Congressional Update

News for members of Congress and their staffs – February 2023

Refund timing and what to expect as IRS begins the 2023 tax-filing season

The IRS began accepting and processing 2022 tax returns on Monday, January 23, 2023. The filing deadline to submit 2022 tax returns or request an extension to file for most taxpayers is April 18, 2023. An extension to file a tax return isn't an extension to pay taxes owed. Those who owe taxes should still pay by April 18 to avoid late-payment penalties. The due date is April 18, instead of April 15 because of the Emancipation Day holiday in the District of Columbia, although some taxpayers living overseas and disaster victims may have later filing deadlines. California storm victims now have until May 15 to file various federal individual and business tax returns and make tax payments.

The IRS encourages everyone to have all the information they need in hand to make sure they file a complete and accurate return. This can help reduce errors and help avoid processing delays, refund delays or later IRS notices. Online resources can help taxpayers get ready to file.

The fastest way to file and get a tax refund is by filing electronically and choosing direct deposit. By law, the IRS cannot issue refunds involving the Earned Income Tax Credit or Additional Child Tax Credit before mid-February. This provides extra time to help the IRS prevent fraudulent refunds. Taxpayers can check the status of their refund using Where's My Refund? within 24 hours after the IRS accepts their e-filed tax return or up to four weeks after they mailed a paper return.

Free File options through IRS.gov

Through IRS Free File, taxpayers can select and use commercial software to prepare and file their federal income taxes online if they earned $73,000 or less in 2022. For taxpayers who are comfortable completing their own tax forms, Free File Fillable Forms may be a good option. The Volunteer Income Tax Assistance and Tax Counseling for the Elderly Locator tool is available to help taxpayers who qualify find organizations that provide free tax help for taxpayers with low incomes, the elderly and disabled, or people whose preferred language isn't English. MilTax is a free tax resource from the Department of Defense available to the military community.

IRS tools and resources for the filing season

The IRS encourages taxpayers to use and bookmark tools and resources on IRS.gov, where tax information, support and account management tools are available 24/7.

Taxpayers will find:

- Online account — An online account lets taxpayers securely access their personal tax information, including return transcripts, payment history, certain notices, prior-year adjusted gross income and power of attorney information. They can also pay their balance online or apply for a payment plan.
- Interactive Tax Assistant — Based on the taxpayer's input, this tool provides answers to tax law questions specific to the taxpayer's circumstances and doesn't require a login. The system keeps provided information anonymous and discards all information when a taxpayer's done.
- Let Us Help You — This page provides support for common concerns, like how to understand and respond to a letter from the IRS, or how to amend a return. Taxpayers also can get help with identify theft or tax scam concerns, payment options, penalty issues and more.
- Directory of Federal Tax Return Preparers — This tool allows individuals and businesses to search for tax preparers in their area who hold professional credentials recognized by the IRS.
- Where's My Refund? — Using this tool, taxpayers can check the status of their refund within 24 hours after the IRS receives their e-filed return or four weeks after mailing a paper return.
- Credits & Deductions — This page allows taxpayers to find out what credits and deductions are available, how they work and who can claim them. For example, for tax year 2022, taxpayers can find out if they qualify for the expanded eligibility for the Premium Tax Credit. Taxpayers can also review the qualifications and their eligibility for clean vehicle credits, or learn why they can't deduct charitable contributions for tax year 2022 if they take the standard deduction.
- Forms, Instructions and Publications — This is a library of IRS forms, instructions and publications on virtually any tax topic, many available in multiple languages and accessible formats.
- Frequently Asked Questions and Answers — Here, taxpayers can get plain language answers to the most frequently asked questions on a variety of topics.
- Where's My Amended Return? — Taxpayers can check the status of their amended tax return (Form 1040-X) for this year and up to three prior years. Taxpayers can still file their 2022 tax returns, even if the IRS has not yet processed their 2021 returns.
- Payments — Taxpayers can pay by direct debit from their bank account or choose an approved payment processor to pay by credit or debit card for a fee. They can also apply for a payment plan, learn about the IRS Offer in Compromise program and use the IRS Automated Chat Bot for interactive assistance on financial relief and other topics.
- **2021 tax return not processed yet?** For those waiting on their 2021 tax return to be processed, here's a special tip to ensure the 2022 tax return is accepted by the IRS for processing. Make sure to enter $0 (zero dollars) for last year's AGI when they file electronically.

The IRS provides information and resources in many languages and enhanced services for people with disabilities. Taxpayers who need accessibility assistance can call 833-690-0598.

Stay connected with the IRS

There are several ways taxpayers can stay updated on important tax information that may help with tax planning. The official IRS website is IRS.gov. Taxpayers can also download the IRS2go Mobile App, watch IRS YouTube videos, subscribe to IRS e-Newsletters or follow the IRS on Twitter, Facebook, LinkedIn and Instagram. Taxpayers can use these channels to follow the IRS for the latest updates on tax changes, scam alerts, initiatives, products and services.

Earned Income Tax Credit (EITC); early EITC filers can look for refunds starting Feb. 28

Do you know that workers in your area can receive up to $6,935 by claiming the Earned Income Tax Credit (EITC) on their 2022 tax return? Consider the financial boost this tax credit provides to your constituents and the impact that influx of cash brings to your local economy. Yet, there are potentially eligible recipients who don't claim this credit because they don't file a Federal tax return!

The EITC is a federal tax credit for working people who have earned low to moderate income. Congress created the EITC as part of the Tax Reduction Act of 1975 in part to offset Social Security taxes on low-income families and as an incentive to work. When EITC exceeds the amount of taxes owed, it results in a tax refund for eligible workers who claim the credit. To qualify, taxpayers must meet certain requirements and file a tax return, even if they owe no tax or do not have a filing requirement.

Your constituents earned their EITC so encourage them to claim it. We have some resources that will help you to promote the credit.

Reminder: The IRS cannot issue a refund that includes the Earned Income Tax Credit or Additional Child Tax Credit (ACTC) before mid-February. This is due to the 2015 PATH Act law passed by Congress, which provides this additional time to help the IRS stop fraudulent refunds from being issued.

"Where's My Refund?" should show an updated status by February 18 for most early EITC/ACTC filers. The IRS expects most EITC/ACTC related refunds to be available in taxpayer bank accounts or on debit cards by February 28 if taxpayers chose direct deposit and there are no other issues with their tax return.

IRS Taxpayer Assistance Centers opening for special Saturday hours

As part of a larger effort to help people during this year's filing season, the IRS announced special Saturday hours at many Taxpayer Assistance Centers (TACs) across the country. The special openings are from 9 a.m. to 4 p.m., on February 11, March 11, April 8 and May 13. During these times, people can walk in to receive in-person help without an appointment.

Normally, these centers aren't open on Saturdays. IRS staff will provide all services routinely provided at each office, except for accepting cash payments. The IRS's Contact Your Local Office site lists all services provided at specific TACs.

People can receive help resolving a tax bill or an IRS audit. If assistance from IRS employees specializing in these services isn't available, the individual will receive a referral for these services. Taxpayer Advocate Service employees may also be available to assist with issues that meet certain criteria.

Foreign language interpreters will be available. IRS staff will schedule appointments for a later date for deaf or hard of hearing individuals who need sign language interpreter services.

While tax return preparation isn't a service offered at IRS TACs during regular or Saturday hours, information will be shared on obtaining free tax preparation services locally.

- Eligible individuals or families can get free help preparing their tax return at Volunteer Income Tax Assistance (VITA) or Tax Counseling for the Elderly (TCE) sites. Taxpayers can find the closest free tax return preparation help using the VITA Locator Tool or by calling 800-906-9887.
- People can find an AARP Tax-Aide site using the AARP Site Locator Tool or by calling 1-888-227-7669.
- Any individual or family earning $73,000 or less in 2022 can use tax software through IRS Free File at no cost. There are products in English and Spanish.

To receive services during regular operating hours, Monday through Friday, 8:30 a.m. to 4:30 p.m., people should call 844-545-5640 to make an appointment.

As a reminder, the fastest and easiest way for taxpayers to get the help they need is through IRS.gov. Go to www.irs.gov for more information. Available resources include:

- Online Account — secure access to individual account information
- Where's My Refund? — refund status and estimated delivery date
- Free File — free tax software offered through IRS partners to allow you to file your taxes online
- Identity Protection Pin (IP PIN) — to prevent someone from using your information to file a fraudulent tax return
- Get Transcript — view and print a tax transcript online
- Direct Pay — make tax payments or estimated tax payments from checking or savings account
- Electronic Federal Tax Payment System — individuals or businesses can make all types of federal tax payments
- Online Payment Agreement — set up installment payments to pay taxes
- Where's My Amended Return — status of amended returns
- Answers to tax law questions — answers to many tax questions
- All IRS Forms and Publications — downloadable current tax forms, instructions and publications. Those who do not have access to the internet can call 800-829-3676 to order tax forms by mail.

Additional information on available services is in IRS Publication 5136, the IRS Services Guide.

Help spread the word about free tax preparation

Eligible taxpayers can receive tax help through the IRS Volunteer Income Tax Assistance

(VITA) and Tax Counseling for the Elderly (TCE) programs.

The VITA program has operated for more than 50 years. VITA sites offer tax help to people who generally make $60,000 or less, people with disabilities and taxpayers who speak limited English. The TCE program also offers free tax help, particularly for those who are 60 years of age and older.

VITA and TCE sites offer in-person tax preparation and virtual services using video or telephone calls. Some IRS partners also offer facilitated self-assistance (FSA), where taxpayers prepare their own tax returns. IRS-certified volunteers are available to answer FSA users' tax questions.

Taxpayers can check IRS.gov/VITA to find available services in their community. The IRS will update the VITA/TCE Locator Tool throughout the filing season.

IRS opens free portal to file information returns; new electronic option can reduce millions of paper Forms 1099 estimated to be filed by businesses in 2023

IRS announced that businesses can now file Form 1099 series information returns using a new online portal, available free from the IRS.

Known as the Information Returns Intake System (IRIS), this free electronic filing service is secure, accurate and requires no special software. Though available to any business of any size, IRIS may be especially helpful to any small business that currently sends their 1099 forms on paper to the IRS.

"The IRS is excited to offer any business, especially small companies, a great new way to electronically file their 1099s for free," said IRS Acting Commissioner Doug O'Donnell. "This simplifies filing for those issuing 1099s and helps recipients receive information timely. The launch of IRIS can help reduce the millions of paper Forms 1099 we project will be filed in 2023 and demonstrates our commitment to finding useful and innovative ways of reducing paperwork on the business community and others issuing 1099s. This is part of the larger effort underway to make improvements and transform operations at the IRS."

Filers can use the platform to create, upload, edit and view information and download completed copies of 1099-series forms for distribution and verification.

With IRIS, businesses can e-file both small and large volumes of 1099-series forms by either keying in the information or uploading a file with the use of a downloadable template.

Currently, IRIS accepts Forms 1099 only for tax year 2022 and later.

2022 Progress Update: IRS annual report focuses on "Putting Taxpayers First"

The IRS Progress Update for Fiscal Year 2022 is designed to provide a window into the important work that employees performed over the past year to help taxpayers, ensure fair enforcement of the tax laws and maintain the integrity of the tax system. The IRS's activities each year reflect the importance of our agency through our work to collect approximately $4.9

trillion that support our nation and critical programs.

A Closer Look: Large Business and International division

In the current issue of the executive column, "A Closer Look," Holly Paz, Acting Commissioner of Large Business and International, discusses the division's dedicated workforce and the important role they play in IRS operations.

National Taxpayer Advocate delivers Annual Report to Congress: Focuses on the challenges taxpayers experienced in 2022 and concerns with the upcoming filing season

On January 11, National Taxpayer Advocate Erin M. Collins released her 2022 Annual Report to Congress. In the report, Collins states taxpayers and tax professionals "experienced more misery in 2022" due to paper processing delays and poor customer service. But the report says the IRS made considerable progress in reducing the volume of unprocessed returns and correspondence and is poised to start the 2023 filing season in a stronger position.

The report cites three reasons for optimism: (1) the IRS has largely worked through its backlog of unprocessed tax returns, even though it remains challenged with a high volume of suspended returns and correspondence; (2) Congress has provided the IRS with significant additional funding to increase its customer service staffing, and (3) with the benefit of Direct Hire Authority, the IRS has recently hired 5,000 new customer service representatives, and is seeking to hire 700 additional employees to provide in-person help at its Taxpayer Assistance Centers. Direct Hire Authority has enabled the IRS to reduce the number of days from the time it posts an announcement on USAJobs.gov until it onboards a new employee by more than half.

But Collins warned the improvements won't be immediate. "Staff increases come with growing pains," she wrote. "As new employees are added, they must be trained. For most jobs, the IRS does not maintain a separate cadre of instructors. Instead, experienced employees must be pulled off their regular caseloads to provide the initial training and act as on-the-job instructors. In the short run, that may mean that fewer employees are assisting taxpayers, particularly experienced employees who are likely to be the most effective trainers."

"The IRS will have to perform a difficult balancing act with its current resources and will need to ensure it does not create a new paper backlog in 2023 by reassigning too many Accounts Management employees from processing case inventories to answering the phones," Collins wrote. "The IRS needs to end the vicious cycle of paper backlogs. As employees are trained and report for duty, I expect we will start to see improvements in service, probably by the middle of 2023."

The report also contains:

- A list of the 10 most serious problems encountered by taxpayers in their dealings with the IRS, including a section titled "At a Glance" that provides concise summaries of the problems.

- Numerous administrative recommendations the IRS can implement to address taxpayer problems, including using Inflation Reduction Act funding to quickly bolster staff and prioritizing developing online accounts with functionality to complete online transactions and receive and respond to IRS notices.
- A taxpayer rights assessment that presents performance measures and other relevant data.
- A list of the 10 federal tax issues most frequently litigated in the courts during the preceding year.
- Two research studies, one that examines the Earned Income Tax Credit and a second that examines the functionality of online accounts and web services offered by more than 40 state and several foreign tax agencies.
- A description of TAS's case advocacy operations during fiscal year 2022.
- A summary of key TAS systemic advocacy accomplishments.

As part of this report, the 2023 "Purple Book" proposes 65 legislative recommendations for consideration by Congress.

The full report, and past reports, are at Reports to Congress.

Supplemental Low Income Taxpayer Clinic Program grant application period coming

The LITC Program office is grateful to Congress for doubling the appropriations for the Low Income Taxpayer Clinic grant program and raising the cap from $100,000 to $200,000 for individual clinics. These changes will allow LITCs to serve more low-income and ESL taxpayers and provide an opportunity for existing and new clinics to develop unique and innovative approaches for delivering LITC services. In addition, the increase in funding will allow us to fund more clinics in 2023. In February, the IRS will announce a supplemental LITC Program grant application period for the 2023 grant year. The LITC Program Office will give special consideration to applicants from the states of Hawaii, Nevada, North Dakota, Montana, and the territory of Puerto Rico, which currently do not have an LITC. In addition, two states – Arizona and Florida – have partial coverage, and we will be working to find qualified applicants that can provide services in these areas.

We urge you to share this information with your constituents and help us identify organizations in your community that could benefit from an LITC grant. Interested parties are encouraged to watch this video about applying for an LITC grant and review Publication 3319, which includes key program guidelines and the most recent grant application package. While all applicants must meet the requirements in section 7526 of the Internal Revenue Code, the LITC Program Office will be considering a broader universe of applicants than in prior years. For more information, refer to https://sam.gov/ and search using the phrase "low income taxpayer clinics." If you or potential applicants have questions or need additional information about the LITC Program or application process, please contact Karen Tober with the LITC Program Office by email at Karen.Tober@irs.gov or by phone at 202-317-4095. The supplemental application period will open in February.

IRS announces new Taxpayer Experience officer

The IRS recently announced Courtney Kay-Decker as the new deputy chief of the Taxpayer Experience Office. Under the leadership of Chief Taxpayer Experience Officer Ken Corbin, Kay-Decker will lead IRS efforts to improve the taxpayer experience.

This role includes driving the strategy for taxpayer interactions, monitoring and prioritizing the taxpayer experience, coordinating identification of taxpayer trends and best practices. The new deputy will also work on putting in place Servicewide taxpayer experience improvements.

Farmers and fishers: March 1 filing and payment due date

Those with income from a farming or fishing business can avoid making any estimated tax payments by filing their return and paying their entire tax due on or before **March 1, 2023**.

This rule generally applies if farming or fishing income was at least two-thirds of the taxpayer's total gross income in either the current or preceding tax year. Those who choose not to file by March 1, 2023, should have made an estimated tax payment by January 17, 2023, to avoid an estimated tax penalty.

Additional information is available in IRS Publication 225, Farmer's Tax Guide, and IRS Tax Topic 416, Farming and Fishing Income.

What taxpayers should do for incorrect or not received forms W-2 or 1099-R

Taxpayers should **contact their employer or payer** if their Form W-2, Wage and Tax Statement, or Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., aren't available to them by January 31, 2023, or if their information is incorrect on these forms.

If they still haven't received the missing or corrected form by the end of February, they can call the IRS at 800-829-1040 for assistance (see Telephone and Local Assistance for hours of operation). Callers should have the following information available:

- Name, address (including ZIP code), phone number, taxpayer identification number and dates of employment.
- **Employer or payer's name**, address (including ZIP code) and phone number.
- If known, employer/payer's identification number.

The IRS will contact the employer or payer for the taxpayer and request the missing or corrected form. The IRS will also send the taxpayer a Form 4852, Substitute for Form W-2, Wage and Tax Statement, or Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., along with an instruction letter.

Those who don't receive the missing or corrected form in sufficient time to file their tax return may estimate their wages or payments and any taxes withheld and report them on Form 4852 to complete their return.

If they receive the missing or corrected Form W-2 or Form 1099-R after they file their return and the information differs from their estimates, they must file Form 1040-X, Amended U.S. Individual Income Tax Return. Additional information on filing an amended return is in Topic No. 308 and Should I File an Amended Return?

IRS: Updates to question on digital assets; taxpayers should continue to report all digital asset income

IRS reminds taxpayers that they must again answer a digital asset question and report all digital asset-related income when they file their 2022 federal income tax return, as they did for fiscal year 2021. The term “digital assets” has replaced “virtual currencies,” a term used in previous years.

The question, which appears at the top of Forms 1040, Individual Income Tax Return; 1040-SR, U.S. Tax Return for Seniors; and 1040-NR, U.S. Nonresident Alien Income Tax Return, was revised this year to update terminology.

In addition, the instructions for answering the question were expanded and clarified to help taxpayers answer it correctly. All taxpayers must answer the question regardless of whether they engaged in any transactions involving digital assets.

For the 2022 tax year it asks: "At any time during 2022, did you: (a) receive (as a reward, award or payment for property or services); or (b) sell, exchange, gift or otherwise dispose of a digital asset (or a financial interest in a digital asset)?"

What is a digital asset?

A digital asset is a digital representation of value which is recorded on a cryptographically secured, distributed ledger. Common digital assets include:

Convertible virtual currency and cryptocurrency
Stablecoins
Non-fungible tokens (NFTs)

Everyone must answer the question

Everyone who files Form 1040, Form 1040-SR or Form 1040-NR must check one box, answering either "Yes" or "No" to the digital asset question. The question must be answered by all taxpayers, not just those who engaged in a transaction involving digital assets in 2022.

IRS Criminal Investigation (CI) says BSA data serves key role in investigating financial crimes

According to investigative statistics, 84% of primary subjects fiscal year 2022 CI investigations had Bank Secrecy Act (BSA) filings.

IRS-CI is the criminal investigative 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. Under the BSA, financial institutions must submit reports to the federal government when they encounter instances of potential money laundering or tax evasion. Federal agencies use this data to investigate money laundering and related financial crimes.

“The Bank Secrecy Act exists to prevent financial institutions from being used as a vehicle by criminals to conceal or launder their ill-gotten gains. It also serves as a safety net for crime victims,” said IRS-CI Chief Jim Lee. “Hundreds of millions of dollars in restitution have been awarded to crime victims because our agents were able to use BSA data to prove a crime was committed.”

Over the past three fiscal years, more than 83% of CI’s criminal investigations recommended for prosecution had a primary subject with a related BSA filing. Convictions in those cases resulted in average prison sentences of 38 months, $7.7 billion in asset seizures, $256 million in restitution and $225 million in asset forfeitures.

BSA data was instrumental in the prosecution of serial tax fraudster Michael Dexter Little, who was sentenced in January 2022 to 19 years and six months in prison for conspiracy to commit wire fraud and money laundering, and aggravated identity theft. Little filed a series of false tax returns claiming massive, bogus fuel tax credits. He filed the false returns in his own name and in the names of co-conspirators and identity theft victims. As a result of this scheme, Little and his co-conspirators obtained at least $12.3 million in fraudulent tax refunds and attempted to obtain at least $27 million more. Little and his co-conspirators also conspired to launder the funds and purchase real estate and other assets. Little was previously convicted of tax fraud two times, in 1999 and 2003. BSA data provided locations of crimes, identified suspects, helped seize fraudulent proceeds and identified past criminal activity to demonstrate a pattern of behavior. Little was ordered to forfeit at least $12.3 million traced to his crimes.

Recent IRS Criminal Investigation cases

- Beverly Hills father and son sentenced to prison for scheming to defraud COVID relief programs designed to help businesses
- Surgeon sentenced to 5 years in prison for accepting $3.3 million in illicit payments to perform spinal surgeries at corrupt hospital
- Ohio man pleads guilty for unlawfully stealing over 712 seized Bitcoin subject to forfeiture in brother’s pending criminal case
- Bronx man sentenced to 40 months in connection with COVID-19-related tax and unemployment fraud schemes
- Non-Fungible Token (NFT) developer charged in multimillion-dollar international fraud scheme
- Restaurant owner sentenced to prison for 2 million dollar tax fraud scheme
- Two North Carolina tax preparers sentenced to prison for 5 million dollar tax conspiracy
- Odessa woman pleads guilty to $7.9 million in tax fraud
- San Diego tax preparer sentenced for illegal operation of a $5 million money transmission business

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

Tax tips for gig economy entrepreneurs and workers

In recent years, the gig economy has changed how people do business and provide services. Taxpayers must report their gig economy earnings on a tax return – whether they earned that money through a part-time, temporary or side gig.

Tax basics: Understanding the difference between standard and itemized deductions

One of the first decisions taxpayers must make when completing a tax return is whether to take the standard deduction or itemize their deductions. There are several factors that can influence a taxpayer's choice, including changes to their tax situation, any changes to the standard deduction amount and recent tax law changes.

Taxpayers should hang up if tax season scammers come calling

The tax filing season is a popular time for scammers to call and try to dupe unsuspecting taxpayers. These thieves often make threatening or alarming calls posing as the IRS to try to steal taxpayer money or personal information.

Start the new year off by reviewing the Taxpayer Bill of Rights

By law, all taxpayers have fundamental rights when they're interacting with the IRS. These rights apply all year, not just during the filing season.

Additional information on IRS.gov

- IRS reminds taxpayers: Choose a tax professional carefully
- IRS reminds those over age 72 to start withdrawals from IRAs and retirement plans to avoid penalties
- Inflation Reduction Act of 2022
- Resources and Guidance for Puerto Rico families that may qualify for the Child Tax Credit
- 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 | Internal Revenue Service
- Accessing the IRS - Understanding the Identity Verification Process (irsvideos.gov)
- Get An Identity Protection PIN (IP PIN)
- Where's My Refund?
- Get up-to-date status on affected IRS operations and services during COVID-19
- Tax relief in disaster situations
- What is Taxable and Nontaxable Income?

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.