Congressional Update

News for members of Congress and their staffs – November 2022

IRS sending letters to more than 9 million potentially eligible families who did not claim stimulus payments, EITC, Child Tax Credit and other benefits; Free File to stay open until Nov. 17

Last month, the IRS began sending letters to more than 9 million individuals and families who appear to qualify for a variety of key tax benefits but didn't claim them by filing a 2021 federal income tax return. Many in this group may be eligible to claim some or all of the 2021 Recovery Rebate Credit (RRC), the Child Tax Credit (CTC), the Earned Income Tax Credit (EITC) and other tax credits depending on their personal and family situation.

The IRS is sending special reminder letters to people who appear to qualify for the CTC, RRC or EITC but haven't yet filed a 2021 return to claim them. The letter, printed in both English and Spanish, provides a brief overview of each of these three credits.

"The IRS wants to remind potentially eligible people, especially families, that they may qualify for these valuable tax credits," said IRS Commissioner Chuck Rettig. "We encourage people who haven't filed a tax return yet for 2021 to review these options. Even if they aren't required to file a tax return, they may still qualify for several important credits. We don't want people to overlook these tax credits, and the letters will remind people of their potential eligibility and steps they can take."

Claiming the credits

Last year's American Rescue Plan Act and other recent legislation expanded these and other tax benefits. Even so, the only way to get the valuable benefits is to file a 2021 tax return.

Often, individuals and families can get these expanded tax benefits even if they have little or no income from a job, business or other source. This means that many people who don't normally need to file a tax return should do so this year, even if their income didn't require them to file in recent years.

For this mailing, Treasury's Office of Tax Analysis identified individuals who don't typically have a tax return filing requirement because they appear to have very low incomes based on Forms W-2, 1099s and other third-party statements available to the IRS.

The letters are similar to a special IRS mailing from September 2020 encouraging 9 million potential nonfilers to submit a tax return for the first Economic Impact Payment (EIP). These mailings are part of an ongoing effort to encourage people who don't normally need to file to look into possible benefits available to them under the tax law. Every year, people entitled to tax credits and refunds may overlook filing a tax return.

People can file a tax return even if they haven't yet received their letter. The IRS reminds people that there's no penalty for a refund claimed on a tax return filed after the regular April 2022 tax

deadline. The fastest and easiest way to get a refund is to file an accurate return electronically and choose direct deposit.

Free File to stay open until Nov. 17

To help people claim these benefits, Free File will remain open for an extra month this year, until November 17, 2022. Available only at IRS.gov/FreeFile, it enables people whose incomes are $73,000 or less to file a return online free using brand-name software. The Free File Alliance, a partnership between the IRS and the tax-software industry, sponsors Free File.

People can also visit ChildTaxCredit.gov/file to file a 2021 income tax return. Individuals whose incomes are below $12,500 and couples whose incomes are below $25,000 may be able to file a simple tax return to claim the 2021 RRC — which covers any stimulus payment amounts from 2021 they may have missed — and the CTC. Individuals don't need to have children to use ChildTaxCredit.gov/file to find the right filing solution for them.

Further details on these expanded tax benefits

The three credits include:

- An expanded CTC: Families can claim this credit, even if they received monthly advance payments during the last half of 2021. The total credit can be as much as $3,600 per child.
- A more generous EITC: The law boosted the EITC for childless workers. There are also changes that can help low- and moderate-income families with children. The credit can be as much as $1,502 for workers with no qualifying children, $3,618 for those with one child, $5,980 for those with two children and $6,728 for those with at least three children.
- The RRC: Those who missed out on last year's third EIP (EIP3) may be eligible to claim the RRC. Often referred to as stimulus payments, this credit can also help eligible people whose EIP3 was less than the full amount, including those who welcomed a child in 2021. The maximum credit is $1,400 for each qualifying adult, plus $1,400 for each eligible child or adult dependent.

Besides these three credits, many filers may also qualify for two other benefits with a tax return filed for 2021:

- An increased Child and Dependent Care Credit: Families who pay for daycare so they can work or look for work can get a tax credit worth up to $4,000 for one qualifying person and $8,000 for two or more qualifying people.
- A deduction for gifts to charity: Most tax filers who take the standard deduction can deduct eligible cash contributions they made during 2021. Married couples filing jointly can deduct up to $600 in cash donations and individuals can deduct up to $300 in donations. In addition, itemizers who make large cash donations often qualify to deduct the full amount in 2021.

Further details on all these benefits are available in a fact sheet posted earlier this year on IRS.gov.

Helpful reminders

The IRS urges everyone to make sure they have all their year-end 2021 tax statements in hand before filing their 2021 return. Besides all W-2s and 1099s, this includes two statements issued by the IRS -- Letter 6419, showing their total advance CTC, and Letter 6475, showing their total EIP3 payments. People can also use IRS Online Account to see the total amounts of their third round of EIPs or advance CTC payments. For married couples who received joint payments, each spouse will need to sign into their own account to retrieve their separate amounts.

Whether or not they use Free File, anyone can find answers to their tax questions, forms and instructions and easy-to-use tools online at IRS.gov. They can use these resources to get help when they need it, at home, at work or on the go.

Claiming these credits has no effect on the ability of someone to be eligible for federal benefits like Supplemental Security Income, Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families and the Special Supplemental Nutrition Program for Women, Infants and Children. Claiming these credits also has no effect on an individual's immigration status or their ability to get a green card or immigration benefits.

Helping those affected by a natural disaster

When natural disasters strike, the IRS works with FEMA to help with recovery efforts.

Special tax law provisions may help taxpayers and businesses recover financially from the effects of a disaster, especially when the federal government declares their location to be a major disaster area. Depending on the circumstances, the IRS may grant additional time to file returns and pay taxes. For more information visit Disaster Assistance and Emergency Relief for Individuals and Businesses.

Reconstructing records after a disaster is important for several reasons, including insurance reimbursement and taxes. Most importantly, records can help people prove their disaster-related losses. More accurately estimated losses can help people get more recovery assistance like loans or grants. For more information on how the IRS can help people reconstruct their records, see Reconstructing Records After a Natural Disaster or Casualty Loss.

Information about disaster relief efforts in specific districts and states is on IRS News From Around the Nation and in the list of recent tax relief provided by the IRS in disaster situations.

Employers should be wary of third parties who are advising them to claim the Employee Retention Credit (ERC) when they may not qualify

The ERC is a refundable tax credit designed for businesses who continued paying employees while shutdown due to the COVID-19 pandemic or had significant declines in gross receipts from March 13, 2020, to Dec. 31, 2021. Eligible taxpayers can claim the ERC on an original or amended employment tax return for a period within those dates.

Some third parties are taking improper positions related to taxpayer eligibility for and computation of the credit.

These third parties often charge large upfront fees or a fee that is contingent on the amount of the refund and may not inform taxpayers that wage deductions claimed on the business' federal income tax return must be reduced by the amount of the credit.

If the business filed an income tax return deducting qualified wages before it filed an employment tax return claiming the credit, the business should file an amended income tax return to correct any overstated wage deduction.

Businesses are encouraged to be cautious of advertised schemes and direct solicitations promising tax savings that are too good to be true. Taxpayers are always responsible for the information reported on their tax returns. Improperly claiming the ERC could result in taxpayers being required to repay the credit along with penalties and interest.

Using Voice and Chat Bots to Improve the Collection Taxpayer Experience

The IRS published its latest executive column, "A Closer Look," which features Darren Guillot, Small Business/Self-Employed deputy commissioner, discussing the use of voice and chat bots to improve the collection taxpayer experience.

"Taxpayer service remains a top IRS priority, and we recently put in place some new technology involving voice and chat bots to help make it easier for people to get the help they need," said Guillot. "As we move forward, we are committed to continue identifying ways to make tax processes more efficient and useful for all taxpayers."

Additional information is available in English and Spanish.

Tax year 2023 tax inflation adjustments announced; IRA limits increase

The IRS recently announced annual inflation adjustments to tax year 2023. Revenue Procedure 2022-38 provides details on the tax year 2023 annual inflation adjustments for more than 60 tax provisions. Some highlights include adjustments to the standard deduction, marginal rates, Alternative Minimum Tax and the Earned Income Credit.

Additional changes for 2023 include an increase in the contribution limits for Individual Retirement Arrangements (IRAs), 401(k), 403(b), most 457 plans and more.

Steps taxpayers should take if they receive an IRS letter or notice

When the IRS needs to ask a question about a taxpayer's tax return, notify them about a change to their account or request a payment, the agency often mails a letter or notice to the taxpayer. Here's what taxpayers should do if they receive an IRS letter or notice.

The Taxpayer Advocacy Panel Celebrates 20 Years of Improving the IRS

This month, the Taxpayer Advocacy Panel (TAP) celebrates two decades of improving IRS customer service and administrative processes for U.S. taxpayers nationwide and abroad.

The U.S. Department of the Treasury established TAP, a Federal Advisory Committee, in 2002. The Taxpayer Advocacy Service now provides essential funding, technical, administrative and

clerical support for the group. Each year, there are 75 TAP members who represent taxpayers in all 50 states, the District of Columbia, Puerto Rico and American's living abroad.

Throughout its 20 years of advocacy, TAP members have served more than 200,000 volunteer hours and submitted more than 2,200 recommendations to the IRS to improve taxpayer service and satisfaction with IRS services, products and procedures.

"The dedicated work of our TAP volunteers is more important than ever to help identify and prioritize initiatives to modernize the IRS, improve customer service, and protect taxpayer rights," said National Taxpayer Advocate Erin M. Collins.

People can visit TAP's 20th Anniversary webpage for more about how TAP is working to reduce taxpayer burdens and make the IRS work better for all.

IRS Criminal Investigation (CI) Initiative Locates 79 Criminal Fugitives

CI's Attaché office in Mexico City located 79 criminal fugitives in Mexico, Belize, El Salvador, Guatemala and Honduras as part of a new initiative.

CI is the arm of the IRS responsible for conducting financial crime investigations, including tax fraud, narcotics trafficking, money-laundering, public corruption, healthcare fraud, identity theft and more. CI special agents are the only federal law enforcement agents with investigative jurisdiction over violations of the Internal Revenue Code, boasting a nearly 90% federal conviction rate. The agency has 20 field offices across the U.S. and 12 attaché posts abroad.

In June 2021, the CI Attaché office in Mexico City launched a program to analyze fugitive files and collaborate with U.S. agencies and foreign partners to locate criminals who absconded abroad, and conduct trainings on the extradition process. Through the initiative, in fiscal year 2022, CI located 79 individuals for possible extradition. Eight fugitives were returned to the U.S. to face criminal proceedings or sentences, and included:

Jose L. Echeverria, formerly of Chelan Falls, Washington, who was extradited from Mexico in February to serve a 30-month prison sentence for filing a fraudulent tax return. He was a fugitive for nearly five years until Mexican authorities arrested him. Echeverria had operated a produce sales business and underreported income by more than $500,000 between 2009 and 2012. He wired hundreds of thousands of dollars in unreported income to Mexico to purchase land, vacation homes and vehicles for personal use.

Thomas Johnson, formerly of Tampa, Florida, who Belizean authorities arrested in January and deported to the United States. He faces charges for aiding in the preparation and filing of false tax returns. Johnson allegedly prepared and filed false tax returns on behalf of his clients, who split large unentitled refunds with him.

"We are going after anyone who thinks they can cheat the government and simply flee to the south," said CI Mexico City Attaché Jaushua Brewer. "Now, with so much help from our host country partners, it is even harder for criminals to escape justice."

Below are the links to IRS Criminal Investigation recent cases

- Ocean View woman sentenced to 51 months imprisonment in federal fraud case
- Leader of tax fraud and identity theft scheme sentenced to 12 years in prison
- D.C. man sentenced to 10 years in prison for attempting to steal more than $31 million in COVID-19 funds
- Irvine man sentenced to 4 years in federal prison for obtaining more than 5 million dollars in COVID relief loans for sham businesses
- Austin-area man sentenced to 48 years in federal prison for fraud and money laundering violations in the Eastern District of Texas

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

- Taxpayers with disabilities have equal access to IRS services through reasonable accommodations
- IRS warns taxpayers to stay vigilant as texting scams surge
- Taxpayer Bill of Rights: America's taxpayers are entitled to a fair and just tax system
- An IRS online account is simple, safe, and secure
- Farmers and ranchers hit hard by drought may be eligible for extension of tax relief
- Understanding taxes when a family member signs the paycheck

Additional information on IRS.gov

- IRS updates tax gap estimates; new data points the way toward enhancing taxpayer service, compliance efforts
- Reminder: Service providers, others may receive 1099-Ks for sales over $600 in early 2023
- Adjust tax withholding now to pay the proper amount of tax
- During National Cybersecurity Month, IRS and Security Summit Partners offer tips
- Resources and Guidance for Puerto Rico families that may qualify for the Child Tax Credit
- IRS Appeals revises initial contact letters as part of effort to enhance the taxpayer experience
- Plug-in Electric Drive Vehicle Credit at a Glance
- Help for taxpayers and tax pros: Tax season alerts and planning ahead for 2023
- Accessing the IRS - Understanding the Identity Verification Process (irsvideos.gov)
- Recovery Rebate Credit
- Get An Identity Protection PIN (IP PIN)
- Where's My Refund?
- IRS Tax Topic – Refund
- 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.