June 22, 2022

CPA Continuing Education Society of Pennsylvania

"IRS Updates"

Topics:

1) 2022 Filing Season Recap

2) 1099-K Reporting in 2022

3) Virtual Currency Tax Issues

4) Tax Pro Accounts

5) Data Security for Tax Professionals

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Money received through 'crowdfunding' may be taxable; taxpayers should understand their obligations and the benefits of good recordkeeping

FS-2022-20, March 2022

Understanding Crowdfunding
Crowdfunding is a method of raising money through websites by soliciting contributions from a large number of people. The contributions may be solicited to fund businesses, for charitable donations, or for gifts. In some cases, the money raised through crowdfunding is solicited by crowdfunding organizers on behalf of other people or businesses. In other cases, people establish crowdfunding campaigns to raise money for themselves or their businesses.

Receipt of a Form 1099-K for Distributions of Money Raised Through Crowdfunding
The crowdfunding website or its payment processor may be required to report distributions of money raised if the amount distributed meets certain reporting thresholds by filing Form 1099-K, *Payment Card and Third Party Network Transactions*, with the IRS. If Form 1099-K is required to be filed with the IRS, the crowdfunding website or its payment processor must also furnish a copy of that form to the person to whom the distributions are made. The American Rescue Plan Act clarifies that the crowdfunding website or its payment processor is not required to file Form 1099-K with the IRS or furnish it to the person to whom the distributions are made if the contributors to the crowdfunding campaign do not receive goods or services for their contributions.

Prior to 2022, the threshold for a crowdfunding website or payment processor to file and furnish a Form 1099-K was met if, during a calendar year, the total of all payments distributed to a person exceeded $20,000 in gross payments resulting from more than 200 transactions or donations.

For calendar years beginning after December 31, 2021, the threshold is lowered and is met if, during a calendar year, the total of all payments distributed to a person exceeds $600 in gross payments, regardless of the number of transactions or donations.

Accordingly, if a crowdfunding website or its payment processor makes distributions of money raised that meet the reporting threshold, and the contributors to the crowdfunding campaign received goods or services for their contributions, then a Form 1099-K is required to be filed with the IRS. Additionally, if the distributions of the money raised are made to the crowdfunding organizer, a copy of the Form 1099-K must be furnished to the organizer; alternatively, if the distributions of the money raised are made directly to individuals or businesses for whom the organizer solicited funds, the Form 1099-K must be furnished to those individuals or businesses that receive amounts that meet the reporting threshold.

A person receiving a Form 1099-K for distributions of money raised through crowdfunding may not recognize the filer's name on the form. Sometimes the payment processor used by the crowdfunding website, rather than the crowdfunding website itself, will issue the Form 1099-K and be included as the filer on the form. If the recipient of a Form 1099-K does not recognize the filer's name or the amounts included on the Form 1099-K, the recipient can use the filer's telephone number listed on the form to contact a person knowledgeable about the payments reported.

Box 1 on the Form 1099-K will show the gross amount of the distributions made to a person during the calendar year, but issuance of a Form 1099-K doesn't automatically mean the amount reported on the form is taxable to the person receiving the form. As discussed below, the income tax consequences depend on all the facts and circumstances. If the distributions reported on a Form 1099-K are not reported on the tax return of

the recipient of the form, the IRS may contact the recipient for more information. The recipient will have the opportunity to explain why the crowdfunding distributions were not reported on the recipient's tax return.

Tax Treatment of Money Raised Through Crowdfunding
Under federal tax law, gross income includes all income from whatever source derived unless it is specifically excluded from gross income by law. In most cases, property received as a gift is not includible in the gross income of the person receiving the gift.

If a crowdfunding organizer solicits contributions on behalf of others, distributions of the money raised to the organizer may not be includible in the organizer's gross income if the organizer further distributes the money raised to those for whom the crowdfunding campaign was organized.

If crowdfunding contributions are made as a result of the contributors' detached and disinterested generosity, and without the contributors receiving or expecting to receive anything in return, the amounts may be gifts and therefore may not be includible in the gross income of those for whom the campaign was organized. Contributions to crowdfunding campaigns are not necessarily a result of detached and disinterested generosity, and therefore may not be gifts. Additionally, contributions to crowdfunding campaigns by an employer to, or for the benefit of, an employee are generally includible in the employee's gross income.

Taxpayers may want to consult a trusted tax professional for information and advice regarding how to treat amounts received from crowdfunding campaigns.

Recordkeeping for Money Raised Through Crowdfunding
Crowdfunding organizers and any person receiving amounts from crowdfunding should keep complete and accurate records of all facts and circumstances surrounding the fundraising and disposition of funds for at least three years.

Links
About Form 1099-K, Payment Card and Third Party Network Transactions
Understanding Your Form 1099-K
General FAQs on Payment Card and Third Party Network Transactions
Gig Economy Tax Center

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IRS increases mileage rate for remainder of 2022

IR-2022-124, June 9, 2022

WASHINGTON — The Internal Revenue Service today announced an increase in the optional standard mileage rate for the final 6 months of 2022. Taxpayers may use the optional standard mileage rates to calculate the deductible costs of operating an automobile for business and certain other purposes.

For the final 6 months of 2022, the standard mileage rate for business travel will be 62.5 cents per mile, up 4 cents from the rate effective at the start of the year. The new rate for deductible medical or moving expenses (available for active-duty members of the military) will be 22 cents for the remainder of 2022, up 4 cents from the rate effective at the start of 2022. These new rates become effective July 1, 2022. The IRS provided legal guidance on the new rates in Announcement 2022-13, issued today.

In recognition of recent gasoline price increases, the IRS made this special adjustment for the final months of 2022. The IRS normally updates the mileage rates once a year in the fall for the next calendar year. For travel from Jan. 1 through June 30, 2022, taxpayers should use the rates set forth in Notice 2022-03.

"The IRS is adjusting the standard mileage rates to better reflect the recent increase in fuel prices," said IRS Commissioner Chuck Rettig. "We are aware a number of unusual factors have come into play involving fuel costs, and we are taking this special step to help taxpayers, businesses and others who use this rate."

While fuel costs are a significant factor in the mileage figure, other items enter into the calculation of mileage rates, such as depreciation and insurance and other fixed and variable costs.

The optional business standard mileage rate is used to compute the deductible costs of operating an automobile for business use in lieu of tracking actual costs. This rate is also used as a benchmark by the federal government and many businesses to reimburse their employees for mileage.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

The 14 cents per mile rate for charitable organizations remains unchanged as it is set by statute.

Midyear increases in the optional mileage rates are rare, the last time the IRS made such an increase was in 2011.

Mileage Rate Changes

Purpose	Rates 1/1 through 6/30/22	Rates 7/1 through 12/31/22
Business	58.5	62.5
Medical/Moving	18	22
Charitable	14	14

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Virtual Currency

Have questions about virtual currency? Check out IRS.gov

The IRS uses the term “virtual currency” to describe the various types of virtual currency that are used as a medium of exchange, such as digital currency and cryptocurrency. Regardless of the label applied, if a particular asset has the characteristics of virtual currency, it will be treated as virtual currency for federal income tax purposes.

Virtual currency transaction reporting

When you sell, exchange, or use virtual currency, to pay for goods or services, or otherwise dispose of virtual currency, you must report this to the IRS. For more information on capital assets, capital gains, and capital losses, see **Publication 544, Sales and Other Dispositions of Assets**.

Record keeping

You must maintain records documenting receipts, sales, exchanges or other dispositions of virtual currency and the fair market value of the virtual currency.

Visit the virtual currencies page on IRS.gov for more information.

Publication 5643 (5-2022) Catalog Number 93015T Department of the Treasury **Internal Revenue Service** www.irs.gov

IRS letters going out to taxpayers who may need to take action related to Qualified Opportunity Funds

IR-2022-79, April 12, 2022

WASHINGTON — The Internal Revenue Service announced today that taxpayers who may need to take additional actions related to Qualified Opportunity Funds (QOFs) should begin receiving letters in the mail in April.

Taxpayers who attached Form 8996, Qualified Opportunity Fund, to their return may receive Letter 6501, Qualified Opportunity Fund (QOF) Investment Standard. This letter lets them know that information needed to support the annual certification of investment standard is missing, invalid or the calculation isn't supported by the amounts reported. If they intend to maintain their certification as a QOF, they may need to take additional action to meet the annual self-certification of the investment standard requirement.

To correct the annual maintenance certification of the investment standard, these taxpayers should file an amended return or an administrative adjustment request (AAR). If an entity that receives the letter fails to act, the IRS may refer its tax account for examination. Investors who made an election to defer tax on eligible gains invested in that entity may also be subject to examination.

Additionally, taxpayers may receive Letter 6502, Reporting Qualified Opportunity Fund (QOF) Investments, or Letter 6503, Annual Reporting Of Qualified Opportunity Fund (QOF) Investments. These letters notify them that they may not have properly followed the instructions for Form 8997, Initial and Annual Statement of Qualified Opportunity Fund (QOF) Investments, since it appears that information is missing, invalid or that they may not have properly followed the requirements to maintain their qualifying investment in a QOF with the filing of the form.

If these taxpayers intend to maintain a qualifying investment in a QOF, they can file an amended return or an AAR with a properly completed Form 8997 attached. Failure to act will mean those who received the letter may not have a qualifying investment in a QOF and the IRS may refer their tax accounts for examination. This may result in letter recipients owing taxes, interest and penalties on gains not properly deferred.

For general information, visit the Opportunity Zones page on IRS.gov.

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IRS warns taxpayers of ‘Dirty Dozen’ tax scams for 2022

IR-2022-113, June 1, 2022

WASHINGTON – The Internal Revenue Service today began its "Dirty Dozen" list for 2022, which includes potentially abusive arrangements that taxpayers should avoid.

The potentially abusive arrangements in this series focus on four transactions that are wrongfully promoted and will likely attract additional agency compliance efforts in the future. Those four abusive transactions involve charitable remainder annuity trusts, Maltese individual retirement arrangements, foreign captive insurance, and monetized installment sales.

"Taxpayers should stop and think twice before including these questionable arrangements on their tax returns," said IRS Commissioner Chuck Rettig. "Taxpayers are legally responsible for what's on their return, not a promoter making promises and charging high fees. Taxpayers can help stop these arrangements by relying on reputable tax professionals they know they can trust."

The four potentially abusive transactions on the list are the first four entries in this year’s Dirty Dozen series. In coming days, the IRS will focus on eight additional scams, with some focused on the average taxpayer and others focused on more complex arrangements that promoters market to higher-income individuals.

"A key job of the IRS is to identify emerging threats to compliance and inform the public so taxpayers are not victimized, and tax practitioners can provide their clients the best advice possible," Rettig said.

"The IRS views the four transactions listed here as potentially abusive, and they are very much on our enforcement radar screen.”

The IRS reminds taxpayers to watch out for and avoid advertised schemes, many of which are now promoted online, that promise tax savings that are too good to be true and will likely cause taxpayers to legally compromise themselves.

Taxpayers, tax professionals and financial institutions must be especially vigilant and watch out for all sorts of scams from simple emails and calls to highly questionable but enticing online advertisements.

The first four on the “Dirty Dozen” list are described in more details as follows:

Use of Charitable Remainder Annuity Trust (CRAT) to Eliminate Taxable Gain. In this transaction, appreciated property is transferred to a CRAT. Taxpayers improperly claim the transfer of the appreciated assets to the CRAT in and of itself gives those assets a step-up in basis to fair market value as if they had been sold to the trust. The CRAT then sells the property but does not recognize gain due to the claimed step-up in basis. The CRAT then uses the proceeds to purchase a single premium immediate annuity (SPIA). The beneficiary reports, as income, only a small portion of the annuity received from the SPIA. Through a misapplication of the law relating to CRATs, the beneficiary treats the remaining payment as an excluded portion representing a return of investment for which no tax is due. Taxpayers seek to achieve this

inaccurate result by misapplying the rules under sections 72 and 664.

Maltese (or Other Foreign) Pension Arrangements Misusing Treaty. In these transactions, U.S. citizens or U.S. residents attempt to avoid U.S. tax by making contributions to certain foreign individual retirement arrangements in Malta (or possibly other foreign countries). In these transactions, the individual typically lacks a local connection, and local law allows contributions in a form other than cash or does not limit the amount of contributions by reference to income earned from employment or self-employment activities. By improperly asserting the foreign arrangement is a "pension fund" for U.S. tax treaty purposes, the U.S. taxpayer misconstrues the relevant treaty to improperly claim an exemption from U.S. income tax on earnings in, and distributions from, the foreign arrangement.

Puerto Rican and Other Foreign Captive Insurance. In these transactions, U.S owners of closely held entities participate in a purported insurance arrangement with a Puerto Rican or other foreign corporation with cell arrangements or segregated asset plans in which the U.S. owner has a financial interest. The U.S. based individual or entity claims deductions for the cost of "insurance coverage" provided by a fronting carrier, which reinsures the "coverage" with the foreign corporation. The characteristics of the purported insurance arrangements typically will include one or more of the following: implausible risks covered, non-arm's-length pricing, and lack of business purpose for entering into the arrangement.

Monetized Installment Sales. These transactions involve the inappropriate use of the installment sale rules under section 453 by a seller who, in the year of a sale of property, effectively receives the sales proceeds through purported loans. In a typical transaction, the seller enters into a contract to sell appreciated property to a buyer for cash and then purports to sell the same property to an intermediary in return for an installment note. The intermediary then purports to sell the property to the buyer and receives the cash purchase price. Through a series of related steps, the seller receives an amount equivalent to the sales price, less various transactional fees, in the form of a purported loan that is nonrecourse and unsecured.

Taxpayers who have engaged in any of these transactions or who are contemplating engaging in them should carefully review the underlying legal requirements and consult independent, competent advisors before claiming any purported tax benefits. Taxpayers who have already claimed the purported tax benefits of one of these four transactions on a tax return should consider taking corrective steps, such as filing an amended return and seeking independent advice. Where appropriate, the IRS will challenge the purported tax benefits from the transactions on this list, and the IRS may assert accuracy-related penalties ranging from 20% to 40%, or a civil fraud penalty of 75% of any underpayment of tax.

While this list is not an exclusive list of transactions the IRS is scrutinizing, it represents some of the more common trends and transactions that may peak during filing season as returns are prepared and filed. Taxpayers and practitioners should always be wary of participating in transactions that seem "too good to be true."

The IRS remains committed to having a strong, visible, robust tax enforcement presence to support voluntary compliance. To combat the evolving variety of these potentially abusive transactions, the IRS created the Office of Promoter Investigations (OPI) to coordinate service-wide enforcement activities and focus on participants and the promoters of abusive tax avoidance transactions. The IRS has a variety of means to find potentially abusive transactions,

including examinations, promoter investigations, whistleblower claims, data analytics and reviewing marketing materials.

IRS continues with Dirty Dozen this week, urging taxpayers to continue watching out for pandemic-related scams including theft of benefits and bogus social media posts

IR-2022-117, June 6, 2022

WASHINGTON – The Internal Revenue Service today kicked off the week with the 5th item on its 2022 annual "Dirty Dozen" scams warning list, with a sad reminder that criminals still use the COVID-19 pandemic to steal people's money and identity with bogus emails, social media posts and unexpected phone calls, among other things.

These scams can take a variety of forms, including using unemployment information and fake job offers to steal money and information from people. All of these efforts can lead to sensitive personal information being stolen, with scammers using this to try filing a fraudulent tax return as well as harming victims in other ways.

"Scammers continue using the pandemic as a device to scare or confuse potential victims into handing over their hard-earned money or personal information," said IRS Commissioner Chuck Rettig. "I urge everyone to be leery of suspicious calls, texts and emails promising benefits that don't exist."

The IRS has compiled the annual Dirty Dozen list for more than 20 years as a way of alerting taxpayers and the tax professional community about scams and schemes. The list is not a legal document or a literal listing of agency enforcement priorities. It is designed to raise awareness among a variety of audiences that may not always be aware of developments involving tax administration.

"Caution and awareness are our best lines of defense against these criminals," Rettig added. "Everyone should verify information on a trusted government website, such as IRS.gov."

A common scam the IRS continues to see during this period involves using crises that affect all or most people in the nation, such as the COVID-19 pandemic. Some of the scams for which people should continue to be on the lookout include:

Economic Impact Payment and tax refund scams: Identity thieves who try to use Economic Impact Payments (EIPs), also known as stimulus payments, are a continuing threat to individuals. Similar to tax refund scams, taxpayers should watch out for these tell-tale signs of a scam:

Any text messages, random incoming phone calls or emails inquiring about bank account information, requesting recipients to click a link or verify data should be considered suspicious and deleted without opening. This includes not just stimulus payments, but tax refunds and other common issues.

Remember, the IRS won't initiate contact by phone, email, text or social media asking for Social Security numbers or other personal or financial information related to Economic Impact Payments. Also be alert to mailbox theft. Routinely check your mail and report suspected mail losses to postal inspectors.

Reminder: The IRS has issued all Economic Impact Payments. Most eligible people already received their stimulus payments. People who are missing a stimulus payment or got less than the full amount may be eligible to claim a Recovery Rebate Credit on their 2020 or 2021 federal tax return. Taxpayers should remember that the IRS website, IRS.gov, is the agency's official website for information on payments, refunds and other tax information.

Unemployment fraud leading to inaccurate taxpayer 1099-Gs: Because of the pandemic, many taxpayers lost their jobs and received unemployment compensation from their state. However, scammers also took advantage of the pandemic by filing fraudulent claims for unemployment compensation using

stolen personal information of individuals who had not filed claims. Payments made on these fraudulent claims went to the identity thieves.

Taxpayers should also be on the lookout for a Form 1099-G reporting unemployment compensation they didn't receive. For people in this situation, the IRS urges them to contact their appropriate state agency for a corrected form. If a corrected form cannot be obtained so that a taxpayer can file a timely tax return, taxpayers should complete their return claiming only the unemployment compensation and other income they actually received. See Identity Theft and Unemployment Benefits for tax details and DOL.gov/fraud for state-by-state reporting information.

Fake employment offers posted on social media: There have been many reports of fake job postings on social media. The pandemic created many newly unemployed people eager to seek new employment. These fake posts entice their victims to provide their personal financial information. This creates added tax risk for people because this information in turn can be used to file a fraudulent tax return for a fraudulent refund or used in some other criminal endeavor.

Fake charities that steal your money: Bogus charities are always a problem. They tend to be a bigger threat when there is a national crisis like the pandemic.

Taxpayers who give money or goods to a charity may be able to claim a deduction on their federal tax return. Taxpayers must donate to a qualified charity to get a deduction. To check the status of a charity, use the IRS Tax Exempt Organization Search tool.

Here are some tips to remember about fake charity scams:

- Individuals should never let any caller pressure them. A legitimate charity will be happy to get a donation at any time, so there's no rush. Donors are encouraged to take time to do the research.

- Potential donors should ask the fundraiser for the charity's exact name, web address and mailing address, so it can be confirmed later. Some dishonest telemarketers use names that sound like large well-known charities to confuse people.

- Be careful how a donation is paid. Donors should not work with charities that ask them to pay by giving numbers from a gift card or by wiring money. That's how scammers ask people to pay. It's safest to pay by credit card or check — and only after having done some research on the charity.

For more information about avoiding fake charities, visit the Federal Trade Commission website.

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Dirty Dozen: IRS urges anyone having trouble paying their taxes to avoid anyone claiming they can settle tax debt for pennies on the dollar, known as OIC mills

IR-2022-119, June 7, 2022

WASHINGTON – As the 6th item on the 2022 "Dirty Dozen" scams warning list, the Internal Revenue Service today cautioned taxpayers with pending tax bills to contact the IRS directly and not go to unscrupulous tax companies that use local advertising and falsely claiming they can resolve unpaid taxes for pennies on the dollar.

“No one can get a better deal for taxpayers, than they can usually get for themselves by working directly with the IRS to resolve their tax issues,” said IRS Commissioner Chuck Rettig. “Taxpayers can check online for their best deal, as well as calling a specialized collection line where they can get fast service by using voice and chat bots or opting to speak with a live phone assistor."

Offer in Compromise (OIC) "mills" make outlandish claims usually in local advertising regarding how they can settle a person’s tax debt for pennies on the dollar. The reality usually is that taxpayers pay the OIC mill a fee to get the same deal they could have gotten on their own by working directly with the IRS.

The IRS has compiled the annual Dirty Dozen list for more than 20 years as a way of alerting taxpayers and the tax professional community about scams and schemes. The list is not a legal document or a literal listing of agency enforcement priorities. It is designed to raise awareness among a variety of audiences that may not always be aware of developments involving tax administration.

OIC mills are a problem all year long but tend to be more visible right after the filing season is over and taxpayers are trying to resolve their tax issues perhaps after receiving a balance due notice in the mail.

For those who feel they need help, there are many reputable tax professionals available, and there are important tools that can help people find the right practitioner for their needs. IRS.gov is a good place to start scoping out what to do.

These "mills" contort the IRS program into something it's not — misleading people with no chance of meeting the requirements while charging excessive fees, often thousands of dollars.

An "offer," or OIC, is an agreement between a taxpayer and the IRS that resolves the taxpayer's tax debt. The IRS has the authority to settle, or "compromise," federal tax liabilities by accepting less than full payment under certain circumstances. However, some promoters are inappropriately advising indebted taxpayers to file an OIC application with the IRS, even though the promoters know the person won't qualify. This costs honest taxpayers money and time.

Before taxpayers start investing time to do the paperwork necessary to submit an offer, they’ll want to check out the IRS’s Offer in Compromise Pre-Qualifier Tool to make sure they’re eligible to file one. (Note: even though individuals and businesses can submit an offer, the tool is

currently only available to individuals.)

The IRS also created an OIC video playlist that leads taxpayers through a series of steps and forms to help them calculate an appropriate offer based on their assets, income, expenses and future earning potential. Find these helpful, easy to navigate videos at irsvideos.gov/oic.

The IRS reminds taxpayers that under the First Time Penalty Abatement policy, taxpayers can go directly to the IRS for administrative relief from a penalty that would otherwise be added to their tax debt.

OIC mills are one example of unscrupulous tax preparers. Taxpayers should be wary of unscrupulous “ghost” preparers and aggressive promises of manufacturing a bigger refund.

Ghost preparers: Although most tax preparers are ethical and trustworthy, taxpayers should be wary of preparers who won't sign the tax returns they prepare, often referred to as ghost preparers. For e-filed returns, the "ghost" will prepare the return, but refuse to digitally sign as the paid preparer.

By law, anyone who is paid to prepare, or assists in preparing federal tax returns, must have a valid Preparer Tax Identification Number (PTIN). Paid preparers must sign and include their PTIN on the return.

Inflated refunds: Not signing a return is a red flag that the paid preparer may be looking to make a quick profit by promising a big refund or charging fees based on the size of the refund. Unscrupulous tax return preparers may also:

- Require payment in cash only and will not provide a receipt.
- Invent income to qualify their clients for tax credits.
- Claim fake deductions to boost the size of the refund.
- Direct refunds into their bank account, not the taxpayer's account.

Choose wisely. The Choosing a Tax Professional page on IRS.gov has information about tax preparer credentials and qualifications. The IRS Directory of Federal Tax Return Preparers with Credentials and Select Qualifications can help identify many preparers by type of credential or qualification.

Taxpayers are legally responsible for what’s on their tax return even if it is prepared by someone else.

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Dirty Dozen: Scammers use every trick in their communication arsenal to steal your identity, personal financial information, money and more

IR-2022-121, June 8, 2022

WASHINGTON – Suspicious communications in all its forms designed to either trick, surprise or scare someone into responding before thinking is No. 7 on the 2022 "Dirty Dozen" scams warning list, the Internal Revenue Service announced today, warning everyone to be on the lookout for bogus calls, texts, emails and posts online to gain trust or steal.

Criminals have used these methods for years and they persist because these tricks work enough times to keep the scammers at it. Victims are tricked into providing sensitive personal financial information, money or other information. This can be used to file false tax returns and tap into financial accounts, among other schemes.

“If you are surprised or scared by a call or text, it’s likely a scam so proceed with extreme caution,” said IRS Commissioner Chuck Rettig. “I urge everyone to verify a suspicious email or other communication independently of the message in question.”

The IRS has compiled the annual Dirty Dozen list for more than 20 years as a way of alerting taxpayers and the tax professional community about scams and schemes. The list is not a legal document or a literal listing of agency enforcement priorities. It is designed to raise awareness among a variety of audiences that may not always be aware of developments involving tax administration.

As part of the Security Summit effort with the states and the nation’s tax industry, the IRS has made great strides in preventing and reducing tax-related identity theft. But it remains a serious threat to taxpayers and tax professionals who don't adequately protect Social Security numbers (SSN) and other personal information.

For example, criminals can quickly file a fake tax return using a stolen SSN in the hope that it has not already appeared on another filed return. People frequently don't know they are a victim of identity theft until they are notified by the IRS of a possible issue with their tax return or their return is rejected because the SSN appears on a return already filed.

Here are some common scams the IRS continues to see. Taxpayers should take extra caution with these schemes, which continue to evolve and change:

Text message scams: These scams are sent to taxpayers' smartphones and can reference things like COVID-19 and/or "stimulus payments." These messages often contain bogus links claiming to be IRS websites or other online tools. Other than IRS Secure Access, the IRS does not use text messages to discuss personal tax issues, such as those involving bills or refunds. The IRS also will not send taxpayers messages via social media platforms.

If a taxpayer receives an unsolicited SMS/text that appears to be from either the IRS or a program closely linked to the IRS, the taxpayer should take a screenshot of the text message and include the screenshot in an email to phishing@irs.gov with the following information:

- Date, time and time zone they received the text message
- Phone number that received the text message
- The IRS reminds everyone NOT to click links or open attachments in unsolicited, suspicious or unexpected text messages whether from the IRS, state tax agencies or others in the tax community.

Email phishing scams: The IRS does not initiate contact with taxpayers by email to request personal or financial information. The IRS initiates most contacts through regular mail. If a taxpayer receives an unsolicited fraudulent email that appears to be from either the IRS or a program closely linked to the IRS, report it by sending the email as an attachment to phishing@irs.gov. The Report Phishing and Online Scams page at IRS.gov provides complete details.

Phone scams: The IRS does not leave pre-recorded, urgent or threatening messages. In many variations of the phone scam, victims are told if they do not call back, a warrant will be issued for their arrest. Other verbal threats include law-enforcement agency intervention, deportation or revocation of licenses.

Criminals can fake or "spoof" caller ID numbers to appear to be anywhere in the country, including from an IRS office. This prevents taxpayers from being able to verify the caller's true number. Fraudsters also have spoofed local sheriff's offices, state departments of motor vehicles, federal agencies and others, to convince taxpayers the call is legitimate.

The IRS (and its authorized private collection agencies) will never:

- Call to demand immediate payment using a specific payment method such as a prepaid debit card, gift card or wire transfer. The IRS does not use these methods for tax payments.
- Threaten to immediately bring in local police or other law-enforcement groups to have the taxpayer arrested for not paying.
- Demand that taxes be paid without giving the taxpayer the opportunity to question or appeal the amount owed.
- Ask for credit or debit card numbers over the phone.

Generally, the IRS will first mail a bill to any taxpayer who owes taxes. All tax payments should only be made payable to the U.S. Treasury and checks should never be made payable to third parties. For anyone who doesn't owe taxes and has no reason to think they do: Do not give out any information. Hang up immediately. For more information, see IR-2022-25.

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IRS wraps up 2022 ‘Dirty Dozen’ scams list; agency urges taxpayers to watch out for tax avoidance strategies

Cryptocurrency, non-filing, abusive syndicated conservation easement, abusive micro-captive deals make list

IR-2022-125, June 10, 2022

WASHINGTON – The Internal Revenue Service today wrapped up its annual "Dirty Dozen" scams list for the 2022 filing season, with a warning to taxpayers to avoid being misled into using bogus tax avoidance strategies.

The IRS warned taxpayers to watch out for promoters peddling these schemes. As part of its mission, the IRS is focused on high-income taxpayers who engage in various types of tax violations, ranging from the most basic, failing to file returns up to sophisticated transactions involving abusive syndicated conservation easement deals and abusive domestic micro-captive insurance arrangements.

“These tax avoidance strategies are promoted to unsuspecting folks with too-good-to-be-true promises of reducing taxes or avoiding taxes altogether,” said IRS Commissioner Chuck Rettig. "Taxpayers should not kid themselves into believing they can hide income from the IRS. The agency continues to focus on these deals, and people who engage in them face steep civil penalties or criminal charges.”

The IRS publishes the Dirty Dozen as part of a broad ranging effort to inform taxpayers. People should be careful not to get conned into using well-worn abusive arrangements with high fees as well as the other Dirty Dozen schemes.

The IRS has stepped up efforts on abusive schemes in recent years. As part of this wider effort, the IRS Office of Chief Counsel announced earlier this year it would hire up to 200 additional attorneys to help the agency combat abusive syndicated conservation easements and micro-captive transactions as well as other abusive schemes. (IR-2022-17).

Last week, the IRS kicked off the 2022 Dirty Dozen list (IR-2022-113) with four heavily promoted abusive deals that taxpayers need to avoid. The IRS followed this up with a number of common scams that can target average taxpayers. These consumer-focused scams can prey on any individual or organization, steal sensitive financial information or money, and in some cases leave the taxpayer to clean up the legal mess.

For today’s conclusion of the Dirty Dozen, the IRS highlights four other schemes that typically target high-net-worth individuals who are looking for ways to avoid paying taxes. Solicitations for investment in these schemes are generally more targeted than solicitations for widespread scams, such as email scams, that can hit anyone.

Hiding assets in what the taxpayer hopes is an anonymous account or simply not filing a return in the hopes of staying off the grid are tax avoidance scams that have been around for decades. The IRS remains committed to stopping these methods of cheating that short-change taxpayers

who reliably pay their fair share of taxes every year.

The IRS warns anyone thinking about using one of these schemes – or similar ones – that the agency continues to improve work in these areas thanks to new and evolving data analytic tools and enhanced document matching. These Dirty Dozen schemes cover:

Concealing Assets in Offshore Accounts and Improper Reporting of Digital Assets: The IRS remains focused on stopping tax avoidance by those who hide assets in offshore accounts and in accounts holding cryptocurrency or other digital assets.

International tax compliance is a top priority of the IRS. New patterns and trends emerging in complex international tax avoidance schemes and cross-border transactions have heightened concerns regarding the lack of tax compliance by individuals and entities with an international footprint. As international tax and money laundering crimes have increased, the IRS continues to protect the integrity of the U.S. tax system by helping American taxpayers to understand and meet their tax responsibilities and by enforcing the law with integrity and fairness, worldwide.

Over the years, numerous individuals have been identified as evading U.S. taxes by attempting to hide income in offshore banks, brokerage accounts or nominee entities. They then access the funds using debit cards, credit cards, wire transfers or other arrangements. Some individuals have used foreign trusts, employee-leasing schemes, private annuities and structured transactions attempting to conceal the true owner of accounts or insurance plans.

U.S. persons are taxed on worldwide income. The mere fact that money is placed in an offshore account does not put it out of reach of the U.S. tax system. U.S. persons are required, under penalty of perjury, to report income from offshore funds and other foreign holdings. The IRS uses a variety of sources to identify promoters who encourage others to hide their assets overseas.

Digital assets are being adopted by mainstream financial organizations along with many other parts of the economy. The proliferation of digital assets across the world in the last decade or so has created tax administration challenges regarding digital assets, in part because there is an incorrect perception that digital asset accounts are undetectable by tax authorities. Unscrupulous promoters continue to perpetuate this myth and make assertions that taxpayers can easily conceal their digital asset holdings.

The IRS urges taxpayers to not be misled into believing this storyline about digital assets and possibly exposing themselves to civil fraud penalties and criminal charges that could result from failure to report transactions involving digital assets.

"The IRS is able to identify and track otherwise anonymous transactions of international accounts as well as digital assets during the enforcement of our nation's tax laws," Rettig said. "We urge everyone to come into compliance with their filing and reporting responsibilities and avoid compromising themselves in schemes that will ultimately go badly for them."

High-income individuals who don’t file tax returns: The IRS continues to focus on people who choose to ignore the law and not file a tax return, especially those individuals earning more than $100,000 a year.

Taxpayers who exercise their best efforts to file their tax returns and pay their taxes, or enter into agreements to pay their taxes, deserve to know that the IRS is pursuing others who have failed to satisfy their filing and payment obligations. The good news is most people file on time and pay their fair share of tax.

Those who choose not to file a return even when they have a legal filing requirement, and especially those earning more than $100,000 per year who don't file, represent a compliance problem that continues to be a top priority of the IRS.

Here's a key reminder for taxpayers who may be wrongly persuaded that not filing their return is a smart move. The Failure to File Penalty is initially much higher than the Failure to Pay Penalty. It is more advantageous to file an accurate return on time and set up a payment plan if needed than to not file. The Failure to File Penalty is generally 5% of the unpaid taxes for each month or part of a month that a tax return is late. The penalty generally will not exceed 25% of unpaid taxes. The Failure to Pay Penalty is generally 0.5% of the unpaid taxes for each month or part of a month the tax remains unpaid. The penalty will not exceed 25% of unpaid taxes.

If a person's failure to file is deemed fraudulent, the penalty generally increases from 5 percent per month to 15 percent for each month or part of a month the return is late, with the maximum penalty generally increasing from 25 percent to 75 percent.

Abusive Syndicated Conservation Easements: In syndicated conservation easements, promoters take a provision of the tax law allowing for conservation easements and twist it by using inflated appraisals of undeveloped land (or, for a few specialized ones, the facades of historic buildings), and by using partnership arrangements devoid of a legitimate business purpose. These abusive arrangements do nothing more than game the tax system with grossly inflated tax deductions and generate high fees for promoters.

The IRS urges taxpayers to avoid becoming ensnared in these deals sold by unscrupulous promoters. If something sounds too good to be true, then it probably is. People can risk severe monetary penalties for engaging in questionable deals such as abusive syndicated conservation easements.

In the last five years, the IRS has examined many hundreds of syndicated conservation easement deals where tens of billions of dollars of deductions were improperly claimed. It is an agency-wide effort using a significant number of resources and thousands of staff hours. The IRS examines 100 percent of these deals and plans to continue doing so for the foreseeable future. Hundreds of these deals have gone to court and hundreds more will likely end up in court in the future.

"We are devoting a lot of resources to combating abusive conservation easements because it is important for fairness in tax administration," Commissioner Rettig stated. "It is not fair that wage-earners pay their fair share year after year but high-net-worth individuals can, under the guise of a real estate investment, avoid millions of dollars in tax through overvalued conservation easement contributions."

Abusive Micro-Captive Insurance Arrangements: In abusive "micro-captive" structures, promoters, accountants, or wealth planners persuade owners of closely held entities to participate in schemes that lack many of the attributes of insurance.

For example, coverages may "insure" implausible risks, fail to match genuine business needs or duplicate the taxpayer's commercial coverages. The "premiums" paid under these arrangements are often excessive and are used to skirt the tax law.

Recently, the IRS has stepped up enforcement against a variation using potentially abusive offshore captive insurance companies. Abusive micro-captive transactions continue to be a high-priority area of focus.

The IRS has conducted thousands of participant examination and promoter investigations, assessed hundreds of millions of dollars in additional taxes and penalties owed, and launched a successful settlement initiative. Additional information regarding the settlement initiative can be found at IR-2020-26. The IRS's activities have been sustained by the Independent Office of Appeals, and the IRS has won all micro-captive Tax Court and appellate court cases, decided on their merits, since 2017.

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U.S. Court of Appeals ruling affirms IRS position that abusive microcaptive insurance transactions are shams

IR-2022-118, June 7, 2022

WASHINGTON — The Internal Revenue Service today said that a recent court decision upholds its long-standing position regarding abusive microcaptive insurance transactions. Taxpayers should be alert to these schemes, normally peddled by promoters, as they will ultimately cost them.

On May 12, 2022, in Reserve Mechanical Corp. v. Commissioner, the United States Court of Appeals for the Tenth Circuit appropriately upheld the Internal Revenue Service's position on abusive microcaptive insurance transactions. The Tenth Circuit affirmed the Tax Court's decision holding that the taxpayer was not engaged in the insurance business and that the purported insurance premiums it received were therefore taxable. After the Tax Court decided in favor of the IRS in numerous cases involving microcaptives, Reserve Mechanical is the first appellate decision recognizing the IRS' position that these abusive transactions are shams.

The IRS encourages anyone considering entering a promoted microcaptive insurance transaction to first speak with a qualified, independent advisor. These transactions will result in serious economic loss to taxpayers, including the loss of deductions, required income inclusion and penalties. Taxpayers should understand that the IRS has asserted in many of these cases that the microcaptive insurance transactions lack economic substance and that when transactions are held to lack economic substance, then a 20% penalty (40% if undisclosed) will automatically apply, and it cannot be waived or reduced by the IRS or the courts.

Likewise, taxpayers who have already engaged in such a transaction should speak with a qualified independent tax advisor about their options. The IRS previously offered settlement opportunities for abusive microcaptive transactions, and for taxpayers who come forward seeking to resolve their case, the IRS will consider providing a resolution opportunity as appropriate.

The IRS and Department of Justice will use all available legal options to challenge improper attempts to avoid or evade U.S. income tax, regardless of how long it takes for these cases to wind their way through the courts. The IRS will also aggressively pursue penalties for all participants in these abusive transactions.

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Tax professionals can now order more transcripts from the IRS

IR-2021-226, Nov. 16, 2021

WASHINGTON – The Internal Revenue Service today announced that, effective Nov. 15, 2021, tax professionals are able to order up to 30 Transcript Delivery System (TDS) transcripts per client through the Practitioner Priority Service® line. This is an increase from the previous 10 transcripts per client limit.

“Increasing the number of transcripts a caller can receive addresses the concerns the IRS has received from PPS callers. This is another example of addressing concerns from our partners and stakeholders,” said Ken Corbin, the Wage and Investment Commissioner and the IRS Taxpayer Experience Officer.

Through PPS, tax professionals can order a variety of transcripts. Practitioners can receive transcripts for up to five clients per call. There’s no change to the number of clients.

Transcripts available under this newly-expanded limit include the:

- Tax Return Transcript,
- Tax Account Transcript,
- Wage and Income Transcript,
- Record of Account and
- Verification of Non-Filing Letter.

Transcripts not listed above continue to be limited to 10 per client and count toward the total of 30 transcripts per client.

Tax professionals will continue to receive TDS transcripts in their e-Services Secure Object Repository mailboxes. The change also applies to other IRS toll-free lines.

Ordering transcripts online

Tax practitioners can continue to order TDS transcripts using the Transcript Delivery System application on IRS.gov. Individual taxpayers can request their own TDS transcripts using Get Transcript. These tools remain the fastest way to receive transcripts.

More information is available at Transcript Types and Ways to Order Them on IRS.gov.

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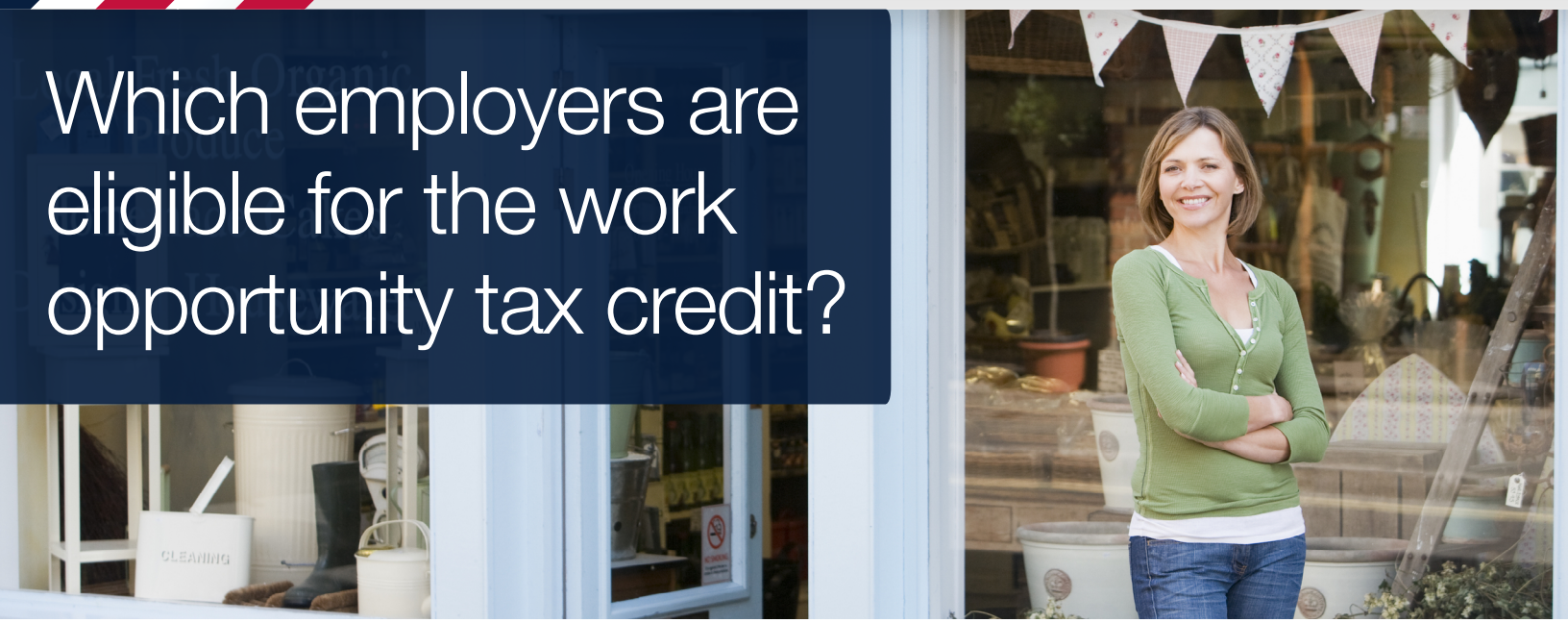
Which employers are eligible for the work opportunity tax credit?



Employers, including certain tax-exempt employers, may be eligible for the work opportunity tax credit if they hire individuals who face employment barriers.

- This is a one-time credit for each new hire. To claim the credit, employers must file **Form 8850, Pre-Screening Notice and Certification Request** for the credit with their state workforce agency.
- Before an employer may claim the credit, the employer must obtain certification that an individual is a member of a targeted group.
- A taxable business may apply the credit against its business income tax liability and tax-exempt employers can claim the credit against payroll taxes. The instructions for **Form 3800, General Business Credit**, provide more details.
- Employers cannot claim the WOTC for employees who are rehired.

Targeted Groups

- Qualified IV-A Recipient
- Qualified Veteran
- Ex-Felon
- Designated Community Resident (DCR)
- Vocational Rehabilitation Referral
- Summer Youth Employee
- Supplemental Nutrition Assistance Program (SNAP) Recipient
- Supplemental Security Income (SSI) Recipient
- Long-Term Family Assistance Recipient
- Qualified Long-Term Unemployment Recipient

Publication 5642 (4-2022) Catalog Number 93014I Department of the Treasury **Internal Revenue Service** www.irs.gov

Taxpayer Experience Office formally established to improve service across the IRS

IR-2022-50, March 4, 2022

WASHINGTON – As part of a longer-term effort to improve taxpayer service, the IRS has officially established the first-ever Taxpayer Experience Office and will soon begin taking additional steps to expand the effort.

"As the IRS continues taking immediate steps this filing season including adding more employees to address the significant challenges facing a resource-constrained IRS, it's critical that we work going forward to equip the IRS to be a 21st century resource for Americans," said IRS Commissioner Chuck Rettig. "The formal establishment of this office will help unify and expand efforts across the IRS to improve service to taxpayers."

The Taxpayer Experience Office will focus on all aspects of taxpayer transactions with the IRS across the service, compliance and other program areas, working in conjunction with all IRS business units and coordinating closely with the Taxpayer Advocate Service. The office is part of the effort envisioned in the Taxpayer First Act Report to Congress last year. This included input and feedback from taxpayers, tax professionals and the tax community that helped develop the Taxpayer Experience Strategy. The Report to Congress identified over a hundred different programs and tools that would help taxpayers, including a 360-degree view of taxpayer accounts, expanded e-File and payment options, digital signatures, secure two-way messaging and online accounts for businesses and tax professionals.

To help drive the IRS strategic direction for improving the taxpayer experience, the Taxpayer Experience Office has identified key activities the IRS is focusing on over the next five years, including those commitments outlined in the President's Executive Order on Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government.

"The IRS is committed to customer experiences that meet taxpayers where they are, in the moments that matter most in people's lives and in a way that delivers the service that the public expects and deserves," said Chief Taxpayer Experience Officer Ken Corbin, who also serves as the commissioner of the Wage and Investment division, which oversees the current filing season and other activities.

The Taxpayer Experience Office will identify changing taxpayer expectations and industry trends, focus on customer service best practices, and promote a consistent voice and experience across all taxpayer segments by developing agency-wide taxpayer experience guidelines and expectations. The office will be adding staff in the coming months to help support the effort.

"Whether checking the status of a tax return, meeting with a revenue agent for an audit, or receiving a tax credit to their bank account, improving service delivery and customer experience are fundamental priorities for us," Corbin said. "We're committed to designing and delivering services that better connect with our diverse taxpayer base."

Some of the areas of improvement in the near-term include expanding customer callback, expanded payment options, secure two-way messaging and more services for multilingual customers. These activities build on recent improvements such as digital tools to support Economic Impact Payments and the Advance Child Tax Credit, online chat and online tax professional account.

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IRS expands voice bot options for faster service, less wait time

Assistance for eligible taxpayers in setting up or modifying payment plans now available; more functions planned in 2022 to help taxpayers obtain account information

Voice Bot Video

IR-2022-127, June 17, 2022

WASHINGTON – The Internal Revenue Service today announced expanded voice bot options to help eligible taxpayers easily verify their identity to set up or modify a payment plan while avoiding long wait times.

"This is part of a wider effort at the IRS to help improve the experience of taxpayers," said IRS Commissioner Chuck Rettig. "We continue to look for ways to better assist taxpayers, and that includes helping people avoid waiting on hold or having to make a second phone call to get what they need. The expanded voice bots are another example of how technology can help the IRS provide better service to taxpayers."

Voice bots run on software powered by artificial intelligence, which enables a caller to navigate an interactive voice response. The IRS has been using voice bots on numerous toll-free lines since January, enabling taxpayers with simple payment or notice questions to get what they need quickly and avoid waiting. Taxpayers can always speak with an English- or Spanish-speaking IRS telephone representative if needed.

Eligible taxpayers who call the Automated Collection System (ACS) and Accounts Management toll-free lines and want to discuss payment plan options can authenticate or verify their identities through a personal identification number (PIN) creation process. Setting up a PIN is easy: Taxpayers will need their most recent IRS bill and some basic personal information to complete the process.

"To date, the voice bots have answered over 3 million calls. As we add more functions for taxpayers to resolve their issues, I anticipate many more taxpayers getting the service they need quickly and easily," said Darren Guillot, IRS Deputy Commissioner of Small Business/Self Employed Collection & Operations Support.

Additional voice bot service enhancements are planned in 2022 that will allow authenticated individuals (taxpayers with established or newly created PINs) to get:

- Account and return transcripts.
- Payment history.
- Current balance owed.

In addition to the payment lines, voice bots help people who call the Economic Impact Payment (EIP) toll-free line with general procedural responses to frequently asked questions. The IRS also added voice bots for the Advance Child Tax Credit toll-free line in February to provide similar assistance to callers who need help reconciling the credits on their 2021 tax return.

The IRS also reminds taxpayers about numerous other available self-service options.

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IRS issues guidance regarding the retroactive termination of the Employee Retention Credit

IR-2021-242, Dec. 6, 2021

WASHINGTON – The Internal Revenue Service today issued guidance for employers regarding the retroactive termination of the Employee Retention Credit. The Infrastructure Investment and Jobs Act, which was enacted on November 15, 2021, amended the law so that the Employee Retention Credit applies only to wages paid before October 1, 2021, unless the employer is a recovery startup business.

Notice 2021-65 applies to employers that paid wages after September 30, 2021, and received an advance payment of the Employee Retention Credit for those wages or reduced employment tax deposits in anticipation of the credit for the fourth quarter of 2021, but are now ineligible for the credit due to the change in the law. The notice also provides guidance regarding how the rules apply to recovery startup businesses during the fourth quarter of 2021.

Employers who Received Advance Payments
Generally, employers that are not recovery startup businesses and received advance payments for fourth quarter wages of 2021 will avoid failure to pay penalties if they repay those amounts by the due date of their applicable employment tax returns.

Employers who Reduced Employment Tax Deposits
Employers that reduced deposits on or before Dec. 20, 2021, for wages paid during the fourth calendar quarter of 2021 in anticipation of the Employee Retention Credit and that are not recovery startup businesses will not be subject to a failure to deposit penalty with respect to the retained deposits if—

1. The employer reduced deposits in anticipation of the Employee Retention Credit, consistent with the rules in Notice 2021-24,
2. The employer deposits the amounts initially retained in anticipation of the Employee Retention Credit on or before the relevant due date for wages paid on December 31, 2021 (regardless of whether the employer actually pays wages on that date). Deposit due dates will vary based on the deposit schedule of the employer, and
3. The employer reports the tax liability resulting from the termination of the employer's Employee Retention Credit on the applicable employment tax return or schedule that includes the period from October 1, 2021, through December 31, 2021. Employers should refer to the instructions to the applicable employment tax return or schedule for additional information on how to report the tax liability.

Due to the termination of the Employee Retention Credit for wages paid in the fourth quarter of 2021 for employers that are not recovery startup businesses, failure to deposit penalties are not waived for these employers if they reduce deposits after Dec. 20, 2021.

If an employer does not qualify for relief under this Notice, it may reply to a notice about a penalty with an explanation and the IRS will consider reasonable cause relief.

More information for businesses seeking coronavirus-related tax relief can be found at IRS.gov.

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IRS releases fiscal year 2021 Data Book describing agency's activities

IR-2022-111, May 26, 2022

WASHINGTON —The Internal Revenue Service today issued the Data Book detailing the agency's activities during fiscal year 2021 (Oct. 1, 2020 – Sept. 30, 2021).

"During Fiscal Year 2021, the COVID-19 pandemic continued to present the IRS with some of the greatest challenges in our agency's history, and the way our employees responded illustrates the significant role that the IRS plays in the overall health of our country," said IRS Commissioner Chuck Rettig.

"The IRS was called on to provide economic relief during this national crisis while also fulfilling our agency's core responsibilities of tax administration; IRS employees answered Congress' call to deliver two more rounds of Economic Impact Payments and also implemented changes to the Earned Income Tax Credit, the Child Tax Credit and other refundable credits as part of the American Rescue Plan. The breadth of these missions has strengthened my belief that a fully functioning IRS is critical to the success of our nation."

In addition to describing work performed during the pandemic, the IRS Data Book for fiscal year 2021 comprises 33 tables describing a wide variety of IRS activities from returns processed, revenue collected, and refunds issued to the number of examinations conducted and the amount of additional tax recommended, as well as budget and personnel information. The Databook provides point-in-time estimates of IRS activities as of September 2021. A lengthier discussion of recent data was also released today.

As the pandemic continued into 2021, the IRS delivered tax administration relief to millions of taxpayers, providing financial assistance for Americans.

The American Rescue Plan Act of 2021 authorized additional rounds of stimulus payments (EIP 3), which was signed into law on March 11, 2021. The IRS started issuing checks the very next day— March 12, 2021—providing immediate help to people across the country. The 2020 Recovery Rebate Credits allowed individuals who did not receive their first- or second-round EIPs, or who received less than the amounts they were eligible for, to claim the credits when they filed their 2020 tax return.

Advance Child Tax Credit and online support

The American Rescue Plan contained the important change allowing up to half of the tax year 2021 Child Tax Credits to be disbursed as advance payments to eligible families from July through December. As a result, during the second half of 2021, more than 37 million families—covering more than 61 million qualifying children—received more than $93 billion in advance CTC payments.

In addition to COVID-19-related tax relief, the IRS implemented vital online tools to support the 2021 advance CTC payments and reduce child poverty. These online tools included:

- The Child Tax Credit Nonfiler Signup Tool, which helped eligible families who were not required to file tax returns register for the monthly payments.
- The Advance Child Tax Credit Eligibility Assistant, which helped families verify whether they qualified for advance CTC payments.
- The Child Tax Credit Update Portal, to enable families to verify their eligibility, update their bank account information and mailing address and provide other information to the IRS.

Tax administration during COVID-19

At the same time as providing various pandemic-related tax relief measures to Americans, the agency continued its everyday operations, processing more than 261 million tax returns, and collecting more than $4.1 trillion in federal taxes during the fiscal year – about 96% of federal revenue from all sources.

Collection revenue

Overall, net revenue through enforcement by the collection function equaled almost $60 billion, an increase of 54% over the prior year. As part of its collection activities, the IRS saw an increase in the use of Payment Plans**.** Almost 2.4 million taxpayers established new payment plans (Installment Agreements) with the IRS during FY 2021, an increase of 29% compared to FY 2020. Furthermore, IRS collected nearly $13.7 billion through installment agreements in 2021, up 9% from the prior fiscal year.

Other IRS activities

Under the IRS's **Comprehensive Taxpayer Attitude Survey**, the most recent findings were that most taxpayers still agree that cheating on their income taxes is not at all acceptable.

You'll find many fascinating statistics within the Data Book," said Rettig. "But there's more to the IRS than numbers and graphs. IRS employees are dedicated to the mission, and our agency is made up of people who give back to their communities and help one another. Our employees provide significant support for those devastated by hurricanes, wildfires and other natural disasters. Across the nation, they did amazing work in their communities to help those impacted by COVID-19."

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You may qualify for an online payment option for business taxes – it's fast, easy and secure.

Paying your taxes in full and on time is always best because it avoids unnecessary penalties and interest. If you can't pay the full amount, you may want to consider a payment agreement to pay your liability in installments.

If you own a business, owe $25,000 or less in combined payroll and most other business taxes, penalties and interest, and can pay the full amount within 24 months, you can request a payment agreement online using the Online Payment Agreement application. There's no need to call or write the IRS because you can make the request directly from your computer and you will know immediately if your request is approved. It's easy, and your personal information is safe and secure.

You can even set up a Direct Debit Installment Agreement, which allows for automatic debits from your checking account for the agreed amount. This means there are no checks to write and mail, and no late or missed payments that could lead to additional penalties. In addition, the $130 fee to establish an installment agreement is reduced to $31 for Direct Debit Installment Agreements.

To apply for a payment plan, or get more information, go to IRS.gov/PaymentPlans and follow the three easy steps to submit your application.

1 Determine your eligibility...

- You owe $25,000 or less in combined business tax, penalties and interest,
- If payroll taxes are owed, the liabilities are for the current or prior calendar year,
- Agreements with liabilties between $10,001 and $25,000 must be a Direct Debit Installment Agreement,
- Filed all required returns, and
- Can pay the full amount within 24 months.

2 Gather your information...

- If you have filed a return and received a bill from the IRS gather your:
  - Employer identification number and the date it was assigned
  - Caller identification number, shown on the upper right side of the bill
- If you are interested in a Direct Debit Installment Agreement, you will also need your bank routing and account numbers.
- If you recently filed a return, owe taxes and have not received a bill from the IRS gather your:
  - Employer identification number and the date it was assigned
  - Business address
  - Tax form and period
  - Amount owed
- Also, be ready to provide the highest amount you can pay, and when you can pay it.

3 Submit your application

- and receive immediate notification of approval!
- Consider system availability for any application:
  - Mon-Fri, 6am-12:30am, ET
  - Sat, 6am-10pm, ET
  - Sun, 6pm-midnight, ET

Protect Your Clients; Protect Yourself

Data Security Resource Guide for Tax Professionals

The Data Security Resource Guide for Tax Professionals is intended to provide a basic understanding of minimal steps to protect client data. All tax professionals are encouraged to work with cybersecurity professionals to ensure secure systems. Protecting taxpayer data from theft and disclosure is your responsibility.

Get Started

The Security Summit – the partnership between the Internal Revenue Service, state tax agencies and the tax industry – reminds all tax professionals that everyone has a role in protecting taxpayer data.

The Financial Services Modernization Act of 1999, also known as Gramm-Leach-Bliley Act, requires certain entities – including tax return preparers – to create and maintain a security plan for the protection of client data.

Here are two publications to help you get started:

- **IRS Publication 4557, Safeguarding Taxpayer Data**
  This publication provides an overview of tax professionals' obligations to protect taxpayer information and provides a step-by-step checklist for how to create and maintain a security plan for your digital network and office.
- **NIST's Small Business Information Security – The Fundamentals**
  The National Institute of Standards and Technology (NIST) is a branch of the U.S. Commerce Department. It sets the information security framework for federal agencies. It also produced this document to provide small businesses with an overview of those steps to security data. Its focus is on five principles: identify, protect, detect, respond and recover.

Don't forget **Publication 1345**, Handbook for Authorized IRS e-File Providers, which outlines your responsibility as an Electronic Return Originator, including in the area of e-File security and privacy.

What Can You Do?

- Learn to recognize phishing emails, especially those pretending to be from the IRS, e-Services, a tax software provider or cloud storage provider. Never open a link or any attachment from a suspicious email. Remember: The IRS never initiates initial email contact with tax pros about returns, refunds or requests for sensitive financial or password information.
- Create a data security plan using IRS **Publication 4557**, Safeguarding Taxpayer Data, and **Small Business Information Security – The Fundamentals**, by the National Institute of Standards and Technology.
- Review internal controls:
  - Install anti-malware/anti-virus security software on all devices (laptops, desktops, routers, tablets and phones) and keep software set to automatically update.

- Use strong and unique passwords of 8 or more mixed characters, password protect all wireless devices, use a phrase or words that are easily remembered and change passwords periodically.
- Encrypt all sensitive files/emails and use strong password protections.
- Back up sensitive data to a safe and secure external source not connected fulltime to a network.
- Make a final review of return information – especially direct deposit info - prior to e-filing.
- Wipe clean or destroy old computer hard drives and printers that contain sensitive data.
- Limit access to taxpayer data to individuals who need to know.
- Check IRS e-Services account weekly for number of returns filed with EFIN.

- Report any data thefts or losses to the appropriate IRS Stakeholder Liaison.
- Stay connected to the IRS through subscriptions to e-News for Tax Professionals, QuickAlerts and Social Media.

Learn the Signs of Data Theft

You or your firm may be a victim and not even know it. Here are some common clues to data theft:

- Client e-filed returns begin to reject because returns with their Social Security numbers were already filed;
- Clients who haven't filed tax returns begin to receive authentication letters (5071C, 4883C, 5747C) from the IRS;
- Clients who haven't filed tax returns receive refunds;
- Clients receive tax transcripts that they did not request;
- Clients who created an IRS online account receive an IRS notice that their account was accessed or IRS emails stating their account has been disabled; or, clients receive an IRS notice that an IRS online account was created in their names;
- 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.

Stay Vigilant

Stay ahead of the thieves by taking certain actions daily or weekly to ensure your clients and your business remain safe:

- Track your daily e-File acknowledgements. If there are more acknowledgements than returns you know you filed, dig deeper.

- Track your weekly EFIN usage. The number of returns filed with your Electronic Filing Identification Number (EFIN) is posted weekly. Go to your e-Services account, access your e-file application and check "EFIN Status." If the numbers are off, contact the e-Help desk. Keep your EFIN application up-to-date with all phone, address or personnel changes.
- If you are a 'Circular 230 practitioner' or an 'annual filing season program participant' and you file 50 or more returns a year, you can check your PTIN account for a weekly report of returns filed with your Preparer Tax Identification Number (PTIN.) Access your PTIN account and select "View Returns Filed Per PTIN." File Form 14157, Complaint: Tax Return Preparer, to report excessive using your PTIN or misuse of PTIN.
- If you have a Centralized Authorization File (CAF) Number, make sure you keep your authorizations up to date. Remove authorizations for taxpayers who are no longer your clients. See **Publication 947**, Practice Before the IRS and Power of Attorney.
- Create your IRS online accounts using the two-factor Secure Access authentication, which helps prevent account takeovers. See **IRS.gov/secureaccess** to review necessary steps.

Data Lost or Stolen? Report It Quickly

Contact the IRS and law enforcement:

- **Internal Revenue Service**, report client data theft to your local Stakeholder Liaison.
- **Federal Bureau of Investigation**, your local office (if directed.)
- **Secret Service**, your local office (if directed.)
- Local police – To file a police report on the data breach.

Contact states in which you prepare state returns:

- Email the Federation of Tax Administrators at **StateAlert@taxadmin.org** to get information on how to report victim information to the states.
- **State Attorneys General** for each state in which you prepare returns. Most states require that the attorney general be notified of data breaches.

Contact experts:

- Security expert – to determine the cause and scope of the breach, to stop the breach and to prevent further breaches from occurring.
- Insurance company – to report the breach and to check if your insurance policy covers data breach mitigation expenses.

For a complete checklist, see **Data Theft Information for Tax Professionals**.

Stay Connected

The IRS attempts to alert tax professionals as quickly as possible when it learns of a new scam, which are especially common during the filing season. Sign up so you can stay up to date with the latest alerts and tax administration issues:

- **e-News for Tax Professionals** – A weekly digest of important tax news geared for tax practitioners
- **QuickAlerts** – An urgent messaging system regarding e-File for tax professionals who have e-Services accounts.
- **IRS social media** – The IRS uses several social media outlets to connect with tax pros and with taxpayers. You can follow us at:
  - Twitter.com/IRStaxpros.
  - Twitter.com/IRSnews.
  - Facebook.com/IRStaxpros.

IRS Security Bookmarks:

- **Identity Protection: Prevention, Detection and Victim Assistance** – Main identity theft page
- **Data Theft Information for Tax Professionals** – How to report client data loss to the IRS
- **Protect Your Clients; Protect Yourself** – Awareness campaign and scam alerts for tax pros
- **Taxes. Security. Together.** – Awareness campaign for taxpayers
- **Identity Theft Information for Tax Professionals** – An overview
- **Report Phishing and Online Scams** – How to report IRS-related scams
- **How IRS Identity Theft Victim Assistance Works** – What clients can expect
- **Maintain, Monitor and Protect Your EFIN** – Protect your IRS-issued identification numbers
- **Secure Access** – How to authenticate your identity to access IRS online tools
- **Security Summit** – Track safeguards enacted by IRS, states and industry
- **Newsroom** – Stay in the know by subscribing to IRS News Releases
- **Stakeholder Liaisons Local Contact** – find your local contact to report data losses

Identity Protection PIN

Opt-In Program for Taxpayers

WHAT'S NEW **You are now eligible to voluntarily get an Identity Protection PIN that will help protect you from tax-related identity theft.**

What is the IP PIN?

The IP PIN is a 6-digit number assigned to eligible taxpayers. It helps prevent identity thieves from filing fraudulent tax returns with stolen Social Security numbers (SSNs). An IP PIN helps the IRS verify taxpayers' identities and accept their electronic or paper tax returns for processing. The IRS issues IP PINs to confirmed identity theft victims once their cases are resolved. This process is unchanged. What is new is that any taxpayers who wants an IP PIN, even if they are not victims of identity theft, may now obtain one.

About the IP PIN Opt-in Program

Here's what you need to know before applying for your IP PIN:

- This is a voluntary program.
- You must pass a rigorous identity verification process.
- Spouses and dependents are eligible for an IP PIN if they can verify their identities.
- An IP PIN is valid for a calendar year.
- A new IP PIN is generated each filing season, which you must obtain using the online tool.
- The IP PIN tool is unavailable generally mid-November through mid-January each year.
- Correct IP PINs must be entered on electronic and paper tax returns to avoid rejections and delays.

How to Get an IP PIN

The fastest, easiest and preferred way is by using the Get an IP PIN online tool. Here's how it works:

- Go to **IRS.gov/IPPIN**, select the Get an IP PIN tool, verify your identity and create an account
- Your IP PIN will be revealed to you.

Can't pass online identity proofing?

There are alternatives but there will be a delay in obtaining an IP PIN. Here's how it works:

- File Form 15227 if you have a valid SSN or ITIN, the adjusted gross income on your last filed return is below $73,000 for Individuals or $146,000 for Married Filing Joint, and access to a telephone. An IRS assistor will call you, validate your identity and ensure that you receive an IP PIN the next filing season.
- If you are ineligible for Form 15227, you may schedule a visit at a Taxpayer Assistance Center to request an IP PIN. You can find the TAC office closest to you with our **Taxpayer Assistance Locator tool** or call (844-545-5640) to schedule an appointment.

IMPORTANT: The IRS will never email, text or call you to request your IP PIN. Do not reveal your IP PIN to anyone but your trusted tax software provider or tax preparer. Neither your provider nor preparer will ask for your IP PIN except to complete your tax return. Protect your IP PIN from theft, especially scams.

IRS unveils new online identity verification process for accessing self-help tools

IR-2021-228, Nov. 17, 2021

WASHINGTON – The Internal Revenue Service today announced the launch of an improved identity verification and sign-in process that enables more people to securely access and use IRS online tools and applications.

Taxpayers using the new mobile-friendly verification procedure can gain entry to existing IRS online services such as the Child Tax Credit Update Portal, Online Account, Get Transcript Online, Get an Identity Protection PIN (IP PIN) and Online Payment Agreement. Additional IRS applications will transition to the new method over the next year.

“Identity verification is critical to protect taxpayers and their information. The IRS has been working hard to make improvements in this area, and this new verification process is designed to make IRS online applications as secure as possible for people,” said IRS Commissioner Chuck Rettig. “To help taxpayers and the tax community, we are improving the accessibility of online tools that help families manage their Child Tax Credit, check on their IRS accounts and securely perform other routine tasks online.”

The new process can reach more people through the expanded use of identity documents and increased help desk assistance for taxpayers who encounter a problem when attempting to verify their identity online. Developed under the Secure Access Digital Identity initiative (SADI), the new process complies with a federal mandate.

To provide verification services, the IRS is using ID.me, a trusted technology provider. The new process is one more step the IRS is taking to ensure that taxpayer information is provided only to the person who legally has a right to the data.

The IRS also integrated this new account-creation process into some applications used by tax professionals, including those used to request powers of attorney or tax information authorizations online using Tax Pro Account or to submit Forms 2848 and 8821 online.

Accessing IRS tools

When accessing the tools listed above, taxpayers will be asked to sign in with an ID.me account. People who already have IRS usernames may continue to use their credentials from the old system to sign-in until summer 2022, but are prompted to create an ID.me account as soon as possible. Anyone with an existing ID.me account from the Child Tax Credit Update Portal, or from another government agency, can sign in with their existing credentials.

To verify their identity with ID.me, taxpayers need to provide a photo of an identity document such as a driver’s license, state ID or passport. They’ll also need to take a selfie with a smartphone or a computer with a webcam. Once their identity has been verified, they can securely access IRS online services.

Taxpayers who need help verifying their identity or submitting a support ticket can visit the ID.me IRS Help Site.

-30-

Online Account
www.irs.gov/account

Why You Should Create an IRS Online Account

New Feature

- Use the "authorization" option in Online Account to control who can represent you before the IRS or view your tax records.
- Approve and electronically sign Power of Attorney and Tax Information Authorization requests made by your tax professional.

Access Tax Records

- View key data from your most recent tax return.
- Access additional records via Get Transcript.
- View your Economic Impact Payment amounts.

View Balance and Notices

- View amount owed.
- Access digital versions of select correspondence from the IRS.

Payment Plans

- Learn about payment plan options.
- View payment plan details.

Make and View Payments

- Make a payment from your bank account or by debit/credit card.
- View five years of payment history and any pending or scheduled payments.

Upcoming Feature

Update Profile

- View and update address on file.
- Manage preferences such as email notifications.

Upcoming Feature

Opt-Out of Paper Notices

- Go paperless for certain correspondence from the IRS.

Create or access your account at www.irs.gov/account.

How to Submit Authorizations Using Tax Pro Account and Online Account

1. Steps for the Tax Professional

- Log in to Tax Pro Account at **www.irs.gov/taxproaccount** after validating identity.
- Initiate request for either a power of attorney (POA) or tax information authorization (TIA).
- Enter tax professional's information – name, address, and Centralized Authorization File (CAF) number.
- Enter taxpayer's information – name, address, and tax identification number (TIN).
- Select tax matter(s) and tax period(s).
- Check box as electronic signature (for POA only) and submit authorization for IRS validation and routing to taxpayer's Online Account.
- Inform taxpayer that an authorization request should be pending in their Online Account for their review and approval.

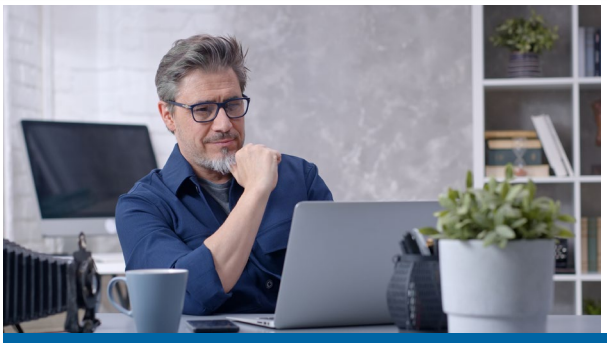
2. Steps for the Taxpayer

- Log in to Online Account at **www.irs.gov/account** after validating identity.
- Select the "Authorizations" tab.
- Review request from tax professional for accuracy.
- Check box as digital signature and approve the request; taxpayer also has the option to reject the request.

3. Most requests record immediately to the CAF database; will show as approved in Online Account and Tax Pro Account.

Tips

- Tax professional and taxpayer names and addresses must match IRS records exactly.
- Tax professional must already have a CAF number and be in good standing with the IRS.
- Tax Pro Account is available to tax professionals and taxpayers with addresses in the United States.
- Prior authorization revoked when new request is recorded for same request type, tax matter and period.
- Taxpayers maintain control over who can represent them before IRS or see their IRS tax records.



Benefits of Tax Pro Account and Digital Authorizations

All-digital authorization process improves service to taxpayers by offering real-time posting to the Centralized Authorization File (CAF). Tax Professionals: Make Tax Pro Account your primary tool for CAF.

Tax Pro Account Benefits:

- Provides all-digital process to initiate and sign authorization requests
- Records most authorizations immediately to CAF; some may take 48 hours
- Eliminates manual reviews, allowing faster service for taxpayers
- Allows for electronic signatures; taxpayers simply check a box and submit to CAF
- Revokes prior authorizations for same request type, tax matter and period
- Enhances identity protection by requiring IRS e-authentication for both parties

How Tax Pro Account Works:

- Tax professional accesses Tax Pro Account with IRS username and password
  - Initiates Power of Attorney (POA) or Tax Information Authorization (TIA)
  - Enters personal information exactly as entered on most recent tax return
  - Checks box for digital signatures on a POA
  - Submits to electronically transfer request to taxpayer's Online Account
- Taxpayer accesses Online Account with IRS username and password
  - Selects "Authorization" tab, reviews request
  - Checks box for approval or may also reject
  - Submits approved request directly to CAF
- Recorded authorizations display in both Tax Pro Account and Online Account
- Tax professional accesses e-Services' Transcript Delivery System as needed

What Tax Professionals Need to Know:

- Taxpayers must register for Online Account
- Tax professionals must already have a CAF number and be in good standing with the IRS.
- Limited to individual clients only; entities must use fax, mail or the online submission
- Authorizations can have multiple representatives/designees; follow correct process
- Available only to tax professionals and taxpayers with addresses in the United States
- New features will be added to Tax Pro Account, enhancing online connections to clients

Resources to share with clients:

Publication 5533, Why You Should Create an IRS Online Account
Publication 5533-A, How to Submit Authorizations Using Tax Pro Account and Online Account

For more information, visit www.irs.gov/taxproaccount and www.irs.gov/account.

Helpful Hints for Preparing and Submitting a Form 2848

Line 1, Taxpayer Information – Provide all taxpayer information for identification:

- Taxpayer name;
- Address;
- Taxpayer identification number (social security, employer identification, or individual taxpayer identification number(s));
- Telephone number; and
- Employee plan number, if applicable.

For representation for jointly filed individual income tax returns, each spouse must complete, sign and submit a separate Form 2848, even if both taxpayers are authorizing the same representative(s) to represent them.

Line 2, Representative Information – Provide the information for each representative appointed on Line 2: name, address, and telephone and fax numbers; the representative's Centralized Authorization File (CAF) number, if previously assigned; and the representative's PTIN, if applicable.

- Check the appropriate boxes if the representative's address, phone number, or fax number has changed.
- Check the designated boxes if the representative is to be sent copies of notices and communications the IRS sends to the taxpayer about the tax matter(s) covered by the authorization.

Line 3, Tax Matters – Provide a description of the tax matter(s) covered, typically by entering the type(s) of tax involved (e.g., "Income," "Employment," or "Excise"), associated tax form numbers (e.g., "1040," "1120" or " 941"), and the tax year(s) or other period(s) involved.

Entering a span of years or periods is acceptable (including using a dash in place of the word "through"), such as "2016-2019." Future years or periods generally can be included, but only up to three future years, including non-annual periods, will be recorded on the CAF. However, a Form 2848 may not appoint an unenrolled return preparer for future year(s) or period(s). Also, a Form 2848 signed by a partnership representative cannot include any future tax year because a partnership cannot designate a partnership representative for future years.

Line 4, Specific Use – Use the checkbox on Line 4 to designate the Form 2848 as a specific-use power of attorney, which will not be recorded on the CAF. Often a specific-use power of attorney is a (i) one-time or issue-specific appointment of a representative or (ii) power of attorney that does not relate to one or more specific tax periods. See the Instructions for Form 2848, Line 4, for more information and

Check Form for Common Errors & Reminders

Form **2848** (Rev. January 2021) Department of the Treasury Internal Revenue Service

Power of Attorney and Declaration of Representative

▶ Go to *www.irs.gov/Form2848* for instructions and the latest information.

OMB No. 1545-0150

For IRS Use Only Received by: Name ____ Telephone ____ Function ____ Date / /

Part I **Power of Attorney**

Caution: A separate Form 2848 must be completed for each taxpayer. Form 2848 will not be honored for any purpose other than representation before the IRS.

1 Taxpayer information. Taxpayer must sign and date this form on page 2, line 7.

Taxpayer name and address | Taxpayer identification number(s) | Daytime telephone number | Plan number (if applicable)

hereby appoints the following representative(s) as attorney(s)-in-fact:

2 Representative(s) must sign and date this form on page 2, Part II.

Name and address | CAF No. | PTIN | Telephone No. | Fax No.

Check if to be sent copies of notices and communications ☐ Check if new: Address ☐ Telephone No. ☐ Fax No. ☐

Name and address | CAF No. | PTIN | Telephone No. | Fax No.

Check if to be sent copies of notices and communications ☐ Check if new: Address ☐ Telephone No. ☐ Fax No. ☐

Name and address | CAF No. | PTIN | Telephone No. | Fax No.

(**Note:** IRS sends notices and communications to only two representatives.) Check if new: Address ☐ Telephone No. ☐ Fax No. ☐

Name and address | CAF No. | PTIN | Telephone No. | Fax No.

(**Note:** IRS sends notices and communications to only two representatives.) Check if new: Address ☐ Telephone No. ☐ Fax No. ☐

to represent the taxpayer before the Internal Revenue Service and perform the following acts:

3 Acts authorized (you are required to complete line 3). Except for the acts described in line 5b, I authorize my representative(s) to receive and inspect my confidential tax information and to perform acts I can perform with respect to the tax matters described below. For example, my representative(s) shall have the authority to sign any agreements, consents, or similar documents (see instructions for line 5a for authorizing a representative to sign a return).

Description of Matter (Income, Employment, Payroll, Excise, Estate, Gift, Whistleblower, Practitioner Discipline, PLR, FOIA, Civil Penalty, Sec. 4980H Shared Responsibility Payment, etc.) (see instructions)	Tax Form Number (1040, 941, 720, etc.) (if applicable)	Year(s) or Period(s) (if applicable) (see instructions)

4 Specific use not recorded on the Centralized Authorization File (CAF). If the power of attorney is for a specific use not recorded on CAF, check this box. See *Line 4, Specific Use Not Recorded on CAF* in the instructions ▶ ☐

5a Additional acts authorized. In addition to the acts listed on line 3 above, I authorize my representative(s) to perform the following acts (see instructions for line 5a for more information): ☐ Access my IRS records via an Intermediate Service Provider; ☐ Authorize disclosure to third parties; ☐ Substitute or add representative(s); ☐ Sign a return;

☐ Other acts authorized:

For Privacy Act and Paperwork Reduction Act Notice, see the instructions. Cat. No. 11980J Form **2848** (Rev. 1-2021)

examples.

Line 5a, Additional Acts Authorized – Provides for any additional, specific acts that your named representative(s) can perform. Checkboxes are provided for several additional acts, including one for "Other acts authorized." Use the spaces provided to supply details, as applicable.

Line 5b, Specific Acts Not Authorized – List any acts you do not want your representative(s) to perform on your behalf.

Line 6, Retention/Revocation of Prior Power(s) of Attorney – Filing a subsequent Form 2848 automatically revokes earlier power(s) of attorney previously filed and recorded on the CAF for the same tax matters and tax periods. (For revocation of specific-use powers of attorney, see the Instructions for Form 2848, Line 6.)

To keep an existing Form 2848 in effect that would otherwise be revoked, check the retention box on Line 6 and attach a copy of each Form 2848 that is to remain in effect.

Form 2848 (Rev. 1-2021) Page **2**

b Specific acts not authorized. My representative(s) is (are) not authorized to endorse or otherwise negotiate any check (including directing or accepting payment by any means, electronic or otherwise, into an account owned or controlled by the representative(s) or any firm or other entity with whom the representative(s) is (are) associated) issued by the government in respect of a federal tax liability.

List any other specific deletions to the acts otherwise authorized in this power of attorney (see instructions for line 5b):

6 Retention/revocation of prior power(s) of attorney. The filing of this power of attorney automatically revokes all earlier power(s) of attorney on file with the Internal Revenue Service for the same matters and years or periods covered by this form. If you **do not** want to revoke a prior power of attorney, check here ▶ ☐

YOU MUST ATTACH A COPY OF ANY POWER OF ATTORNEY YOU WANT TO REMAIN IN EFFECT.

7 Taxpayer declaration and signature. If a tax matter concerns a year in which a joint return was filed, each spouse must file a separate power of attorney even if they are appointing the same representative(s). If signed by a corporate officer, partner, guardian, tax matters partner, partnership representative (or designated individual, if applicable), executor, receiver, administrator, trustee, or individual other than the taxpayer, I certify I have the legal authority to execute this form on behalf of the taxpayer.

▶ **IF NOT COMPLETED, SIGNED, AND DATED, THE IRS WILL RETURN THIS POWER OF ATTORNEY TO THE TAXPAYER.**

Signature | Date | Title (if applicable)

Print name | Print name of taxpayer from line 1 if other than individual

Part II **Declaration of Representative**

Under penalties of perjury, by my signature below I declare that:

- I am not currently suspended or disbarred from practice, or ineligible for practice, before the Internal Revenue Service;
- I am subject to regulations in Circular 230 (31 CFR, Subtitle A, Part 10), as amended, governing practice before the Internal Revenue Service;
- I am authorized to represent the taxpayer identified in Part I for the matter(s) specified there; and
- I am one of the following:

a Attorney—a member in good standing of the bar of the highest court of the jurisdiction shown below.
b Certified Public Accountant—a holder of an active license to practice as a certified public accountant in the jurisdiction shown below.
c Enrolled Agent—enrolled as an agent by the IRS per the requirements of Circular 230.
d Officer—a bona fide officer of the taxpayer organization.
e Full-Time Employee—a full-time employee of the taxpayer.
f Family Member—a member of the taxpayer's immediate family (spouse, parent, child, grandparent, grandchild, step-parent, step-child, brother, or sister).
g Enrolled Actuary—enrolled as an actuary by the Joint Board for the Enrollment of Actuaries under 29 U.S.C. 1242 (the authority to practice before the IRS is limited by section 10.3(d) of Circular 230).
h Unenrolled Return Preparer—Authority to practice before the IRS is limited. An unenrolled return preparer may represent, provided the preparer (1) prepared and signed the return or claim for refund (or prepared if there is no signature space on the form); (2) was eligible to sign the return or claim for refund; (3) has a valid PTIN; and (4) possesses the required Annual Filing Season Program Record of Completion(s). ***See Special Rules and Requirements for Unenrolled Return Preparers in the instructions for additional information.***
k Qualifying Student or Law Graduate—receives permission to represent taxpayers before the IRS by virtue of his/her status as a law, business, or accounting student, or law graduate working in a LITC or STCP. See instructions for Part II for additional information and requirements.
r Enrolled Retirement Plan Agent—enrolled as a retirement plan agent under the requirements of Circular 230 (the authority to practice before the Internal Revenue Service is limited by section 10.3(e)).

▶ **IF THIS DECLARATION OF REPRESENTATIVE IS NOT COMPLETED, SIGNED, AND DATED, THE IRS WILL RETURN THE POWER OF ATTORNEY. REPRESENTATIVES MUST SIGN IN THE ORDER LISTED IN PART I, LINE 2.**

Note: For designations d–f, enter your title, position, or relationship to the taxpayer in the "Licensing jurisdiction" column.

Designation—Insert above letter **(a–r)**.	Licensing jurisdiction (State) or other licensing authority (if applicable)	Bar, license, certification, registration, or enrollment number (if applicable)	Signature	Date

Form **2848** (Rev. 1-2021)

Line 7, Signature of taxpayer – For a valid power of attorney and authorization of a representative, the taxpayer must sign and date the Form 2848.

PART II – Declaration of Representative – Provide the correct designation(s) of each representative (a, b, c, d, e, f, g, h, k, or r); licensing jurisdiction or other licensing authority (if applicable); and bar, license, certification, registration, or enrollment number (if applicable).

- For designations d–f, a representative should enter their title, position, or relationship to the taxpayer in the "Licensing jurisdiction" column.
- Designation h should enter their PTIN and designation k should enter "LITC" or "STCP," as appropriate.

The representative(s) must sign and date the Form 2848. Unless the taxpayer signs after the representative(s), the number of days between the taxpayer and representative signatures cannot exceed 45 days for domestic authorizations or 60 days for an internationally located taxpayer.

How to File

If you checked the specific-use box on Line 4, mail or fax Form 2848 to the IRS office handling the specific matter.

If you did not check the box on Line 4, you can submit your Form 2848 to the IRS via the following options:

- **Online.** Submit your Form 2848 securely at **IRS.gov/Submit2848**. You will need to have a Secure Access account to submit your Form 2848 online. For more information on Secure Access, go to **IRS.gov/SecureAccess**. If the Form 2848 has an electronic signature, you must submit your Form 2848 online.
- **Fax.** Fax your Form 2848 to the IRS fax number in the Where To File Chart in the Instructions for Form 2848.
- **Mail.** Mail your Form 2848 directly to the IRS address in the Where To File Chart in the Instructions for Form 2848.

For faster processing of a power of attorney, use the all-digital Tax Pro Account at **IRS.gov/taxproaccount**. Most requests record immediately to the CAF.

Common Reasons for Rejection

- Missing taxpayer's or representative's identifying information.
- Missing or non-specific information on Line 3 about the tax matters covered by the authorization (for example, specifying "Income" as the type of tax but missing the related form number(s) or the entry of "All Years" or "All future periods," which is not acceptable).
- Missing a copy of a prior Form 2848 to retain the prior authorization as still effective.
- Missing the taxpayer's signature, date of signature, or, if applicable, the title of the signing officer of a business taxpayer.
- Missing the representative's signature; signature date; designation; licensing jurisdiction or authority; or bar, license, certification, registration, or enrollment number, if applicable.
- Missing the taxpayer's or representative's signature and/or date on a copy of an active Form 2848 to be revoked or withdrawn.
- The named representative is ineligible to represent as an Unenrolled Return Preparer designation (h) because they did not prepare the tax return or the return is not under examination.

Recent Changes to Form 2848

- Taxpayers and their authorized representatives can sign the form with electronic signatures (beginning with form Revision Jan. 2021) only if the form is securely filed online with the **IRS at Submit Forms 2848 and 8821 Online**. Also, the form available on **IRS.gov** is now a SmartForm that includes embedded popup "reminders" for missing or incorrectly entered information and a box to "Check for Common Errors and Reminders," to mitigate rejection of submitted forms.
- For partnerships and tax years beginning after 2017, a change in the law replaced the TEFRA audit procedures with new procedures and eliminated the role of a "tax matters partner" (TMP) by replacing it with a "partnership representative." For TEFRA audits, the TMP should continue to sign the form; for audits under the replacement Centralized Partnership Audit Regime, the partnership representative should sign the form.
- A checkbox was added to line 5a that allows a taxpayer to authorize a representative to access the taxpayer's information through an Intermediate Service Provider. These providers are companies that a representative can use as a customer to obtain and display a client's tax information directly from the IRS.
- Representation by unenrolled return preparers (designation h) is subject to special rules and requirements specified in the Instructions for Form 2848. In general, only preparers who participate in and comply with the IRS's Annual Filing Season Program may represent taxpayers before the IRS. Representation is limited in scope. Also, former designation i, for Registered Tax Return Preparers, was removed.
- Recent law graduates were added to students (law, accounting or business (designation k)) as eligible to represent taxpayers as volunteers at a Low Income Taxpayer Clinic (LITC) or in a Student Tax Clinic Program (STCP).

For updates about Form 2848 and its Instructions, go to **IRS.gov/Form2848**.

Contact Information

Forms 2848 for domestic taxpayers are processed at the Memphis and Ogden Accounts Management Campuses. Forms 2848 for international taxpayers are processed at the Philadelphia Accounts Management Center.

Internal Revenue Service
5333 Getwell Road
Stop 8423
Memphis, TN 38118
Fax 855-214-7519

Internal Revenue Service
1973 North Rulon White Blvd
MS 6737
Ogden, UT 84201
Fax 855-214-7522

Internal Revenue Service
International CAF Team
2970 Market Street
MS: 4-H14.123
Philadelphia, PA 19104
Fax 855-772-3156
Fax 304-707-9785 (Outside the United States)

For information about Form 2848, visit **IRS.gov/Form2848** and refer to the Instructions for Form 2848 for additional, specific information about completing and submitting the form.