



# PAYROLL CURRENTLY

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## **IRS Corrects Cause of Erroneous Notices for 'Missing' Schedule B**

The IRS is establishing internal procedures to prevent erroneous notices of "missing" Schedules B, and these new methods will be in place in time for the processing of third quarter 2009 Forms 941, according to Shelley Dockstader, a senior tax analyst in IRS's Communications, Liaison, and Disclosure Division.

Meanwhile, employers that received these notices in error must reply to the IRS by signing the notice and returning it with a copy of Schedule B, Dockstader explained. Anyone who received notices relating to multiple employer identification numbers must sign and return each notice (as opposed to preparing a list of the EINs), along with the relevant Schedules B. IRS apologizes for the inconvenience, she added.

### **APA prompted IRS's focus on the problem**

The IRS received documentation of the widespread nature of this problem from the American Payroll Association, in the form of lists of EINs and the calendar quarters for which those EINs received IRS Notice CP 207, *Proposed FTD Penalty and Request for Correct Information*, despite the fact that they had submitted Schedule B, *Report of Tax Liability for Semiweekly Schedule Depositors*, with Form 941, *Employer's Quarterly Federal Tax Return*.

*Note:* After learning of the problem, the APA requested that members who had received an erroneous CP 207 send their EIN and affected quarter to APA's government relations office (see "[Inside Washington](#)" for September). Now that the problem is solved, members no longer need to send this information.

Between the data provided by APA members and the explanation from the IRS, it was determined that thousands of employers received mistaken notices for fourth quarter 2008, first quarter 2009, and second quarter 2009. However, this was not due to a problem with any payroll service provider or tax software, the IRS asserts.

### **IRS responded swiftly**

The IRS was developing a new process to prevent these mistaken notices, and that process had been scheduled to take effect in 2011. After learning of the scope of this problem and the burden it was causing, however, the Service reallocated resources so it could be implemented this year. Among other things, the new process includes an internal review before a CP 207 is automatically sent to an employer.

### **CP 207**

The IRS sends a CP 207 to propose a federal tax deposit penalty because it can't determine if the employer's deposits were on time and in sufficient amounts. The IRS can't make the determination because, according to the CP 207, the "Record of Federal Tax Liability section [in this case, Schedule B] of the recipient's tax return was missing, incomplete, illegible, or showed a tax liability that didn't equal the taxes shown on the return." The CP 207 requests another Schedule B so the IRS can finish processing the tax return.