Communications & Liaison
LEGISLATIVE AFFAIRS

Congressional Update

News for members of Congress and their staffs – September 2022

COVID tax relief: IRS provides broad-based penalty relief for certain 2019 and 2020 returns due to the pandemic; $1.2 billion in penalties being refunded to 1.6 million taxpayers

To help struggling taxpayers affected by the COVID-19 pandemic, IRS issued Notice 2022-36, which provides penalty relief to most people and businesses who file certain 2019 or 2020 returns late.

The IRS is also taking an additional step to help those who paid these penalties already. Nearly 1.6 million taxpayers will automatically receive more than $1.2 billion in refunds or credits. Many of these payments will be completed by the end of September.

Besides providing relief to both individuals and businesses impacted by the pandemic, this step is designed to allow the IRS to focus its resources on processing backlogged tax returns and taxpayer correspondence to help return to normal operations for the 2023 filing season.

"Throughout the pandemic, the IRS has worked hard to support the nation and provide relief to people in many different ways," said IRS Commissioner Chuck Rettig. "The penalty relief issued today is yet another way the agency is supporting people during this unprecedented time. This penalty relief will be automatic for people or businesses who qualify; there's no need to call."

The relief applies to the failure to file penalty. The penalty is typically assessed at a rate of 5% per month and up to 25% of the unpaid tax when a federal income tax return is filed late. This relief applies to forms in both the Form 1040 and 1120 series, as well as others listed in Notice 2022-36,on IRS.gov.

To qualify for this relief, any eligible income tax return must be filed on or before September 30, 2022.

In addition, the IRS is providing penalty relief to banks, employers and other businesses required to file information returns, such as those in the 1099 series. To qualify for relief, the notice states that eligible 2019 returns must have been filed by August 1, 2020, and eligible 2020 returns must have been filed by August 1, 2021.

Because both of these deadlines fell on a weekend, a 2019 return will still be considered timely for purposes of relief provided under the notice if it was filed by August 3, 2020, and a 2020 return will be considered timely for purposes of relief provided under the notice if it was filed by August 2, 2021. The notice provides details on the information returns that are eligible for relief.

The notice also provides details on relief for filers of various international information returns, such as those reporting transactions with foreign trusts, receipt of foreign gifts, and ownership interests in foreign corporations. To qualify for this relief, any eligible tax return must be filed on or before September 30, 2022.

Relief is automatic; most of $1.2 billion in refunds delivered to eligible taxpayers by next month

Penalty relief is automatic. This means that eligible taxpayers need not apply for it. If already assessed, penalties will be abated. If already paid, the taxpayer will receive a credit or refund.

As a result, nearly 1.6 million taxpayers who already paid the penalty are receiving refunds totaling more than $1.2 billion. Most eligible taxpayers will receive their refunds by the end of September.

Penalty relief is not available in some situations, such as where a fraudulent return was filed, where the penalties are part of an accepted offer in compromise or a closing agreement, or where the penalties were finally determined by a court. For details, see Notice 2022-36, available on IRS.gov.

This relief is limited to the penalties that the notice specifically states are eligible for relief. Other penalties, such as the failure to pay penalty, are not eligible. But for these ineligible penalties, taxpayers may use existing penalty relief procedures, such as applying for relief under the reasonable cause criteria or the First Time Abate program. Visit IRS.gov/penaltyrelief for details.

"Penalty relief is a complex issue for the IRS to administer," Rettig said. "We've been working on this initiative for months following concerns we've heard from taxpayers, the tax community and others, including Congress. This is another major step to help taxpayers, and we encourage those affected by this to review the guidelines."

Statement by IRS Commissioner Chuck Rettig on the Inflation Reduction Act

The signing of the historic reconciliation package marks a transformational moment for our agency – and an opportunity for the future of tax administration. The IRS has struggled for many years with insufficient resources to fulfill our important mission. During the next 10 years, these funds will help us in many areas, including adding critical resources to not just close the tax gap but meaningfully improve taxpayer service and technology. This will allow the IRS to provide services to taxpayers in the manner they expect and deserve. The act also includes a wide range of tax law changes that we will have to implement very quickly.

Given the scope of the bill, keep in mind these changes will not be immediate. It’s a 10-year plan, and it will take time to put these provisions into place. More details will be available in the coming months.

We have a lot of hard work in front of us to deliver on the high expectations this historic funding will provide. But I have great confidence IRS employees are up to the task – and will deliver for Americans as they have countless times before in the history of our agency.

Don’t wait to file: IRS encourages taxpayers with October filing extensions and others who still need to file 2021 tax returns electronically

Every year, millions of people need more time to file their taxes, with many focusing on the mid-October filing extension deadline. Doug O’Donnell, Deputy Commissioner, Services & Enforcement, recently urged individuals to file an accurate return electronically as early as possible before the October 17 deadline once they have all their information together.

For those due a refund, filing electronically speeds the payment and avoids months of delays possible when filing on paper. For those who owe, filing sooner can help them avoid additional penalties and interest. In either situation, filing electronically will avoid lengthy delays and other potential issues as the IRS continues to reduce its inventory of paper tax returns.

People shouldn’t wait to file because they need help or more information, have a more complicated tax situation or owe taxes; the IRS has resources to help them get the answers they need to file an accurate return. Last-minute filers risk missing the October deadline.

Tools on the IRS website are easy to use and available 24 hours a day. Millions of people use them to find information about their accounts, get answers to tax questions or file and pay taxes. The online tools include important, special steps related to Economic Impact Payments and advance Child Tax Credit payments.

The IRS encourages taxpayers to gather all their information and electronically file a complete and accurate return as early as possible, especially if they’re due a refund. If they are due a refund, they’ll get it faster by choosing to have it directly deposited into their checking or savings account.

Reminders to make filing easier:

- **Get help on IRS.gov**. Use the online tools and resources on IRS.gov that range from tax preparation and refund tracking tools, to tax law research tools, like the Interactive Tax Assistant. Publication 5136, IRS Services Guide provides advice on where to find help on IRS.gov.

- **File electronically** any time before the October deadline and choose direct deposit for your refund.

- **Payment options.** Those owe taxes should review all payment options online and choose the one that’s best for their situation to avoid additional interest and penalties.

Maximum educator expense deduction rises to $300 in 2022

As the new school year begins, teachers and other educators can deduct up to $300 of out-of-pocket classroom expenses for 2022 when they file their federal income tax return next year. IRS.gov has more information about who qualifies, what’s deductible and more. This news release is also available in Spanish and Simplified Chinese.

College students should study up on these two tax credits

Anyone pursuing higher education, including specialized job training and graduate school, knows it can be pricey. Eligible taxpayers who paid higher education costs for themselves, their spouse or dependents in 2021 may be able to take advantage of two education tax credits.

The American opportunity tax credit and the lifetime learning credit can help offset education costs by reducing the amount of tax they owe. If the American opportunity tax credit reduces the tax to zero, the taxpayer could receive a refund up to $1,000.

Security Summit releases new data security plan to help tax professionals; new WISP simplifies complex area

The Security Summit partners unveiled a special new sample security plan designed to help tax professionals, especially those with smaller practices, protect their data and information.

The 29-page Written Information Security Plan or WISP outlines this special plan. Members of the Security Summit, including tax professionals, software and industry partners, representatives from state tax groups and the IRS, worked on the plan.

Federal law requires all professional tax preparers to create and implement a data security plan. The Security Summit group – a public-private partnership among the IRS, states and the nation's tax industry – has noticed that some tax professionals continue to struggle with developing a written security plan.

In response to this need, the Summit – led by the Tax Professionals Working Group – has spent months developing a special sample document that allows tax professionals to quickly set their focus in developing their own written security plans.

"Tax professionals play a critical role in our nation's tax system," said Carol Campbell, director of the IRS Return Preparer Office and co-lead of the Summit tax professional group. "But for many tax professionals, it is difficult to know where to start when developing a security plan. The Summit members worked together on this guide to walk tax pros through the many considerations needed to create a Written Information Security Plan to protect their businesses and their clients, as well as comply with federal law."

Form 990-N filers will use a new sign-in process

Beginning August 2022, smaller charities that are eligible and choose to file Form 990-N, Electronic Notice for Tax-Exempt Organizations (e-Postcard), must sign into the IRS modernized authentication platform using either their active IRS username or by creating an account with ID.me, the current IRS credential service provider.

When accessing the Form 990-N submission page, Form 990-N filers have three options:

1. **Sign in with their active IRS username:** Users with an active IRS username have the option to access the Form 990-N submission page using their existing IRS credentials, or they can choose to create a new account with ID.me.
2. **Sign in with their existing ID.me account:** Users who have an ID.me account to access other IRS online services or from a state or federal agency can sign in using their existing ID.me account.

3. **Create a new ID.me account:** Users who don't have an active IRS username credential must register and sign in with ID.me.

ID.me account creation requires an email address and multifactor authentication. Form 990-N filers who have an existing IRS username and register for an ID.me account must use the same email address.

For Form 990-N filing instructions, see Publication 5248, Form 990-N Electronic Filing System User Guide.

The filing process hasn't changed for organizations that file Form 990, Return of Organization Exempt from Income Tax, or Form 990-EZ, Short Form Return of Organization Exempt From Income Tax.

Free online training for small to mid-sized Section 501(c)(3) charities

The IRS provides interactive online training to help officers, board members and volunteers maintain their organization's Section 501(c)(3) tax-exempt status – including a course on filing Form 990-series annual returns. The Virtual Small to Mid-Sized Tax-Exempt Workshop at StayExempt.irs.gov is an important resource for all charities, old and new.

Third quarter estimated tax payments due September 15

By law, everyone must pay tax as they earn income. Generally, taxpayers must pay at least 90% of their taxes throughout the year through withholding, or estimated or additional tax payments, or a combination of the two. If they don't, they may owe an estimated tax penalty when they file. Some taxpayers earn income not subject to withholding. For small business owners and self-employed people, that usually means making quarterly estimated tax payments.

The remaining deadlines for those paying 2022 quarterly estimated tax are September 15 and January 17, 2023.

IRS Criminal Investigation (IRS-CI) Special Agents Deploy to Assist with Disaster Recovery Efforts in Kentucky

Special agents with IRS Criminal Investigation (IRS-CI) not only investigate a multitude of financial crimes – they also provide assistance to state and local agencies during or after catastrophic events. The Federal Emergency Management Agency (FEMA) designated 14 Emergency Management Functions (EMFs) to assist in disaster recovery efforts, which range from transportation to external affairs. IRS-CI helps maintain Emergency Support Function (ESF) #13 by providing public safety and security assistance.

In July 2022, 15 IRS-CI special agents supporting ESF #13 deployed to Hazard, Kentucky, for 12 days to provide security for first responders, the operations base and the FEMA staffing

center after catastrophic flooding there. The team worked more than 15 hours per day on protection details, ensuring the safe completion of recovery efforts.

About 140 IRS-CI special agents, supervisory special agents and analysts have volunteered to support ESF #13. Whenever there's a federally declared disaster, EMF participants can volunteer to deploy for the mission. Previous deployments include: hurricane recovery efforts after hurricanes Dorian, Ira, and Florence; perimeter security and relocation of sick guests after a COVID-19 outbreak on a cruise ship and security for search and rescue efforts following the Oregon wildfires.

Below are the links to IRS Criminal Investigation recent cases

- Las Cruces woman sentenced to four years in prison for wire fraud and false tax returns
- Michigan man arrested for international computer fraud scheme and distribution of opioids and other illegal drugs
- Bridgeport tax return preparer sentenced prison for tax fraud
- Final defendant sentenced to prison for role in nationwide tax fraud scheme
- Akron man charged with buying house and Tesla with drug trafficking proceeds and defrauding SBA

For the latest on IRS-CI cases, follow on Twitter @IRS_CI or via the IRS-CI LinkedIn page.

IRS Tax Tips: Helpful taxpayer information on a variety of topics

- How extension filers – and everyone else – can get tax help fast
- People should donate carefully after a disaster to avoid scams
- Some things to know about crowdfunding and taxes
- From markers to face masks, classroom supplies may be tax deductible
- Worker Classification 101: employee or independent contractor
- Basic things all businesses should know about excise tax
- What business owners need to do when closing their doors for good

Additional information on IRS.gov

- Plug-in Electric Drive Vehicle Credit at a Glance
- Publication 5679, Procrastinating on your taxes because you're missing documents?
- Publication 5666: Not Required to file a Return?
- YouTube video: Reminders for Extension Filers

- e-Poster: Still Need to File a 2021 Tax Return? (PDF)
- Recovery Rebate Credit
- Get An Identity Protection PIN (IP PIN)
- Where's My Refund?
- IRS Tax Topic – Refund
- The Child Tax Credit helps families with qualifying children get a tax break and you may be able to claim the credit even if you don't normally file a tax return
- Taxpayers who haven't yet filed their tax return still have time to file to get their full Child Tax Credit. Visit ChildTaxCredit.gov for details
- Get up-to-date status on affected IRS operations and services during COVID-19
- Tax relief in disaster situations

Help on IRS.gov

Filing – Payments – Refunds – Credits and Deductions – Forms and Instructions – Tax Questions

IRS in other languages

Basic tax information is available in 21 languages, including English.

IRS on social media

YouTube – Twitter – Instagram – Facebook - LinkedIn

IRS2Go is the official mobile app of the IRS, available in both English and Spanish.

The *IRS Congressional Update* is a monthly newsletter prepared by IRS Legislative Affairs. For information on resolving taxpayer account issues, visit the Taxpayer Advocate Service.