Congressional Update

News for members of Congress and their staffs – September 2023

Inflation Reduction Act 1-year report card: IRS delivers dramatically improved 2023 filing season service, modernizes technology, pursues high-income individuals evading taxes

One year into its modernization efforts under the Inflation Reduction Act (IRA), the IRS has made significant progress toward its goals of delivering world-class service, upgrading its technology and ensuring high-income taxpayers, large corporations and complex partnerships pay taxes owed.

As the IRS marks the anniversary of the IRA, it is announcing two new milestones as part of its Paperless Processing Initiative: Scanning 225 times more forms than in 2022 and enabling taxpayers to reply to an additional 51 forms and letters online.

> One year after the Inflation Reduction Act and IRS is proving the value of additional funding: scanned 225 times more forms, answered 3 million more filing season calls, and moving full speed ahead on IRA modernization. #IRA

In addition, the IRS has met its targets to further improve its customer callback option, so taxpayers do not need to wait on hold during periods of high call volume. The customer callback option will now be available for up to 95% of callers seeking live assistance. For more information on key IRA modernization accomplishments, see **IR-2023-148**.

IRS launches paperless processing initiative

As the next phase of its modernization, the IRS is accelerating paperless processing efforts. Taxpayers are now able to respond to more notices online, and the IRS has made significant progress adopting new technology that automates the scanning of millions of paper returns. Using Inflation Reduction Act resources, the IRS is launching an ambitious plan to ensure that by filing season 2024, taxpayers will be able to go paperless if they choose to do so, and by filing season 2025, the IRS will achieve **paperless processing** digitizing all paper-filed returns when received. This topic is also available in Spanish and Simplified Chinese.

Secretary Yellen and Commissioner Werfel visit digital-intake scanning facility in Virginia

On August 2, Treasury Secretary Janet Yellen and Commissioner Danny Werfel visited McLean, Virginia to see IRS technology improvements in action. Yellen and Werfel toured and

received a demonstration at a high-speed digital-intake site where cutting-edge technology is being used to scan paper documents as part of ongoing transformation efforts.

During the nationally televised event on C-SPAN, Yellen and Werfel highlighted developments on IRS progress toward the digitalization of paper tax returns and other documents. They noted that initiatives like this digital-intake effort serve as concrete examples of IRS accomplishing goals set forth in the Strategic Operating Plan and funded by the IRA.

In a Disaster Area? Assistance and Emergency Relief for Individuals and Businesses

With hurricane season here and recent disasters in places like Hawaii, the IRS reminds taxpayers and businesses they can visit IRS.gov for the latest information.

Special tax law provisions may help taxpayers and businesses recover financially from the impact 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. Both individuals and businesses in a federally declared disaster area can get a faster refund by claiming losses related to the disaster on the tax return for the previous year, usually by filing an amended return.

Home energy audits may qualify for an Energy Efficient Home Improvement Credit

The IRS issued **Notice 2023-59** regarding the requirements for home energy audits for taxpayers that want to claim the Energy Efficient Home Improvement Credit. This guidance provides specific requirements to claim the Home Energy Improvement Credit and the process for conducting the home energy audit. The audit must identify the most significant and cost-effective energy efficiency improvements to the residence, including an estimate of the energy and cost savings for each improvement.

New phase of Employee Retention Credit work to deal with growing fraud; watch out for aggressive marketing

With the IRS making substantial progress in the ongoing effort related to Employee Retention Credit (ERC) claims, Commissioner Danny Werfel said the agency has entered a new phase of increasing scrutiny on suspicious submissions while renewing consumer warnings against aggressive marketing.

Many businesses legitimately apply for the credit, but aggressive marketing has overshadowed the program. The period of eligibility for the credit for affected businesses is very limited, covering only between March 13, 2020, and December 31, 2021.

The IRS recently updated the **ERC frequently asked questions (FAQs)** to provide general information about eligibility, claiming the credit, scams and more.

Also, 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 they have to pay back the credit than if they had not claimed the credit in the first place.

Info to help gig workers stay on top of their taxes

The gig economy – also called sharing economy or access economy – is a popular way for people to earn money by providing on-demand work, goods or services. Some people take up a side hustle on a part-time basis, and for others do it full-time.

Check out the IRS's **gig economy tax tip** for information on:

- Taxable income
- Proper worker classification
- Paying the right amount of taxes throughout the year

Tax withholding

The IRS encourages taxpayers to perform a quick paycheck checkup by using the **Tax Withholding Estimator** to check if they have the right amount of withholding for their personal situation.

New school year reminder to educators; maximum educator expense deduction is $300 in 2023

As the new school year begins, the **IRS reminds teachers and other educators** that they'll be able to deduct up to $300 of out-of-pocket classroom expenses for 2023 when they file their federal income tax return next year.

This is the same limit that applied in 2022, the first year this provision became subject to inflation adjustment. Before that, the limit was $250. The limit will rise in $50 increments in future years based on inflation adjustments.

This means that an eligible educator can deduct up to $300 of qualifying expenses paid during the year. If they're married and file a joint return with another eligible educator, the limit rises to $600. But in this situation, not more than $300 for each spouse.

Who qualifies?

Educators can claim this deduction, even if they take the standard deduction. Eligible educators include anyone who is a kindergarten through grade 12 teacher, instructor, counselor, principal or aide who worked in a school for at least 900 hours during the school year. Both public and private school educators qualify.

What's deductible?

Educators can deduct the unreimbursed cost of:

- Books, supplies and other materials used in the classroom.
- Equipment, including computer equipment, software and services.
- COVID-19 protective items to stop the spread of the disease in the classroom. This includes face masks, disinfectant for use against COVID-19, hand soap, hand sanitizer, disposable gloves, tape, paint or chalk to guide social distancing, physical barriers, such as clear plexiglass, air purifiers and other items recommended by the CDC.
- Professional development courses related to the curriculum they teach or the students they teach. But the IRS cautions that, for these expenses, it may be more beneficial to claim another educational tax benefit, especially the lifetime learning credit. For details, see **Publication 970, Tax Benefits for Education**, particularly Chapter 3.

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

Knowing how scammers pose as the IRS can help taxpayers protect themselves

Crooks are always looking for new ways to scam unsuspecting taxpayers. Scammers impersonate the IRS by phone or email, in person, or by mail or delivery service – and cost people their time and money. By staying vigilant against schemes and scams, taxpayers can protect themselves.

Tax considerations for people who are separating or divorcing

When couples separate or divorce, the change in their relationship status affects their tax situation. The IRS considers a couple married for tax filing purposes until they get a final decree of divorce or separate maintenance.

Homeowners: review these house-related deductions and programs

The summer months are a popular time to buy or sell a house. New homeowners should put reviewing the tax deductions, programs and housing allowances they may be eligible for on their move in to-do list.

Information for organizations applying for Tax-Exempt status

Organizations applying for tax-exempt status must be organized and operated exclusively for any of these purposes: charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, or preventing cruelty to children or animals. The **application process** on IRS.gov includes a step-by-step guide explaining how to apply for tax-exempt status.

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) launches newsletters that U.S. taxpayers can subscribe to receive CI news

IRS Criminal Investigation (CI) launched two newsletters this month to keep U.S. taxpayers up to date on the agency's latest investigative news – CI Presents: Tax Case of the Month and ICYMI: Top CI Stories from the Past Week.

Each month, CI leadership selects one adjudicated tax case investigated by CI's team of special agents as the Tax Case of the Month. These cases include hefty prison sentences and high-dollar fraud amassed from tax crimes ranging from income tax to return preparer fraud. The Tax Case of the Month newsletter will walk subscribers through the details of the case.

On Mondays, CI will issue an In Case You Missed It (ICYMI) bulletin to highlight the agency's top social media stories from the past week. Topics will range from high-profile investigations to stories about the people who wear the CI badge.

Interested in subscribing? Visit the e-News subscriptions page on **IRS.gov** and select the newsletters under "Alerts from IRS Criminal Investigation (CI)". You'll receive an email confirmation message once you subscribe; make sure to respond to the confirmation email to verify your subscription.

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 percent federal conviction rate. The agency has 20 field offices located across the U.S. and 12 attaché posts abroad.

Below are the links to IRS Criminal Investigation recent cases

- **Administrator of 'bulletproof' webhosting domain charged in connection with facilitation of NetWalker ransomware**
- **Fugitive charged in scheme that misdirected millions in charitable donations intended for Christian outreach in China**
- **Syracuse man sentenced for possessing fentanyl for distribution band for possessing firearms**
- **Former Charlotte housing provider is sentenced to prison for Medicaid fraud and money laundering conspiracy**
- **New York man charged with fraudulently obtaining more than $1 million**

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

Additional information on IRS.gov

- **Employee Retention Credit**
- **Tax relief in disaster situations**
- **Make a career change for the better; find out where you fit in at the IRS**
- **Publication 5731-A: More taxpayers will be receiving Form 1099-K, Payment Card Third Party Network Transactions** (pdf)
- **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

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.