Congressional Update

News for members of Congress and their staffs – November 2023

IRS launches new initiatives using Inflation Reduction Act funding to ensure large corporations pay taxes owed

The 2023 filing season was dramatically improved thanks to Inflation Reduction Act investments. Now, the IRS has announced **new Strategic Operating Plan 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 the **business tax account.**

IRS announces withdrawal process for Employee Retention Credit claims

As part of a larger effort to protect small businesses and organizations from scams, the IRS outlined 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 haven't yet received a refund to withdraw their submission and avoid future repayment, interest and penalties.

The IRS will host an ERC webinar, "Latest information on the moratorium and options for withdrawing or correcting previously filed claims," at 2 p.m. ET on Thursday, Nov. 2, 2023. **Register here**.

IRS expands use of chatbots to help answer questions on key notices; expands on technology that has served 13 million taxpayers

The IRS has expanded the availability of chatbot technology to help quickly answer basic questions for people receiving notices about possibly underreporting their taxes. The new chatbot feature will assist taxpayers who receive notices CP2000, CP2501 and CP3219A. These notices inform taxpayers if the tax information the IRS received from third parties doesn't match the information they provided themselves to the IRS.

The new IRS chatbot is available to help taxpayers with questions such as:

- What to do if they received a notice?
- What to do if they need more time to respond to a notice?
- How can they find out if the IRS received their response?

Support for this technology expansion comes from Inflation Reduction Act funding to transform the IRS and improve services to help taxpayers.

As part of transformation efforts, IRS announces key details about Direct File pilot for 2024 filing season, with several states planning to join the innovative effort

The IRS will conduct a limited, phased **Direct File pilot** during the 2024 tax season to further assess customer support and technology needs. To ensure the program works effectively, the IRS will first introduce Direct File to a small group of eligible taxpayers in filing season 2024. The pilot will provide taxpayers with the choice to electronically file their federal tax return directly with the IRS for free.

Arizona, California, Massachusetts, and New York have decided to work with the IRS to integrate their state taxes into the Direct File pilot for filing season 2024. Taxpayers in nine other states without an income tax — Alaska, Florida, New Hampshire, Nevada, South Dakota, Tennessee, Texas, Washington, and Wyoming — may also be eligible to participate in the pilot.

Direct File will be a mobile-friendly, interview-based service that will work as well on a mobile phone as it does on a laptop, tablet or desktop computer. The service will be available in English and Spanish for the pilot.

IRS opens free Energy Credit Online tool for sellers of clean vehicles to register for time-of-sale reporting and dealer advance payments for the Clean Vehicle Credit

IRS announced that sellers of clean vehicles can now register using the **new IRS Energy Credits Online tool**, available free from the IRS.

Known as IRS Energy Credits Online or IRS ECO, this free electronic service is secure, accurate and requires no special software. Though available to any business of any size, IRS Energy Credit Online may be especially helpful to any small business that currently sells clean vehicles.

The IRS's new Energy Credits Online tool will allow dealers and sellers of clean vehicles to complete the entire process online and receive advance payments within 72

hours. The tool will generate a Time of Sale report that the taxpayer will use when filing their federal tax return to claim or report the credit.

“This special online tool is designed to help dealers and sellers navigate this important new Clean Vehicle Credit and help taxpayers at tax time,” said IRS Commissioner Danny Werfel. “Online tools like this are part of the larger effort taking place at the IRS with Inflation Reduction Act funding to make improvements and better serve both taxpayers and businesses.”

Beginning in 2024, clean vehicle sellers and licensed dealers must use the tool for their customers to successfully claim or transfer the new or previously owned clean vehicle credit for vehicles placed in service Jan.1, 2024 or later.

The IRS issued proposed regulations, Revenue Procedure 2023-33 and frequently asked questions on Oct. 6, 2023, that provide details to sellers to register with the IRS to be eligible to receive the credit transfers from taxpayers, and details that to participate, a dealer must verify their identity using the IRS identity verification system and register through IRS Energy Credits Online tool.

The IRS encourages any dealer or seller to register using Energy Credits Online to share in its benefits.

These benefits include:

- Advance payments to dealers will typically occur within 72 hours of an accepted clean vehicle credit transfer Time of Sale report.
- The IRS acknowledges receipt and confirmation in real time that a qualified manufacturer has provided the VIN being sold as eligible when a Time of Sale report is submitted.
- Users can make corrections to information submitted through the tool.
- The tool keeps issuer information from year to year.

Enrollment in the IRS Energy Credit Online tool is now open. Clean vehicle sellers should begin the online enrollment process immediately.

Initially, only one individual representative of the dealer or seller who is currently authorized to legally bind the dealer or seller can complete the initial registration through IRS Energy Credits Online. Starting December 2023, dealers and sellers will be able to authorize more than one employee to submit Time of Sale reports and advance payment requests.

Additional resources

- Publication 5862, Energy Credits Online: Register for Energy Credits Online

- Publication 5867, Clean Vehicle Dealer and Seller Energy Credits Online Registration User Guide

- Publication 5863, A Step-By-Step Guide for New and Used Clean Vehicle Dealers and Sellers for the Energy Credits Online

- Publication 5864, New and Previously Owned Clean Vehicle Credit Time of Sale Reporting with Energy Credits Online

- Publication 5865, Clean Vehicle Credit Transfer

- Publication 5866, New Clean Vehicle Tax Credit Checklist

- Publication 5866-A, Used Vehicle Tax Credit Checklist

- Dealer Registration Frequently Asked Questions

- Video: How Dealers and Sellers Register for Energy Credits Online

- Fact Sheet 2023-22, Frequently Asked Questions About the New, Previously Owned and Qualified Commercial Clean Vehicles Credit

More information about clean vehicle credits and tax benefits from the Inflation Reduction Act is available on IRS.gov.

IRS reaches out to divorced taxpayers

IRS.gov/divorce is a one-stop webpage to help taxpayers understand what changes they need to consider to make taxes less taxing. The page combines divorce-related content found across IRS.gov into a centralized location. This saves taxpayers time and effort during an already stressful period in their lives. Also available is **Publication 5802, Divorce and Taxes Checklist**, which outlines actions taxpayers should consider taking before filing a return. Please share these resources with your constituents before the end of the year because taxpayers going through this major life event still have time to adjust their withholding as a result of a change in filing status or loss of a deduction.

IRS updates tax gap projections for 2020, 2021

The IRS 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. “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.”

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

Guidance, updated FAQs for the transfer of Clean Vehicle Credits

The IRS issued **proposed regulations**, **Revenue Procedure 2023-33** and **frequently asked questions** for the **transfer of new and previously owned Clean Vehicle Credits** from the taxpayer to an eligible entity for vehicles placed in service after Dec. 31, 2023. The guidance clarifies how taxpayers can elect to transfer new and previously owned Clean Vehicle Credits to dealers who are eligible to receive advance payments of either credit. The proposed regulations and revenue procedure also provide guidance for dealers to become eligible entities to receive advance payments of new or previously owned Clean Vehicle Credits.

Know the benefits of the Work Opportunity Tax Credit

Giving someone a work opportunity may translate into a business tax credit for your constituent and greater stability for a family. **The Work Opportunity Tax Credit** (WOTC) is a federal tax credit available to employers for hiring individuals from certain targeted groups who have consistently faced significant barriers to employment. The WOTC joins other workforce programs that incentivize workplace diversity and facilitate access to good jobs for American workers. The Consolidated Appropriation Act 2021 authorized the extension of the WOTC until Dec. 31, 2025.

Taxpayers impacted by the terrorist attacks in Israel qualify for tax relief

The IRS announced **tax relief for individuals and businesses affected by the terrorist attacks in the State of Israel**. These taxpayers now have until Oct. 7, 2024, to file various federal returns, make tax payments and perform other time-sensitive tax-related actions. See more in **Notice 2023-71**.

Rules for Required Minimum Distributions (RMDs)

Retirement plan accountholders cannot keep retirement funds in their account indefinitely. Required minimum distributions are minimum amounts that individual retirement account and retirement plan account owners generally must withdraw annually starting in the year they reach age 72 (73 if they reach age 72 after Dec. 31, 2022).

If they don’t take any distributions, or if the distributions aren’t large enough, they may have to pay a 50% excise tax on the amount not distributed as required.

Details are available **here**.

A Closer Look: Get to know the IRS, its people and the issues affecting taxpayers

The executive column, "**A Closer Look**," covers a variety of timely issues of interest to taxpayers and the tax community. It also provides a detailed look at key issues affecting everything from IRS operations and employees to issues involving taxpayers, tax and payroll professionals.

Become an IRS volunteer to help with free tax services

The Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs are currently recruiting certified volunteers for their free tax preparation sites.

Volunteers receive specialized training and aren't required to have any previous experience. VITA and TCE volunteers can choose from a variety of **volunteer roles**, including greeter, tax preparer and interpreter. VITA and TCE sites provide the option for volunteers to help taxpayers face to face or virtually. Virtual roles allow volunteers to safely help taxpayers complete their returns over the phone or online.

The VITA and TCE programs help return millions of dollars to communities, while enhancing the customer service skills of those who volunteer. The IRS and its network of partners encourage people to join the cause and make a difference in communities across the country to help millions of taxpayers file their federal tax returns for free.

Interested constituents can visit **IRS.gov/volunteers** to learn more and sign up. Once signed up, volunteers will receive the information needed to attend a virtual orientation.

TE/GE releases the FY2024 Program Letter

The IRS **Tax Exempt and Government Entities (TE/GE) Fiscal Year 2024 Program Letter** lists its priorities for the fiscal year.

TE/GE's fiscal year 2024 compliance program and priorities align with the objectives of the **IRS Strategic Operating Plan (SOP)**:

- Service (better taxpayer experience).
- Issue resolution (faster issue resolution).
- Enforcement (smarter enforcement).
- Modernization (advanced technology and analytics).

- Workforce (empowered employees).

TE/GE plans to release a summary of its fiscal year 2023 accomplishments during the first quarter of fiscal year 2024. Annual program and accomplishment letters from **previous years** are also available.

Clean energy credits: information for tax-exempt and governmental entities

Tax-exempt and governmental entities can benefit from clean energy tax credits using new options enabled by the Inflation Reduction Act of 2022 (IRA). The IRA allows certain exempt organizations to benefit from certain clean energy tax credits through elective pay. For tax years beginning after December 31, 2022, an applicable entity that qualifies for a clean energy tax credit can make an elective payment election. This election will treat certain credits as a payment against their federal income tax liabilities rather than as a nonrefundable credit. The amount of the credit will first offset any tax liability of the entity and any excess will be refundable.

For information on which clean energy tax credits are available**, Publication 5817-G** has a list of Elective Pay Eligible Tax Credits.

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

Individual retirement accounts can be important tools in retirement planning

It's never too early to begin planning for retirement. Individual retirement accounts provide tax incentives for people to make investments that can provide financial security when they retire. These accounts can be with a bank or other financial institution, a life insurance company, mutual fund or stockbroker.

Reminder: Educational assistance programs can help pay workers' student loans

Employers that offer educational assistance programs can also use those programs to help pay their employees' student loans.

Builders of new energy efficient homes may qualify for an expanded tax credit

Eligible contractors who build or substantially reconstruct qualified new energy efficient homes may be eligible for a tax credit up to $5,000 per home. The actual amount of the

credit depends on eligibility requirements, such as the type of home, the home's energy efficiency and the date when someone buys or leases the home.

Avoiding identity theft scammers posing as the IRS

Imitation may be the sincerest form of flattery, but when scammers pose as the IRS it means trouble for taxpayers. Identity thieves may contact taxpayers through fraudulent calls, emails, texts or social media messages pretending to be the IRS. Get tips to help taxpayers know when the IRS is contacting them.

Know the different types of authorizations for third-party representatives

Taxpayers can authorize a third-party representative to work with the IRS on their behalf. Sometimes this person is an unpaid family member or friend, and sometimes this is a tax professional hired by the taxpayer. Different types of representatives need different authorizations before they can represent the taxpayer to the IRS.

IRS Criminal Investigation, with UK and Dutch agencies, deliver virtual cyber training to Ukrainian law enforcement in effort to curtail sanctions evaders

The virtual training provided Ukrainian law enforcement with tools to combat money laundering, analyze fraudulent cryptocurrency transactions and improve the effectiveness of blockchain forensic investigations.

Building on the success of cyber training IRS Criminal Investigation (CI) provided to Ukrainian law enforcement in May, CI joined with the Dutch Fiscal Information and Investigation Service (FIOD) and His Majesty's Revenue and Customs (HMRC) from the United Kingdom to deliver a second round of training focused on cryptocurrency and blockchain tracing to nearly 40 Ukrainian law enforcement officers.

CI, FIOD and HMRC teamed up with blockchain analytics companies CipherTrace and BlockTrace to deliver the training. Training participants were from the Cyber-Police Department of National Police of Ukraine, Economic Security Bureau of Ukraine, Security Service of Ukraine, National Anti-Corruption Bureau of Ukraine and Ukraine's State Bureau of Investigation. After completing the training and passing an exam, participants received accreditation as Cryptocurrency Tracing Certified Examiners.

"Knowledge sharing is one of the priorities within these international partnerships and can contribute to greater know-how to counter cybercrime," said Niels Obbink, director general of FIOD. "It is a good development that this important knowledge is also shared with other countries."

CI and private sector partner Chainalysis delivered an initial round of cyber training to Ukrainian law enforcement in May 2023 to target financial networks used by sanctions evaders who attempt to conceal their assets.

Currently, CI has 30 ongoing sanctions-related investigations. The agency is actively working with the Office of Foreign Assets Control to support sanctions designation investigations and freeze assets controlled by or associated with those on the Specially Designated Nationals and Blocked Persons List. International trainings help ensure that foreign partners possess the right tools to conduct effective cyber investigations.

Below are the links to IRS Criminal Investigation recent cases

- **Five sent to prison in nationwide fraud scheme targeting elderly victims**
- **California man who led transnational drug trafficking organization sentenced to 15 years in prison**
- **Two real estate developers convicted of conspiring to embezzle millions from the failed Washington Federal Bank in Chicago**
- **Portland man sentenced to 25 years in federal prison for drug and gun crimes**
- **Former Aequitas CEO and company executives sentenced to federal prison for roles in $300 million fraud conspiracy**
- **Four men convicted of $18 million global investment fraud scheme**
- **United States seeks to forfeit more than $72 million involved in bribery and money scheme**
- **Ian Freeman sentenced to eight years in prison for operating a bitcoin money laundering scheme**
- **Boston tax preparer sentenced for $2 million tax fraud**
- **Former chairman of 1 Global pleads guilty to running $250 million securities fraud scheme**
- **Three Middlesex County individuals admit COVID-19 fraud schemes totaling more than $2.1 million**

For the latest on IRS-CI cases, follow on X (formerly Twitter) **@IRS_CI** or via the **IRS-CI LinkedIn** page.

Additional information on IRS.gov

- **Tax relief in disaster situations**
- **Make a career change for the better; find out where you fit in at the IRS**
- **Where's My Refund?**

- **Inflation Reduction Act of 2022**
- **Resources and guidance for Puerto Rico families that may qualify for the Child Tax Credit**
- **Accessing the IRS - Understanding the Identity Verification Process (irsvideos.gov)**
- **Get an Identity Protection PIN (IP PIN)**
- **Get up-to-date status on affected IRS operations and services due to COVID-19**
- **Get your tax record**

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

Follow TAS on social media

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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.