



Recommendations
August 10, 2009

From
American Payroll Association
Government Affairs Task Force
Subcommittee on Government Forms and Publications

To
The Internal Revenue Service
Tax Forms & Publications Division

And IRS Actions

As of August 2010:
21 adopted,
3 adopted but needs documentation, and
11 remain open.

SECTION 1 – ITEMS LEFT OVER FROM 2008

Publication 15 B – Left Over From 2008

3. Problem

Clarification is needed as to the different types of flexible spending accounts and their impact on an employee's eligibility to participate in a health savings account. At page 13, first column, second paragraph, it states, "Also, an employee's participation in a health flexible spending arrangement (FSA) or health reimbursement arrangement (HRA) generally disqualifies the individual (and employer) from making contributions to his or her HSA."

However, an individual may qualify to participate in a HSA if he or she is participating in only a limited-purpose FSA or HRA, or a post-deductible FSA. Without this specificity, employers have been confused.

Recommendation

A sentence should be included to say, "However, an individual may qualify to participate in a HSA if he or she is participating in only a limited-purpose FSA or HRA, or a post-deductible FSA."

There would also need to be some definitions, such as the below from APA's The Payroll Source®.

Limited-purpose health FSA or HRA. A limited-purpose health FSA or HRA is one that only pays or reimburses permitted coverage benefits, such as vision care, dental care, or preventive care.

Post-deductible health FSA. A post-deductible health FSA is a health FSA that only pays or reimburses medical expenses for preventive care or medical expenses incurred after the minimum annual HDHP deductible is satisfied. No medical expenses incurred before the annual HDHP deductible is satisfied may be reimbursed by a post-deductible FSA, regardless of whether the HDHP covers the expense or whether the deductible is later satisfied.

Trish Hunter, CPP

IRS Response

Adopted. Publication 15 B now includes, "However, an individual may qualify to participate in a HSA if he or she is participating in only a limited-purpose FSA or HRA or a post-deductible FSA. For more information, see *Other employee health plans* in Publication 969." Publication 969 defines limited-purpose health FSA or HRA and post-deductible health FSA.

Form W-2 – Left Over From 2008

1. Problem

The employer instructions on the back of Copy D should mention the threshold for mandatory electronic filing.

Recommendation

The last sentence of the instructions could be rewritten as, “If you file electronically (required if submitting 250 or more Forms W-2), the due date is March 31, 2009.”

Bill Schmalle, CPP

IRS Response

Adopted.

2. Problem

The W-2 instructions may confuse employers about sending Forms W-2 to states that do not require their submission (including states that do require that they be provided to employees). At page 3, first column, it states, “Send Copy 1 of Form W-2 to your state, city or local tax department.” There is a similar statement at page 9, at the top of the first column.

Recommendation

This should be rewritten as, “Send Copy 1 of Form W-2, if required, to your state, city or local tax department.” A similar change should be made at page 9.

Bill Schmalle, CPP

IRS Response

Adopted.

3. Problem

Clarification is needed as to who may request a W-2 be provided at a time other than the employer's usual processing, which is discussed at page 3, second column, fourth paragraph.

Recommendation

Rewrite the first two sentences of that paragraph as, "If an employee's employment ends before December 31, 2008, you may furnish copies to the employee at any time after employment ends, but no later than February 2, 2009. If this employee makes a written request for Form W-2, give him or her the completed copies within 30 days of the request or within 30 days of the final wage payment, whichever is later."

Bill Schmalle, CPP

IRS Response

Adopted, other than the text about the request needing to be in writing, as that is not required, per Treasury regulation §30.6051-1(d).

4. Problem

The W-2 instructions make no reference to the Social Security Number Verification Service.

Recommendation

Include the below language.

Box a – Employee's social security number. [In the first paragraph, after the first sentence, insert:]

You can verify that employees' names and social security numbers match the records of Social Security by using the Social Security Number Verification Service (www.socialsecurity.gov/employer/ssnv.htm). It is a free service from Social Security. You can also call Social Security at 1-800-772-6270.

[Start a new paragraph with the existing second sentence of the first paragraph.]

Scott Mezistrano, CPP

IRS Response

Adopted.

5. Problem

Clarification is needed regarding insertion of double last names or hyphenated last names in Box e (instructions page 9, second column). Until more of the population has the new version of the social security card, which clearly identifies the last name by placing it on a separate line, this is going to continue to be a problem. If the name is not reported correctly, it can result in improper posting of wages to a taxpayer's account with the Social Security Administration, which will affect the eventual receipt of retirement, disability, or survivor's benefits.

Recommendation

The following is a combination of existing language and language from "Critical Links" on the Social Security website (<http://www.socialsecurity.gov/employer/critical.htm>, which was co-authored by Social Security and APA).

Boxes e and f—Employee's name and address. [Replace first paragraph with:]

Enter the name as shown on your employee's Social Security card (first, middle initial, last). If the name does not fit, you may show first initial, middle initial, and last name (and ignore the vertical line).

It's especially important to know the exact last name. If an employee provides a compound name or multiple last names, carefully question them to determine which name is the beginning of the last name and which (if any) is the middle name. If you are not certain of the correct last name, you may try various possibilities with the Social Security Number Verification Service (www.socialsecurity.gov/employer/ssnv.htm) until you find the correct last name.

Connect parts of a compound name with either a hyphen or a blank space. Do not join them into a single word. Include all parts of a compound name in the appropriate name field. For example, for the name "John R Smith-Jones," enter "Smith-Jones" or "Smith Jones" in the last name field.

If the name has changed, the employee must get a corrected card from any Social Security office. Use the name on the original card until you see the corrected one.

On paper Forms W-2 submitted to Social Security (Copy A),

- Do not show titles or academic degrees, such as "Dr.," "RN," or "Esq.," at the beginning or end of the employee's name.
- Do not enter "Jr.," "Sr.," etc., in the "Suff." Box unless the suffix appears on the card. Social Security prefers that you do not enter the suffix at all.

Judy Hahn, CPP, PHR

IRS Response

Adopted, except the text about ignoring the vertical line. APA will follow-up with IRS.

6. Problem

In Boxes c and f, clarification is needed as to whether to include a comma between the city and state in the employer's and employee's addresses. The Postal Service recommends that no comma be inserted (<http://www.usps.com/send/preparemailandpackages/labelsandaddressing/usingthecorrectaddress.htm>).

Recommendation

The instructions should clarify whether a comma is required.

Judy Hahn, CPP, PHR

IRS Response

Adopted.

7. Problem

A clarification is needed in the reporting instructions for Boxes 3 and 5. At page 10, toward the bottom of the first column, it states, "Include in box 5 any amounts reported in box 3." Although this is technically true, someone may interpret that as a requirement to add the amount of Box 3 wages to whatever would otherwise be reported in Box 5.

Recommendation

Eliminate that sentence. The directions for Box 5 make that sentence unnecessary.

Bill Schmalle, CPP

IRS Response

Adopted.

8. Problem

Clarification is needed on the reporting of restricted stock grants. At page 13, first column, the instructions for Box 12, Code V, state, "This reporting requirement does not apply to the exercise of a statutory stock option, or the sale or disposition of stock acquired pursuant to the exercise of a statutory stock option."

Recommendation

Clarify whether the income from the grant of restricted stock is to be reported with Code V.

Nora Daly, CPP

IRS Response

No response yet from Chief Counsel.

OPEN

9. Problem

Clarification is needed regarding the "Retirement Plan" checkbox in Box 13.

Under a qualified automatic contribution arrangement (QACA), employees may have automatic contributions to a § 401(k) plan, but they may elect within 90 days to opt out and receive a refund of their contributions.

If the employee does opt out, should the Retirement Plan checkbox be checked?

What if the contributions were made in one tax year, but the 90-day period crossed into the next tax year, and the employee opted out in that next tax year?

Jim Medlock, CPP

IRS Response

No response yet from Chief Counsel.

OPEN

Form W-2c – Left Over From 2008

1. Problem

The checkbox indicating a correction to the employee's name and/or SSN is too small. It's too small for impact printers to accurately mark it.

Recommendation

Make the checkbox the same size as the ones in Box 13.

Nora Daly, CPP

IRS Response

Adopted.

Form W-3c – Left Over From 2008 (Follow up with Doris Williams, IRS)

1. Problem

While Forms W-2, W-3, and W-2c allow space for 4 lines of text at a standard 12 pt. font for employer's name, address, city, state, and zip, the W-3c only allows 3 lines for the same information.

This is a problem when an employer has a d/b/a, a very long name, an address that requires two lines, or is in a foreign country where the country name should ideally be put on a separate line.

This causes the employer to have to devise a different configuration of its name/address information for the W-3c, as compared with the other three forms.

For example, it might complete the W-2, W-2c, and W-3 as:

ABC Company
dba XYZ Company
123 Main Street
Anytown USA

However, it would have to remember to change the configuration on the W-3c to

ABC Company dba XYZ Company
123 Main Street
Anytown USA

Could that increase the chance that the Social Security Administration would not be able to associate the W-3c with the correct employer?

Recommendation

Is there any way to enlarge Box b on the W-3c?

Yonina Shineweather, CPA

IRS Response

Adopt for next revision.

**Form 668-W, Notice of Levy on Wages, Salary, and Other Income
Left Over from 2008 – With Whom in IRS Collections Should APA Follow Up?**

1. Problem

When a federal tax levy is received by the employer, the employer provides Part 3 of the Notice to the employee. The employee must indicate the marital status that he or she will use on the next personal income tax return and must list the people that he or she may claim as personal exemptions on the next personal income tax return. The marital status and the number of personal exemptions are used to determine the amount exempt from levy, using Publication 1494.

Once the amount exempt from levy is determined for that levy for that employee, it remains the same for all subsequent years, unless the employee completes a new Part 3. It may be in the employee's interest to complete a new Part 3 and have the amount exempt from levy recalculated for any number of reasons: there may be a change in marital status or the number of personal exemptions. In addition, Publication 1494 is reissued each year to allow for inflation adjustments to the amount exempt from levy. For at least the past ten years, the amounts exempt from levy have been increased.

However, there is currently not a blank Part 3 easily available to the taxpayer.

Recommendation

Make the form available on the IRS website so that taxpayers may complete a new Part 3 for any of the reasons noted above. We understand that IRS is reluctant to place Form 668-W on the website, as it is a notice that is issued by IRS, as opposed to a form that is submitted to IRS. So, alternatively, a new form could be developed that would contain only the information, instructions, and lines necessary for the employee to change the marital status or number of personal exemptions.

Emily Rook, CPP

IRS Response

We are unable to provide a response to this recommendation. Form 668-W is produced by IRS Collection, not Tax Forms and Publications. We passed this recommendations on to the office responsible for Form 668-W last year but have not received a response.

OPEN

[Note from APA: Meanwhile, one may call IRS Tax Forms at 1-800-Tax-Form to request a blank Form 668-W. *Also: does the employer need to forward an updated Part 3 to the IRS?*]

2. Problem

If an employee that is subject to a federal tax levy is also participating in a qualified automatic contribution arrangement (QACA) which has annual increases in the deferral percentages, are the increased QACA contributions considered an increase in deductions outside the control of the employee (meaning that they will come from the amount that would otherwise be remitted to the Treasury, as opposed to from the amount that is exempt from levy)? Does the answer differ depending on whether the participation in the QACA began before the levy was served?

Jim Medlock, CPP

IRS Response

We are unable to provide a response to this recommendation. Form 668-W is produced by IRS Collection, not Tax Forms and Publications. We passed this recommendations on to the office responsible for Form 668-W last year but have not received a response.

OPEN

3. Problem

The instructions to the employer (reverse of Part 1) require that the employee's name and social security number be written on the check to the U.S. Treasury.

"Make your check payable to United States Treasury. Please write on the check (not on a detachable stub) the taxpayer's name, identifying number(s), kind of tax, and tax periods shown on Part 1, and the words "LEVY PROCEEDS."

This places the employee's name and social security number – sensitive information with which one can easily commit identity theft – in front of a lot of people at the employer's office, the IRS (and/or its collection agencies), and the financial institutions which process the checks. An identity thief could also intercept the envelope, knowing that it contains this sensitive information.

This also causes problems from a practical point of view, as, for reasons of data security, an employee's SSN is often not stored in the payable systems that produce the checks to be sent to IRS.

In addition, for many employers, placing any information on the face of the check is not feasible. Some automated payables systems don't support such a function. The reality is that many employers are already placing this information on the check stub.

Recommendation

To address the data security and process concerns, and until IRS allows electronic remittance of tax levy withholdings (under consideration by IRS Advisory Council), we suggest that IRS

1. Assign each levy a levy number, and have the employer provide that number when remitting the payment instead of the social security number, and
2. Allow employers to use any of these methods to provide the identifying information for the payment:
 - a. Placing it on the face of the check,
 - b. Placing it on the check stub, or
 - c. Placing it on some separate piece of paper – either
 - i. A coupon provided by IRS, or
 - ii. A coupon provided by the employer.

Nora Daly, CPP

And the members of APA's GATF Government Forms and Publications Subcommittee

IRS Response

IRS Collection has improved the process to APA's satisfaction. Employers may send a single check and a detail listing. See

<http://legacy.americanpayroll.org/pdfs/pc2009/PCELEC0915.pdf>. Adopted, but this needs to be explained on Form 668-W.

4. Problem

The instructions for Form 668-W have incorrect information about the exemption from levy for certain types of payments.

On the back of Part 2 of the form are excerpts from the Internal Revenue Code.

Sec. 6334, Property Exempt From Levy:

- (a) Enumeration – There shall be exempt from this levy
 - (4) Unemployment benefits ...
 - (6) Certain annuity and pension payments ...
 - (7) Workman's compensation ...

However, under the Taxpayer Relief Act of 1997, "... unemployment compensation benefits, workers' compensation benefits, annuity and pension payments under the RRTA can be levied at 15%."

Recommendation

Add to the back of Part 2, § 6331(h)(1) and (2), which allow for such a levy on these generally exempt amounts, and § 6334(f), which makes a reference to Sec. 6331.

Nancy Larmore, CPP

IRS Response

We are unable to provide a response to this recommendation. Form 668-W is produced by IRS Collection, not Tax Forms and Publications. We passed this recommendations on to the office responsible for Form 668-W last year but have not received a response.

OPEN

Form 1040, Schedule A (Instructions) – Left Over from 2008

1. Problem

Clarification is needed on the deductibility of another state's disability tax. At page A-2, third column, in a list of deductible state taxes, it states, "Mandatory deductions you made to the California, New Jersey, or New York Nonoccupational Disability Benefit Fund, Rhode Island Temporary Disability Benefit Fund, or Washington State Supplemental Workmen's Compensation Fund."

The instructions are silent about the Hawaii Disability Insurance deductions although they are very similar to New York. New York and Hawaii require that employers provide disability insurance for workers and "allow" the employer to recoup a portion of the premium through deductions from the employee. In New York the maximum deduction is \$.60/week; in Hawaii the maximum is currently \$4.21/week.

Recommendation

Clarify whether the Hawaii disability premiums are deductible.

Nora Daly, CPP

IRS Response

The mandatory contributions that are listed as deductible as state and local income taxes are shown because guidance, usually revenue rulings, have been published that the taxes qualify to be deductible. We will forward information about the Hawaii Temporary Disability Insurance to Chief Counsel.

No response yet from Chief Counsel as of 7/2/10.

OPEN

2. Problem

Clarification is needed on the deductibility of other state and local taxes that are withheld from an employee's pay, such as the Pennsylvania Local Services Tax. APA could compile a list of all non-income taxes that may be withheld from an employee's pay.

Scott Mezistrano, CPP

IRS Response

The list of contributions or amounts that are withheld from an employee's pay that may be deductible is not meant to be all inclusive and we do not have space in the instructions to list every specific state or local withholding that may qualify to be deductible. Chief Counsel would have to rule whether a given type of withholding qualifies as a deductible tax before we could include it in the instructions.

[Note from APA: APA is compiling the list of all non-income taxes that may be withheld from an employee's pay. It will be forwarded to Chief Counsel for consideration. If it cannot be included in the printed instructions for Schedule A, perhaps it could be maintained on the IRS website.]

OPEN

Form 2159, Payroll Deduction Agreement – Left Over From 2008 Should APA Follow Up with IRS Collections?

1. Problem

Many employers do not know that they may decline to enter the agreement.

Although the instructions include a sentence that begins, “If you agree to participate, …” the form itself isn’t as explicit. Because this is an IRS form, I believe many employers feel they don’t have a choice, but must participate, sign the Form, and begin the withholding.

Recommendation

On the instructions page, use bold face for ““If you agree to participate.””

On the form itself, in the Employer section, provide two checkboxes, such as below.

- I agree to participate in the payroll deduction.
- I decline to participate in the payroll deduction.

In addition, the Employer section should tell the employer, if it declines to participate, whether it needs to return the form to anyone.

Nancy Larmore, CPP

IRS Response

We are unable to provide a response now. Form 2159 is produced by IRS Collection, not Tax Forms and Publications. We passed this suggestion on to the office responsible for Form 2159.

OPEN

SECTION 2 –NEW ITEMS FOR 2009

General Forms and Publications

1. Problem

After our shared success last year with Notice 1036 (released in November 2008, compared with December in 2007, because they didn't include the wage-bracket tables), we're wondering if any similar shortcuts can be discussed to enhance the release of Forms W-4 and W-5.

OPEN

2. Problem

If an employer completes a fill-in form on IRS's website, saves it to a computer hard drive, and prints, signs, and mails a copy to IRS, will the copy saved on the hard drive serve as a valid copy if the employer is audited? The instructions for the form should address that question. In addition, it should be addressed for all fill-in forms at <http://www.irs.gov/formspubs/article/0,,id=98121,00.html>

OPEN

3. Problem

Sometimes, when looking on the IRS website in the Forms and Publications area, we'll notice that a form or publication has been re-posted with a new posting date, but when we look at the item itself, it has the same revision date as the last one. Can we assume that in these cases IRS has made a minor editorial correction? Can we assume that if there is a material change, it will be covered under "What's Hot In Tax Forms, Publications, and Other Tax Products"?

IRS Response

Sometimes a product must be reposted to the website for technical reasons even if there are no changes to the content, even a minor editorial correction. A new posting date must be given anytime a product is reposted. Any substantive change to a previously posted product will be covered under "What's Hot In Tax Forms, Publications, and Other Tax Products."

Publication 15

1. Problem

On Page 18, on the lower right, there is a discussion of “International Social Security Agreements.” These are commonly known as “totalization agreements,” and they are referred to as such on Social Security’s website, but, in this publication, the word “totalization” is never mentioned. I am concerned that employers may become confused.

Recommendation

Change the first sentence to, “The United States has social security agreements, also known as totalization agreements, with many countries ...”

Bill Schmalle, CPP

IRS Response

Adopted.

2. Problem

On page 35, in the chart, “Special Rules for Various Types of Services and Payments,” there is mention of “Railroads: Payments subject to the Railroad Retirement Act,” but no explanatory information is provided.

Recommendation

Refer readers to Publication 915, *Social Security and Equivalent Railroad Retirement Benefits*, and to <http://www.irs.gov/businesses/article/0,,id=203118,00.html>.

Bill Schmalle, CPP

IRS Response

Adopted the reference to Publication 915.

Publication 15 B

1. Problem

The discussion of Lease Value Rule (pages 25-27) does not say to pro-rate the value of the automobile by the percentage of personal miles out of total miles.

Recommendation

In the second paragraph under this topic (page 25, first column), add, after the first sentence: "In order to do this, the employee must account to the employer for the business use. This is done by substantiating the usage (e.g., mileage), the time and place of the travel, and the business purpose of the travel. Written records made at the time of each business use are the best evidence. Any use of a company-provided vehicle that is not substantiated as business use is defined by the IRC to be personal use and is included in income."

In the second column on page 25, add a step 3: Multiply the annual lease value by the percentage of personal miles out of total miles driven by the employee.

IRS Response

We forwarded this recommendation to the persons responsible for Publication 15-B.

OPEN

Publication 1141, General Rules and Specifications for Substitute Forms W-2 and W-3

1. Problem

At page 12, it says

“.05 Employee copies of Form W-2 (Copies B, C, and 2), including those that are printed on a single sheet of paper, must be easily separated. Providing perforations between the individual copies satisfies this requirement, but using scissors to separate Copies B, C, and 2 does not.

“Note. The perforation requirement in this section does not apply to printouts of copies of Forms W-2 that are furnished electronically to ...”

In today's economy, employers are not willing to pay extra for perforated paper to furnish W-2s to their employees. We have customers asking if they can provide their employees' W-2 copies B, C and 2 on blank white paper, using a pdf file.

Recommendation

Remove the requirement that employers use perforated paper for employee W-2s. Many employers are ignoring this requirement.

Nora Daly, CPP

IRS Response

Will be adopted in the 2010 edition.

Publication 1281, Backup Withholding for Missing and Incorrect Name/TIN(s)

1. Problem

The different size categories of employers are designated as below.

Large Filer250 or more error documents;
Mid Size Filer ...Less than 250 error documents and greater than 50 error documents;
Small Filer Less than 50 error documents.

In which category is a payor if it has exactly 50 error documents?

Jim Medlock, CPP

IRS Response

On August 18, 2009, Virginia Tarris, IRS, wrote, “An employer with 50 error documents is a Mid Size Filer. The IRM will be corrected.”

OPEN (the question was answered, but the publication needs to be updated).

Form W-2

1. Problem

Under “Deceased employee’s wages” (page 5, first column), there is no discussion of a check that was constructively received, but not cashed, before the employee’s death. Also, the conditions of wages first paid after death but in the same year as the death could be made clearer.

Recommendation

In the first paragraph, replace the second sentence with: “Wages that were constructively received by the employee while he or she was alive are reported on Form W-2 as any other regular wages, even though you may have to reissue the net check in the name of the estate or beneficiary.”

In the second paragraph, modify the first sentence slightly: “If you made the payment after the employee’s death but in the same year the employee died, ...”

IRS Response

Adopted.

2. Problem

When reporting prior-year deferrals under nonqualified deferred compensation plans as social security and Medicare wages (due to lapse of risk of forfeiture on the deferred amounts), the reported amount of the deferral should be adjusted by any gain or loss.

The discussion of Box 3 (page 10, second column, third paragraph) makes it sound as though the reporting adjustment for gain or loss should take place even if the deferrals are reported in the year in which the related services are performed (no risk of forfeiture). The discussion of Box 11 (page 11, second column, second paragraph) references “gains” but not “losses.”

Recommendation

In the discussion of Box 3, remove “(plus earnings)” from the first sentence. Add a second sentence: “If reporting these amounts in a subsequent year (due to lapse of risk of forfeiture), the amount must be adjusted by any gain or loss.

In the discussion of Box 11, change the verbiage in parenthesis to “(plus earnings or less losses).”

IRS Response

Adopted.

3. Problem

The discussion of reporting the lease value of a vehicle in Box 14 (page 14, first column) may be confusing. In the discussion of Fringe Benefits (page 6, column 1), it says to report the lease value of vehicle in Box 14 only if you included 100% of the lease value in the employee's income. However, the discussion for Box 14 doesn't make that condition clear.

Recommendation

In the discussion of Box 14, change the first sentence to, "If you included 100% of a vehicle's annual lease value in the employee's income, it must also be reported here or on a separate statement to your employee."

IRS Response

Adopted.

4. Problem

If an employee was entitled to distributions of NQDC, but he is deceased, and the payments are being made to his beneficiary, what are the taxation and reporting requirements?

My inclination would be to report them like wages paid to deceased employees' beneficiaries, since NQDC distributions to live employees are reported on Form W-2 in Box 1. They would also be taxed for FICA if they haven't been taken into account for that purpose in an earlier year. If the employee is deceased, they would logically be reported to the beneficiary on Form 1099-MISC.

However,

- The W-2 instructions (page 11) say to report such distributions on Form 1099-R.
- The 1099-R instructions (page 1) say that such distributions are no longer reported on 1099-R, but on 1099-MISC.
- The 1099-MISC instructions (page 1, first column, and page 3, first column) discuss reporting of "death benefits" paid by a nonqualified plan, but they do not specifically mention "distributions" from a nonqualified plan.

If the statement on the 1099-R instructions is correct, then the statement in the W-2 instructions is wrong and should be corrected.

Mike O'Toole, Esq.

IRS Response

Adopted. (The answer is that this should be reported on 1099-MISC, and the form instructions have been updated.)

Form 941

1. Problem

The labeling of the lines in the adjustment section could be made more clear and uniform.

Recommendation

Change the labeling for line 7 as follows:

7 CURRENT QUARTER'S ADJUSTMENTS to social security and Medicare taxes.
See the instructions.

- 7a Current quarter's fractions of cents
- 7b Current quarter's adjustments for third-party sick pay
- 7c Current quarter's adjustments for tips and group-term life insurance

IRS Response

Adopted, as much as possible, given all the additions and changes to Form 941 this year.

2. Problem

The explanation of the choice of state abbreviation for line 16 could be clearer. Currently the instructions say, "In the spaces provided, write the two-letter U.S. Postal Service abbreviation for the bank branch in the state where you deposit your taxes using Form 8109 or initiate EFTPS transfers."

Recommendation

Rewrite the sentence as, "In the spaces provided, write the two-letter U.S. Postal Service abbreviation for state location of the bank branch where you deposit your taxes using Form 8109 or of the bank branch from which your taxes are transferred using EFTPS."

IRS Response

Adopted.

Forms 1099 and 1096

1. Problem

To prepare forms for submission to IRS, businesses have to purchase pre-printed Forms 1099 and 1096 each year and deal with form-alignment issues (compatibility with different accounting software and printers). They can't print the forms as black ink on white paper, due to the requirement for red drop-out ink. (See first paragraph under "2.1.4 Printing" at page 11 of <http://www.irs.gov/pub/irs-pdf/p1179.pdf>.)

Recommendation

IRS should allow these forms to be printed as black ink on white paper. This process has been successfully in place for Form W-3 and W-2 for many years. (Note that employers using black ink must submit a sample to SSA for prior approval. See bottom of page 3 to top of page 4 at <http://www.irs.gov/pub/irs-pdf/p1141.pdf>.)

Janet Friend

OPEN

Form 1099-G

1. Problem

A few states have implemented programs for paid family leave. Although employees pay the premium for this leave program with after tax dollars, the IRS has ruled that these programs "...are in the nature of unemployment compensation..." and should be reported in Box 1, Form 1099-G. This is not made clear in the instructions or the information for recipients.

Recommendation

Expand the description of Box 1, in the form instructions and "Instructions for Recipient" to include mention of state-run paid family leave programs.

Nora Daly, CPP

IRS Response

Adopted.