December 13, 2023

CPA Continuing Education Society of Pennsylvania

"IRS Updates"

Topics:

1) Tax Law Updates

2) IRS Updates

3) Employee Retention Credit Program

Presenter:

Richard G. Furlong, Jr.
Senior Stakeholder Liaison
Stakeholder Liaison
IRS Communications & Liaison Division
267-941-6343
Richard.G.Furlong@irs.gov

Form **1040** Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return 2023

OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2023, or other tax year beginning _____, 2023, ending _____, 20 _____ See separate instructions.

Your first name and middle initial	Last name	Your social security number
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions.	Apt. no.
City, town, or post office. If you have a foreign address, also complete spaces below.	State / ZIP code
Foreign country name / Foreign province/state/county	Foreign postal code

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse

FOR OMB USE ONLY June 15, 2023 DO NOT FILE

Filing Status Check only one box.

☐ Single ☐ Head of household (HOH)
☐ Married filing jointly (even if only one had income)
☐ Married filing separately (MFS) ☐ Qualifying surviving spouse (QSS)

If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent: _____

Digital Assets At any time during 2023, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ Yes ☐ No

Standard Deduction **Someone can claim:** ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** ☐ Were born before January 2, 1959 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1959 ☐ Is blind

Dependents (see instructions): If more than four dependents, see instructions and check here ☐

(1) First name Last name	(2) Social security number	(3) Relationship to you	(4) Check the box if qualifies for (see instructions): Child tax credit	Credit for other dependents
			☐	☐
			☐	☐
			☐	☐
			☐	☐

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a	
b	Household employee wages not reported on Form(s) W-2	1b	
c	Tip income not reported on line 1a (see instructions)	1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)		
e	Taxable dependent care benefits from Form 2441, line 26	1e	
f	Employer-provided adoption benefits from Form 8839, line 29	1f	
g	Wages from Form 8919, line 6		
h	Other earned income (see instructions)	1h	
i	Nontaxable combat pay election (see instructions) 1i		
z	Add lines 1a through 1h	1z	

Attach Sch. B if required.

2a	Tax-exempt interest 2a		b Taxable interest	2b	
3a	Qualified dividends 3a		b Ordinary dividends	3b	
4a	IRA distributions		b Taxable amount		
5a	Pensions and annuities 5a		b Taxable amount	5b	
6a	Social security benefits 6a		b Taxable amount	6b	

c	If you elect to use the lump-sum election method, check here (see instructions) ☐		
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐	7	
8	Additional income from Schedule 1, line 10	8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**	9	
10	Adjustments to income from Schedule 1, line 26	10	
11	Subtract line 10 from line 9. This is your **adjusted gross income**	11	
12	**Standard deduction or itemized deductions** (from Schedule A)		
13	Qualified business income deduction from Form 8995 or Form 8995-A	13	
14	Add lines 12 and 13	14	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**	15	

Standard Deduction for—
- Single or Married filing separately, $13,850
- Married filing jointly or Qualifying surviving spouse, $27,700
- Head of household, $20,800
- If you checked any box under *Standard Deduction*, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B Form **1040** (2023)

Tax and Credits

16	**Tax** (see instructions). Check if any from Form(s): **1** ☐ 8814 **2** ☐ 4972 **3** ☐	16
17	Amount from Schedule 2, line 3	17
18	Add lines 16 and 17	18
19	Child tax credit or credit for other dependents from Schedule 8812	19
20	Amount from Schedule 3, line 8	20
21	Add lines 19 and 20	21
22	Subtract line 21 from line 18. If zero or less, enter -0-	22
23	Other taxes, including self-employment tax, from Schedule 2, line 21	23
24	Add lines 22 and 23. This is your **total tax**	24

Payments

25	Federal income tax withheld from:		
a	Form(s) W-2	25a	
b	Form(s) 1099		
c	Other forms (see instructions)	25c	
d	Add lines 25a through 25c		25d
26	2023 estimated tax payments and amount applied from 2022 return		
27	Earned income credit (EIC)	27	
28	Additional child tax credit from Schedule 8812	28	
29	American opportunity credit from Form 8863, line 8		
30	Reserved for future use	30	
31	Amount from Schedule 3, line 15	31	
32	Add lines 27, 28, 29, and 31. These are your **total other payments and refundable credits**		32
33	Add lines 25d, 26, and 32. These are your **total payments**		33

If you have a qualifying child, attach Sch. EIC.

Refund

34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you **overpaid**	34
35a	Amount of line 34 you want **refunded to you**. If Form 8888 is attached, check here ☐	
b	Routing number ____ **c** Type: ☐ Checking ☐ Savings	
d	Account number ____	
36	Amount of line 34 you want **applied to your 2024 estimated tax** 36	

Direct deposit? See instructions.

Amount You Owe

37	Subtract line 33 from line 24. This is the **amount you owe**. For details on how to pay, go to *www.irs.gov/Payments* or see instructions		37
38	Estimated tax penalty (see instructions)	38	

Third Party Designee

Do you want to allow another person to discuss this return with the IRS? See instructions ☐ **Yes.** Complete below. ☐ **No**

Designee's name | Phone no. | Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records.

Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
Spouse's signature. If a joint return, **both** must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)
Phone no.	Email address		

Paid Preparer Use Only

Preparer's name	Preparer's signature	Date	PTIN	Check if: ☐ Self-employed
Firm's name				Phone no.
Firm's address				Firm's EIN

TREASURY/IRS AND OMB USE ONLY June 15, 2024 DRAFT

Internal Revenue Service
Media Relations Office
Washington, D.C.
Media Contact: 202.317.4000
Public Contact: 800.829.1040
www.irs.gov/newsroom

IRS achieves key Paperless Processing Initiative goal, outlines improvements for filing season 2024

Taxpayers are now able to digitally submit all correspondence and responses to notices three months ahead of schedule; New and improved "Where's My Refund?" tool will launch in filing season 2024

FS-2023-25, November 2023

Following a dramatically improved 2023 filing season thanks to Inflation Reduction Act (IRA) investments, the U.S. Department of the Treasury (Treasury) and Internal Revenue Service (IRS) announced additional improvements taxpayers will experience next filing season. Treasury and IRS also announced meeting the first goal of the Paperless Processing Initiative announced in August by Secretary of the Treasury Janet L. Yellen and Commissioner of the IRS Danny Werfel. Taxpayers are now able to digitally submit all correspondence and responses to notices.

Paperless Processing Initiative: Taxpayers now able to digitally respond to all correspondence

- **The IRS met the first goal of the Paperless Processing Initiative three months ahead of schedule. Taxpayers are now able to digitally submit all correspondence and responses to notices.** The IRS in February 2023 launched the ability to submit nine notices through the Document Upload Tool. Prior to filing season 2023, taxpayers could only submit these documents through the mail. The IRS has now achieved the ability to digitally respond to all notices in eight months. As of Oct. 27, the IRS has received more than 35,000 responses to notices via the online tool.

- As a result of achieving this goal, the IRS estimates more than 94% of individual taxpayers will no longer have to send mail to the IRS. Taxpayers use these non-tax forms to request or submit information on a range of topics, including identity theft and proof of eligibility for key credits and deductions to help working Americans. Reaching this milestone will enable up to 125 million paper documents per year to be submitted digitally. Taxpayers who want to submit paper returns and correspondence may continue to do so.

- The IRS will meet the second goal of the Paperless Processing Initiative by the start of filing season 2024 by providing the option for taxpayers to e-file 20 additional tax forms, enabling up to 4 million additional tax documents to be digitally filed every year. This includes amendments to Forms 940, 941, 941-SS and 941(PR), which are some of the most common forms businesses file when amending returns.

Improved digital service through "Where's My Refund?" tool

- In filing season 2024, taxpayers will benefit from important new updates to the "Where's My Refund?" tool, which is the IRS' most popular customer service tool. In 2022, "Where's My Refund?" was used by 54 million taxpayers and generated 550 million hits. However, the tool provides limited information, often leading taxpayers to call the IRS to inquire about their refund status.

- The updates to "Where's My Refund?" will allow taxpayers to see more detailed refund status messages in plain language. These updates will also ensure "Where's My Refund?" works seamlessly on mobile devices. Taxpayers often see a generic message stating that their returns are still being processed and to check back later. With the new and improved "Where's My Refund?", taxpayers will see clearer and more detailed updates, including whether the IRS needs them to respond to a letter requesting additional information. The new updates will reduce the need for

taxpayers to call the IRS for answers to basic questions.

- **Example of current message**: "Your tax return is still being processed. A refund date will be provided when available. For more information about processing delays, please see our Refund Frequently Asked Questions."

- **Example of new and improved messages**: "To protect you from identity theft, your tax return is currently being reviewed. To help us process your return more quickly, verify your identity and tax return information. If you recently received a letter from us, follow the instructions on the letter. Please have your tax return (Form 1040 series) available and read the website or letter before starting the verification process. If you already reviewed your identity and tax return information you may check the status of your refund in 2-3 weeks."

- "We received your return and sent you a letter requesting more information. Please respond by following the instructions in the letter. If you don't respond, your refund amount could be changed. It may take 2-3 weeks for you to receive the letter."

- "We have reviewed your return and any information we may have requested from you and are now processing your return. Any changes to the status of your refund, including any new refund date, will be reflected here when any new update is available."

- The IRS wanted to make these updates for years and is now able to thanks to Inflation Reduction Act resources. It's estimated that taxpayers will view the new and improved status updates 70 million times next filing season. Further upgrades are planned for future filing seasons.

IRS to provide better phone service

- **85% Level of Service**: The IRS is committed to maintaining the significantly improved phone service achieved in filing season 2023 and will again reach 85% Level of Service on the agency's main taxpayer helpline during filing season 2024.

- **5-minute call wait time**: The IRS will achieve an average call wait time of 5 minutes or less on the agency's main taxpayer helpline during filing season.

- **95% call back availability**: The IRS will offer a call back option available to 95% of eligible taxpayers seeking telephone assistance at the beginning of the call if the projected wait time is longer than 15 minutes.

- **Build taxpayer trust:** The IRS is continuing to promote trust and satisfaction when taxpayers call the agency. During filing season 2024, the IRS will exceed the Office of Management and Budget's Trust Goal of 75% for taxpayers receiving assistance from the IRS' main helpline. Taxpayers are offered the opportunity to respond to brief surveys following their calls to the IRS.

IRS to provide better in-person service

- **In-person support at Taxpayer Assistance Centers**: The IRS has currently opened or reopened 50 Taxpayer Assistance Centers using Inflation Reduction Act funding. **For filing season 2024, the IRS will increase the hours available at Taxpayer Assistance Centers by more than 8,500 hours**.
  - Waco, Texas; Oct. 10, 2023
  - Missoula, Montana; Oct. 2, 2023
  - Martinsburg, West Virginia; Oct. 2, 2023
  - Monroe, Louisiana; Sept. 25, 2023

- York, Pennsylvania; Sept. 18, 2023
- Topeka, Kansas; Sept. 5, 2023
- Utica, New York; Aug. 28, 2023
- Fayetteville, Arkansas; Aug. 14, 2023
- Hickory, North Carolina; Aug. 7, 2023
- Rome, Georgia; Aug. 7, 2023
- Plantation, Florida; Aug. 3, 2023
- Panama City, Florida; July 31, 2023
- Cranberry Township, Pennsylvania; July 31, 2023
- Peoria, Illinois; July 24, 2023
- Huntington, West Virginia; July 5, 2023
- Lincoln, Nebraska; May 23, 2023
- La Vale, Maryland; May 15, 2023
- Altoona, Pennsylvania; May 8, 2023
- Fredericksburg, Virginia; May 1, 2023
- Parkersburg, West Virginia; May 1, 2023
- Bend, Oregon; April 17, 2023
- Greenville, Mississippi; April 10, 2023
- Trenton, New Jersey; April 10, 2023
- Bellingham, Washington; April 3, 2023
- Augusta, Maine; March 30, 2023
- Jackson, Tennessee; March 28, 2023
- Joplin, Missouri; March 28, 2023
- Colorado Springs, Colorado; March 27, 2023
- Glendale, Arizona; March 27, 2023
- Cranberry Township, Pennsylvania; March 22, 2023
- La Crosse, Wisconsin; March 20, 2023
- Charlottesville, Virginia; March 17, 2023
- Queensbury, New York; March 9, 2023
- Santa Fe, New Mexico; Feb. 27, 2023
- Longview, Texas; Jan. 17, 2023
- Overland Park, Kansas; Jan. 17, 2023
- West Nyack, New York; Jan. 5, 2023
- Binghamton, New York; Jan. 3, 2023
- Casper, Wyoming; Jan. 3, 2023
- Fort Myers, Florida; Dec. 19, 2022
- Grand Junction, Colorado; Dec. 19, 2022
- Rockford, Illinois; Dec. 12, 2022
- Hagerstown, Maryland; Dec. 1, 2022
- DASE (Guaynabo), Puerto Rico; Nov. 28, 2022
- Johnson City, Tennessee; Nov. 28, 2022
- Prestonsburg, Kentucky; Nov. 28, 2022
- Vienna, Virginia; Nov. 28, 2022
- Greensboro, North Carolina; Nov. 22, 2022
- Bloomington, Illinois; Nov. 21, 2022
- Ponce, Puerto Rico; Nov. 14, 2022

- **Community Assistance Visits:** During filing season 2024, the IRS will set up pop-up Taxpayer Assistance Centers in Ciales, Puerto Rico and Gallup, New Mexico to give taxpayers from hard-to-reach areas an opportunity to meet face-to-face with IRS customer service representatives. Seven community assistance events have already been held in Paris, Texas; Alpena, Michigan; Hastings, Nebraska; Twin Falls, Idaho; Juneau, Alaska; Lihue, Hawaii; and Baker City, Oregon.

- **In-person tax preparation support:** The IRS is working to increase the number of taxpayers receiving free tax preparation through volunteers by around 50,000 returns in filing season 2024.

IRS to launch Direct File pilot in filing season 2024

- Direct File is a new tool that will provide taxpayers with the choice to e-file their federal tax return for free, directly with the IRS. It will be an interview-based service that will work as well on a mobile phone as it does on a laptop, tablet or desktop computer. Direct File will be available in English and Spanish in 2024 and is designed to meet taxpayers where they are and accommodate their needs. If taxpayers have questions during the pilot, they will be able to get help from dedicated IRS Direct File customer support representatives.

- While the scope is still being finalized, IRS expects the taxpayers who will be eligible to participate in the pilot are low- to moderate-income working individuals, couples and families who take the standard deduction. The tool supports W-2 wages, Social Security/Railroad Retirement benefits, unemployment compensation and interest income of $1,500 or less. Eligible taxpayers participating in the pilot may claim the Earned Income Tax Credit, Child Tax Credit and Credit for Other Dependents. The Direct File tool will also support deductions for educator expenses and student loan interest. All other types of income, credits and deductions are out of scope for the 2024 pilot.

- While Direct File will not file state tax returns for taxpayers who reside in a pilot state with a state income tax, once they have submitted their federal return, Direct File will direct taxpayers to the appropriate state filing system where they will be able to complete their state return. States with income tax that are partnering with the IRS on the Direct File pilot include Arizona, California, Massachusetts and New York. In addition, taxpayers from states with no income tax will be eligible to participate (Alaska, Florida, New Hampshire, Nevada, South Dakota, Tennessee, Texas, Washington and Wyoming). Washington has also chosen to join the integration effort as a partner for the state's application of the Working Families Tax Credit following completion of their federal return.

- The IRS will introduce Direct File to the public in a phased manner, starting small and expanding the user base over time. An early phase of the pilot will be invitation-only, including during Presidents' Day weekend, an early peak in filing volume. The goal is to ensure that these invitations are extended to a wide range of eligible taxpayers from all pilot supported states. A phased rollout allows the IRS to open the pilot to more eligible participants (beyond the invite-only phase) once these initial phases are successful. At first, volume would be limited to ensure Direct File is able to successfully meet taxpayer needs related to customer support and state integration, as well as prevent fraud. Based on current projections, the IRS anticipates that at least several hundred thousand taxpayers across the country will decide to participate in the pilot.

IRS launches IRS Energy Credits Online to expand access to Inflation Reduction Act clean energy credits

The IRS has launched the Energy Credits Online (IRS ECO) portal, a modern online tool that supports successful implementation of several of the clean energy provisions of the Inflation Reduction Act that have a pre-file registration component. IRS ECO shows how modernizing IRS service and technology are key to meeting the Inflation Reduction Act's economic and climate goals.

- **Clean Vehicles:** Beginning on Jan. 1, 2024, buyers of qualifying new and previously owned clean vehicles can transfer their expected tax credit to a dealer who has registered with the IRS. The dealer can then provide the full amount of the expected credit to the buyer in the form of a downpayment for the vehicle purchase or cash, allowing the buyer to receive their full credit at the time of the sale. To participate in the Clean Vehicle Credit transfer, a dealer must be licensed to sell vehicles and register

through IRS ECO. IRS ECO will provide dealers real-time confirmation of whether submission is accepted based on information in the Time of Sale report and Vehicle Identification Number (VIN) information provided by manufacturers to the IRS. After successfully submitting the Time of Sale report online, dealers will receive payment of the amount they provided to the buyer, usually within 72 hours.

- **Direct Pay and Transfer Elections:** IRS ECO will enable state and local governments, Tribal organizations, tax-exempt organizations and some taxable businesses to register for the new monetization features created by the Inflation Reduction Act and will also enable access to monetization of the Creating Helpful Incentives to Produce Semiconductors (CHIPS) credit. Eligible organizations can register using IRS ECO to take advantage of 12 IRA clean energy credits and the CHIPS credit. Registering in IRS ECO enables applicable entities to choose direct payment for credits or elect to transfer certain credits to third parties. Final guidance on direct payment and transfer election is forthcoming prior to filing season.

IRS News Release

Internal Revenue Service
Media Relations Office
Washington, D.C.
Media Contact: 202.317.4000
Public Contact: 800.829.1040
www.irs.gov/newsroom

IRS launches new initiatives using Inflation Reduction Act funding to ensure large corporations pay taxes owed; continues to improve service and modernize technology with launch of business tax account

IR-2023-194, Oct. 20, 2023

WASHINGTON—Following a dramatically improved 2023 filing season thanks to Inflation Reduction Act (IRA) investments, the Internal Revenue Service has targeted IRA resources on strengthening enforcement, with announcements on new initiatives to pursue high-income, high-wealth individuals who do not pay overdue tax bills and complex partnerships.

Today the IRS announced new initiatives to ensure large corporations pay taxes owed. As these initiatives to improve compliance among high-income individuals, complex partnerships and large corporations ramp up, the IRS is continuing its work to improve customer service and modernize core technology infrastructure, most notably with the launch of business tax account.

Ensuring large corporations and high-income, high-wealth individual taxpayers pay taxes owed

The IRS is working to ensure large corporate and high-income individual filers pay the taxes they owe. Prior to the Inflation Reduction Act, more than a decade of budget cuts prevented the IRS from keeping pace with the increasingly complicated set of tools that the wealthiest taxpayers use to hide their income and evade paying their share. The IRS is now taking swift and aggressive action to close this gap.

- **Large foreign-owned corporations transfer pricing initiative**: The IRS is increasing compliance efforts on the U.S. subsidiaries of foreign companies that distribute goods in the U.S. and do not pay their fair share of tax on the profit they earn of their U.S. activity. These foreign companies report losses or exceedingly low margins year after year through the improper use of transfer pricing to avoid reporting an appropriate amount of U.S. profits. To crack down on this strategy, the IRS is sending compliance alerts to approximately 150 subsidiaries of large foreign corporations to reiterate their U.S. tax obligations and incentivize self-correction.

- **Expansion of the Large Corporate Compliance program:** The IRS' Large Business & International Division's (LB&I) Large Corporate Compliance (LCC) program focuses on noncompliance by using data analytics to identify large corporate taxpayers for audit. LCC includes the largest and most complex corporate taxpayers with average assets of more than $24 billion and average taxable income of approximately $526 million per year. As new accountants come on board in early 2024, LB&I is expanding the program by starting an additional 60 audits of the largest corporate taxpayers selected using a combination of artificial intelligence and subject matter expertise in areas such as cross-border issues and corporate planning and transactions.

- **Cracking down on abuse of repealed corporate tax break:** Following the 2017 repeal of a provision of the code that provided a deduction for producing goods in the U.S., the IRS received hundreds of claims collectively seeking more than $6 billion in refunds, with a significant portion of filers claiming the deduction for the first time. The IRS launched a campaign to address noncompliance and review high-risk claims in this area. IRS efforts have been incredibly successful in ensuring revenue is collected. The efforts have recently been supported by a significant win in the Tenth Circuit Court of Appeals, which sided with the Tax Court and IRS in denying a refund claim based on a $1.8 billion deduction. This will have far-reaching benefits to the IRS' ongoing efforts in this space.

- **Prioritization of high-income cases:** The IRS has been ramping up efforts to pursue high-income, high-wealth individuals who have either not filed their taxes or failed to pay recognized tax debt. These efforts are concentrated among taxpayers with more than $1 million in income and more than $250,000 in recognized tax debt. Building off earlier successes that collected $38 million from more than 175 high-income earners, dozens of revenue officers are focusing on these high-end collection cases in the coming fiscal year. As announced in September, the IRS has begun contacting about 1,600 new taxpayers in this category that owe hundreds of millions of dollars in taxes.
    - **The IRS has now collected $122 million dollars in 100 of these already assigned 1,600 cases.** Examples of cases closed since the Inflation Reduction Act passed follow:
        - An individual last month was ordered to pay more than $15 million in restitution. The individual falsified millions of dollars of personal expenses as deductible business expenses and financed construction of a 51,000-square-foot mansion, including expenses of interior and exterior construction costs; an outdoor pool and pool house; and tennis, basketball and bocce courts. The individual falsified millions of dollars of expenses for luxury vehicles, artwork, country club memberships and homes for his children.
        - An individual last week pled guilty to filing false tax returns and skimming more than $670,000 from his business. The individual spent $110,000 on personal expenses and $502,000 on gambling.
        - An individual was sentenced to 54 months in federal prison for fraudulently obtaining $5 million in COVID relief loans for sham businesses. The individual then spent the money on himself, purchasing Ferrari, Bentley and Lamborghini cars.

Improving taxpayer service

The IRS is focused on helping taxpayers get it right the first time — claiming the credits and deductions for which they're eligible and avoiding back-and-forth with the agency when errors arise. To help taxpayers get it right, the IRS is working toward taxpayers being able to seamlessly interact with the agency in the ways that work best for them on the phone, in-person and online.

The IRS is expanding in-person service and meeting taxpayers where they are, particularly those in underserved and rural communities. The IRS is continuing to expand Taxpayer Assistance Centers across the country while also starting a special series of events to help taxpayers living in areas far from the agency's in-person offices.

- **Community Assistance Visits:** In these new Community Assistance Visits, the IRS will set up a temporary Taxpayer Assistance Center to give taxpayers from hard-to-reach areas an opportunity to meet face-to-face with IRS customer service representatives. The IRS has conducted seven events in **Paris, Texas; Alpena, Michigan; Hastings, Nebraska; Twin Falls, Idaho; Juneau, Alaska; Lihue, Hawaii; and Baker City, Oregon**. Many of the taxpayers served at these events had exhausted all other options for IRS services. The feedback from IRS employees, taxpayers and the host sites have all been very positive. **Currently, two additional locations have been identified to host Community Assistance Visits in Ciales, Puerto Rico and Gallup, New Mexico.**

- **Opening Taxpayer Assistance Centers:** Currently, the IRS has opened or reopened the following 50 Taxpayer Assistance Centers since the passage of the Inflation Reduction Act, including eight additional centers since the first anniversary of the law's enactment:

  1. Waco, Texas, Oct. 10, 2023
  2. Missoula, Montana, Oct. 2, 2023
  3. Martinsburg, West Virginia, Oct. 2, 2023
  4. Monroe, Louisiana, Sept. 25, 2023
  5. York, Pennsylvania, Sept. 18, 2023
  6. Topeka, Kansas, Sept. 5, 2023
  7. Utica, New York, Aug. 28, 2023
  8. Fayetteville, Arkansas, Aug. 14, 2023
  9. Hickory, North Carolina, Aug. 7, 2023
  10. Rome, Georgia, Aug. 7, 2023
  11. Plantation, Florida, Aug. 3, 2023
  12. Panama City, Florida, July 31, 2023
  13. Cranberry Township, Pennsylvania, July 31, 2023
  14. Peoria, Illinois, July 24, 2023
  15. Huntington, West Virginia, July 5, 2023
  16. Lincoln, Nebraska, May 23, 2023
  17. La Vale, Maryland, May 15, 2023
  18. Altoona, Pennsylvania, May 8, 2023
  19. Fredericksburg, Virginia, May 1, 2023
  20. Parkersburg, West Virginia, May 1, 2023
  21. Bend, Oregon, April 17, 2023
  22. Greenville, Mississippi, April 10, 2023
  23. Trenton, New Jersey, April 10, 2023
  24. Bellingham, Washington, April 3, 2023
  25. Augusta, Maine, March 30, 2023
  26. Jackson, Tennessee, March 28, 2023
  27. Joplin, Missouri, March 28, 2023
  28. Colorado Springs, Colorado, March 27, 2023
  29. Glendale, Arizona, March 27, 2023
  30. Cranberry Township, Pennsylvania, Mar 22, 2023
  31. La Crosse, Wisconsin, March 20, 2023
  32. Charlottesville, Virginia, March 17, 2023
  33. Queensbury, New York, March 9, 2023
  34. Santa Fe, New Mexico, Feb. 27, 2023
  35. Longview, Texas, Jan. 17, 2023
  36. Overland Park, Kansas, Jan. 17, 2023
  37. West Nyack, New York, Jan. 5, 2023
  38. Binghamton, New York, Jan. 3, 2023
  39. Casper, Wyoming, Jan. 3, 2023
  40. Fort Myers, Florida, Dec. 19, 2022
  41. Grand Junction, Colorado, Dec. 19, 2022
  42. Rockford, Illinois, Dec. 12, 2022
  43. Hagerstown, Maryland, Dec. 1, 2022
  44. DASE (Guaynabo), Puerto Rico, Nov. 28, 2022
  45. Johnson City, Tennessee, Nov. 28, 2022
  46. Prestonsburg, Kentucky, Nov. 28, 2022
  47. Vienna, Virginia, Nov. 28, 2022
  48. Greensboro, North Carolina, Nov. 22, 2022
  49. Bloomington, Illinois, Nov. 21, 2022
  50. Ponce, Puerto Rico, Nov. 14, 2022

- **Taxpayer Assistance Center hiring update:** As of September 23, the IRS has hired 745 employees to staff Taxpayer Assistance Centers. This represents a 31% net increase in Taxpayer Assistance Center staffing compared to fiscal year 2022, and IRS continues to hire to replace departing staff. **Taxpayer Assistance Centers have served about 235,000 more taxpayers in fiscal year 2023 than fiscal year 2022, an 18% increase**.

Taxpayers deserve the same functionality in their online accounts that they experience with their bank or other financial institutions. As detailed in the Strategic Operating Plan, in the next five years, taxpayers will be able to securely file all documents and respond to all notices online and securely access and download their data and account history. The IRS has hit or has in-progress several milestones toward this goal, including the launch of business tax account, the expansion of its Document Upload Tool to accept responses to nearly all notices and letters, and the launch of digital mobile-adaptive forms.

- **Business tax account:** IRS launched the first phase of business tax account that over time will allow business taxpayers to check their tax payment history, make payments, view notices, authorize powers of attorney and conduct other business with the IRS. This initial phase allows unincorporated sole proprietors who have an active Employer Identification Number to set up a business tax account, where they can view their business profile and manage authorized users. Future improvements will allow taxpayers to use their business tax accounts to view letters or notices, request tax transcripts, add third parties for power of attorney or tax information authorizations, schedule or cancel tax payments and store bank account information.

- **Respond to notices online:** Taxpayers are now able to respond to notices online. Until filing season 2023, when taxpayers received notices for things like document verification, they had to respond through the mail. During filing season 2023, taxpayers were able to respond to 10 of the most common notices for credits like the Earned Income and Health Insurance Tax Credits online, saving them time and money. **As of September 29, the IRS has received more than 32,000 responses to notices via the online tool**.

- **Enable taxpayers to submit mobile-friendly forms:** The IRS is enabling taxpayers to submit mobile-friendly forms with the launch of the first three forms. These forms are adaptive for mobile device screen and can be submitted electronically when completed. This is also an important milestone toward the IRS goal of meeting taxpayers where they are and allowing them to interact with the IRS in the ways that work best for them. An estimated 15% of Americans rely solely on mobile phones for their internet access — they do not have broadband at home — so it is important to make forms available in mobile-friendly formats. The first three forms launched at the end of September.

    - Form 15109, Request for Tax Deferment. Taxpayers can provide information related to their entry and exit from service in combat ones, contingency operations or hazardous duty stations.
    - Form 14039, Identity Theft Affidavit. Taxpayers can provide information related to the fraudulent use of their and/or dependent identity.
    - Form 14242, Reporting Abusive Tax Promotions and/or Preparers. Taxpayers use this form to provide detail information about tax schemes.
    - A fourth form, Form 13909, Tax-Exempt Organization Complaint, will launch later this fall. At least 20 of the most-used tax forms will launch in early 2024.

In addition, the IRS continues to expand the functionality of several online platforms:

- **Individual account:** The IRS continues to deploy enhanced capabilities for individual accounts, following the May launch of virtual assistance and live chat. Taxpayers can now validate their

bank accounts and save multiple accounts, eliminating the need to re-enter bank account information every time they make a payment. This feature launched at the end of September.

- **Tax professional account:** The IRS continues to provide enhanced capabilities for tax professionals' online accounts, helping practitioners manage their active client authorizations on file with the Centralized Authorization File (CAF) database, which stores the information on individuals authorized to act on a taxpayer's behalf. Other enhancements put into place in September 2023 allow tax professionals to view their client's tax information, including balance due amounts. Tax Pro Account users can now also withdraw from their active authorizations online in real time.

Modernizing Technology

On the technology side, the IRS is modernizing decades-old technology to drive the agency's efforts to provide world class customer service and protect taxpayers' data.

- **Digitalization:** The IRS also continues to make significant progress scanning and e-filing paper returns.
    - **As of October, the IRS had scanned more than 1 million forms during the 2023 calendar year — more than 480,000 Forms 940, 579,000 Forms 941 and more than 90,000 Forms 1040**. Digitization has far-reaching implications for improving IRS service. Digitizing paper returns will eliminate errors that result from manually inputting data from paper returns, which will speed up processing, reduce storage costs and allow IRS to focus more resources on customer service. Once paper returns are digitized, extracting the data will enable IRS customer service employees to answer taxpayer questions and resolve issues more quickly and accurately. Customer service employees do not currently have easy access to the information from paper returns and other correspondence submitted by mail. Digitization and data extraction will give them access to that information they need to better serve taxpayers.

Additional information:

- Strategic Operating Plan
- Taxpayer Experience Days
- Taxpayer Online Account
- Tax Information in Non-English Languages

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IRS News Release

Internal Revenue Service
Media Relations Office
Washington, D.C.
Media Contact: 202.317.4000
Public Contact: 800.829.1040
www.irs.gov/newsroom

IRS delivers new capabilities to Tax Pro Account; latest expansion part of effort to improve technology, tools to help tax professionals serve clients

IR-2023-182, Sept. 29, 2023

WASHINGTON – As part of a larger effort to improve technology, the Internal Revenue Service announced today an expansion of the Tax Pro Account capabilities that allows tax professionals access to new services to help their clients.

New additions to Tax Pro Account, available through IRS.gov, will help practitioners manage their active client authorizations on file with the Centralized Authorization File (CAF) database. Other enhancements will allow tax professionals to view their client's tax information, including balance due amounts. Tax Pro Account users can now also withdraw from their active authorizations online in real time.

These changes reflect ongoing transformation efforts made possible under the Inflation Reduction Act. Tax professionals are a critical part of the nation's tax system, and the new IRS Strategic Operating Plan highlights the need to improve technology and services for taxpayers as well as tax professionals.

"Tax professionals provide a vital service to taxpayers and the nation, and the IRS is committed to making improvements to help them serve their clients," said IRS Commissioner Danny Werfel. "As part of our transformation efforts, we will be working to add new technology and expand our relationship with the tax professional community. The ongoing improvements to the Tax Pro Account are just part of a larger effort."

The new enhancements continue IRS efforts to improve the third-party authorization process. The IRS also continues to work on additional expansions to improve services to taxpayers and their tax professionals.

Tax Pro Account continues expanding with new features

Tax Pro Account provides tax professionals with a digital self-service portal they can rely on to manage their authorization relationship with taxpayers and view the taxpayers' information.

With the recent enhancements, tax professionals can now use Tax Pro Account to send Power of Attorney (POA) and Tax Information Authorization (TIA) requests directly to a taxpayer's individual IRS Online Account. Upon the taxpayer's approval and validation of the information, the authorization records immediately to the CAF database, which avoids faxing, mailing, uploading and long review and processing time by the CAF Unit.

Tax professionals must have a CAF number to use a Tax Pro Account; a CAF number cannot be requested through the Tax Pro Account. Currently, the digital authorization process is available only for individual taxpayers, not businesses or other entities.

More than 260,000 people have used Tax Pro Account since it launched in July 2021. The webpage has been viewed over 2.7 million times.

The future of Tax Pro Account

The IRS is committed to improving and expanding Tax Pro Account capabilities and engaging with the tax professional community as these efforts progress. This partnership will enhance the authorization request process and provide tax professionals with the tools they need to access relevant taxpayer information and the ability to address relevant tax-related issues for their clients quickly.

More information:

- Publication 5533-A, How to Submit Authorizations Using Tax Pro Account and Online Account
- Publication 947, Practice Before the IRS and Power of Attorney
- Power of Attorney and Other Authorizations

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IRS News Release

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IRS updates tax gap projections for 2020, 2021; projected annual gap rises to $688 billion

IR-2023-187, October 12, 2023

WASHINGTON — The Internal Revenue Service today released new tax gap projections for tax years 2020 and 2021 showing the projected gross tax gap increased to $688 billion in tax year 2021, a significant jump from previous estimates.

The new estimate reflects a rise of more than $192 billion from the prior estimates for tax years 2014-2016 and a rise of $138 billion from the revised projections for tax years 2017-2019. This marks the first year tax gap projections have been provided for single tax years and also marks the beginning of tax gap updates on an annual basis.

“This increase in the tax gap underscores the importance of increased IRS compliance efforts on key areas,” said IRS Commissioner Danny Werfel. “With the help of Inflation Reduction Act funding, we are adding focus and resources to areas of compliance concern, including high-income and high-wealth individuals, partnerships and corporations. “These steps are urgent in many ways, including adding more fairness to the tax system, protecting those who pay their taxes and working to combat the tax gap.”

Tax gap details: late payments and IRS enforcement generated $63 billion in 2021

The $688 gross tax gap is the difference between estimated ‘true’ tax liability for a given period and the amount of tax that is paid on time. The gross tax gap covers three key areas – nonfiling of taxes, underreporting of taxes and underpayment of taxes.

The IRS notes that the tax gap estimates and projections cannot fully account for all types of noncompliance. In addition, the projections released today are based largely upon the compliance behavior estimated from the most recent set of completed audits (from tax years 2014-2016). That estimated compliance behavior is projected forward to taxpayers in tax years 2020 and 2021.

Late payments and IRS enforcement efforts are projected to generate an additional $63 billion on tax year 2021 returns, resulting in a projected net tax gap of $625 billion. Between tax years 2014-2016 and tax year 2021, the estimated tax liability increased by about 38 percent, roughly the same increase as the gross and net tax gaps. Much of these increases in tax liability and the tax gap can be attributed to economic growth.

Voluntary compliance rate remains relatively steady

The tax year 2020 and 2021 tax gap projections translate to about 85% of taxes paid voluntarily and on time, which is in line with recent levels. After IRS compliance efforts are factored in, the projected share of taxes eventually paid is 86.3% for tax year 2021, down slightly from the 87.0% for tax years 2014-2016. This drop in compliance does not factor in any changes in compliance behavior; instead, it is due to changes in the types of income and how that income is reported to the IRS.

The gross tax gap comprises three components:

- Nonfiling, which means tax not paid on time by those who do not file on time:

  - $77 billion in tax year 2021, up from $41 billion in tax years 2017-2019.
- Underreporting, which reflects tax understated on timely filed returns.
  - $542 billion in tax year 2021, up from $445 billion in tax years 2017-2019.
- Underpayment, or tax that was reported on time, but not paid on time).
  - $68 billion in tax year 2021, up from $64 billion in tax years 2017-2019.

With the help of Inflation Reduction Act resources, the IRS will be taking a variety of steps to help improve voluntary compliance by improving taxpayer services and offering new technology tools to work in concert with additional compliance work. In 2022, the latest year for which data is available, the IRS collected more than $4.9 trillion in taxes, penalties, interest and user fees.

Tax gap studies through the years have consistently demonstrated that third-party reporting of income significantly raises voluntary compliance with the tax laws. And voluntary compliance rises even higher when income payments are also subject to withholding. The IRS also has an array of other taxpayer service programs aimed at supporting accurate tax filing and helping address the tax gap. These range from working with businesses and partner groups to a variety of education and outreach efforts.

The voluntary compliance rate of the U.S. tax system is vitally important for the nation. A one-percentage-point increase in voluntary compliance would bring in about $46 billion in additional tax receipts.

The tax gap estimates provide insight into the historical scale of tax compliance and to the persisting sources of low compliance.

Projecting the tax gap; offshore, digital assets, pandemic credits not fully represented

Given the complexity of the tax system and available data, no single approach can be used for estimating each component of the tax gap. Each approach is subject to measurement or nonsampling error; the component estimates that are based on samples are also subject to sampling error. For the individual income tax underreporting tax gap, Detection Controlled Estimation is used to adjust for measurement errors that result when some existing noncompliance is not detected during an audit. Other statistical techniques are used to control for bias in estimates based on operational audit data. Because multiple methods are used to estimate different subcomponents of the tax gap and then are projected into future tax years, no standard errors are reported. Those reviewing these projections should be mindful of these limitations.

Given available data, these projections of the tax gap components presented do not represent the full extent of potential non-compliance. There are several factors to keep in mind:

- The projections cannot fully represent noncompliance in some components of the tax system including offshore activities, issues involving digital assets and cryptocurrency as well as corporate income tax, income from flow-through entities and illegal activities because data are lacking.
- Projections rely upon estimates of compliance behavior. No such estimates are available for pandemic credits, so there is no reliable method of representing noncompliance for pandemic credits.

- The tax gap associated with illegal activities has been outside the scope of tax gap estimation because the objective of government is to eliminate those activities, which would eliminate any associated tax.
- For noncompliance associated with digital assets and other emerging issues, it takes time to develop the expertise to uncover associated noncompliance and for examinations to be completed that can be used to measure the extent of that noncompliance.

The IRS continues to actively work on new methods for estimating and projecting the tax gap to better reflect changes in taxpayer behavior as they emerge.

Additional information:

- Federal Tax Compliance Research: Tax Gap Projections for Tax Years 2020 and 2021, Pub. 5869
- Tax Gap Map, Projections for Tax Year 2020 and 2021, Publication 5870

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IRS News Release

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Public Contact: 800.829.1040
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401(k) limit increases to $23,000 for 2024, IRA limit rises to $7,000

IR-2023-203, November 1, 2023

WASHINGTON — The Internal Revenue Service announced today that the amount individuals can contribute to their 401(k) plans in 2024 has increased to $23,000, up from $22,500 for 2023.

The IRS today also issued technical guidance regarding all of the cost-of-living adjustments affecting dollar limitations for pension plans and other retirement-related items for tax year 2024 in Notice 2023-75.

Highlights of changes for 2024

The contribution limit for employees who participate in 401(k), 403(b), and most 457 plans, as well as the federal government's Thrift Savings Plan is increased to $23,000, up from $22,500.

The limit on annual contributions to an IRA increased to $7,000, up from $6,500. The IRA catch-up contribution limit for individuals aged 50 and over was amended under the SECURE 2.0 Act of 2022 (SECURE 2.0) to include an annual cost-of-living adjustment but remains $1,000 for 2024.

The catch-up contribution limit for employees aged 50 and over who participate in 401(k), 403(b), and most 457 plans, as well as the federal government's Thrift Savings Plan remains $7,500 for 2024. Therefore, participants in 401(k), 403(b), and most 457 plans, as well as the federal government's Thrift Savings Plan who are 50 and older can contribute up to $30,500, starting in 2024. The catch-up contribution limit for employees 50 and over who participate in SIMPLE plans remains $3,500 for 2024.

The income ranges for determining eligibility to make deductible contributions to traditional Individual Retirement Arrangements (IRAs), to contribute to Roth IRAs, and to claim the Saver's Credit all increased for 2024.

Taxpayers can deduct contributions to a traditional IRA if they meet certain conditions. If during the year either the taxpayer or the taxpayer's spouse was covered by a retirement plan at work, the deduction may be reduced, or phased out, until it is eliminated, depending on filing status and income. (If neither the taxpayer nor the spouse is covered by a retirement plan at work, the phase-outs of the deduction do not apply.) Here are the phase-out ranges for 2024:

- For single taxpayers covered by a workplace retirement plan, the phase-out range is increased to between $77,000 and $87,000, up from between $73,000 and $83,000.
- For married couples filing jointly, if the spouse making the IRA contribution is covered by a workplace retirement plan, the phase-out range is increased to between $123,000 and $143,000, up from between $116,000 and $136,000.
- For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the phase-out range is increased to between $230,000 and $240,000, up from between $218,000 and $228,000.

- For a married individual filing a separate return who is covered by a workplace retirement plan, the phase-out range is not subject to an annual cost-of-living adjustment and remains between $0 and $10,000.

The income phase-out range for taxpayers making contributions to a Roth IRA is increased to between $146,000 and $161,000 for singles and heads of household, up from between $138,000 and $153,000. For married couples filing jointly, the income phase-out range is increased to between $230,000 and $240,000, up from between $218,000 and $228,000. The phase-out range for a married individual filing a separate return who makes contributions to a Roth IRA is not subject to an annual cost-of-living adjustment and remains between $0 and $10,000.

The income limit for the Saver's Credit (also known as the Retirement Savings Contributions Credit) for low- and moderate-income workers is $76,500 for married couples filing jointly, up from $73,000; $57,375 for heads of household, up from $54,750; and $38,250 for singles and married individuals filing separately, up from $36,500.

The amount individuals can contribute to their SIMPLE retirement accounts is increased to $16,000, up from $15,500.

Additional changes made under SECURE 2.0 are as follows:

- The limitation on premiums paid with respect to a qualifying longevity annuity contract to $200,000. For 2024, this limitation remains $200,000.

- Added an adjustment to the deductible limit on charitable distributions. For 2024, this limitation is increased to $105,000, up from $100,000.

- Added a deductible limit for a one-time election to treat a distribution from an individual retirement account made directly by the trustee to a split-interest entity. For 2024, this limitation is increased to $53,000, up from $50,000.

Details on these and other retirement-related cost-of-living adjustments for 2024 are in Notice 2023-75, available on IRS.gov.

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Home Energy Tax Credits

IRS.gov/homeenergy

If you make energy improvements to your home, tax credits are available for a portion of qualifying expenses. The credit amounts and types of qualifying expenses were expanded by the Inflation Reduction Act of 2022.

Who Can Claim the Credits

You can claim the Energy Efficient Home Improvement Credit and the Residential Clean Energy Credit for the year when you purchase and install qualifying improvements.

Homeowners who improve their primary residence will find the most opportunities to claim a credit for qualifying expenses. Renters may also be able to claim credits, as well as owners of second homes used as residences.

The credits are never available for improvements made to homes that you don't use as a residence.

Energy Efficient Home Improvement Credit

Qualifying Credit Amounts and Expenses

These expenses may qualify if they meet requirements detailed on energy.gov:

- Exterior doors, windows, skylights and insulation materials
- Central air conditioners, water heaters, furnaces, boilers and heat pumps
- Biomass stoves and boilers
- Home energy audits

The amount of the credit you can take is a percentage of the total improvement expenses in the year of installation:

- 2022: 30%, up to a lifetime maximum of $500
- 2023 through 2032: 30%, up to a maximum of $1,200 (water heaters, heat pumps, biomass stoves, and boilers have a separate annual credit limit of $2,000), no lifetime limit

Get details on the Energy Efficient Home Improvement Credit.

*For 2022, biomass stoves and boilers are treated as a Residential Clean Energy Credit with no lifetime maximum.

How to Claim the Credit

File Form 5695, Residential Energy Credits Part II, with your tax return. You must claim the credit for the tax year when the improvement is installed (not purchased).

Residential Clean Energy Credit

Qualifying Credit Amounts and Expenses

These expenses may qualify if they meet requirements detailed on energy.gov:

- Solar, wind and geothermal power generation
- Solar water heaters
- Fuel cells
- Battery storage (beginning in 2023)

The amount of the credit you can take is a percentage of the total improvement expenses in the year of installation:

- 2022 to 2032: 30%, no annual maximum or lifetime limit
- 2033: 26%, no annual maximum or lifetime limit
- 2034: 22%, no annual maximum or lifetime limit

Get details on the Residential Clean Energy Credit.

How to Claim the Credit

File Form 5695, Residential Energy Credits Part I, with your tax return to claim the credit. You must claim the credit for the tax year when the improvement is installed (not purchased).

Publication 5797 (6-2023) Catalog Number 94020W Department of the Treasury **Internal Revenue Service** www.irs.gov

New Clean Vehicle Tax Credit Checklist

The Inflation Reduction Act includes a tax credit for qualifying new clean vehicles – and it can result in major savings. If you've been in the market for a vehicle, now is the perfect time to take advantage of these major savings opportunities for new clean vehicles. Visit **fueleconomy.gov/newtaxcredit** to learn more and see eligible models.

See requirements below*

How to qualify for the New Clean Vehicle Tax Credit

Purchasing a new clean vehicle		Check all that apply
Taxpayer Eligibility		
Taxpayer income and status	The taxpayer's modified adjusted gross income for either the current or prior year must be: › $300,000 or less for joint filers and surviving spouses, › $225,000 or less for head of household filers, or › $150,000 or less for other filers. ***Unsure if you qualify? Consult your tax advisor.***	
Vehicle Eligibility		
Vehicle type	The vehicle is an electric vehicle, plug-in hybrid electric vehicle, or fuel cell vehicle.	
Vehicle Manufacturer's Suggested Retail Price (MSRP) including options	The MSRP of a pickup truck, van or SUV must be $80,000 or less; for all other passenger vehicles, $55,000 or less. See the current list of eligible models and applicable MSRP caps on FuelEconomy.gov and details about optional equipment on IRS.gov.	
Vehicle final assembly location	Final assembly must have occurred in North America. Confirm this by entering the make, model, and year of a vehicle on FuelEconomy.gov or ask your dealer for the Vehicle Identification Number (VIN) of the specific vehicle you have in mind and enter it at the Department of Energy's **VIN lookup tool**.	
Critical mineral and battery requirements	For vehicles placed in service on or after April 18, 2023, the vehicle must meet the critical minerals requirement ($3,750 credit). For vehicles placed in service on or after April 18, 2023, the vehicle must meet the critical battery requirement ($3,750 credit). Visit FuelEconomy.gov to determine credit amount	
Time of sale report (also known as seller report)	Dealer provides buyer a time of sale report (also called a seller report), which will have information such as dealer name, address, VIN, make, model, placed in service date and maximum credit.	

If you checked **ALL** of the above, you may qualify for a full credit of $7,500 or a partial credit of $3,750, based on the vehicle's battery and critical mineral requirements. Get more details on the new clean vehicle credits and **check a vehicle's eligibility on FuelEconomy.gov**.

*Eligible new clean vehicles must weigh less than 14,000 pounds, have at least a 7 kilowatt hours battery, and must have been placed into service starting January 1, 2023, or later. See information on **credits for New Clean Vehicles Purchased in 2023 or After** or **credits for New Electric Vehicles Purchased in 2022 or Before** on IRS.gov. You must buy the vehicle for your own use, not for resale, and use it primarily in the U.S.

Have more questions?

Visit **www.irs.gov/cleanvehicles** for more information on the Inflation Reduction Act's clean vehicle tax credits.

Publication 5866 (10-2023) Catalog Number 94383I Department of the Treasury **Internal Revenue Service** www.irs.gov

Used Clean Vehicle Tax Credit Checklist

The Inflation Reduction Act includes a tax credit for qualifying used clean vehicles – and it can result in major savings. If you've been in the market for a vehicle, now is the perfect time to take advantage of these major savings opportunities for used clean vehicles.

See requirements below*

How to qualify for the Used Clean Vehicle Tax Credit

Purchasing a used clean vehicle		Check all that apply
Taxpayer Eligibility		
Taxpayer income and status	The taxpayer's modified adjusted gross income for either the current year or prior year must be: › $150,000 or less for joint filers and surviving spouses, › $112,500 or less for head of household filers, or › $75,000 or less for other filers.	
Taxpayer status	Taxpayer must be an individual who is not a dependent that is claimed on another taxpayer's tax return and must be buying the vehicle for use and not resale.	
Taxpayer eligibility	Taxpayer must not have claimed this credit in the 3-year period prior to the sale of the qualifying vehicle. *Unsure if you qualify? Consult your tax advisor.* ***Note: 2023 is the first year that this credit can be claimed.***	
Vehicle Eligibility		
Vehicle type and age	The vehicle is an electric vehicle, plug-in hybrid electric vehicle, or fuel cell vehicle, and the model year is at least two years earlier than the calendar year of your purchase. See the **current list of eligible models on FuelEconomy.gov**.	
Vehicle sale price and dealer	Vehicle sale price is $25,000 or less and the vehicle is sold by a licensed dealer registered with the IRS. The sale price of a previously-owned clean vehicle is the total sale price agreed upon by the buyer and seller in a written contract at the time of sale, including any delivery charges and after the application of any incentives, but excluding separately-stated taxes and fees required by State or local law.	
Previous transfer status	To be a qualified sale, a transfer must be the first transfer since August 16, 2022, as shown by vehicle history, of a used clean vehicle after the sale to the person with whom the original use of such vehicle commenced. Check the a vehicle history report. of the vehicle and see **frequently asked questions about eligibility rules**.	
Time of sale report (also known as seller report)	Dealer provides buyer a time of sale report (also called a seller report), which will have information such as dealer name, address, VIN, make, model, placed in service date, and maximum credit.	

If you checked **ALL** of the above, you may qualify for a tax credit of 30% percent of the sale price up to a maximum of $4,000. Learn **more about the credit on IRS.gov** and **check a vehicle's eligibility on FuelEconomy.gov**.

*Eligible used clean vehicles must weigh less than 14,000 pounds, have at least a 7 kilowatt hours battery, and must have been placed into service starting January 1, 2023, or later. For more information on the **Used Clean Vehicle Credit** check IRS.gov.

Have more questions?

Visit **www.irs.gov/cleanvehicles** for more information on the Inflation Reduction Act's clean vehicle tax credits.

Publication 5866-A (10-2023) Catalog Number 94387A Department of the Treasury **Internal Revenue Service** www.irs.gov

Clean Vehicle Credit Reference Chart

Eligibility

	Clean Vehicle Credit	Used Clean Vehicle Credit
Eligible Taxpayers	Individuals and certain commercial taxpayers	Individuals (Limited to one credit every 3 years)
Maximum Credit Amount	**$7,500** **$3,750** for vehicles meeting the critical minerals requirement **$3,750** for vehicles meeting the battery components requirement See Qualifying Vehicles at FuelEconomy.gov	Lesser of $4,000 or 30% of the sales price
Taxpayer's Income Limits	Credit is allowed if modified adjusted gross income (MAGI) for the year the credit is claimed or the prior tax year is less than: ■ $300,000 (married filing jointly **or** qualifying surviving spouse) ■ $225,000 (head of household) ■ $150,000 (all other filers)	Credit is allowed if modified adjusted gross income (MAGI) for the year the credit is claimed or the prior tax year is less than: ■ $150,000 (married filing jointly **or** qualifying surviving spouse) ■ $112,500 (head of household) ■ $75,000 (all other filers)

Vehicle Requirements

	Clean Vehicle Credit	Used Clean Vehicle Credit
Manufacturing Location Requirements	Final assembly must occur within North America (effective 8/16/2022)	Not applicable

Claiming the Credit

	Clean Vehicle Credit	Used Clean Vehicle Credit
VIN Reporting Requirements	Seller must file a seller report with the VIN and other information to the IRS & Taxpayers must report the VIN on their tax return	Seller must file a seller report with the VIN and other information to the IRS & Taxpayers must report the VIN on their tax return
Transferability	Taxpayers can elect to transfer credit to an eligible entity (effective after 12/31/2023)	Taxpayers can elect to transfer credit to an eligible entity(effective after 12/31/2023)
Expiration of Credit	12/31/2032	12/31/2032

www.irs.gov/cleanvehicles

Commercial Clean Vehicle Reference Chart

Eligibility

	Commercial Clean Vehicle Credit
Eligible Taxpayers	Businesses and tax-exempt entities
Maximum Credit Amount	**$7,500 or $40,000** Credit is limited to the lesser of 15% of the vehicle's cost (30% for vehicles not gasoline or diesel powered) **or** the incremental cost of the vehicle as compared to vehicles powered with a gasoline **or** diesel internal combustion engine.
Taxpayer's Income Limits	Not applicable

Vehicle Requirements

	Commercial Clean Vehicle Credit
Manufacturer	The vehicle manufacturer must be a Qualified Manufacturer.
Price Limits of Vehicle Purchased	Not applicable
Qualifying Vehicles	Clean vehicles and mobile machinery; larger electric vehicles required to have a battery with 15 kWh of capacity; vehicles must be subject to a depreciation allowance (i.e., for business use) except in the case of vehicles used by tax-exempt entitles.
Manufacturing Location Requirements	Not applicable

Claiming the Credit

	Commercial Clean Vehicle Credit
VIN Reporting Requirements	Taxpayers must report the VIN on their tax return
Transferability	Not applicable
Expiration of Credit	12/31/2032

www.irs.gov/cleanvehicles

Publication 5724-H (4-2023) Catalog Number 93919U Department of the Treasury **Internal Revenue Service** www.irs.gov

Clean Vehicle Credit Transfer

What is the clean vehicle credit transfer?

Beginning on Jan. 1, 2024, buyers of qualifying new and previously-owned clean vehicles can transfer their tax expected credit[1] to a dealer who has registered with the IRS as described below. The dealer can then provide the full amount of the expected credit to the buyer in the form of a downpayment for the purchase or cash, allowing the buyer to receive their full credit at the time of the sale.

Dealers need to know:

To participate in the clean vehicle credit transfer, a dealer must be licensed to sell vehicles and register through **Energy Credits Online** on IRS.gov.

At the time of vehicle sale if the buyer elects and the dealer accepts, the dealer completes an advance payment request as part of the time of sale report (also called seller report) that includes the amount provided to the buyer along with the dealer and vehicle information.

Energy Credits Online will provide dealers real-time confirmation of whether submission is accepted based on information in the time of sale report and VIN information provided by manufacturers to the IRS. After successfully submitting the time of sale report online, dealers will receive payment of the amount they provided to the buyer, usually within 72 hours.

Dealers are not required to verify buyers income, however, they must provide buyer with disclosures.

Dealers must provide buyer with a time of sale report to use at filing and confirmation of Energy Credits Online acceptance.

Buyers need to know:

At the time of sale, buyers can choose to transfer their clean vehicle credit to a participating dealer. In exchange, they will receive the credit in the form of a downpayment for the purchase or cash equal to the full value of the credit to which the buyers would otherwise be eligible. See if a vehicle qualifies by visiting **fueleconomy.gov**.

To receive a new or previously-owned clean vehicle credit, a buyer's modified adjusted gross income must be below certain thresholds. Visit **IRS.gov/cleanvehicles** for more information.

Buyers must complete a transfer election and work with their dealer to submit information and attestations for a time of sale report. The dealer is required to provide a copy to the buyer at the time of sale, which includes information necessary to claim the credit on the buyer's annual tax return.

Buyers who transfer the credit must complete and submit form 8936 Schedule A using information from the time of sale report when filing their annual tax return. Even if the vehicle is eligible, buyers who elect to transfer the credit but who fail to meet the income thresholds or eligibility criteria will need to repay the IRS when filing their tax return.

1 The Commercial Clean Vehicle credit under Section 45W cannot be transferred to a dealer.

IRS News Release

Internal Revenue Service
Media Relations Office
Washington, D.C.
Media Contact: 202.317.4000
Public Contact: 800.829.1040
www.irs.gov/newsroom

Treasury, IRS provide guidance for those who manufacture new clean vehicles

IR-2023-228, Dec. 1, 2023

WASHINGTON — The Department of the Treasury and the Internal Revenue Service today issued two items of guidance on the excluded entity restriction of the section 30D clean vehicle credit, as amended by the Inflation Reduction Act. Under the excluded entity restriction, vehicles are not eligible for the clean vehicle credit if the battery contains battery components manufactured or assembled or applicable critical minerals extracted, processed or recycled by a foreign entity of concern (FEOC).

The proposed regulations provide definitions and proposed rules for qualified manufacturers of vehicles to determine eligibility for the clean vehicle credit regarding the excluded entity restrictions. In particular, the proposed regulations provide rules for determining whether applicable critical minerals (and their associated constituent materials) and battery components are FEOC compliant, meaning such materials do not violate the excluded entity provision.

Revenue Procedure 2023-38 provides procedural rules for qualified manufacturers of new clean vehicles to comply with the reporting, certification, and attestation requirements regarding the excluded entity restriction, under which the IRS, with analytical assistance from the Department of Energy, will review compliance with the excluded entity restrictions. In addition, this revenue procedure updates and consolidates the procedural rules for qualified manufacturers with respect to the clean vehicle credit, the previously-owned clean vehicle credit, and the qualified commercial clean vehicle credit.

Excluded Entity Restrictions

Section 30D provides a credit for new clean vehicles that are placed in service by the taxpayer during the taxable year, worth a maximum credit of $7,500 per vehicle, consisting of $3,750 if certain critical minerals requirements are met and $3,750 if certain battery components requirements are met.

Under the excluded entity restriction, in order to be eligible for the section 30D credit, vehicles placed in service beginning in 2024 must not have batteries containing battery components manufactured or assembled by a FEOC. In addition, vehicles placed in service beginning in 2025 must have not batteries containing applicable critical minerals extracted, processed, or recycled by a FEOC.

The proposed regulations regarding the section 30D credit incorporate the statutory definition of FEOC from the IIJA, which is administered by the Department of Energy (DOE), as well as implementing guidance promulgated by the DOE. In addition, the proposed regulations provide due diligence requirements for qualified manufacturers; specific rules for the determination of when applicable critical minerals (and associated constituent materials), battery components, battery cells, and batteries are compliant with the FEOC rules; a regime for review of FEOC-compliance determinations; and penalty rules.

For more information about tax benefits from the Inflation Reduction Act, go to Inflation Reduction Act of 2022.

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Clean Energy Tax Incentives for Individuals

The Inflation Reduction Act of 2022 ("IRA") makes several clean energy tax credits available to individuals.
IRS.gov/CleanEnergy

	Tax Provision	Description
Vehicles - IRS.gov/CleanVehiclesv	**Credit for New Clean Vehicles** (§ 30D)	**For buyers of new clean vehicles that meet certain requirements, as well as buyer income and manufacturer suggested retail price limits. Learn more and see eligible vehicles at Fuel Economy.gov** **Credit Amount:** Up to $7,500 for qualifying vehicles, which can be applied to the purchase price of the vehicle starting January 1, 2024. [1]
	Credit for Previously Owned Clean Vehicles (§25E)	**For buyers of certain previously-owned clean vehicles** sold in the first transfer after 12/31/22 for $25,000 or less. Subject to buyer income limits. Vehicles must be at least 2 model years old, be purchased from a registered dealer, and buyers must not have been allowed a 25E credit in the 3-year period prior to the sale of the qualifying vehicle. Learn more and see eligible vehicles at **Fuel Economy.gov** **Credit Amount:** The lesser of $4,000 or 30% of sale price, which can be applied to the purchase price of the vehicle starting January 1, 2024.[1]
	Alternative Fuel Vehicle Refueling Property Credit (§ 30C) *Includes Electric Vehicle Charging Equipment*	**For alternative fuel vehicle refueling and charging property, including home electric vehicle charging stations, located in low-income and non-urban areas.** Qualified fuels include electricity, ethanol, natural gas, hydrogen, and biodiesel. **Credit Amount:** 30% of the cost of hardware and installation up to $1,000 for individuals; for businesses 6% of basis and can increase to 30% if PWA is met not to exceed $100,000
Home Energy – IRS.gov/HomeEnergy	**Energy Efficient Home Improvement Credit** (§ 25C) *See page 2 for more details.*	**Provides a tax credit for energy-efficiency improvements of residential homes** **Credit Amount:** 30% of cost, with limits for each type of improvement and total per year. To qualify, home improvements must meet energy efficiency standards. They must be new systems and materials. Eligible expenses include efficient heating and cooling equipment, windows, doors, heat pumps, insulation and air sealing materials. See page 2 for more information and annual limits.
	Residential Clean Energy Installation Credit (§25D)	**Provides a tax credit for the purchase of residential clean energy equipment, including battery storage with capacity of at least 3 kWh.** These expenses may qualify if they meet certain energy efficiency requirements: • Solar, wind, and geothermal power generation • Solar water heaters • Fuel cells • Battery storage **Credit Amount:** 30% of cost of equipment through 2032; 26% in 2033; 22% in 2034.

Notes:

The information in this document may be subject to change as guidance is issued or finalized. For all IRA clean energy tax credits, please see **IRS.gov/CleanEnergy** for further details and eligibility requirements.

[1] Starting January 1, 2024, the amount of a new clean vehicle or previously owned clean vehicle tax credit can be transferred to a dealer for an equivalent reduction in the eligible vehicle's sales price, deemed down payment, or cash.

[2] Credit is multiplied by 5 (from 6% to 30%) for projects that meet prevailing wages and apprenticeship requirements or other requirements.

Equipment Type	Tax Credit Available For 2023-2032 Tax Years
Other Energy Efficiency Upgrades	
Home Clean Electricity Power Generation and Storage Products	
Solar Panels	30% of cost
Fuel Cells	
Wind Turbine	
Battery Storage	
Heating, Cooling, and Water Heating	
Heat pumps (note: heat pumps also provide air conditioning)	30% of cost, up to $2,000 per year
Heat pump water heaters	
Biomass stoves	
Geothermal heat pumps	30% of cost
Solar (water heating)	
Efficient air conditioners*	30% of cost, up to $600
Efficient heating equipment*	
Efficient water heating equipment*	30% of cost, up to $600
Other Energy Efficiency Upgrades	
(Electric panel or circuit upgrades for new electric equipment*	30% of cost, up to $600
Building Envelope (including insulation materials and air sealing)*	30% of cost
Windows, including skylights*	30% of cost, up to $600
Exterior doors*	30% of cost, up to $500 for doors (up to $250 each)
Home Energy Audits*	30% of cost, up to $150
Electric Vehicle Charging Equipment	
Home Electric Vehicle Charger	30% of cost, up to $1,000 **

Notes:

* Subject to the Energy Efficient Home Improvement credit's total annual credit limit of $1,200. There is a separate annual $2,000 limit for heat pumps. Credit capped at $600 for "energy property," e.g. efficient heating and cooling equipment; $600 for windows; $250 per door, $500 total for doors; $2,000 for heat pumps; $1,200 for qualified energy efficiency improvements to the building envelope, including insulation and air sealing. $150 credit for home energy audits.

Clean Energy Tax Incentives for Businesses

The Inflation Reduction Act of 2022 ("IRA") makes several clean energy tax credits available to businesses.
IRS.gov/CleanEnergy

	Tax Provision	Description
Energy Generation & Carbon Capture	**Production Tax Credit for Electricity from Renewables** (§ 45, pre-2025)	**For electricity sold to an unrelated person and produced from the following renewable sources:** wind, biomass, geothermal, solar, landfill and trash, hydropower, and marine and hydrokinetic energy. **Credit Amount (for 2023):** 0.55 or 0.03 cents (depending on source) per kilowatt hour (kW) for facilities placed in service (PIS) after 12/31/21; 2.8 or 1.4 cents (depending on source) per kW for facilities PIS before 1/1/22; 0.55 cents per kW for marine and hydrokinetic for facilities PIS after 12/31/22. [1,2,3,7]
	Clean Electricity Production Tax Credit (§ 45Y, 2025 onwards)	**Technology-neutral tax credit for production of clean electricity.** Replaces § 45 for facilities that are placed in service after December 31, 2024. **Credit Amount:** 0.3 cents/kWh; 1.5 cent/kWh if PWA requirements are met. [1,2,3,6,7]
	Investment Tax Credit for Energy Property (§ 48, pre-2025)	**For investment in renewable energy projects** including fuel cell, solar, geothermal, small wind, energy storage, biogas, microgrid controllers, and combined heat and power properties. **Credit Amount:** Generally, 6% of qualified investment (basis); 30% if PWA requirements are met. [1,4,5,6,8]
	Clean Electricity Investment Tax Credit (§ 48E, 2025 *onwards*)	**Technology-neutral tax credit for investment in facilities that generate clean electricity** and qualified energy storage technologies. Replaces § 48 for facilities that begin construction and are placed in service after 2024 **Credit Amount:** 6% of qualified investment (basis); 30% if PWA requirements met [1,4,5,6]
	Low-Income Communities Bonus Credit (§ 48(e), 48E(h)) **Application required**	**Additional investment tax credit for small-scale solar and wind (§ 48(e)) or clean electricity (§48E(h)) facilities** (<5MW net output) on Indian land, federally subsidized housing, in low-income communities, and benefit low-income households. Allocated through an application process. **Credit Amount:** 10 or 20 percentage point increase on base investment tax credit
	Credit for Carbon Oxide Sequestration (§ 45Q)	**Credit for carbon oxide sequestration** coupled with permitted end uses in the United States. **Credit Amount:** $12-36 per metric ton of qualified carbon oxide captured and sequestered, used as a tertiary injectant, or utilized, depending on the specified end-use; $60-$180 per metric ton if PWA requirements met.[1,7]
	Zero-Emission Nuclear Power Production Credit (§ 45U)	**For electricity from nuclear power facilities.** Facilities in operation prior to August 16, 2022. **Credit Amount (for 2023):** 0.3 cents/kWh (reduced rate for larger facilities); 1.5 cent/kWh if PW requirements met [1,7]
Clean Vehicles	**Credit for Qualified Commercial Clean Vehicles** (§ 45W)	**For purchasers of commercial clean vehicles.** Qualifying vehicles may include passenger vehicles, buses, ambulances, and certain other vehicles, as well as certain mobile machinery. **Credit Amount:** Up to $40,000 (max $7,500 for vehicles <14,000 lbs.)
Manufacturing	**Advanced Energy Project Credit** (§ 48C) **Application required**	**For investments in advanced energy projects.** A total of $10 billion will be allocated, not less than $4 billion of which will be allocated to projects in certain energy communities. **Credit Amount:** 6% of taxpayer's qualified investment; 30% if PWA requirements are met. [1]
	Advanced Manufacturing Production Credit (§ 45X)	**Production tax credit for domestic clean energy manufacturing** of components including solar and wind energy, inverters, battery components, and critical minerals. **Credit Amount:** Varies by type of eligible component
Commercial Energy	**New Energy Efficient Homes Credit** (§ 45L)	**Provides a tax credit for construction of new energy efficient homes Credit Amount:** $2,500 for new homes meeting Energy Star standards; $5,000 for certified zeroenergy ready homes. For multifamily, base amounts are $500 per unit for Energy Star and $1000 per unit for zero-energy
	Energy Efficient Commercial Buildings Deduction (§ 179D)	**Provides a tax deduction for the cost of energy efficiency improvements to commercial buildings,** installed as part of the building envelope; interior lighting systems; or the heating, cooling, ventilation, and hot water systems. **Credit Amount:** $0.50-$1 per square foot, depending on increase in efficiency, with deduction over three or four-year periods capped at $1 per square foot. Inflation adjusted. A new alternative deduction for energy efficient building retrofit property is also available.

Fuels	**Clean Hydrogen Production Tax Credit** (§ 45V)	**For producing qualified clean hydrogen** at a qualified clean hydrogen production facility during the 10-year period beginning on the date the facility was originally placed in service. **Credit Amount:** $0.60/kg multiplied by the applicable percentage (20% to 100%, depending on lifecycle greenhouse gas emissions rate), amount increases if PWA is met [1,7]
	Clean Fuel Production Credit (§ 45Z, 2025 onwards)	**Technology neutral tax credit for domestic production of clean transportation fuels,** including sustainable aviation fuels, beginning in 2025* **Credit Amount:** $0.20/gallon ($0.35/gal for aviation fuel) multiplied by CO2 "emissions factor"; $1.00/gallon ($1.75/gal for aviation fuel) multiplied by CO2 "emissions factor" if PWA is met. [1,7]
	Biofuels Incentives (§ 40A)	**Extends tax credits for biodiesel and renewable diesel.** **Credit Amount:** $1.00/gallon for biodiesel and renewable diesel; $1.00 per gallon of biodiesel or renewable diesel used in a qualified mixture. Additional $0.10/gallon credit available for small Agri-biodiesel producers. In addition, there is a $1.00/gallon excise tax credit for biodiesel and renewable diesel mixtures.
	Biofuels Incentives (§ 40(b)(6)	**Retroactively extends second generation biofuel producer credit.** This credit previously expired on 12/31/21. The IRA extends this credit for production through 12/31/24. **Credit Amount:** $1.01 per gallon of second-generation biofuel, with a reduction for second generation biofuel that is alcohol.
	Alternative Fuel and Alternative Fuel Mixture Excise Tax Credits (§§ 6426(d) and (e) and 6427(e))	**Retroactively extends alternative fuel and alternative fuel mixture credits.** The credits previously expired on 12/31/21. The IRA extends these credits through 12/31/24. **Credit Amounts:** $0.50 per gallon of alternative fuel sold or used (§ 6426(d)); $0.50 per gallon of alternative fuel used in producing any alternative fuel mixture for sale or use in a trade or business (§ 6426(e)).
	Sustainable Aviation Fuel Credit (§ 40B)	**Provides a tax credit for the sale or use of sustainable aviation fuel (SAF)** that achieves a lifecycle greenhouse gas emissions re duction of at least 50% as compared with petroleum-based jet fuel. **Credit Amount:** $1.25/gallon of SAF. **Bonus Credit Amount:** Up to $0.50/gallon depending on lifecycle greenhouse gas emissions of SAF relative to petroleum-based jet fuel.

Notes:

The information in this document may be subject to change as guidance is issued or finalized. For all IRA clean energy tax credits, please see **IRS.gov/CleanEnergy** for further details and eligibility requirements.

[1] Credit is multiplied by 5 for projects that meet prevailing wages and apprenticeship requirements or other requirements under § 45(b)(6)(B). Apprenticeship requirements do not apply for §§ 45L and 45U. Under the one megawatt exception for the credits available under sections 45, 45Y, 48, and 48E, a facility that has a maximum net output of less than one megawatt of electrical energy (as measured in alternating current) may be eligible for the increased credit amount without satisfying the prevailing wage and apprenticeship requirements. The one-megawatt exception may also apply to qualified projects under section 48 with a maximum net output of less than one megawatt of thermal energy; and to energy storage technology under section 48E with a capacity of less than one-megawatt.

[2] Credit is increased by 10% if the project meets certain domestic content requirements.

[3] Credit is increased by 10% if the project is located in an energy community.

[4] Credit is increased by up to 10 percentage points for projects meeting certain domestic content requirements for steel or iron, and manufactured products.

[5] Credit is increased by up to 10 percentage points if located in an energy community.

[6] Section 168(e) provides favorable depreciation treatment for facilities or property qualifying for this tax credit. These facilities or property will be treated as a 5-year property for purposes of cost recovery, leaving them with lower taxable income in the earlier years of a clean energy investment.

[7] Credit is adjusted annually for inflation.

[8] See section 48 for more detail and applicable exceptions to the credit rate.

IRS News Release

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Media Contact: 202.317.4000
Public Contact: 800.829.1040
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IRS announces delay in Form 1099-K reporting threshold for third-party platform payments in 2023; plans for a threshold of $5,000 for 2024 to phase in implementation

IR-2023-221, Nov. 21, 2023

WASHINGTON — Following feedback from taxpayers, tax professionals and payment processors and to reduce taxpayer confusion, the Internal Revenue Service today released Notice 2023-74 announcing a delay of the new $600 Form 1099-K reporting threshold for third-party settlement organizations for calendar year 2023.

As the IRS continues to work to implement the new law, the agency will treat 2023 as an additional transition year. This will reduce the potential confusion caused by the distribution of an estimated 44 million Forms 1099-K sent to many taxpayers who wouldn't expect one and may not have a tax obligation. As a result, reporting will not be required unless the taxpayer receives over $20,000 and has more than 200 transactions in 2023.

Given the complexity of the new provision, the large number of individual taxpayers affected and the need for stakeholders to have certainty with enough lead time, the IRS is planning for a threshold of $5,000 for tax year 2024 as part of a phase-in to implement the $600 reporting threshold enacted under the American Rescue Plan (ARP).

Following feedback from the tax community, the IRS is also looking to make updates to the Form 1040 and related schedules for 2024 that would make the reporting process easier for taxpayers. Changes to the Form 1040 series – the core tax form for more than 150 million taxpayers – are complex and take time; delaying changes to tax year 2024 allows for additional feedback.

"We spent many months gathering feedback from third-party groups and others, and it became increasingly clear we need additional time to effectively implement the new reporting requirements," said IRS Commissioner Danny Werfel. "Taking this phased-in approach is the right thing to do for the purposes of tax administration, and it prevents unnecessary confusion as we continue to look at changes to the Form 1040. It's clear that an additional delay for tax year 2023 will avoid problems for taxpayers, tax professionals and others in this area."

The ARP required third party settlement organizations (TPSOs), which include popular payment apps and online marketplaces, to report payments of more than $600 for the sale of goods and services on a Form 1099-K starting in 2022. These forms would go to the IRS and to taxpayers and would help taxpayers fill out their tax returns. Before the ARP, the reporting requirement applied only to the sale of goods and services involving more than 200 transactions per year totaling over $20,000.

The IRS temporarily delayed the new requirement last year.

Reporting requirements do not apply to personal transactions such as birthday or holiday gifts, sharing the cost of a car ride or meal, or paying a family member or another for a household bill. These payments are not taxable and should not be reported on Form 1099-K.

However, the casual sale of goods and services, including selling used personal items like clothing, furniture and other household items for a loss, could generate a Form 1099-K for many people, even if the seller has no tax liability from those sales.

This complexity in distinguishing between these types of transactions factored into the IRS decision to delay the reporting requirements an additional year and to plan for a threshold of $5,000 for 2024 in order

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Washington, D.C.
Media Contact: 202.317.4000
Public Contact: 800.829.1040
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to phase in implementation. The IRS invites feedback on the threshold of $5,000 for tax year 2024 and other elements of the reporting requirement, including how best to focus reporting on taxable transactions.

“The IRS will use this additional time to continue carefully crafting a way forward to minimize burden,” Werfel said. “We want to make this as easy as possible for taxpayers. We will work to make the new reporting requirements easier for them, and we’ll work closely with third-party groups, tax professionals and others to find the smoothest path to ensure compliance with the law. This is consistent with our Strategic Operating Plan. The IRS is focused on meeting taxpayers where they are and helping them get it right the first time.”

Expanded information reporting, which will occur as the result of the change in thresholds for Form 1099-K, is important because it increases tax compliance and can reduce burden on taxpayers seeking to follow the law. The IRS believes that expansion must be managed carefully to help ensure that Forms 1099-K are issued only to taxpayers who should receive them. In addition, it's important that taxpayers understand what to do as a result of this reporting, and that tax professionals and software providers have the information they need to assist taxpayers.

The IRS will continue to provide information on IRS.gov/1099K.

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IRS Fact Sheet

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IRS announces 2023 Form 1099-K reporting threshold delay for third-party platform payments; plans for a $5,000 threshold in 2024 to phase in implementation

FS-2023-27, November 2023

Following feedback from taxpayers, tax professionals, and payment processors and to reduce taxpayer confusion, the Internal Revenue Service delayed the new $600 Form 1099-K reporting threshold requirement for third party payment organizations for tax year 2023 and is planning a threshold of $5,000 for 2024 to phase in the new law.

Third party payment organizations include many popular payment apps and online marketplaces.

The agency is making 2023 another transition year to implement the new requirements under the American Rescue Plan that changed the Form 1099-K reporting threshold for payments taxpayers get selling goods or providing a service over $600. The previous reporting thresholds will remain in place for 2023.

What this means

This means that for 2023 and prior years, payment apps and online marketplaces are only required to send out Forms 1099-K to taxpayers who receive over $20,000 and have over 200 transactions. For tax year 2024, the IRS plans for a threshold of $5,000 to phase in reporting requirements.

This phased-in approach will allow the agency to review its operational processes to better address taxpayer and stakeholder concerns.

Taxpayers should be aware that while the reporting threshold remains over $20,000 and 200 transactions for 2023, companies could still issue the form for any amount.

It's important to note that the higher threshold does not affect the actual tax law to report income on your tax return. All income, no matter the amount, is taxable unless it's excluded by law whether a Form 1099-K is sent or not.

Who gets the form

The Form 1099-K could be sent to anyone who's using payment apps or online marketplaces to accept payments for selling goods or providing services. This includes people with side hustles, small businesses, crafters and other sole proprietors.

However, it could also include casual sellers who sold personal stuff like clothing, furniture and other household items that they paid more than they sold it for. Selling items at a loss is not actually taxable income but would have generated many Forms 1099-K for many people with the $600 threshold.

This complexity contributed to the IRS decision to delay the additional year to provide the agency time to update its operations to make it easier for taxpayers to report the amounts on their forms.

What to do

The IRS Understanding Your Form 1099-K webpage provides resources for taxpayers who receive a 1099-K, including what to do with a Form 1099-K and what to do if you get a Form 1099-K in error.

Taxpayers who receive a Form 1099-K should review the forms, determine if the amount is correct, and determine any deductible expenses associated with the payment they may be able to claim when they file their taxes.

The payment on a Form 1099-K may be reported in different places on your tax return depending on what kind of payment it is. For example, someone who is getting paid as a ride share driver could report it on a Schedule C.

People who sold personal items must determine if the amounts on their forms were losses or gains. If taxpayers are unsure of the original price, they can learn more on how to figure out the items worth and how to establish basis.

Selling personal items at a loss

If taxpayers sold at a loss, which means they paid more for the items than they sold them for, they'll be able to zero out the payment on their tax return by reporting both the payment and an offsetting adjustment on a Form 1040, Schedule 1. This will ensure people who unnecessarily get these forms don't have to pay taxes they don't owe.

Specifically:

If you sold personal items at a loss, you have 2 options to report the loss:

Report on Schedule 1 (Form 1040)

You can report and then zero out the Form 1099-K gross payment amount on Schedule 1 (Form 1040), Additional Income and Adjustments to Income **PDF**.

Example: You receive a Form 1099-K that includes the sale of your car online for $21,000, which is less than you paid for it.

On Schedule 1 (Form 1040):

- **Enter the Form 1099-K gross payment amount (Box 1a) on Part I – Line 8z – Other Income:** "Form 1099-K Personal Item Sold at a Loss, $21,000"
- **Offset the Form 1099-K gross payment amount (Box 1a) on Part II – Line 24z – Other Adjustments:** "Form 1099-K Personal Item Sold at a Loss $21,000"

These 2 entries result in a $0 net effect on your adjusted gross income (AGI).

Report on Form 8949

You can also report the loss on Form 8949, Sales and Other Dispositions of Capital Assets, which carries to Schedule D, Capital Gains and Losses.

Selling personal items at a gain:

If they were sold at a gain, which means they paid less than they sold it for, they will have to report that gain as income, and it's taxable.

If you receive a Form 1099-K for a personal item sold at a gain, report it on both:

- Form 8949, Sales and other Dispositions of Capital Assets
- Schedule D (Form 1040), Capital Gains and Losses

What should not be reported

Reporting is not required for personal transactions such as birthday or holiday gifts, sharing the cost of a car ride or meal, or paying a family member or another for a household bill. These payments are not taxable and should not be reported on Form 1099-K.

Additional information and resources:

The IRS provides comprehensive information on the Understanding Your Form 1099-K webpage that includes more details on receiving and reporting Forms 1099-K to help taxpayers navigate this complicated issue. In addition, the IRS will continue to update its communications, providing additional details soon.

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To protect taxpayers from scams, IRS orders immediate stop to new Employee Retention Credit processing amid surge of questionable claims; concerns from tax pros, aggressive marketing to ineligible applicants highlights unacceptable risk to businesses and the tax system

Moratorium on processing of new claims through year's end will allow IRS to add more safeguards to prevent future abuse, protect businesses from predatory tactics; IRS working with Justice Department to pursue fraud fueled by aggressive marketing

IR-2023-169, Sept. 14, 2023

WASHINGTON – Amid rising concerns about a flood of improper Employee Retention Credit claims, the Internal Revenue Service today announced an immediate moratorium through at least the end of the year on processing new claims for the pandemic-era relief program to protect honest small business owners from scams.

IRS Commissioner Danny Werfel ordered the immediate moratorium, beginning today, to run through at least Dec. 31 following growing concerns inside the tax agency, from tax professionals as well as media reports that a substantial share of new claims from the aging program are ineligible and increasingly putting businesses at financial risk by being pressured and scammed by aggressive promoters and marketing.

The IRS continues to work previously filed Employee Retention Credit (ERC) claims received prior to the moratorium but renewed a reminder that increased fraud concerns means processing times will be longer. On July 26, the agency announced it was increasingly shifting its focus to review these claims for compliance concerns, including intensifying audit work and criminal investigations on promoters and businesses filing dubious claims. The IRS announced today that hundreds of criminal cases are being worked, and thousands of ERC claims have been referred for audit.

The IRS emphasizes that payouts for these claims will continue during the moratorium period but at a slower pace due to the detailed compliance reviews. With the stricter compliance reviews in place during this period, existing ERC claims will go from a standard processing goal of 90 days to 180 days – and much longer if the claim faces further review or audit. The IRS may also seek additional documentation from the taxpayer to ensure it is a legitimate claim.

This enhanced compliance review of existing claims submitted before the moratorium is critical to protect against fraud but also to protect the businesses from facing penalties or interest payments stemming from bad claims pushed by promoters, Werfel said.

"The IRS is increasingly alarmed about honest small business owners being scammed by unscrupulous actors, and we could no longer tolerate growing evidence of questionable claims pouring in," Werfel said. "The further we get from the pandemic, the further we see the good intentions of this important program abused. The continued aggressive marketing of these schemes is harming well-meaning businesses and delaying the payment of legitimate claims, which makes it harder to run the rest of the tax system. This harms all taxpayers, not just ERC applicants."

"For those people being pressured by promoters to apply for the Employee Retention Credit, I urge them to immediately pause and review their situation while we look to add new protections and safeguards to stop bad claims from ever coming in," Werfel said. "In the meantime, businesses should seek out a trusted tax professional who actually understands the complex ERC rules, not a promoter or marketer

hustling to get a hefty contingency fee. Businesses that receive ERC payments improperly face the daunting prospect of paying those back, so we urge the utmost caution. The moratorium will help protect taxpayers by adding a new safety net onto this program to focus on fraudulent claims and scammers taking advantage of honest taxpayers."

Taxpayers are encouraged to review IRS guidance and tools for helping determine ERC eligibility, including frequently asked questions and a new question and answer guide released today to help businesses understand if they are actually eligible for the credit.

The IRS is developing new initiatives to help businesses who found themselves victims of aggressive promoters. This includes a settlement program for repayments for those who received an improper ERC payment; more details will be available this fall.

In addition, the IRS is finalizing details that will be available soon for a special withdrawal option for those who have filed an ERC claim but the claim has not been processed. This option – which can be used by taxpayers whose claim hasn't yet been paid– will allow the taxpayers, many of them small businesses who were misled by promoters, to avoid possible repayment issues and paying promoters contingency fees. Filers of these more than 600,000 claims awaiting processing will have this option available. Those who have willfully filed fraudulent claims or conspired to do so should be aware, however, that withdrawing a fraudulent claim will not exempt them from potential criminal investigation and prosecution.

As part of the wider compliance effort, the IRS is working with the Justice Department to address fraud in the ERC program as well as promoters who have been ignoring the rules and pushing businesses to apply.

The IRS has trained auditors examining ERC claims posing the greatest risk, and the IRS Criminal Investigation division is actively working to identify fraud and promoters of fraudulent claims for potential referral for prosecution to the Justice Department.

IRS Criminal Investigation (IRS-CI) investigates a variety of COVID fraud allegations ranging from fraudulently obtained employee refund tax credits to falsified Paycheck Protection Program loans. To date, IRS-CI has uncovered suspected pandemic fraud totaling more than $8 billion. As of July 31, 2023, IRS-CI has initiated 252 investigations involving over $2.8 billion of potentially fraudulent Employee Retention Credit claims. Of those, fifteen of the 252 investigations have resulted in federal charges. Of the 15 federally charged cases, so far six matters have resulted in convictions, four of those cases have reached the sentencing phase with the average sentence being 21 months.

Criminal Investigation's work is in addition to ERC audits that have started. The IRS has already referred thousands of ERC cases for audit.

ERC: A complex credit designed to help during the pandemic; taxpayer risk growing amid aggressive marketing and potential to have to repay improper claims

When properly claimed, the ERC – also referred to as the Employee Retention Tax Credit or ERTC -- is a refundable tax credit designed for businesses that continued paying employees during the COVID-19 pandemic while their business operations were fully or partially suspended due to a government order or they had a significant decline in gross receipts during the eligibility periods. The credit is not available to individuals.

The ERC is a complex claim with precise requirements to help businesses during the pandemic, and the IRS has received approximately 3.6 million of these claims over the course of the program.

"As we move nearly two years beyond the 2021 eligibility date for the program and beyond the end of the pandemic, the reality that we're seeing and hearing from tax professionals and others is that many of the affected businesses have already come in," Werfel said. "This means we must increase our safeguards to protect against fraud and revenue loss."

Although promoters advertise that ERC submissions are "risk free," there are significant risks facing businesses as the IRS increases its audit and criminal investigation work.

The IRS reminds anyone who improperly claims the ERC that they must pay it back, possibly with penalties and interest. A business or tax-exempt group could find itself in a much worse financial position if it has to pay back the credit than if the credit was never claimed in the first place. This underscores the importance of taxpayers taking precautionary steps to independently verify their eligibility to receive the credit before applying through a promoter. Taxpayers should take particular precautions because a promoter can collect a contingency fee of up to 25% of the ERC refund.

Advice for taxpayers: What to do as IRS works to help businesses facing questionable ERC claims

As the IRS continues working additional details on ERC, there are several steps that the agency recommends for businesses, depending on where they are in the process:

- ***For those currently awaiting an ERC claim.*** For those who currently have an ERC claim on file, the IRS will continue processing these claims during the moratorium period but at a greatly reduced speed due to the complex nature of these filings and the need to protect businesses from being improperly paid. Normal processing times could easily stretch to 180 days or longer. The IRS cautions that many applications will be facing additional compliance scrutiny, which means the payments could take even longer to be processed. While the IRS works on compliance measures during this period, the agency cautions businesses to expect extended wait times due to the large volume of claims and the complexity of the applications.

  Due to the large volumes and the need for compliance checks to protect against fraud, the IRS is unable to expedite individual claims. The IRS believes many of the applications currently filed are likely ineligible, and tax professionals note anecdotally that they are seeing instances where 95 percent or more of claims coming in recent months are ineligible as promoters continue to aggressively push people to apply regardless of the rules.

  For those currently with a pending application at the IRS, they should review the options below to see if any of those could help with their current situation.

- ***For those who haven't filed a claim yet, consider reviewing the guidelines and waiting to file:*** For those considering filing a claim, the IRS urges businesses to carefully review the ERC guidelines during the processing moratorium period. The IRS urges businesses to talk to a trusted tax professional – not a tax promoter or marketing firm looking to make money generating applications that takes a big chunk out of the ERC claim. The new question and answer guide can also help. A careful review of the rules will show that many of these businesses do not qualify for the ERC, and avoiding a bad claim will avoid complications with the IRS.

- ***Withdraw an existing claim for businesses that have already filed:*** For those who have filed and have a pending claim, they should carefully review the program guidelines with a trusted tax professional and check the new question and answer guide. For example, the IRS is seeing repeated instances of people improperly citing supply chain issues as a basis for an ERC claim when a business with those issues will very rarely meet the eligibility criteria. Under any scenario, if a business claimed the ERC earlier and the claim has not been processed or paid by the IRS, they can withdraw the claim if they now believe it was submitted improperly – even if their case is already under audit or awaiting audit. More details will be available shortly.

- ***Wait for the IRS ERC settlement program to be finalized:*** If a business has already received an ERC that they now believe is in error, the IRS will be providing additional details on the settlement program in the fall that will allow businesses to repay ERC claims. The settlement program will allow the businesses to avoid penalties and future compliance action. The IRS is

continuing to assess options on how to deal with businesses that had a promoter contingency fee paid for out of the ERC payment.

Warning flags to watch out for; help for properly claiming the ERC

The IRS has a list of red flags to watch out for aggressive marketing and questionable ERC claims.

The ERC is an incredibly complex credit, and there are very specific eligibility requirements for claiming the ERC. Employers can claim the ERC on an original or amended employment tax return for qualified wages paid between March 13, 2020, and Dec. 31, 2021. However, to be eligible, employers must have:

- Sustained a full or partial suspension of operations due to orders from an appropriate governmental authority limiting commerce, travel or group meetings because of COVID-19 during 2020 or the first three quarters of 2021,
- Experienced a significant decline in gross receipts during 2020 or a decline in gross receipts during the first three quarters of 2021, or
- Qualified as a recovery startup business for the third or fourth quarters of 2021.

More information is available on IRS.gov/erc.

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IRS News Release

Internal Revenue Service
Media Relations Office
Washington, D.C.
Media Contact: 202.317.4000
Public Contact: 800.829.1040
www.irs.gov/newsroom

IRS announces withdrawal process for Employee Retention Credit claims; special initiative aimed at helping businesses concerned about an ineligible claim amid aggressive marketing, scams

IR-2023-193, Oct. 19, 2023

WASHINGTON – As part of a larger effort to protect small businesses and organizations from scams, the Internal Revenue Service today announced the details of a special withdrawal process to help those who filed an Employee Retention Credit (ERC) claim and are concerned about its accuracy.

This new withdrawal option allows certain employers that filed an ERC claim but have not yet received a refund to withdraw their submission and avoid future repayment, interest and penalties. Employers that submitted an ERC claim that's still being processed can withdraw their claim and avoid the possibility of getting a refund for which they're ineligible.

The IRS created the withdrawal option to help small business owners and others who were pressured or misled by ERC marketers or promoters into filing ineligible claims. Claims that are withdrawn will be treated as if they were never filed. The IRS will not impose penalties or interest.

Those who willfully filed a fraudulent claim, or those who assisted or conspired in such conduct, should be aware that withdrawing a fraudulent claim will not exempt them from potential criminal investigation and prosecution.

"The IRS is committed to helping small businesses and others caught up in this onslaught of Employee Retention Credit marketing," said IRS Commissioner Danny Werfel. "The aggressive marketing of these schemes has harmed well-meaning businesses and organizations, and some are having second thoughts about their claims. We want to give these taxpayers a way out. The withdrawal option allows employers with pending claims to avoid future problems, and we encourage them to closely review the withdrawal option and the requirements. We continue to urge taxpayers to consult with a trusted tax professional rather than a marketing company about this complex tax credit."

When properly claimed, the ERC – also referred to as the Employee Retention Tax Credit or ERTC – is a refundable tax credit designed for businesses that continued paying employees during the COVID-19 pandemic while their business operations were fully or partially suspended due to a government order, or they had a significant decline in gross receipts during the eligibility periods. The credit is not available to individuals.

The ERC is a complex credit with precise requirements to help businesses during the pandemic, and since mid-September, the IRS has received approximately 3.6 million claims for the credit over the course of the program.

In July, the IRS said it was shifting its focus to review ERC claims for compliance concerns, including intensifying audit work and criminal investigations on promoters and businesses filing dubious claims. The IRS has hundreds of criminal cases being worked, and thousands of ERC claims have been referred for audit.

The new withdrawal process follows the Sept. 14 announcement of an immediate moratorium on processing new ERC claims. The moratorium, which will last until at least the end of this year, follows a flood of ineligible ERC claims. Payouts for claims submitted before Sept. 14 will continue during the moratorium period but at a slower pace due to more detailed compliance reviews. With stricter compliance reviews in place, existing ERC claims will go from a standard processing goal of 90 days to

180 days – and much longer if the claim faces further review or audit. The IRS may also seek additional documentation from the taxpayer to ensure the claim is legitimate.

Enhanced compliance reviews of existing claims submitted before the moratorium is critical to protect against fraud but also to protect businesses and organizations from facing penalties or interest payments stemming from bad claims pushed by promoters.

The IRS continues to warn taxpayers to use extreme caution before applying for the ERC as aggressive maneuvers continue by marketers and scammers.

The IRS is also working on guidance to help employers that were misled into claiming the ERC and have already received the payment. More details will be available this fall.

Who can ask to withdraw an ERC claim

Employers can use the ERC claim withdrawal process if **all** of the following apply:

- They made the claim on an **adjusted employment return** (Forms 941-X, 943-X, 944-X, CT-1X).
- They filed the adjusted return only to claim the ERC, and they made **no other adjustments**.
- They want to withdraw **the entire amount** of their ERC claim.
- The IRS **has not paid** their claim, or the IRS has paid the claim, but they haven't cashed or deposited the refund check.

Taxpayers who are not eligible to use the withdrawal process can reduce or eliminate their ERC claim by filing an amended return. For details, see the Correcting an ERC claim – Amending a return section of the frequently asked questions about the ERC.

How to withdraw an ERC claim

To take advantage of the claim withdrawal procedure, taxpayers should carefully follow the special instructions at IRS.gov/withdrawmyERC, summarized below.

- Taxpayers whose professional payroll company filed their ERC claim should consult with the payroll company. The payroll company may need to submit the withdrawal request for the taxpayer, depending on whether the taxpayer's ERC claim was filed individually or batched with others.
- Taxpayers who filed their ERC claims themselves, haven't received, cashed or deposited a refund check and have not been notified their claim is under audit should fax withdrawal requests to the IRS using a computer or mobile device. The IRS has set up a special fax line to receive withdrawal requests. This enables the agency to stop processing before the refund is approved. Taxpayers who are unable to fax their withdrawal using a computer or mobile device can mail their request, but this will take longer for the IRS to receive.
- Employers who have been notified they are under audit can send the withdrawal request to the assigned examiner or respond to the audit notice if no examiner has been assigned.

Those who received a refund check, but haven't cashed or deposited it, can still withdraw their claim. They should mail the voided check with their withdrawal request using the instructions at IRS.gov/withdrawmyERC.

Upcoming webinar and other resources for help

Tax professionals and others can register for a Nov. 2 IRS webinar, Employee Retention Credit: Latest information on the moratorium and options for withdrawing or correcting previously filed claims. Those who can't attend can view a recording later.

The IRS unveiled a new question and answer checklist last month to help taxpayers understand if they're eligible for the credit. Since then, the IRS evolved the checklist into an interactive IRS.gov feature to help employers – and the tax professionals working with them – check potential ERC eligibility.

The IRS also continues to encourage employers to seek out a trusted tax professional who understands the complex ERC rules, not a promoter or marketer trying to get a hefty contingency fee while taking advantage of honest taxpayers.

New approach from scammers

Marketers and scammers have already revised their ERC pitches following the Sept. 14 moratorium announcement. Some are pushing employers who submit an ERC claim into agreeing to costly up-front loans in anticipation of a refund. The IRS urges taxpayers to avoid these loans and also learn the warning signs of ERC scams.

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IRS News Release

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IRS expands work on aggressive Employee Retention Credit claims; 20,000 disallowance letters being mailed, more action and voluntary disclosure program coming

IR-2023-230, Dec. 6, 2023

WASHINGTON — As part of continuing efforts to combat dubious Employee Retention Credit (ERC) claims, the Internal Revenue Service is sending an initial round of more than 20,000 letters to taxpayers notifying them of disallowed ERC claims**.** IRS is disallowing claims to entities that did not exist or did not have paid employees during the period of eligibility to prevent improper ERC payments from being made to ineligible entities.

The letters are being sent as the IRS continues increased scrutiny of ERC claims in response to misleading marketing campaigns that have targeted small businesses and other organizations. The IRS mailing is the latest in an expanded compliance effort that includes a special withdrawal program for those with pending claims who realize they may have filed an inaccurate tax return. Later this month, a separate voluntary disclosure program will be unveiled allowing those who received questionable payments to come in and avoid future IRS action.

After an initial review this fall, the IRS determined that a large block of taxpayers did not meet basic criteria for the credit. Starting this week, taxpayers who are ineligible for the credit will begin receiving copies of Letter 105 C, Claim Disallowed.

This group of letters will cover taxpayers ineligible for the ERC either because their entity did not exist or did not have employees for the time period when the credit was claimed.

“With the aggressive marketing we saw with this credit, it’s not surprising that we’re seeing claims that clearly fall outside of the legal requirements,” said IRS Commissioner Danny Werfel. “The action we are taking today is part of an initial set of steps in our compliance work in this area, and more letters will be going out in the near future, including both disallowance letters and letters seeking the return of funds erroneously claimed and received.”

“As we continue our audit and criminal investigation work involving the Employee Retention Credits, we continue to urge people who submitted a claim to review the rules with a trusted tax professional. If they filed an inaccurate claim, we urge them to consider withdrawing their pending claim or use the upcoming disclosure program to repay improper refunds to avoid future action.”

Following concerns about aggressive ERC marketing from tax professionals and others, the IRS announced Sept. 14 a moratorium on processing new ERC claims through at least the end of 2023. The IRS noted that enhanced compliance reviews of existing claims submitted before the moratorium is critical to protect against fraud and also to protect businesses and organizations from facing penalties or interest payments stemming from bad claims pushed by promoters.

When properly claimed, the ERC is a refundable tax credit designed for businesses that continued paying employees during the COVID-19 pandemic while their business operations were either fully or partially suspended due to a government order or had a significant decline in gross receipts during the eligibility periods.

In July, the IRS said it was shifting its focus to review ERC claims for compliance concerns, including intensifying audit work and criminal investigations on promoters and businesses filing dubious claims. The IRS has hundreds of criminal cases being worked, and thousands of ERC claims have been referred for audit.

20,000 letters focus on two ERC problem areas

The mailing reflects just part of the ongoing IRS review of these claims. In this group, two categories of claims

have been identified and are being disallowed:

- **Entity not in existence during period of eligibility:** The ERC applies to qualified wages for periods between March 13, 2020, and Dec. 31, 2021. Entities established after Dec. 31, 2021, are not entitled to the ERC under the law passed by Congress.

- **There are no paid employees during the period of eligibility:** The ERC is intended as a credit against qualified wages paid. Entities that did not pay any wages are not eligible for ERC.

The IRS respects taxpayer rights, and the disallowance letter will explain that a taxpayer that disagrees with the disallowance can respond with documentation that supports their eligibility or claim amount, or they can file an administrative appeal.

The disallowance letters that identify ineligible claims before they're paid serve several purposes that help taxpayers and tax administration. They:

- Help ineligible taxpayers avoid audits, repayment, penalties and interest,

- Protect taxpayers by preventing an incorrect refund from going to an ERC promoter, and

- Save IRS resources by disallowing incorrect credits before they enter the audit process.

The IRS plans additional letters beyond the disallowance letters. Plans are also being finalized for a special voluntary disclosure program involving ERC claims that will be announced later this month.

The IRS is also continuing to review ERC claims and may request more information from taxpayers to support their ERC claim.

IRS reminder: Still time to withdraw pending ERC claims

The IRS is also continuing to accept and process requests to withdraw a taxpayer's full ERC claim under the special withdrawal process. Taxpayers have until at least the end of the year to request a withdrawal.

This withdrawal option allows certain employers that filed an ERC claim but have not yet received a refund to withdraw their submission and avoid future repayment, interest and penalties. Employers that submitted an ERC claim that has not yet been paid can withdraw their claim and avoid the possibility of getting a refund for which they're ineligible. They can also withdraw their claim if they've received a check but have not yet deposited or cashed it.

The IRS created the withdrawal option to help small business owners and others who were pressured or misled by ERC marketers or promoters into filing ineligible claims. Claims that are withdrawn will be treated as if they were never filed. The IRS will not impose penalties or interest.

During this period, the IRS warns taxpayers to use extreme caution before applying for the ERC as aggressive maneuvers continue by marketers and scammers. In addition, the IRS continues to urge taxpayers who submitted claims to review the ERC requirements and talk to a trusted tax professional about their eligibility amid misleading marketing around the credit.

For more information on ERC eligibility, see the ERC frequently asked questions and the ERC Eligibility Checklist, which is available as an interactive tool or as a printable guide.

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Employee Retention Credit Eligibility Checklist: Help understanding this complex credit

The Employee Retention Credit (ERC or ERTC) is a complex tax credit for businesses and tax-exempt organizations that kept paying employees during the COVID-19 pandemic either when they were shut down due to a government order or when they had the required decline in gross receipts during certain eligibility periods in 2020 and 2021.

The IRS continues to see aggressive marketing that lures ineligible taxpayers to claim the ERC. While the credit is real, many promoters are aggressively misrepresenting who can qualify for the credit. In many instances, the IRS is seeing businesses and tax-exempt organizations being misled by promoters into thinking they're eligible when they are not.

As a reminder, anyone who incorrectly claims the ERC must pay it back, possibly with penalties and interest. The IRS wants to help taxpayers avoid this situation, so they prepared this question-and-answer chart to help employers figure out if they may be eligible for the credit. You can use this chart with someone who is considering claiming the credit or with someone who has already submitted a claim to the IRS.

The IRS is committed to helping taxpayers while preventing incorrect ERC claims and fraud.

Part A: Checking your eligibility

This chart can help a business or other organization quickly decide if they may qualify for the Employee Retention Credit. This is a very technical area of the law, but this chart includes the main eligibility factors. Answer these questions in numerical order to see if you may be eligible to claim the ERC.

Eligibility questions	Next steps
1. Did you 1) operate a trade, business or tax-exempt organization **and** 2) have employees and pay wages to them between March 13, 2020, and Dec. 31, 2021? For more info, see IRS.gov/ercqualified. Note – Household employers are not eligible for ERC.	• If yes, go to #2. • If no, you aren't eligible to claim the ERC. If you incorrectly claimed ERC, see Part C.
2. Did your trade or business experience the required decline in gross receipts during the eligibility periods in 2020 or the first three calendar quarters (Jan. through Sept.) of 2021? For more info and examples, see IRS.gov/ercdecline	• If yes, you may be eligible for the ERC. You will need to confirm that your decline in receipts meets requirements. See IRS.gov/ercdecline. If you meet the requirements, skip to Part B. • If no, go to #3.
3. Are you claiming the ERC because of supply chain issues? For more info, see IRS.gov/ercsupply and the IRS legal memo on supply chain disruptions (AM-2023-005), which includes examples.	• If yes, be extremely cautious. A supply chain disruption by itself doesn't qualify you for the ERC. Carefully review IRS.gov/ercsupply and examples in the legal memo on supply chain disruptions (AM-2023-005). Be sure your supplier's government order meets the criteria in #4; then go to Part B. If you incorrectly claimed ERC, go to Part C. • If no, see #4.

4. Was the operation of your business or organization fully or partially suspended by a **government order** due to the COVID-19 pandemic during 2020 or the first three calendar quarters (Jan. through Sept.) of 2021? • The order must be a **government order**, not guidance, a recommendation or a statement. • The government order must be **due to the COVID-19 pandemic** and must have fully or partially **suspended your operations.** • You can only claim ERC for periods the order was in effect **and** your operations were suspended. For more info, see IRS.gov/ercqualifying	• If yes, you may be eligible for the ERC. For more information and examples of government orders and full or partial suspension see IRS.gov/ercqualifying. Make sure you have documentation of the government order related to COVID-19, how and when it suspended your operations, and the qualified wages you paid. The IRS will consider your operations to be partially suspended if you can show that more than a nominal portion of your business was suspended by a government order. You can only use wages paid during the period the government order was in effect when calculating your credit. Go to Part B. • If no, go to #5.
5. Were you a recovery startup business (RSB)? This means you: • Began carrying on a trade or business after Feb. 15, 2020, • Had $1 million or less in average annual gross receipts for the prior 3 tax years, and • Didn't qualify for ERC under the gross receipts test (#2) or suspension test (#4)? For more info, see IRS.gov/ercrecovery	• If yes, you may be eligible for the ERC. See IRS.gov/ercrecovery. RSBs are limited to a maximum of $50,000 in ERC per quarter and can claim ERC only for the third and fourth quarters of 2021. If you meet all the requirements, skip to Part B. • If no, you are not eligible to claim the ERC. If you incorrectly claimed ERC, go to Part C.

Part B: Claiming the ERC if you're eligible

If the previous questions directed you to Part B, you may qualify for the ERC based on the information you provided. Be sure you have thorough records that show wages paid, gross receipts, government orders and other required documents. If you need help, you should work with a trusted tax professional. You can find more information at IRS.gov/erc such as frequently asked questions, examples, guidance, warning signs of scams and more.

Part C: Resolving an incorrect ERC claim

If you incorrectly claimed the Employee Retention Credit, you can use the ERC claim withdrawal process outlined at IRS.gov/withdrawmyerc if **all** of the following apply:

- You made the claim on an **adjusted employment tax return** (Forms 941-X, 943-X, 944-X, CT-1X).
- You filed your adjusted return **only to claim the ERC**, and you made **no other adjustments**.
- You want to withdraw the **entire amount** of your ERC claim.
- The **IRS has not paid your claim**, or the IRS has paid your claim but **you haven't cashed or deposited the refund check**.

Requesting a withdrawal means you're asking the IRS **not** to process your entire adjusted return that included your ERC claim. If the IRS accepts your request, the claim will be treated as if it was never filed.

If you're not able to use the withdrawal process, you can still file another adjusted return if you need to reduce the amount of your ERC claim or make other changes to your adjusted return.

If you incorrectly claimed the credit and cashed or deposited your refund check, watch IRS.gov/erc for updates. You can't use the withdrawal process. However, the IRS is working on guidance to help employers that were misled into incorrectly claiming the ERC and received the credit.

IRS News Release

Internal Revenue Service
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National Tax Security Awareness Week, Day 5: As tax season approaches, IRS, Security Summit partners warn taxpayers, tax professionals to watch out for emerging scams by email, text, phone

IR-2023-229, Dec. 1, 2023

WASHINGTON - To wrap up National Tax Security Awareness Week, the Internal Revenue Service and the Security Summit partners today reminded taxpayers and tax professionals to stay alert against emerging scams during the upcoming filing season and throughout the year.

With identity thieves constantly changing tactics to try to steal information from taxpayers and businesses, the Security Summit partners remind people to watch out for a variety of aggressive schemes that can surface on email, by text, over the phone or through the mail.

These threats are present year-round, but the approach of tax season means that identity thieves will intensify efforts trying to impersonate the IRS and others involved in tax and financial work to get sensitive information.

Identity thieves also use recent news events, including tragedies, to try tricking taxpayers. And in another common tax season scam, identity thieves will pose as new, potential clients to tax professionals by email or over the phone in hopes of obtaining access to company systems. Ultimately, successful attempts to get this information means fraudsters can try filing fake tax returns with a goal of getting a refund.

"Identity thieves are relentless and use a variety of techniques. As Tax Security Awareness Week concludes, we urge people to be careful with their personal information and be wary of email and text scams," said IRS Commissioner Danny Werfel. "With people anxious to receive the latest information about a refund or other issues during tax season, scammers will regularly pose as the IRS, a state tax agency or others in the tax industry. People should be incredibly wary about unexpected messages that can be an elaborate trap by scam artists, especially during filing season."

During National Tax Security Awareness Week, now in its eighth year, the Security Summit partnership of the IRS, state tax agencies and the nation's tax community work to raise awareness among taxpayers, tax professionals and the business community about the importance of safeguarding information to protect against identity theft. The Security Summit formed in 2015 to combat tax-related identity theft through better public-private sector coordination as well as strengthening internal protections in the tax community and raising public awareness about security threats.

With the tax season fast approaching, the Security Summit partners remind taxpayers and others to take extra steps to protect their financial and tax information. As the IRS and the Summit partners have strengthened their internal defenses in recent years to protect against fraud, identity thieves have increasingly focused on more elaborate ways to obtain sensitive taxpayer information in hopes of evading systemic defenses by the IRS and the Summit partners in tax community.

In this final installment of the National Tax Security Week Awareness series, the Summit partners urged taxpayers and tax professionals to be alert to fake communications posing as legitimate organizations in the tax and financial community, including the IRS and states. These messages can arrive in many ways, including an unsolicited text or email to lure unsuspecting victims to provide valuable personal and financial information that can lead to identity theft. These include:

- **Phishing** is an email sent by fraudsters claiming to come from the IRS or another legitimate organization, including state tax organizations or a financial firm. The email lures the victims into the scam by a variety of ruses such as enticing victims with a phony tax refund or frightening them with false

legal/criminal charges for tax fraud.

- **Smishing** is a text or smartphone SMS message that uses the same technique as phishing. Scammers often use alarming language like, "Your account has now been put on hold," or "Unusual Activity Report" with a bogus "Solutions" link to restore the recipient's account. Unexpected tax refunds are another potential target for scam artists.

The IRS initiates most contacts through regular mail, which means taxpayers shouldn't be getting an unexpected message by email, text or social media regarding a bill or tax refund.

The Summit partners remind taxpayers and others never to click on any unsolicited communication claiming to be the IRS or others because it may surreptitiously load malware. It may also be a way for malicious hackers to load ransomware that keeps the legitimate user from accessing their system and files.

Individuals should never respond to tax-related phishing or smishing or click on the URL link. Instead, the scams should be reported by sending the email or a copy of the text/SMS as an attachment to phishing@irs.gov.

Taxpayers can also report scams to the Treasury Inspector General for Tax Administration or the Internet Crime Complaint Center. The Report Phishing and Online Scams page at IRS.gov provides complete details. The Federal Communications Commission's Smartphone Security Checker is a useful tool against mobile security threats.

The IRS also warns taxpayers to be wary of messages that appear to be from friends or family but are possibly stolen or compromised email or text accounts from someone they know. This remains a popular way to target individuals and tax preparers for a variety of scams. Individuals should verify the identity of the sender by using another communication method; for instance, calling a number they independently know to be accurate, not the number provided in the email or text.

Signs that a scam may be underway

Taxpayers should watch for a number of tell-tale signs that could be an indication that they have been a victim of identity theft or a tax scam. Among some of the signs are:

- Taxpayers receiving a tax transcript in the mail from the IRS that was not ordered.
- Taxpayers receiving an unrequested Employer Identification Number.
- Taxpayers receiving W-2's from an unknown employer.
- Taxpayers unexpectedly getting a notice or an email from a tax preparation company that is:
  - Confirming access to an existing online account.
  - Disabling an existing online account.
  - Confirming a new online account.
- Getting a letter from the IRS during a year that the taxpayer didn't earn income or a tax return hadn't been filed. In this situation, it's possible an identity thief has submitted a tax return in the honest taxpayer's name. In this situation, where the taxpayer didn't earn money or file a return, the warning sign is a letter showing:
  - Additional tax is owed.
  - A refund was offset because of a balance due.
  - Collection actions have been taken.

Generally, the IRS starts with a mailed paper bill to a person who owes taxes. If a taxpayer wants to verify what taxes they owe the IRS, they should view tax account information. But they should not click on links in email or texts saying they owe a bill.

Protect against becoming a victim, again

Taxpayers who believe they're victims of tax-related identity theft – and who have not received an IRS letter alerting them to ID theft – should complete Form 14039, Identity Theft Affidavit.
The IRS will work to verify the legitimate taxpayer, clear the fraudulent return from their account and generally place a special marker on the account that will generate an IP PIN each year for the taxpayer who is a confirmed identity theft victim. This ensures that the criminal does not come back in the future claiming to be the victim and trying to commit the fraud yet again.

In most tax-related identity theft cases, there is no need for taxpayers to file Form 14039, Identity Theft Affidavit. That's because the IRS identifies a suspicious tax return based on hundreds of processing filters and pulls the suspicious return for review. The IRS will send a letter to the taxpayer and will not process the tax return until hearing back from the taxpayer.

Help for taxpayers: Get an IRS Identity Protection PIN

An IP PIN protects a taxpayer's account, even if they don't need to file a tax return, by rejecting any e-filed tax return filed not using the unique PIN. New IP PINs are sent automatically from the IRS every year for added security. Once an individual enrolls in the IP PIN program, there is no way to opt-out. To obtain an IP PIN, taxpayers can visit the IRS online tool Get an IP PIN.

Create a personal IRS account online directly with the IRS

Taxpayers can create an IRS Online Account before scammers can use their stolen personal information to create one first. An IRS Online Account usually only takes five to 10 minutes to set up. Once an account is created, scammers can't create a fraudulent one for the same person.

Reporting scams and tax fraud

Taxpayers should report suspicious IRS, Treasury or tax-related online or email phishing scams to phishing@irs.gov. They should not click on any links, open attachments or reply to the sender.

If taxpayers receive an IRS-related phone call, but do not owe taxes, they should hang up immediately and contact the Treasury Inspector General for Tax Administration to report the IRS impersonation scam call. The caller ID and callback number can be reported to phishing@irs.gov with the subject line of "IRS Phone Scam."

More resources

- Security Summit
- Reporting Phishing and Online Scams
- Tax Fraud Alerts

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Basic Security Plan Considerations for Tax Professionals

- Know your customer information (names, addresses, email addresses, bank accounts/routing numbers)
- Have employee protocols
  - New hires (training, accesses, need to know)
  - Departing employees (physical and system accesses, keys/passwords/files/thumb drives)
- Protect passwords (length, upper case/lower case, numbers, special characters, phrases)
- Encrypt files and email; use anti-virus software and establish firewall protections
- Dispose properly (files, computers, printers, thumb drives)
- Know what your insurance covers and know who to contact in event of breach

This document is not intended to be all inclusive, but as a starting point for security plan development. Security plans should be appropriate for the type and size of your business.

Security Plan Resources Available to Tax Professionals

- IRS Publication 4557, Safeguarding Taxpayer Data
  www.IRS.gov

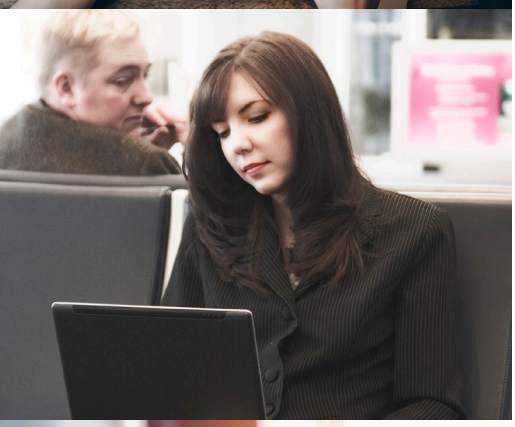
- NIST Report 7621, Small Business Information Security
  www.NIST.gov

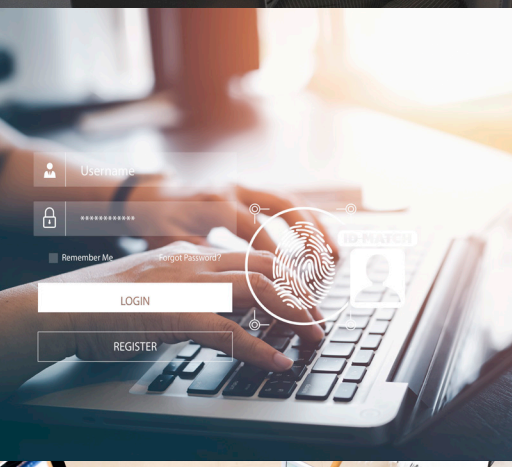
- Federal Trade Commission Safeguards Rule
  www.FTC.gov

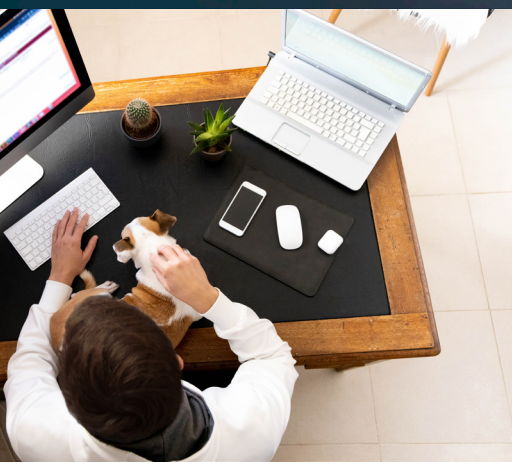
Use Multi-Factor Authentication

Remember to use multi-factor authentication options being offered by tax software providers:

- All tax software providers are offering multi-factor authentication options on products for both taxpayers and tax professionals. Check your account's security features to activate this feature.
- Multi-factor authentication protects online accounts by requiring a second identity verification factor in addition to your username and password. For example, this second feature may be a code sent to your mobile phone.
- Multi-factor authentication provides a critical layer of protection for your online accounts.







Tax Security Awareness Tips & Resources

Online Safety

The Security Summit partners – representing the IRS, state tax agencies and the nation's tax community – remind people to take these basic steps when shopping online:

- Use anti-virus software with anti-malware; ensure it includes a firewall to prevent intrusions.
- Use strong and unique passwords for all accounts.
- Use multi-factor authentication whenever possible.
- Shop only secure websites with the padlock icon and "https" in the web address.
- Don't shop on unsecured or public Wi-Fi.

Tax Pros: Protect Your Clients

As identity thieves continue targeting tax professionals, the IRS and the Summit partners urge practitioners to review the **"Taxes-Security-Together" Checklist**, including:

- Use multi-factor authentication to protect tax software accounts and clients; this is a new safeguards requirement for tax pros from the Federal Trade Commission.
- Use a Virtual Private Network if working remotely.
- Create a **Written Information Security Plan (WISP)** as required by federal law.
- Know about phishing and phone scams.
- Create data security and data theft recovery plans.

Identity Theft & IRS IP PIN program

Taxpayers who can verify their identities online may opt into the IRS IP PIN program – a tool taxpayers can use to protect themselves and their tax refund from identity thieves. Here's what taxpayers need to know:

- The Identity Protection PIN or IP PIN is a six-digit code known only to the individual and the IRS. It provides another layer of protection for taxpayers' Social Security numbers on tax returns.
- Use the Get an Identity Protection PIN tool at **IRS.gov/ippin** to immediately get an IP PIN.
- Never share the IP PIN with anyone but a trusted tax provider.

Help for tax pros, small businesses

Most cyberattacks are aimed at small businesses with less than 100 employees. To help this important group, the Security Summit offers important information:

- Learn about best security practices for small businesses.
- A Business Identity Theft Affidavit, Form 14039-B, is available for businesses to report theft to the IRS.
- Beware of various scams, especially the W-2 scam that attempts to steal employee income information and "spearphishing" attacks where scammers approach tax pros as new, potential clients.
- Check out the "Business" section on IRS's **Identity Theft Central**.

For additional resources, visit **IRS.gov/security** and follow the IRS social media pages below.

IRS.gov/security

Follow the IRS on social media for more information.

YouTube
@IRSVideos
@IRSVideosASL
@IRSmultilingual

LinkedIn
Internal Revenue Service

Instagram
@IRSnews

Facebook
IRS
IRS en Español
IRS Tax Pros

X
@IRSnews
@IRStaxpros
@IRSenEspanol
@IRStaxsecurity
@IRSsmallbiz

An Overview of the IRS's 2023 "Dirty Dozen" Tax Scams

Compiled annually, the Dirty Dozen lists a variety of common scams that taxpayers can encounter anytime. The IRS warns taxpayers, tax professionals and financial institutions to beware of these scams. Here's an overview of some of the top twelve tax scams of 2023.

Employee Retention Credit claims

Taxpayers should be aware of aggressive pitches from scammers who promote large refunds related to the Employee Retention Credit (ERC). The warning follows blatant attempts by promoters to con ineligible people to claim the credit. The IRS highlighted these schemes from promoters who have been blasting ads on radio and the internet touting refunds involving Employee Retention Credits. These promotions can be based on inaccurate information related to eligibility for and computation of the credit. Additionally, some of these advertisements exist solely to collect the taxpayer's personally identifiable information in exchange for false promises. The scammers then use the information to conduct identity theft.

Phishing and smishing

Taxpayers and tax professionals should be alert to fake communications from those posing as legitimate organizations in the tax and financial community, including the IRS and the states. These messages arrive in the form of an unsolicited text (smishing) or email (phishing) to lure unsuspecting victims to provide valuable personal and financial information that can lead to identity theft. The IRS initiates most contacts through regular mail and will never initiate contact with taxpayers by email, text or social media regarding a bill or tax refund.

Online account help from third-party scammers

Swindlers pose as a "helpful" third party and offer to help create a taxpayer's IRS Online Account at IRS.gov. In reality, no help is needed. The online account provides taxpayers with valuable tax information. But third parties making these offers will try to steal a taxpayer's personal information this way. Taxpayers can and should establish their own online account through IRS.gov.

False Fuel Tax Credit claims

The fuel tax credit is meant for off-highway business and farming use and, as such, is not available to most taxpayers. However, unscrupulous tax return preparers and promoters are enticing taxpayers to inflate their refunds by erroneously claiming the credit. The IRS has seen an increase in the promotion of filing certain refundable credits using Form 4136, Credit for Federal Tax Paid on Fuels.

Fake charities

Bogus charities are a perennial problem that gets bigger whenever a crisis or natural disaster strikes. Scammers set up these fake organizations to take advantage of the public's generosity. They seek money and personal information, which can be used to further exploit victims through identity theft. Taxpayers who give money or goods to a charity might be able to claim a deduction on their federal tax return if they itemize deductions, but charitable donations only count if they go to a qualified tax-exempt organization recognized by the IRS.

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.

Unscrupulous tax return preparers

Most tax preparers provide outstanding and professional service. However, people should be careful of shady tax professionals and watch for common warning signs, including charging a fee based on the size of the refund. A major red flag or bad sign is when the tax preparer is unwilling to sign the dotted line. Avoid these "ghost" preparers, who will prepare a tax return but refuse to sign or include their IRS Preparer Tax Identification Number (PTIN) as required by law. Taxpayers should never sign a blank or incomplete return.

Social media: Fraudulent form filing and bad advice

Social media can circulate inaccurate or misleading tax information, and the IRS has recently seen several examples. These can involve common tax documents like Form W-2 or more obscure ones like Form 8944. While Form 8944 is real, it is intended for a very limited, specialized group. Both schemes encourage people to submit false, inaccurate information in hopes of getting a refund. Taxpayers should always remember that if something sounds too good to be true, it probably is.

Spearphishing and cybersecurity for tax professionals

Phishing is a term given to emails or text messages designed to get users to provide personal information. Spearphishing is a tailored phishing attempt to a specific organization or business. The IRS is warning tax professionals about spearphishing because there is greater potential for harm if the tax preparer has a data breach. A successful spearphishing attack can ultimately steal client data and the tax preparer's identity, allowing the thief to file fraudulent returns.

Offer in Compromise mills

Offers in Compromise are an important program to help people who can't pay to settle their federal tax debts. But "mills" can aggressively promote Offers in Compromise in misleading ways to people who clearly don't meet the qualifications, frequently costing taxpayers thousands of dollars. A taxpayer can check their eligibility for free using the IRS Offer in Compromise Pre-Qualifier tool.

Schemes aimed at high-income filers

Taxpayers are cautioned to resist questionable tax practitioners and independent promoters selling schemes aimed at wealthy taxpayers. These potentially abusive arrangements involve things like Charitable Remainder Annuity Trusts and monetized installment sales. These tools can be misused by promoters, who can advertise these schemes to attract clients. The promoters misapply the rules and leave the filers vulnerable.

Bogus tax avoidance strategies and Schemes with international elements

Taxpayers are warned to beware of promoters peddling bogus tax schemes aimed at reducing taxes or avoiding them altogether. These schemes can take many shapes, ranging from abusive deals involving syndicated conservation easements and micro-captive insurance arrangements. They can also involve an international component, such as hiding cash and digital assets offshore or using Maltese foreign individual retirement accounts or foreign captive insurance.

Help stop fraud and scams

As part of the Dirty Dozen awareness effort, the IRS encourages people to report individuals who promote improper and abusive tax schemes as well as tax return preparers who deliberately prepare improper returns.

To report an abusive tax scheme or a tax return preparer, people should mail or fax a completed Form 14242, Report Suspected Abusive Tax Promotions or Preparers and any supporting material to the IRS Lead Development Center in the Office of Promoter Investigations.

IRS News Release

Internal Revenue Service
Media Relations Office
Washington, D.C.
Media Contact: 202.317.4000
Public Contact: 800.829.1040
www.irs.gov/newsroom

Qualified charitable distributions allow eligible IRA owners up to $100,000 in tax-free gifts to charity

IR-2023-215, Nov. 16, 2023

WASHINGTON —The Internal Revenue Service today reminded individual retirement arrangement (IRA) owners age 70½ or over that they can transfer up to $100,000 to charity tax-free each year.

These transfers, known as qualified charitable distributions or QCDs, offer eligible older Americans a great way to easily give to charity before the end of the year. And, for those who are at least 73 years old, QCDs count toward the IRA owner's required minimum distribution (RMD) for the year.

How to set up a QCD

Any IRA owner who wishes to make a QCD for 2023 should contact their IRA trustee soon so the trustee will have time to complete the transaction before the end of the year.

Normally, distributions from a traditional IRA are taxable when received. With a QCD, however, these distributions become tax-free as long as they're paid directly from the IRA to an eligible charitable organization.

QCDs must be made directly by the trustee of the IRA to the charity. An IRA distribution, such as an electronic payment made directly to the IRA owner, does not count as a QCD. Likewise, a check made payable to the IRA owner is not a QCD.

Each year, an IRA owner **age 70½ or over when the distribution is made** can exclude from gross income up to $100,000 of these QCDs. For a married couple, if both spouses are **age 70½ or over when the distributions are made and both have IRAs,** each spouse can exclude up to $100,000 for a total of up to $200,000 per year.

The QCD option is available regardless of whether an eligible IRA owner itemizes deductions on Schedule A. Transferred amounts are not taxable, and no deduction is available for the transfer.

Report correctly

A 2023 QCD must be reported on the 2023 federal income tax return, normally filed during the 2024 tax filing season.

In early 2024, the IRA owner will receive Form 1099-R from their IRA trustee that shows any IRA distributions made during calendar year 2023, including both regular distributions and QCDs. The total distribution is shown in Box 1 on that form. There is no special code for a QCD.

Like other IRA distributions, QCDs are reported on Line 4 of Form 1040 or Form 1040-SR. If part or all of an IRA distribution is a QCD, enter the total amount of the IRA distribution on Line 4a. This is the amount shown in Box 1 on Form 1099-R.

Then, if the full amount of the distribution is a QCD, enter 0 on Line 4b. If only part of it is a QCD, the remaining taxable portion is normally entered on Line 4b.

Either way, be sure to enter "QCD" next to Line 4b. Further details will be in the instructions to the 2023 Form 1040.

Internal Revenue Service
Media Relations Office
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Media Contact: 202.317.4000
Public Contact: 800.829.1040
www.irs.gov/newsroom

Get a receipt

QCDs are not deductible as charitable contributions on Schedule A. But, as with deductible contributions, the donor must get a written acknowledgement of their contribution from the charitable organization before filing their return.

In general, the acknowledgement must state the date and amount of the contribution and indicate whether the donor received anything of value in return. For details, see the Acknowledgement section in Publication 526, Charitable Contributions.

For more information about IRA distributions and QCDs, see Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs).

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IRS News Release

Internal Revenue Service
Media Relations Office
Washington, D.C.
Media Contact: 202.317.4000
Public Contact: 800.829.1040
www.irs.gov/newsroom

IRS warns taxpayers of improper art donation deduction promotions; highlights common red flags

IR-2023-185, Oct. 05, 2023

WASHINGTON – The Internal Revenue Service today warned taxpayers to watch for promotions involving exaggerated art donation deductions that can target high-income filers and offered special tips for people to use to avoid getting caught in a scheme.

There are ways for taxpayers to properly claim donations of art. But some unscrupulous promoters may use direct solicitation to promise values of art that are too good to be true. These promoters persuade taxpayers, usually high-income taxpayers, to purchase the art, wait to donate the art and then take an incorrect deduction for the art donated. As part of a larger effort to increase compliance work on high-income individuals and corporations, and protect taxpayers from scams, the IRS has active promoter investigations and taxpayer audits underway in this area.

“Creativity in art is a beautiful thing, but aggressive creativity in art donation deductions can paint a bad picture for people pulled into these schemes,” said IRS Commissioner Danny Werfel. “This is another example where people should be careful when it comes to aggressive marketing and promotions. There are legitimate ways to claim an art donation, but taxpayers should be careful to understand the rules and watch out for inflated values or questionable appraisals. Beauty is not always in the eye of the beholder when it comes to tax deductions of art.”

The IRS is using a variety of compliance tools to combat abusive art donations through audits of tax returns and civil penalty investigations. The IRS reminds taxpayers, including high-income filers that may be targets of these schemes, to watch out for aggressive promotions. In addition, following Inflation Reduction Act funding, the IRS is focused on increasing compliance efforts on high-income and high-wealth individuals to ensure filers pay the right amount of tax owed.

How the scheme works

Promoters encourage taxpayers to buy various types of art, often at a “discounted” price. This price may also include additional services from the promoter, such as storage, shipping and arranging the appraisal and donation of the art. The promotor promises the art is worth significantly more than the purchase price.

These schemes are designed to encourage purchasers to donate the art after waiting at least one year and to claim a tax deduction for an inflated fair market value, which is substantially more than they paid for the artwork. Promoters may suggest taxpayers donate art annually and allow them to buy a quantity of art that guarantees a specific deductible amount. Promoters may even arrange for certain charities to take the donations.

IRS conducting promoter investigations, taxpayer audits involving art donations

As the IRS works to increase compliance activity involving high-income and high-wealth areas as well as complex partnerships and corporations, abusive schemes like art donations are on the agency’s radar.

The IRS has multiple active abusive art donation promoter investigations underway and questionable art donations by taxpayers have been – and will continue to be -- under audit when questions arise. These donations can involve art valued at millions of dollars. More than 60 taxpayer audits have been completed with more in the works; those audits that have produced more than $5 million in additional tax.

Watch for red flags

Taxpayers should be wary of buying multiple works by the same artist that have little to no market value outside of what the promoter might be advertising.

Another red flag in this scheme is that promoters might line up specific appraisers for participants to use. An

appraisal that supports this scheme often fails to adequately describe the art. It may not address the value characteristics, such as rarity, age, quality, condition, stature of the artist, price paid and the quantity purchased.

Taxpayers should remember they are always responsible for the accuracy of information reported on their tax return. Participating in an illegal scheme to avoid paying taxes can result in repayments of the taxes owed with penalties and interest and potentially even fines and imprisonment. Charities also need to be careful they don't knowingly enable these schemes.

Properly claiming an art donation

To properly claim a charitable contribution deduction for an art donation, a taxpayer must keep records to prove:

- Name and address of the charitable organization that received the art.
- Date and location of the contribution.
- Detailed description of the donated art.

The above items are required to properly claim a charitable contribution deduction. There are additional requirements based on the value of the claimed deduction. If the claimed deduction for an art donation is:

- $250 or more, the taxpayer must obtain a contemporaneous written acknowledgement of the contribution from the charitable organization. They need to have that document on or before the earlier of the date on which they file a return for the taxable year in which they made the contribution, or the due date, including extensions, for filing such return.
- More than $500 but not over $5,000, the taxpayer must also complete a Form 8283, Noncash Charitable Contribution, Section A, and attach it to their tax return.
- More than $5,000, the taxpayer must complete Form 8283, Section B, including signatures of qualified appraiser and donee. They must also obtain a qualified written appraisal of the donated property.
- $20,000 or more, the taxpayer must do all the above and attach a complete copy of the qualified appraisal to their return. They should also have a high-resolution photo or digital image of the object and provide it, if asked.

See Publication 561, Determining the Value of Donated Property, for requirements of a qualified written appraisal.

IRS Art Appraisal Services (AAS)

The IRS has a team of professionally trained Appraisers in Art Appraisal Services who provide assistance and advice to the IRS and taxpayers on valuation questions in connection with personal property and works of art.

Although organized under the IRS Independent Office of Appeals, Art Appraisal Services assists IRS' examination function, lawyers from the IRS Office of Chief Counsel and the Department of Justice, as well as Appeals Officers, on the valuation of personal property and works of art.

In certain cases, the Art Appraisal Service is advised by the Commissioner's Art Advisory Panel. The panel is comprised of up to 25 renowned art experts who serve without compensation and provide advisory opinions. IRS Appraisers, the Director of Art Appraisal Services, and panel members meet regularly to discuss the valuation of art works submitted for review by Art Appraisal Services.

How to report tax schemes

Taxpayers can report tax-related illegal activities relating to charitable contributions of art using:

- Form 14242, Report Suspected Abusive Tax Promotions or Preparers, to report a suspected abusive tax avoidance scheme and tax return preparers who promote such schemes.

- They should also report fraud to the Treasury Inspector General for Tax Administration at 800-366-4484.

Internal Revenue Service
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More information

- Publication 526, Charitable Contributions
- Publication 561, Determining the Value of Donated Property
- Form 8283, Noncash Charitable Contributions
- Tax Topic 506, Charitable Contributions

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IRS News Release

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Treasury, IRS propose regulations implementing disallowance of deductions for certain conservation easement contributions by partnerships, S corporations

IR-2023-216, Nov. 17, 2023

WASHINGTON — The Department of the Treasury and the Internal Revenue Service today issued proposed regulations that provide guidance under a new section of the law that disallows deductions for certain charitable conservation contributions by partnerships and other pass-through entities. Syndicated conservation easements have been included in the IRS' annual list of "Dirty Dozen" tax schemes for many years.

The SECURE 2.0 Act of 2022 added new subsections to the part of the tax law that provides rules for deductions for charitable contributions under Internal Revenue Code section 170.

"The IRS is focusing its new compliance efforts on those who evade taxes through complex partnership structures and overvalued conservation easement contributions. The regulations issued today will stem the tide of certain syndicated conservation easements that are nothing more than retail tax shelters, while protecting the integrity of legitimate conservation easements and helping law-abiding taxpayers more easily meet their obligations."

Generally, these regulations affect partnerships and S corporations that make conservation contributions and upper-tier partnerships, upper-tier S corporations, partners and S corporation shareholders that are allocated a portion of these contributions. The regulations provide definitions, explanations, computational guidance and examples of the new law, which disallows deductions if the amount of the contribution is more than two and a half times the sum of each partner's or shareholder's relevant basis in the partnership or S corporation.

The proposed regulations also provide guidance on the statutory exceptions to the new disallowance rule, particularly the exception for family partnerships and S corporations and the exception for contributions made outside a three-year holding period. The proposed regulations also provide updates concerning substantiation and reporting rules for certain charitable contributions.

The commitment to making sure that partnerships, other pass-through entities and their owners comply with the tax law is a significant part of the agency's strategic plan.

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Online Account
IRS.gov/account

Access Your IRS Online Account

Access Tax Records

- View key data from your most recently filed tax return, including your adjusted gross income.
- View payment amounts needed for filing, including Economic Impact Payments and advance Child Tax Credit payments.
- View digital copies of certain notices.

Manage Communications Preferences

- Go paperless for certain correspondence from the IRS.
- Get email notifications to be informed of new account information or activity.

View Your Balance

- View amount owed.
- Get a breakdown by tax year.

Make and View Payments

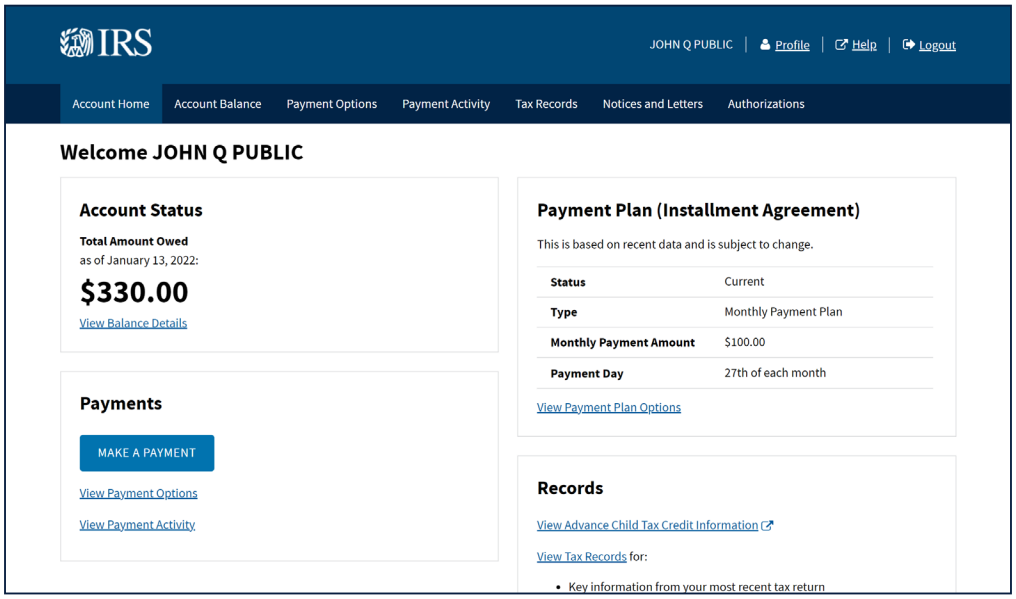
- Make a payment from your bank account or by debit/credit card.
- View five years of payment history, including any estimated tax payments.
- View any pending or scheduled payments.

View or Create Payment Plans

- Learn about payment plan options.
- Apply for a new payment plan.
- View plan details if you have a payment plan.

View Tax Pro Authorizations

- View any authorization requests from tax professionals.
- Approve and electronically sign power of attorneys and tax information authorizations from your tax professional.



Create or access your account at IRS.gov/account.
If you don't have an existing account, have your photo identification ready.