

First Friday Hot Issues Summary – August 2, 2024

What we Want You to Know

IRS Videos are now available on YouTube:

[Tax Pros: Save Time with Tax Pro Account \(youtube.com\)](#)

[IRS Tax Pros - YouTube](#)

Providing more clarity for digital asset compliance:

- As part of a larger effort on tax compliance, @USTreasury and the #IRS issued guidance requiring custodial brokers to report sales and exchanges of digital assets. Find out more: <https://ow.ly/oCvp50SyROu>
- @USTreasury and the #IRS issued final regulations requiring custodial brokers to report sales and exchanges of digital assets, including cryptocurrency, providing more clarity for taxpayers. See: <https://ow.ly/oCvp50SyROu>
- Following +44K public comments, @USTreasury and the #IRS issued guidance requiring custodial brokers to report 2025 sales and exchanges of digital assets, including cryptocurrency, to provide information to taxpayers. See: <https://ow.ly/oCvp50SyROu>
- To improve detection of noncompliance and provide taxpayers more information, @USTreasury and the #IRS issued guidance requiring custodial brokers to report sales and exchanges of digital assets, including cryptocurrency. See: <https://ow.ly/oCvp50SyROu>

[Digital assets | Internal Revenue Service \(irs.gov\)](#)

Trending scams / Schemes:

- Tax Pros be on the lookout for a variety of new and evolving schemes aimed at stealing business and taxpayer information.
- Tax Pros beware of emerging tax schemes aimed at stealing credentials to potentially file fraudulent tax returns.
- Tax Pros beware of Cybercriminals using phishing scams, including posing as potential clients, to steal valuable data for tax-related identity theft.

Tax Pros: Check out these #IRS and Security Summit tips on what to do in the event of a security breach -- including how to notify your local Stakeholder Liaison and how to recover from the incident. www.irs.gov/scams

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Clean Energy Scam Alert:

The IRS warns you not to fall victim to scams when buying clean energy tax credits under the Inflation Reduction Act.

Here's what to look out for:

The transferability provisions of the IRA enable the purchase of eligible federal income tax credits from investments in clean energy to offset a buyer's tax liability. The IRS has seen taxpayers file returns using unscrupulous return preparers who are claiming purchased clean energy credits that the taxpayer is ultimately unable to benefit from.

Targeting individuals who file Form 1040. The preparers file returns that have individuals improperly claiming IRA credits that offset income tax from sources such as wages, Social Security and retirement account withdrawals.

Individuals purchasing tax credits under the IRA are subject to the passive activity rules for any purchased credits. Generally, this means they can only use purchased credits to offset income tax from a passive activity. Most taxpayers do not have passive income and a passive income tax liability. Most investment activities are not considered passive.

Note: "This is another example where scammers are trying to use the complexity of the tax law to entice people into claiming credits they're not entitled to," said IRS Commissioner Danny Werfel. Taxpayers should be wary of promoters pushing dubious credits like this and others. The IRS is watching out for this scam, and we urge people to use a reputable tax professional before claiming complex credits like clean energy."

The IRS noted individual taxpayers claiming inappropriate credits risk future compliance action by the IRS and are responsible for repaying the inflated credit, plus interest and possible penalties.

UPDATE: Employee Retention Credit processing will begin on claims considered low risk for fraud.

The IRS will soon begin processing more lower-risk Employee Retention Credit claims for eligible taxpayers. This comes after a detailed review to help stop improper claims and help protect taxpayers and small businesses from false promoters. <https://ow.ly/j6ar50SnpCv>

With the IRS set to deny tens of thousands improper Employee Retention Credit claims in the coming weeks, processing will begin on additional claims considered low risk for fraud.

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The #IRS will begin processing additional low risk Employee Retention Credit claims while continuing the moratorium on processing new claims after a review showed that many current claims are at risk of being improper.

- The Taxpayer Advocate Service has several thousand pre-moratorium ERC claims pending with the IRS for processing, a TAS spokesperson said by email.
- Taxpayers who are having financial difficulties, face an immediate threat, or haven't received a response from the IRS can fill out Form 911 to get help from the Taxpayer Advocate Service to expedite their issue with the IRS.
- The IRS doesn't have plans to process new claims anytime soon but will start paying out older, less risky claims later in the summer.
- Nearly all ERC claims filed before the pause remain unprocessed and 85% of pending claims are over 120 days old, the report said.

Special IRS Withdrawal Program remains open for those with unprocessed ERC claims: Given the large number of questionable claims indicated by the new review, the IRS continues to urge those with unprocessed claims to consider the special IRS ERC Withdrawal Program to avoid future compliance issues. Businesses should quickly pursue the claim withdrawal process if they need to ask the IRS to not process an ERC claim for any tax period that hasn't been paid yet. Taxpayers who received an ERC check — but haven't cashed or deposited it — can also use this process to withdraw the claim and return the check. The IRS will treat the claim as though the taxpayer never filed it. No interest or penalties will apply.

Back log processing identity theft cases:

The IRS has about 500,000 unresolved identity theft assistance cases and is taking on average [longer than 22 months](#) to resolve them, National Taxpayer Advocate said in her [midyear report](#) to Congress.

Many of these taxpayers affected by identity fraud fall below the poverty line and need their refunds to pay expenses.

Though tax filing season this year was deemed an overall success, the IRS suspended over 20 million returns during processing. By the end of the filing season, 5.5 million returns were still suspended.

About half of these were suspected of identity theft.

The IRS is seeing a rise in suspicious claims in 2024 for the fuel tax credit, the sick and family leave credit, and household employment taxes, the report said.

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Prior Issues

Issue

CP14 - EFPPS experienced a higher electronic payment volume during April 2024 Peak. As a result, this has caused a significant delay in processing electronic payment records in EFPPS Error Correction.

Electronic Payments are worked in first in first out order. EFFPS is adding more staff to assist in reducing the inventory. We appreciate your patience while we work through the high levels of peak inventory.

Response:

Payment Verification Requests: please exhaust all research activities, before reaching out to the EFPPS Team. Payment verification request must be complete and include a return fax number or email address, as outlined in IRM 21.5.7.4.7.14. IRS Online Account is available for the taxpayer to view their payment history, as well as to view pending payments that are being processed.

When a payment is received via EFTPS and the taxpayer does not have the Electronic Funds Transfer (EFT) number, follow procedures in IRM 21.5.7.4.7.14, Electronic Federal Tax Payment System (EFTPS).

Taxpayer should be informed:

- IRS needs additional time to process electronic payments, due to the high levels of peak inventory received April 2024.
- IRS Online Account is available to view payment history, as well as to view pending payment that are being processed.

Status: Closed

Issue:

CAA client's received a letter from the IRS that his W-7 could not be processed because the CAA was not an active CAA. The CAA is active, system checked. The CAA has tried calling the ITIN office and does not get a response to find out why this happened. The CAA also emailed the information to the ITIN office.

Status: Elevated

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New Issues

Issue:

Priority Practitioner Service hang-ups and extensive wait times. In addition to Fax being sent, sender receiving confirmation and IRS has no document on file. Extensive documentation of post-tax season issues with PPS, submitted by TXCPA.

Status: Elevated

Issue:

TAC Office visits for the elderly has become a burden. Some instances where elderly taxpayers were required to drive two hours to verify their identity.

Response: Elderly taxpayers may have video TAC appointments (Accessibilities Act).

Status: Closed

Issue:

Request for an update of IRS physical addresses.

Response: Updated addresses available on IRS.gov

[Where to file paper tax returns with or without a payment | Internal Revenue Service \(irs.gov\)](#)

[Submission processing center street addresses for private delivery service \(PDS\) | Internal Revenue Service \(irs.gov\)](#)

Status: Closed

Please keep your feedback coming. Remember feedback requires identifying barriers AND providing possible solutions. Please send both to Area 4 (AR, FL, GA, LA, MS, PR, SC, TX, and U.S. VI) CL.SL.Area.4@irs.gov

[Next Meeting September 6, 2024](#)