

DIRECT DEPOSIT OF REFUNDS

Enter all the required information to insure the refund is credited to the correct bank account. If an incorrect bank account number and/or Routing Transit Number (RTN) is entered by the taxpayer, preparer or electronic return originator, the IRS does not have the authority to recover the refund from the account holder that receives the refund in error. *Taxpayers must contact their financial institution to resolve the erroneous deposit.*

Taxpayers will receive a paper refund check and a notice if:

- Required information is missing or incomplete.
- RTN does not match the master list of valid RTNs.
- RTN is for a foreign bank.
- Power of Attorney is on file and third party is authorized to receive refund.
- Return is a decedent return.
- Return is for a prior year.
- \$10,000 or more in withholding and zero tax is owed.
- Math error of more than \$50.
- More than two direct deposits are requested for the same account.

What's new for 2001

Capital Gains distributions — Form 1040A

- Beginning in 2000, certain capital gain distributions can be reported on line 10 of Form 1040A. Because of this change, there is a conflict with the *caution* included in the instructions on the back of Copy B of the 2000 Form 1099-DIV. The caution tells recipients if there is an amount in Box 2a (total capital gain distributions), they must file Form 1040 and cannot use Form 1040A. However, because of the addition of line 10 on the 2000 Form 1040A, a recipient of Form 1099-DIV with an amount in box 2a may be able to file Form 1040A.
- The instructions for Form 1040A will contain a Capital Gains Tax Worksheet to figure the tax. The worksheet is similar to the one in the 1999 Form 1040 instructions.

Deducting student loan interest

If you paid interest on a qualified student loan, you may be able to deduct up to \$2,000 of the interest.

IRA deductions

You may be able to take an IRA deduction if you were covered by a retirement plan and your modified adjusted gross income is less than the amount shown below that applies to you.

- Single, head of household, or married filing separately and you lived apart from your spouse for all of 2000 — \$42,000
- Married filing jointly or qualifying widow(er) — \$62,000.

Mailing returns

You may be mailing returns to a different service center this year because the IRS has changed the filing location for several areas. If your clients receive an envelope with their

tax package, please use it. Otherwise, see *Where Do You File?* on the back cover of the instruction booklet or the chart on pages 9 and 10.

Standard mileage rate

The rate for business use of a vehicle during 2000 is 32½ cents per mile.

Earned Income Credit (EIC)

You may be able to take this credit if you earned income and modified adjusted gross income are less than \$31,152 (less than \$10,380 if you do not have any qualifying children).

Eligible foster child

Beginning in tax year 2000, a child is an eligible

foster child for the earned income credit (EIC) and the child tax credit if all the

following apply:

1. The child is your brother, sister, stepbrother or stepsister (or a descendant of your brother, sister, stepbrother or stepsister) or has been placed with you by an authorized placement agency.
2. You cared for that child as you would your own child.
3. The child lived with you for the whole year, except for temporary absences.

Previously, the child only had to meet 2. and 3. to be an eligible foster child.

Paid preparer authorization

If a taxpayer wants to allow the IRS to discuss their 2000 tax return with the paid preparer who signed it, they must check the *Yes* box in the signature area of the return.



CREDIT CARD PAYMENT OPTIONS

Taxpayers who charge payments made with automatic extensions of time to file or estimated tax payments on a credit card should not file paper Forms 4868 or 1040-ES.



The first-ever government Web site to provide the public with easy, one-stop access to all U.S. government resources.

REMEMBER:

Make checks payable to United States Treasury — not the IRS.

2001 TAX HINTS

TAX HINTS was produced with assistance from many sources, including employees in the Operating and Functional Divisions, as well as the tax professional community. Thanks to all who contributed and special thanks to the Austin Service Center Communications staff who contributed to the development and production of this document.

Service center transition changes filing locations

Some taxpayers will start sending their returns to a different address beginning with the 2001 filing season as the Internal Revenue Service (IRS) reorganizes its service center operations to focus on specific customer segments.

Taxpayers and their representatives will continue to contact the IRS in the same ways they do now. (See the list of Practitioner Hotline telephone numbers by state on page 19.) Also, taxpayers may continue to call any IRS toll-free number to get their account information. The call will automatically be routed to the IRS office responsible for providing the information.

In 2001, taxpayers should send their returns to the service center whose address is printed on the envelope in their tax package, listed in the instructions for each type of return or contained in the software used to prepare their electronic returns.

In the past, the 10 service centers received and processed tax and information returns, managed taxpayer accounts and conducted simple audits through correspondence and other enforcement actions. The IRS assigned these activities to a specific center based on the taxpayer's geographic location, without regard for the type of return.

As part of the modernization process, these activities will be assigned to a center based on two factors:

- Whether the return is an individual or business return.
- The taxpayer's geographic location.

This move allows the service centers to build experience in their particular customer segments and to improve the quality of work and the

service delivered to taxpayers.

When the transition is completed in the 2002 filing season, eight centers — Andover, Atlanta, Austin, Brookhaven, Fresno, Kansas City, Memphis and Philadelphia — will handle only the receipt and processing of individual returns (Forms 1040, 1040A 1040EZ and Forms 4868 and 2888, extensions). Cincinnati and Odgen will handle only the receipt and processing of business returns. Business returns include employment, estate and gift tax returns (Forms 706, 709, 940/940 EZ, 941/943/945, 1041, 1065, 1120 and 7004).

For the 2001 filing season, individuals in 12 states and businesses in 16 states will be affected. The following year, individual taxpayers in an additional 13 states and business taxpayers in an additional 18 states will be affected. At that point, all business filers will be sending their returns to either the Ogden or Cincinnati centers. Please refer to the following charts for a listing of affected states. Additional information is available on the IRS Web site at www.irs.gov/bus_info/tax_pro/index.html.



Get answers to all the most frequently asked questions about Tax Year 2000 at www.irs.gov/tax_edu/faq/index.html

**2000 - 2001 FILING SEASONS
SERVICE CENTER FILING LOCATIONS BY STATE**

STATE OF TAXPAYER	1040, 1040A, 1040EZ		706/709		940/940EZ, 941/943/945 1041, 1065, 1120, 7004	
	2000	2001	2000	2001	2000	2001
Alabama	Memphis	Memphis	Memphis	Memphis	Memphis	Memphis
Alaska	Ogden	Fresno	Ogden	Ogden	Ogden	Ogden
Arizona	Ogden	Ogden	Ogden	Ogden	Ogden	Ogden
Arkansas	Memphis	Memphis	Memphis	Cincinnati	Memphis	Ogden
California (except Sac)	Fresno	Fresno	Fresno	Fresno	Fresno	Fresno
California (only Sac)	Ogden	Ogden	Ogden	Ogden	Ogden	Ogden
Colorado	Ogden	Austin	Ogden	Ogden	Ogden	Ogden
Connecticut	Andover	Andover	Andover	Andover	Andover	Andover
Delaware	Philadelphia	Brookhaven	Philadelphia	Cincinnati	Philadelphia	Cincinnati
Florida	Atlanta	Atlanta	Atlanta	Atlanta	Atlanta	Atlanta
Georgia	Atlanta	Atlanta	Atlanta	Atlanta	Atlanta	Atlanta
Hawaii	Fresno	Fresno	Fresno	Cincinnati	Fresno	Ogden
Idaho	Ogden	Austin	Ogden	Ogden	Ogden	Ogden
Illinois	Kansas City	Kansas City	Kansas City	Kansas City	Kansas City	Kansas City
Indiana	Cincinnati	Philadelphia	Cincinnati	Cincinnati	Cincinnati	Cincinnati
Iowa	Kansas City	Kansas City	Kansas City	Cincinnati	Kansas City	Ogden
Kansas	Austin	Kansas City	Austin	Austin	Austin	Austin
Kentucky	Cincinnati	Memphis	Cincinnati	Cincinnati	Cincinnati	Cincinnati
Louisiana	Memphis	Memphis	Memphis	Cincinnati	Memphis	Ogden
Maine	Andover	Andover	Andover	Andover	Andover	Andover
Maryland	Philadelphia	Philadelphia	Philadelphia	Cincinnati	Philadelphia	Cincinnati
Massachusetts	Andover	Andover	Andover	Andover	Andover	Andover
Michigan	Cincinnati	Cincinnati	Cincinnati	Cincinnati	Cincinnati	Cincinnati
Minnesota	Kansas City	Kansas City	Kansas City	Cincinnati	Kansas City	Ogden
Mississippi	Memphis	Memphis	Memphis	Cincinnati	Memphis	Ogden
Missouri	Kansas City	Kansas City	Kansas City	Cincinnati	Kansas City	Ogden
Montana	Ogden	Austin	Ogden	Ogden	Ogden	Ogden

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	2000	2001	2000	2001	2000	2001
Nebraska	Ogden	Memphis	Ogden	Ogden	Ogden	Ogden
Nevada	Ogden	Ogden	Ogden	Ogden	Ogden	Ogden
New Hampshire	Andover	Andover	Andover	Andover	Andover	Andover
New Jersey	Brookhaven	Brookhaven	Brookhaven	Cincinnati	Brookhaven	Cincinnati
New Mexico	Austin	Austin	Austin	Austin	Austin	Austin
New York (Albany, Buffalo)	Andover	Andover	Andover	Andover	Andover	Andover
New York (Brklyn, Manh)	Brookhaven	Brookhaven	Brookhaven	Brookhaven	Brookhaven	Brookhaven
North Carolina	Memphis	Memphis	Memphis	Cincinnati	Memphis	Cincinnati
North Dakota	Ogden	Ogden	Ogden	Ogden	Ogden	Ogden
Ohio	Cincinnati	Cincinnati	Cincinnati	Cincinnati	Cincinnati	Cincinnati
Oklahoma	Austin	Austin	Austin	Austin	Austin	Austin
Oregon	Ogden	Kansas City	Ogden	Ogden	Ogden	Ogden
Pennsylvania	Philadelphia	Philadelphia	Philadelphia	Cincinnati	Philadelphia	Cincinnati
Rhode Island	Andover	Andover	Andover	Andover	Andover	Andover
South Carolina	Atlanta	Atlanta	Atlanta	Cincinnati	Atlanta	Cincinnati
South Dakota	Ogden	Ogden	Ogden	Ogden	Ogden	Ogden
Tennessee	Memphis	Memphis	Memphis	Memphis	Memphis	Memphis
Texas	Austin	Austin	Austin	Cincinnati	Austin	Ogden
Utah	Ogden	Ogden	Ogden	Ogden	Ogden	Ogden
Vermont	Andover	Andover	Andover	Andover	Andover	Andover
Virginia	Philadelphia	Philadelphia	Philadelphia	Philadelphia	Philadelphia	Philadelphia
Washington	Ogden	Ogden	Ogden	Ogden	Ogden	Ogden
Washington, DC	Philadelphia	Philadelphia	Philadelphia	Cincinnati	Philadelphia	Cincinnati
West Virginia	Cincinnati	Atlanta	Cincinnati	Cincinnati	Cincinnati	Cincinnati
Wisconsin	Kansas City	Kansas City	Kansas City	Cincinnati	Kansas City	Cincinnati
Wyoming	Ogden	Austin	Ogden	Ogden	Ogden	Ogden

DATE OF BIRTH VALIDATION

For processing year 2001 (tax year 2000), the IRS will generally accept an electronically filed return with a Self-Select PIN even though there is not an exact match on the date of birth (DOB). However, returns *e-filed* through the On-line Filing Program must still have an exact DOB match, whether or not they include a Self-Select PIN.

The DOB field on all electronically filed returns using the Self-Select PIN for *e-file* will be verified. If the DOB does not match, but all other requirements are met, the return **will not be rejected**.

An indicator on the Acknowledgment File will identify if the primary, secondary or both taxpayers have invalid dates of birth. These taxpayers need to be advised to contact the Social Security Administration to have their records verified and corrected as necessary prior to the 2002 filing season.

The Acknowledgment Key record will contain the following on accepted and rejected returns.

Date of Birth Validity Code (Field 0117) values:

- 0 DOB validation not required
- 1 DOB(s) valid
- 2 Primary DOB Invalid
- 3 Spouse DOB Invalid
- 4 Both DOBs Invalid

Processing for Reject Codes 673 and 674 will be bypassed.

What's new for 2001

IRS simplifies tax deposit rules for small business

Beginning Jan. 1, 2001, many small businesses will be allowed to make employment tax payments on a quarterly basis instead of making monthly deposits.

Under the new rules, the IRS will allow businesses that file Forms 941 to make payments every three months if they have less than \$2,500 in quarterly employment taxes. It replaces the current standard, which allows quarterly payments only if businesses have less than \$1,000 in quarterly employment taxes. Small businesses above the new threshold must make payments on a monthly basis.

The difference between the \$1,000 and \$2,500 thresholds affects payment requirements for about 1 million businesses. In all, these businesses deposit

\$6.6 billion, about 13 percent of the \$52.7 billion in total employment tax deposits.

One way small businesses will benefit from this change is that quarterly deposits greatly reduce their burden of making frequent monthly deposits.

Small businesses with employment taxes that are less than \$2,500 per quarter may pay the employment taxes when they file Form 941, *Employer's Quarterly Federal Tax Return*. Only employers with employment taxes of \$2,500 or more per quarter must deposit the tax with an authorized financial institution. Form 943 filers may pay with the return if the taxes are less than \$2,500 per calendar year.

New Taxpayer Rights Corner on the Web

The IRS has created a new Web section for taxpayers seeking information about their rights when dealing with the nation's tax agency. The *Taxpayer Rights Corner* can be accessed at www.irs.gov/ind_info/txpyr_rights/index.html

The new page is designed to be an easy, one-stop shop that brings a variety of taxpayer rights issues into one convenient place. Previously, much of the material was located in different parts of the IRS Web site. The topics included on the page range from basic taxpayer information to detailed steps on how to get help from the IRS. You could find it useful as a quick reference tool, or you could refer your clients to the page for detailed explanations of their rights. The Web page reflects the agency's continuing commitment to safeguarding taxpayer rights.

Among the areas highlighted on the Web page:

- Know Your Rights spells out basic taxpayer rights.
- The notice section gives quick links to understanding IRS notices.
- For examination and collection issues, the Taxpayer Rights Corner connects to publications detailing step-by-step IRS processes.
- If taxpayers have a disagreement with the IRS, information is available in the Appeal Rights section.
- Taxpayers with difficulty solving their problems through normal IRS channels can contact the Taxpayer Advocate Service.
- The site also has information on questions involving legal representation and confidentiality privileges.

The IRS will no longer accept paper returns in the 1040PC format

Beginning in the 2001 processing year, the IRS will no longer accept returns in the 1040PC format.

The Form 1040PC is a condensed, computer-generated paper return illustrating only those lines used by a taxpayer. This discontinuation parallels the IRS's decision to support Electronic Tax Administration as the preferred way of doing business for the future, particularly electronic filing (*e-file*) and payment options for individual taxpayers. The availability of IRS *e-file* from a personal computer and the addition of more complex returns to the IRS *e-file* program have further reduced the need for the Form 1040PC format.

Taxpayers and tax preparers accustomed to the Form 1040PC format should note that this paper filing option will not exist for the 2001 filing season and instead are encouraged to consider IRS *e-file* — the fastest, most accurate way to file!

For practitioner-prepared returns: Where to file 2000 Forms 1040, 1040A and 1040EZ only

If your client lives in:	Without payment	With payment
Florida, Georgia, South Carolina, West Virginia	Atlanta, GA 39901-0002	P.O. Box 105093 Atlanta, GA 30348-5093
Delaware, New Jersey, New York (New York City and Counties of Nassau, Rockland, Suffolk, and Westchester)	Holtsville, NY 00501-0002	P.O. Box 1187 Newark, NJ 07101-1187
New York (<i>all other counties</i>), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Andover, MA 05501-0002	P.O. Box 371361 Pittsburgh, PA 15250-7361
Illinois, Iowa, Kansas, Minnesota, Missouri, Oregon, Wisconsin	Kansas City, MO 64999-0002	P.O. Box 970011 St. Louis, MO 63197-0011
District of Columbia, Indiana, Maryland, Pennsylvania, Virginia	Philadelphia, PA 19255-0002	P.O. Box 8530 Philadelphia, PA 19162-8530
Michigan, Ohio	Cincinnati, OH 45999-0002	P.O. Box 6223 Chicago, IL 60680-6223
Colorado, Idaho, Montana, New Mexico, Oklahoma, Texas, Wyoming	Austin, TX 73301-0002	P.O. Box 970016 St. Louis, MO 63197-0016
Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Nevada, North Dakota, South Dakota, Utah, Washington	Ogden, UT 84201-0002	P.O. Box 7704 San Francisco, CA 94120-7704
California (all other counties), Alaska, Hawaii	Fresno, CA 93888-0002	P.O. Box 60000 Los Angeles, CA 90060-6000
Alabama, Arkansas, Kentucky, Louisiana, Mississippi, Nebraska, North Carolina, Tennessee	Memphis, TN 37501-0002	P.O. Box 1214 Charlotte, NC 28201-1214
All APO and FPO addresses, American Samoa, nonpermanent residents of Guam or the Virgin Islands*, Puerto Rico (or if excluding income under IRC section 933), a foreign country: U.S. citizens and those filing Form 2555, 2555-EZ, or 4563	Philadelphia, PA 19255-0215 USA	P.O. Box 7328 Philadelphia, PA 19162-7328

* Permanent residents of Guam should use: Department of Revenue and Taxation, Government of Guam, P.O. Box 23607, GMF, GU 96921; permanent residents of the Virgin Islands should use: V.I. Bureau of Internal Revenue, 9601 Estate Thomas, Charlotte Amalie, St. Thomas, VI 00802