Congressional Update

News for members of Congress and their staffs – June 2023

IRS alerts businesses, tax-exempt groups of warning signs for misleading Employee Retention scams; simple steps can avoid improperly filing claims

As aggressive marketing continues, IRS renewed an alert for businesses to watch out for tell-tale signs of misleading claims involving the **Employee Retention Credit**.

The IRS and tax professionals continue to see a barrage of aggressive broadcast advertising, direct mail solicitations and online promotions involving the Employee Retention Credit. While the credit is real, aggressive promoters are wildly misrepresenting and exaggerating who can qualify for the credits.

The IRS has stepped up audit and criminal investigation work involving these claims. Businesses, tax-exempt organizations and others considering applying for this credit need to carefully review the official requirements for this limited program before applying. Those who improperly claim the credit face follow-up action from the IRS.

“The aggressive marketing of the Employee Retention Credit continues preying on innocent businesses and others,” said IRS Commissioner Danny Werfel. “Aggressive promoters present wildly misleading claims about this credit. They can pocket handsome fees while leaving those claiming the credit at risk of having the claims denied or facing scenarios where they need to repay the credit.”

The Employee Retention Credit (ERC), also sometimes called the Employee Retention Tax Credit or ERTC, is a legitimate tax credit. Many businesses legitimately apply for the pandemic-era credit. The IRS has added staff to handle ERC claims, which are time-consuming to process because they involve amended tax returns.

“This continual barrage of marketing by advertisers means many invalid claims are coming into the IRS, which also means it takes our hard-working employees longer to get to the legitimate Employee Retention Credits,” Werfel said. “The IRS understands the importance of these credits, and we appreciate the patience of businesses and tax professionals as we continue to work hard to get valid claims processed as quickly as possible while also protecting against fraud.”

The IRS has been issuing warnings about aggressive ERC scams since last year, and it made the agency's list this year of the **"Dirty Dozen" tax scams** that people should watch out for.

This is an ongoing priority area in many ways, and the IRS continues to increase compliance work involving ERC. The IRS has trained auditors examining ERC claims posing the greatest risk, and the IRS Criminal Investigation division is working to identify fraud and promoters of fraudulent claims.

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 cash position if it has to pay back the credit than if the credit was never claimed in the first place. So, it's important to avoid getting scammed.

When properly claimed, the ERC is a refundable tax credit designed for businesses that continued paying employees while shut down due to the COVID-19 pandemic or that had a significant decline in gross receipts during the eligibility periods. The credit is not available to individuals.

IRS News Release IR- 2023-105 **IRS alerts businesses, tax-exempt groups of warning signs for misleading Employee Retention scams; simple steps can avoid improperly filing claims** has additional information, including warning signs of aggressive ERC marketing, how promoters lure victims and how businesses and others can protect themselves.

Estimated Tax Payment due June 15

Who must pay estimated tax
Generally speaking, individuals, sole proprietors, partners and S corporation shareholders must make estimated tax payments if they expect to owe $1,000 or more in taxes upon filing. Corporations must make estimated tax payments if they expect to owe $500 or more.

Taxpayers may have to pay estimated tax for the current year if their tax was more than zero in the prior year. The worksheet in **Form 1040-ES, Estimated Tax for Individuals**, has more details on who must pay estimated tax.

When and how to pay estimated tax

For estimated tax purposes, the year is divided into **four payment periods**, but some taxpayers may find it easier to pay estimated taxes weekly, bi-weekly or monthly. The IRS allows alternative payment periods if a taxpayer pays enough tax by the end of the quarter.

Using an electronic payment option, available on **IRS.gov/payments**, is the easiest way for individuals, small businesses, self-employed individuals and gig workers to pay federal taxes. It's fast, easy and secure.

- Taxpayers can use the Electronic Federal Tax Payment System (EFTPS) for all federal tax payments, including federal tax deposits, installment agreement payments and estimated tax payments. In addition, by using the EFTPS, taxpayers can access the payment history that shows the date and amount of each payment.
- Individual taxpayers can create an **IRS Online Account** to make estimated tax payments. Using this account, taxpayers can see the payment history, any pending payments and other useful tax information.
- Individual taxpayers can also make an estimated tax payment using **Direct Pay**.
- Individual and business taxpayers can also make an estimated tax payment using a **debit or credit card, or digital wallet.**

The 2023 **Form 1040-ES, Estimated Tax for Individuals,** can help taxpayers estimate first quarter tax payments. While the IRS strongly encourages electronic payments, taxpayers may also send estimated tax payments with Form 1040-ES by **mail**.

IRS Free File available until October 18

The IRS reminds low to moderate income taxpayers, especially those who don't normally file a tax return, that they can still use IRS Free File to prepare their own federal tax return to potentially receive **overlooked tax credits or refunds.** The IRS's **Free File** program, available only at IRS.gov, allows taxpayers who made $73,000 or less in 2022 to file their taxes electronically for free using brand-name software provided by commercial tax-filing companies.

Taxpayers face deadline to claim tax year 2019 refunds

Nearly 1.5 million people across the nation have **unclaimed refunds for tax year 2019** but face a July 17, 2023, deadline to submit their tax return. Under the law, taxpayers usually have three years to file and claim their tax refunds. If they don't file within three years, the money becomes the property of the U.S. Treasury.

Public input wanted to improve nationwide access to Independent Office of Appeals

The IRS Independent Office of Appeals invites **public input on how best to improve access for taxpayers** who don’t live near an Appeals office. Tax professionals and their clients can visit IRS.gov to submit comments by the July 10 deadline. Appeals resolves federal tax disputes without litigation in a way that’s fair and impartial to taxpayers and the government.

Now Open: 2024 Low Income Taxpayer Clinic grant application

The IRS is now accepting applications for **Low Income Taxpayer Clinic (LITC) matching grants** from all qualified organizations. The application period runs to June 26, 2023. The funding and period of performance for the grant is Jan. 1, 2024, to Dec. 31, 2024.

This is particularly important for congressional offices in **Hawaii, Montana, Nevada, North Dakota and the territory of Puerto Rico**, which don't currently have an LITC, and **Arizona and Florida**, which only have partial coverage. The IRS is particularly interested in receiving applications from organizations that provide services in these underserved geographic areas.

Under Internal Revenue Code Section 7526, the IRS awards matching grants to qualifying organizations to develop, expand or maintain an LITC. For every dollar of funding awarded by the IRS, an LITC must have a dollar of match. An LITC must provide services free or for no more than a nominal fee, except for reimbursement of actual costs incurred.

LITCs ensure the fairness and integrity of the tax system for taxpayers by:

- Providing *pro bono* representation to help low-income taxpayers resolve tax disputes with the IRS,
- Educating taxpayers for whom English is a second language about their rights and responsibilities as taxpayers, and
- Identifying and advocating on issues that affect these taxpayers.

Selling your home this summer?

IRS Publication 523, Selling Your Home, explains the tax rules that apply when homeowners sell or otherwise give up ownership of their home. If they meet certain conditions, they may be able to **exclude some of the gain** from the sale of their home from their income and avoid paying taxes on it.

IRS highlights tax-related tools and resources during National Small Business Week

National Small Business Week was April 30 through May 6, 2023. The IRS featured useful tax-related tools and resources to help small business owners, employers and self-employed individuals succeed.

The week is an annual effort led by the **Small Business Administration** to recognize the hard work, ingenuity and dedication of America's small businesses and celebrate their contributions to the economy. To support the special week, the IRS highlighted a

variety of resources available for small business owners to help them understand and meet their tax responsibilities. The IRS encouraged small businesses to take advantage of the numerous resources available on IRS.gov.

- Related news release: **IRS highlights information and free resources in recognition of National Small Business Week**
- Related fact sheet: **Upcoming IRS improvements for small business owners**
- Related Tax Tip: **Hobby or business: here's what to know about that side hustle**
- Related Tax Tip: **Online learning opportunity for small business owners**
- Related ready-to-use article: **IRS tools and resources to help small businesses**

IRS Criminal Investigation (CI) Chief Jim Lee participates in Operation SpecTor news conference with Attorney General Merrick Garland

CI's Chief Lee participated in a news conference at the Department of Justice in Washington, D.C., with U.S. Attorney General Garland and leaders of several federal law enforcement agencies to announce results from Operation SpecTor, a coordinated international effort that spanned three continents to disrupt dark web fentanyl and opioid trafficking.

The announcement highlighted CI's case, which involved two defendants who allegedly operated vendor accounts on two darknet marketplaces that sold tens-of-thousands of counterfeit oxycodone pills containing fentanyl in exchange for cryptocurrency. The pair is charged with completing more than 1,100 narcotics transactions as part of the conspiracy and receiving more than $800,000 in cryptocurrency.

Operation SpecTor is a Joint Criminal Opioid and Darknet Enforcement (JCODE) operation targeting darknet trafficking of fentanyl and opioids. The operation resulted in 288 arrests – the most ever for any JCODE operation and nearly double that of the prior operation. Law enforcement conducted more seizures than any prior JCODE operation, which included 117 firearms, 850 kilograms of drugs, including 64 kilograms of fentanyl or fentanyl-laced narcotics, and $53.4 million in cash and virtual currency.

Below are the links to IRS Criminal Investigation recent cases

- **Appraiser in billion-dollar conservation easement fraud scheme pleads guilty**
- **Tallahassee couple sentenced to federal prison for wire fraud conspiracy, money laundering conspiracy, and making false statements relating to COVID-19 relief programs**
- **26 charged in series of federal indictments**
- **Retired general sentenced for wire fraud, falsifying tax returns**

- **Former Air Force civilian employee sentenced to more than 15 years in prison for fraud**
- **Former physician associated with 1-800-GET-THIN sentenced to 7 years in federal prison for massive fraud against health insurers**
- **Silk Road dark web fraud defendant sentenced following seizure and forfeiture of over $3.4 billion in cryptocurrency**

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

Emergency preparedness plans should include financial records and tax information

People should put together an emergency preparedness plan for their household – and include copies of their vital records and financial information. By creating an emergency preparedness plan and updating it annually, people will be able to start the recovery process faster if they're affected by a disaster or other emergency.

Installing solar panels or making other home improvements may qualify taxpayers for home energy credits

Homeowners who make improvements like replacing old doors and windows, installing solar panels or upgrading a hot water heater may qualify for home energy tax credits. They should know what these credits can do for them – and be careful of exaggerated claims by companies trying to get their business.

After a disaster, affected taxpayers may qualify for tax relief

Tax relief is available for people living in Federal Emergency Management Agency-declared disaster areas. To find out whether an area qualifies for federal disaster relief, taxpayers should check DisasterAssistance.gov.

Tax benefits to help offset the cost of making businesses accessible to people with disabilities

When employers hire people with disabilities or make their business accessible to employees and customers with disabilities, they may be eligible for certain tax benefits. These tax benefits encourage employers to hire qualified people with disabilities and off-set some of the costs of providing accommodations.

Picking the right third-party payroll service provider helps protect businesses

Not all third-party payroll service providers are created equal. A trusted, qualified company can help keep businesses secure and tax compliant. An unreliable or fraudulent company can lead to missed deposits, theft or returns not being filed.

What the right to challenge the IRS's position and be heard means for taxpayers

The IRS wants every taxpayer to know and understand their rights in the event they need to work with the IRS on a personal tax matter. These 10 fundamental rights are collectively known as the Taxpayer Bill of Rights.

After a disaster, here's where taxpayers can find IRS information fast

Rebuilding after a natural disaster can be overwhelming. Important documents like financial information and tax records are often destroyed in a disaster, and reconstructing these records is important for applying to federal assistance and insurance reimbursement. IRS.gov has the information disaster victims need, including disaster-related filing extensions and information about tax relief.

The Work Opportunity Tax Credit helps businesses that hire from eligible groups

Finding work can be hard for anybody, and certain groups face even bigger challenges. The Work Opportunity Tax Credit is extended through the end of 2025 to help employers that hire workers certified as members of certain groups that face barriers to employment.

Additional information on IRS.gov

- **IRS submits Direct File report to Congress; Treasury Department directs pilot to evaluate key issues**
- **Commissioner Werfel Letter on Audit Selection**
- **Make a career change for the better; find out where you fit in the IRS**
- **Important details to understand when the IRS might contact a taxpayer**
- **Publication 5731-A, More taxpayers will be receiving Form 1099-K, Payment Card Third Party Network Transactions**
- **Where's My Refund?**
- **Inflation Reduction Act of 2022**
- **Resources and guidance for Puerto Rico families that may qualify for the Child Tax Credit**
- **Credits for new clean vehicles purchased in 2023 or after**
- **Plug-in Electric Drive Vehicle Credit at a glance**

- IRS releases frequently asked questions about energy efficient home improvements and residential clean energy property credits
- 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 during COVID-19
- Tax relief in disaster situations
- 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

YouTube – Twitter – Facebook – LinkedIn – Blog

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.