federal Adjusted Gross Income and Itemized Deductions to the Amounts Allowable for Wisconsin, to adjust for the difference between the Wisconsin and federal income tax treatment of health care benefits for children under age 27. Individuals filing Form 1A should fill in the adjusted Wisconsin wages on line 1 of Form 1A.



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## Executive Corner . . .



**Byron Dopkins,  
Executive Director**

I have had time to relax a little since the deadline passed and I can say I am looking forward to a vacation! The golf clubs are still dusty and fishing poles are hung on the rack – lots of things to look forward to.

I can not stress enough that every single office that completes a financial statement should be represented at our summer seminar. This is not a boring accounting seminar! This is an update as important as the tax update we are all compelled to attend in the fall. Things have changed in the way we must report and our responsibilities have changed.

Read Bob Jennings description of this seminar - Compilation & Review and Small Firm Accounting Issues

In this 16 hour course, the first day we start by reviewing all of the regulatory and judicial changes for Federal business income tax returns that have occurred during the last year, including all new law changes up through the week before the seminar. During the seminar, we will expand on problem areas with multiple examples and point out the traps involved in the changes. We will also provide planning ideas revolving around the changes for current and future tax years, as well as for practice management concerns. Finally we will review major 1120, 1120S and 1065 tax return compliance and preparation issues, including such IRS problem areas as basis, self employment tax, owner expenses, fringe benefit treatment. In order to provide the best hands-on information, this course, like all of our courses, is taught only by full-time tax professionals who have personally prepared at least 250 tax returns in the most recent tax season.

The second day is oriented to firms whose practice is devoted primarily to compilations and reviews, this new 2010 course works with the practical aspects of a QuickBooks™ client to illustrate preparing no-disclosure and full-disclosure financial statements, checklists, engagement letters and report letters, as well as financial analysis of the client, footnote preparation, disclosures and the related practice quality oriented aspects of an engagement. Useful for both newcomers and experienced professionals our goal is to make this an immediately applicable guide for all small firms in the practice of compilations & reviews. All participants receive the 700+ page reference manual, which has been hyper-linked to the internet-based tax research library for a complete tax reference source.

If this isn't the most compelling seminar offering of the year, I will be amazed!  
Sign up now – seats are limited

Byron L Dopkins, EA, ABA  
WAA Executive Director

## From the President . . .



**Bill Suttner,  
President**

While the past tax season is still fresh in our minds now is a great time to review our time management and workloads as well as that of our staff. Firm management is a critical part of our business and the WAA can play an important role in assisting you with new ideas and provide solutions to your problems. There are numerous tools available to give you assistance, such as choosing the right seminar to fill your needs, having round table discussions with colleagues, or simply picking up the phone and calling a member. We invite you to utilize the many resources we have available.

Hope to see you at an upcoming seminar or meeting.

Bill Suttner, CPA  
WAA President

## WAA Benefits

- Seminars and Educational Forums
- Accreditation
- Local Chapter Involvement
- Government Agency Liaison
- Monitor Legislation
- Insurance Programs
- Accountants Protection Plan

## WAA Objectives

- To raise professional standards and improve the practice of accountancy.
- To strive for excellence in the profession.
- To encourage accountants in a continuing program of professional development.
- To foster increased recognition for the professional in the public, private and educational sectors of our state.
- To initiate legislative action and provide government liaison between the accounting profession and government leaders.
- To provide meetings and fellowship for accountants.
- To promote the highest standard of ethical conduct among its member.

## NSA Happenings from the District V Governor . . .

Our May 21-23, 2010 NSA Board Meeting will be held in Alexandria, Virginia. Our hotel is located right next to the NSA headquarters.

The activities for the Board begin on Thursday evening with the Governor's Pre-Board Meeting from 6-10PM. The full board meets all day on Friday and Saturday. On Friday evening, Forrest T. Jones and Company hosts dinner for the Board. On Saturday evening the board has a Governor's training session from around 6-10 PM. We complete the board meeting by noon on Sunday.

### May 21, 2010 at 2:00 PM EDT, 1:00 PM CDT, 12:00 PM MDT, 11:00 AM PDT

David R. Williams, Director, Electronic Tax Administration and Refundable Credits at the IRS, will address the NSA Board at 2 PM on Friday, May 21, on the implementation of the IRS initiative to regulate all paid tax return preparers. Mr. Williams serves as the principal advisor and consultant to the Commissioner and Deputy Commissioners on all service-wide matters related to the implementation.

Because the tax preparer initiative will impact all NSA members without regard to their professional credentials, NSA will have a live video feed and webinar of Mr. Williams' one-hour presentation available to all NSA members at no cost.

### How YOU Can Participate

Registration is required and will provide access to the live webinar and to Mr. Williams' PowerPoint slides. As part of this effort, we encourage any members who may have a question about tax preparer regulation for Mr. Williams to forward those questions by email to [members@nsacct.org](mailto:members@nsacct.org) at any time before or during the video presentation, in addition to text chat during the presentation. Mr. Williams will address pertinent questions as time allows. The presentation will also be archived to allow members to view it at their convenience.

NSA is starting their webinars on May 27 with "Pitfalls of Sub Chapter S Corporations". On June 3, the webinar "Client Consents and Disclosures and Related Penalties on Practitioners for Non Compliance - The Practitioner's Perspective" will offer 2 CPE's in Ethics. This webinar will discuss IRS Code Section 7216 issues. The NSA webinars can be accessed at <http://webinars.nsaacct.org/>.

If you are currently an NSA member there is a free benefit available to you. NSA has the CCH Tax Update Service available by going to [www.nsaacct.org](http://www.nsaacct.org) and signing in to the "Members Only" area and using your username (last name) and password (NSA member ID#). This benefit allows you to do extensive tax research online. The NSA website has a list of many other benefits available to the membership. Please take a moment to review the member benefits to make sure you are utilizing them.

If you are not currently a member of NSA and would like to learn more, please feel free to contact me at [durette@aaemi.com](mailto:durette@aaemi.com) and I would be glad to provide you with more information.

Respectfully Submitted,

Durette D. Hauser  
NSA District V Governor

*The dictionary  
is the only place  
where success  
comes before  
work.*



## Federal Tax Deposits Must be Electronic Starting in 2011

Submitted by Ashwaubenon Tax Professionals

A U.S. Department of Treasury Announcement on April 19, 2010, has three steps it is taking to reduce paper. One affects tax issues.

Starting January 1, 2011, taxpayers will no longer be able to use the paper Federal Tax Deposit coupons, with a few exceptions. This is expected to save the government \$65,000,000 over the first five years. Of course, it will cost business a little more stress as they learn how to set up and use EFTPS.

The exceptions are not included in the Treasury's announcement, but one exception that is noted is for those businesses with \$2,500 or less in quarterly tax liabilities that pay the amount when filing their returns.

Now would be a good time to help any affected clients get set up with EFTPS.

A copy of the Announcement can be found at [www.treas.gov/press/releases/tg644.htm](http://www.treas.gov/press/releases/tg644.htm).

## National Society of Accountants Submits Comments to IRS on Proposed Tax Preparer Registration and Testing

Submitted by NSA

*IRS Official to Speak at May 21 NSA Board Meeting; Members Invited to Ask Questions*

Alexandria, VA, April 29, 2010 — The National Society of Accountants (NSA) submitted comments to the Internal Revenue Service (IRS) this week supporting the proposed tax preparer registration requirements but recommending several changes to enhance administration, compliance and enforcement.

NSA recommends that all tax preparers, including volunteer tax preparers and people who prepare tax returns in conjunction with other services, be required to register and obtain a Preparer Tax Identification Number (PTIN).

In its comments to the IRS, NSA pointed out that the Treasury Inspector General for Tax Administration has found in recent years that at least 31 percent of tax returns prepared by volunteers were incorrect. The proposed IRS tax preparer regulations do not require these individuals to obtain a PTIN, leaving the IRS with no way to track who is preparing these erroneous returns. By issuing them PTINs (and possibly exempting them from registration or examination fees since they are volunteers), the IRS would be able to identify which volunteer preparers made mistakes, how many they made, and whether the same mistake was consistently made on each return. This would help correct erroneous returns more easily and provide a way to educate volunteers on proper tax return preparation where possible.

NSA also noted that so-called "free" tax return preparation services in conjunction with other commercial services (such as offers of free tax preparation services in conjunction with automobile purchases, appliance sales promotions, payday loans and refund anticipation loans, etc.) are not required to obtain a PTIN under the proposed regulations.

"A taxpayer should be confident that any individual holding himself out to the public as a tax return preparer is competent to do so and is subject to the same professional standards and requirements as any other tax return preparer," NSA said in its comments.

NSA also asked the IRS for further guidance on how to define whether a preparer has assisted in the preparation of "substantially all" of a tax return and must have a PTIN under the new regulations.

Other recommendations included ensuring that proposed regulations extend the date by which tax return preparers may register for a PTIN until the date when a competency test is available, and making the effective dates of the PTIN requirement and other regulatory initiatives contingent on the timely implementation of an effective IRS public awareness campaign.

NSA also asked the IRS to allow non-U.S.-based tax preparers to obtain and use a PTIN.

"NSA very much supports the proposed IRS regulations to require registration and competency testing for tax preparers," said NSA Executive Vice President John Ams. "These recommendations will help make sure that the regulations have the desired effect of ensuring that all tax practitioners, tax return preparers, and other third parties in the tax system adhere to professional standards and follow the law."

NSA leaders and members will also have an opportunity to hear directly from David R. Williams the IRS Director for Electronic Tax Administration and Refundable Credits when he speaks at the NSA Board Meeting on May 21, 2010 at 2 p.m.

His presentation, entitled "Tax Preparer Registration & Testing: Next Steps," will be streamed live on the Internet, and NSA is inviting members to submit questions before and during the meeting for Williams to answer.

Williams leads the implementation phase for the IRS recommendations on tax return preparer oversight. This landmark effort will serve as a major step toward meeting the strategic goals of increasing taxpayer compliance and ensuring uniform ethical standards for preparers. Williams serves as the principal advisor and consultant to the IRS Commissioner and Deputy Commissioners on all service-wide matters related to the implementation such as regulatory changes, strategic policy decisions, impact on organizational processes, and overall goal achievement.

Any NSA members who have questions about the IRS tax preparer regulation initiative can visit [www.nsacct.org](http://www.nsacct.org) to register and submit questions for Williams in advance of the meeting. They can also register to be part of the event as it is streamed on the Internet and submit questions online in real time. Questions can be sent to [members@nsacct.org](mailto:members@nsacct.org).

For more information, visit [www.nsacct.org](http://www.nsacct.org) or contact NSA at 800-966-6679.

## IRS Accepts Amended Returns on New or Old Forms

Submitted by Ashwaubenon Tax Professionals

Although we cannot find anything official, an IRS liaison person in Wisconsin has told us IRS is currently accepting amended tax returns on either the old or the new version of the Form 1040X through 2011.

The old version of the Form 1040X basically contained three columns. Column A contained the original or adjusted amounts. Column B contained the change in the amounts. Column C contained the revised or amended numbers (basically Column A plus/minus the amount in Column B).

The new version of the Form 1040X basically contains one column with the amounts as they are after the revisions or amendment (former Column C amounts). This makes it a little easier to prepare. It also makes it more important that we include a clear explanation of the changes being made.

The software we use in our office still has the old version of the 1040X included in the old year programs. It would be a bit of a hassle to have to convert the program created old version Form 1040X into the new version Form 1040X. We are happy to hear IRS will accept both versions for a couple of years.

## Treasury Goes Green, Saves, Green

Submitted by U.S. Department of Treasury

Broad New Initiative Will Increase Electronic Transactions, Save More Than \$400 Million, 12 Million Pounds of Paper in First Five Years Alone

WASHINGTON – With Americans poised to celebrate the 40th anniversary of Earth Day this week, the U.S. Department of the Treasury today announced a broad new initiative to dramatically increase the number of electronic transactions that involve Treasury and millions of citizens and businesses, a move that is expected to save more than \$400 million and 12 million pounds of paper in the first five years alone. In addition to greatly reducing costs, enhancing customer service and minimizing Treasury's environmental impact, the move from paper to electronic transactions will increase reliability, safety and security for benefit recipients and taxpayers.

"Treasury must lead the way in developing methods to deliver payments that are safe and secure in a manner that is efficient and reliable," said Treasury Secretary Tim Geithner. "By moving to all-electronic payments, Treasury will save hundreds of millions of dollars and substantially reduce our environmental impact, making this a win-win for all Americans."

Starting today, Treasury will begin implementing a three-pronged initiative to dramatically reduce the number of transactions that are conducted on paper by moving them to electronic systems. First, Treasury will require individuals receiving Social Security, Supplemental Security Income, Veterans, Railroad Retirement and Office of Personnel Management benefits to receive payments electronically. Individuals will be able to receive benefits either through direct deposit into a bank account or Treasury's Direct Express debit card. Today, one million Americans are receiving their benefit payments through Direct Express and they have found the card safe, convenient and easy to use. The requirement will apply to new enrollees beginning on March 1, 2011 and to existing check recipients beginning on March 1, 2013. Currently, 85 percent of federal benefit recipients receive their payments electronically. Moving all recipients of these benefits to electronic payments is expected to save upwards of \$300 million in the first five years.

Second, businesses currently permitted to use paper Federal Tax Deposit coupons will have to make those deposits electronically beginning in 2011 with a few exceptions, primarily businesses with \$2,500 or less in quarterly tax liabilities that pay when filing their returns. Currently, nearly 98 percent of all business tax dollars are paid electronically through Treasury's free Electronic Federal Tax Payment System. IRS research has shown that businesses using EFTPS are 31 times less likely to make an error. This change will save an estimated \$65 million in the first five years.

Finally, Treasury will eliminate the option to purchase paper savings bonds through payroll deductions for federal employees on September 30, 2010 and for the private sector by January 1, 2011. This policy covers only paper savings bonds purchased through payroll sales; individuals will still be able to purchase paper savings bonds at financial institutions for themselves and as gifts. Payroll savers will be encouraged to continue their purchases through Treasury Direct, a web-based system that allows investors to buy and hold electronic savings bonds. Transitioning employees to electronic payroll purchases saves employers administrative costs and allows employees to manage their own bond accounts. This is estimated to save nearly \$50 million in the first five years.

The benefits of electronic transactions are well documented. Aside from the large cost savings, electronic transactions provide safety, convenience and control for payment recipients, taxpayers and savings bond holders. These initiatives do not require new legislation and can be accomplished by changes to Treasury's existing regulations.

As Treasury moves towards an all electronic payment environment, the Administration is strengthening protections for individuals who receive Direct Deposit. Treasury and the federal agencies that issue benefit payments have published a notice of proposed rulemaking to ensure that exempt federal benefit payments are protected from garnishment after they are directly deposited into accounts. Also, Treasury will soon issue a notice of proposed rulemaking that reaffirms the longstanding policy that federal benefits must be directly deposited into an account in the name of the recipient and not into an account of a third party. This rule will prevent entities such as payday lenders from establishing a master account to receive payments on behalf of multiple beneficiaries. The rule address concerns that benefit recipients do not have control over their funds in these arrangements. In addition, this proposed rule will permit the direct deposit of benefit payments into master accounts established by organizations such as nursing homes, as long as certain consumer protections are provided for their residents.

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# SSARS 19 - Changes all Financial Statements

Over 30 years ago the AICPA established the rules for reporting on unaudited financial statements known as SSARS.

In January of 2010 the AICPA's ARSC committee released SSARS 19 as a radical revision to many prior SSARS:

1. Materiality is now defined for compilations and reviews.
2. A written engagement letter is now required,
3. Workpaper requirements have been substantially increased,
4. All prior versions of accountant's reports for compilations and reviews have been substantially modified,
5. Many other smaller changes have been made.

What does this mean to a practicing accountant? All of your accountant's reports are changing now, properly worded engagement letters are changing now, and you better watch your workpapers. The changes go into effect in December of this year.

**Our 2010 Compilation & Review courses** will have as a primary focus detailed analysis of this change from the point of view of a small firm practitioner. And yes, we will provide you with all the new letters, reports and workpaper guidelines you need. We will also take a real client and their real documents and workpapers, and rip them apart, preparing Tax basis financials, full disclosure financials, reviewed GAAP financials, providing workpapers, checklists, peer reviews, you name it. Register now for our Summer Seminar, Jennings Seminars – Compilation & Review and Small Firm Accounting Issues.

**Tuesday - Wednesday, June 21 - 22**  
**8AM to 4PM**

**Members** Early \$275 *received by 5/19*  
Late \$305

**Non Members** Early \$335 *received by 5/19*  
Late \$365

**Sheraton Madison Hotel**  
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Rates \$109 Single or \$119 Double  
*Rooms must be reserved by May 13, 2009.*

# IRS Hot Issues May 2010

Submitted by IRS

## IRS Advises Tax Professionals of Delays in Processing Powers of Attorney and Tax Information Authorizations (IMRS issues 10-0001228 and 10-0001229)

There are temporary delays in processing authorizations (Forms 2848 and 8821) to the Centralized Authorization File due to new procedures to ensure taxpayer privacy. For best results during this time, tax professionals should accurately complete authorizations and avoid duplicate submissions. Only joint years should be listed when preparing a joint authorization. The IRS also reminds tax professionals to include their jurisdiction (state or enrollment number), designation code, and signature of the Part II Declaration of Representative. Publication 4245, Power of Attorney, A Guide to Preparing Form 2848, Power of Attorney and Declaration of Representative, contains helpful hints for proper form preparation and information about common reasons for rejection. If you have an urgent need for information or a transcript, you may call the Practitioner Priority Service at 866-860-4259 and fax your authorization while on the phone, or eligible practitioners may use the e-Services Disclosure Authorization to input authorizations immediately.

## Two New Tax Benefits Aid Employers Who Hire and Retain Unemployed Workers

Two new tax benefits are now available to employers hiring workers who were previously unemployed or only working part time. These provisions are part of the Hiring Incentives to Restore Employment (HIRE) Act. Employers who hire unemployed workers this year (after Feb. 3, 2010 and before Jan. 1, 2011) may qualify for a 6.2-percent payroll tax incentive, in effect exempting them from their share of Social Security taxes on wages paid to these workers after March 18, 2010. In addition, for each worker retained for at least a year, businesses may claim an additional general business tax credit, up to \$1,000 per worker, when they file their 2011 income tax returns. See IRS.gov for answers to frequently asked questions about HIRE.

## New for 2010: Tax Credit Helps Small Employers Provide Health Insurance Coverage

Many small businesses and tax-exempt organizations that provide health insurance coverage to their employees now qualify for a special tax credit. Included in the health care reform legislation, the Patient Protection and Affordable Care Act, approved by Congress and signed by President Obama on March 23, the credit is designed to encourage small employers to offer health insurance coverage for the first time or maintain coverage they already have. More information about the credit, including tax tips, guides and answers to frequently asked questions, is now available on the IRS Web site, IRS.gov.

## Installment Agreement (IMRS Issue 09-0001188)

A practitioner reported he attempted to modify an existing installment agreement so that it would be paid by direct deposit. He was able to log on to the Online Payment Agreement (OPA) application on IRS.gov using the credentials screen but received an error message after entering the bank information and could go no further. In researching this issue, we found an error in the system. The correction is in process at this time and should be completed in the next few weeks. Until the error is corrected, use the caller ID instead of the signature date for authentication.

## IRS To Honor Medical Resident FICA Refund Claims

The Internal Revenue Service has made an administrative determination to accept the position that medical residents are excepted from FICA taxes based on the student exception for tax periods ending before April 1, 2005, when new IRS regulations went into effect. The IRS will, within 90 days, begin contacting hospitals, universities and medical residents who filed FICA (Social Security and Medicare tax) refund claims for these periods with more information and procedures. Employers and individuals with pending claims do not need to take any action at this time.