Congressional Update

News for members of Congress and their staffs – October 2023

Amid surge of questionable claims and to protect taxpayers from scams, IRS orders stop to new Employee Retention Credit processing; concerns from tax pros, aggressive marketing to ineligible applicants highlights unacceptable risk to businesses and the tax system

The **moratorium on processing of new claims** through year's end will allow the IRS to add more safeguards to prevent future abuse and protect businesses from predatory tactics. The IRS is working with the Justice Department to pursue fraud fueled by aggressive marketing.

Amid rising concerns about a flood of improper Employee Retention Credit (ERC) claims, the IRS announced on Sept. 14 an immediate moratorium through at least Dec. 31 on processing new claims for the pandemic-era relief program to protect honest small business owners from scams.

IRS Commissioner Danny Werfel ordered the immediate moratorium following growing concerns inside the tax agency, from tax professionals and media reports that a substantial share of new claims from the aging program are ineligible and putting businesses at financial risk by being pressured and scammed by aggressive promoters and marketing.

The IRS continues to work previously filed ERC claims received prior to the moratorium, but increased fraud concerns mean processing times will be longer. On July 26, the IRS announced it was increasingly shifting its focus to review these claims for compliance concerns, including intensifying audit work and criminal investigations on promoters and businesses filing dubious claims. The IRS announced that hundreds of criminal cases are being worked and thousands of ERC claims have been referred for audit.

IRS reminds businesses to **watch out for warning signs of aggressive promotion** that can mislead people into making improper ERC claims.

New resources to help businesses navigate complex ERC

- **Special eligibility checklist** — The IRS created a **new ERC eligibility checklist** that provides a quick, high-level way for employers to figure out if they might qualify to claim the ERC or if they potentially need to resolve an improper claim. Given that some small businesses may have been misled by aggressive promoters, this checklist is an important reference tool to use, along with verifying with a trusted tax professional.
- **New FAQs** — The IRS also updated the **Frequently asked questions about the ERC**.

Energy credits and deductions updates

- **Prevailing wage and apprenticeship requirements**
  The IRS issued **proposed regulations** related to the increased tax credit or deduction amounts for clean energy facilities and projects if taxpayers satisfy certain prevailing wage and registered apprenticeship requirements.

- **Tax deduction for increased energy savings**
  Building owners placing into service energy-efficient commercial building property or energy-efficient building retrofit property may be able to claim a tax deduction. Find out more on eligibility and qualifications in this graphic, easy-to-understand **e-Poster**. More information is on the IRS.gov **energy efficient commercial buildings deduction** webpage.

- **Clean vehicle credit changes**
  Consumers considering an automobile purchase should understand several **recent changes to the new Clean Vehicle Credit** for qualified plug-in electric drive vehicles, including qualified manufacturers and tax rules.

IRS issues guidance on state tax payments

The IRS provided **guidance** on the federal tax status of refunds of state or local taxes and certain other payments made by state or local governments to individuals. The IRS previously provided guidance on state payments made in 2022 in news release IR-2023-23, **IRS issues guidance on state tax payments to help taxpayers**.

Videos now available in other languages

- **Small Business Tax Workshop available in Spanish**
  The popular eight-video, **Small Business Tax Workshop (SP)** interactive series is now available in Spanish. It's designed to help small business owners learn their tax rights and responsibilities.

Businesses must electronically file Form 8300, Report of Cash Payments Over $10,000, beginning Jan. 1, 2024

Starting Jan. 1, 2024, **businesses are required to electronically file Form 8300**, Report of Cash Payments Over $10,000, instead of filing a paper return. This new requirement follows final regulations amending e-filing rules for information returns, including Forms 8300. Visit IRS.gov for related information about waiver applications, exemptions and more.

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

Tips to help taxpayers make sure their donations go to legitimate charities

When disaster strikes, Americans can always be counted on to help. That help comes in countless ways, but often the easiest way to help is by donating money to charities.

The extension deadline is coming up − avoid bad apples when choosing a preparer

The Oct. 16, 2023, extension filing deadline is coming up, and many taxpayers who requested an extension are now choosing a tax return preparer. Most tax return preparers provide honest, quality service, but there are some bad apples out there – from unethical preparers to outright scammers.

Tax basics for setting up a business

Starting a new business can seem overwhelming for new entrepreneurs or even seasoned professionals. The IRS has resources to help new business owners understand the tax responsibilities of running a business.

Keeping vital records safe can make disaster recovery easier

Natural disasters can strike without warning, and sometimes even the most diligent taxpayers are left without the important personal and financial records they need. People may need documentation for tax purposes, federal or state assistance programs or insurance claims.

Lots of military spouses are also entrepreneurs; here's some tax info they can use

Many military spouses run businesses or do gig work. Whether it's a side hustle or a major operation, the IRS has tax resources, tools, and information to help them keep things running smoothly.

Everyone has the right to finality when working with the IRS

By law, all taxpayers have the right to finality of tax matters. For example, taxpayers have the right to know when the IRS has finished an audit. This is one of ten basic rights — known collectively as the Taxpayer Bill of Rights.

Free tax filing options still available

IRS Free File remains available until Oct. 16 for taxpayers who still need to file a 2022 tax return. If a taxpayer filed for an extension ahead of the April 18, 2023, tax deadline, their return is due to the IRS by Oct. 16.

IRS Criminal Investigation (CI) Tackles Illegal Activity Tied to Sports Betting

As football season kicks off, U.S. taxpayers may engage in friendly wagers on their favorite teams, but when the game of chance turns into illegal criminal activity, IRS Criminal Investigation (CI) is ready to tackle. Illegal gambling activity can result in criminal charges ranging from money laundering to tax evasion.

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. CI special agents are the only federal law enforcement agents with investigative jurisdiction over violations of the Internal Revenue Code, obtaining a more than a 90% federal conviction rate. The agency has 20 field offices located across the U.S. and 12 attaché posts abroad.

Between 2021 and 2023, CI initiated more than 100 investigations into illegal gambling activity totaling more than $178 million. Of these cases, 89 resulted in indictments, with a 96% conviction rate for prosecuted cases. The average prison sentence for adjudicated cases was 23 months.

"Sports betting is all fun and games until funds are laundered and individuals fail to meet their tax obligations," said IRS Criminal Investigation Chief Jim Lee. "With football season underway, CI special agents are leaning on public-private partnerships and paying close attention to data gleaned from a variety of sources such as currency transaction reports and suspicious activity reports to Forms 8300 that indicate criminal activity like money laundering and tax evasion."

In one such case, CI and FBI special agents uncovered a decades long illegal gambling business based in the greater Chicago area operated by Vincent Delgiudice, also known as "Uncle Mick." Delgiudice accepted wagers from approximately 1,000 gamblers on the outcome of sporting events, including major league baseball, college and professional basketball, college and professional football, and other professional and amateur sporting events. He often made bets at casinos to cover potential losses if

his customers won. He then laundered his gambling profits internationally through cashier's checks and cash investments in businesses. Delgiudice was sentenced in March 2022 to 18 months in federal prison and ordered to forfeit $3.6 million for money laundering and operating an illegal gambling business.

Individuals who engage in sports betting activities are required to report their winnings on their annual tax return using Form W-2G. Additionally, the IRS encourages individuals to keep detailed records of all gambling transactions, including bets placed, winnings received, and losses incurred.

Sports enthusiasts who are unsure about their tax obligations or have questions about reporting gambling income should consult tax professionals or visit the official IRS website for guidance. Ignorance of the tax law doesn't exempt individuals from their responsibilities.

More information on reporting gambling income and other tax-related inquiries is on IRS.gov.

Below are CI's recent cases:

- **U.S. Navy service member allegedly transmitted sensitive U.S. military information to a Chinese intelligence officer**
- **Former accounting manager at Everett manufacturing company sentenced to three years in prison for 2.5 million dollar embezzlement**
- **Software development CEO sentenced to two years in prison for tax and conspiracy charges**
- **Lubbock man sentenced to 15 years in prison for 4 million dollar PPP fraud**
- **New Britain man sentenced for stealing and selling catalytic converters**
- **Connecticut tax return preparer pleads guilty to tax fraud offense**
- **Cleveland woman sentenced to over 24 years in prison for fentanyl trafficking conspiracy and money laundering**
- **Ohio electrical engineer sentenced to 30 months in prison for tax evasion**
- **Georgia Tech professor pleads guilty to tax fraud**

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

Additional information on IRS.gov

- IRS announces administrative transition period for new **Roth catch-up requirement**; catch-up contributions still permitted after 2023.

- The IRS released a **new e-Poster** with information about passport issues tied to seriously delinquent tax debt and how taxpayers can resolve passport revocations.
- **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

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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.