

First Friday Hot Issues Summary – January 5, 2024

What We Want You to Know

Penalty Relief

In a major step to help people who owe back taxes, the Internal Revenue Service today announced new penalty relief for approximately 4.7 million individuals, businesses and tax-exempt organizations that were not sent automated collection reminder notices during the pandemic. The IRS will be providing about \$1 billion in penalty relief. Most of those receiving the penalty relief make under \$400,000 a year.

As a first step, the IRS has adjusted eligible individual accounts and will follow with adjustments to business accounts in late December to early January, and then trusts, estates and tax-exempt organizations in late February to early March 2024. Nearly 70 percent of the individual taxpayers receiving penalty relief have income under \$100,000 per year.

The IRS is releasing [Notice 2024-7](#), which explains how the agency is providing failure-to-pay penalty relief to eligible taxpayers affected by the COVID-19 pandemic to help them meet their federal tax obligations.

Failure to Pay penalty abatements for Tax Years 2020/2021 for assessed taxes less than 100K.

- Taxpayers will receive a LT-38 if they are eligible for the abatement.
- CP21 or CP210 once they have received either a refund or credit towards another liability.
- Taxpayers will not be able to see the notices in their on-line account, however, the balance shown will be accurate.
- The abatement is for FTP assessed and accrued ONLY.
- The LT-38 will have a QR code, and access code for the Document Upload Tool for ease in response.

For more detailed information see [IRS helps taxpayers by providing penalty relief on nearly 5 million 2020 and 2021 tax returns; restart of collection notices in 2024 marks end of pandemic-related pause | Internal Revenue Service](#)

Webinars

The Due Diligence webinar will discuss:

Paid Preparer due diligence requirements for 2023 returns claiming the following credits.

- Earned Income Tax Credit (EITC)
- Child Tax Credit (CTC)/Additional Child Tax Credit (ACTC)
- Credit for Other Dependents (ODC)
- American Opportunity Tax Credit (AOTC)
- Head of Household (HOH) filing status

Review due diligence documentation requirements, describing IRS's due diligence educational contact methods and the due diligence audit process. This video will address paid preparers' most frequently asked questions about due diligence requirements.

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Second, On-Line Services presents an online tutorial for the Tax Pro Account:

A Tax Pro Account allows for an individual tax professional to create, sign and submit a Power of Attorney (POA) or Tax Information Authorization (TIA) online for an individual taxpayer. The POA or TIA does not have the full functionality of the Form 2848 or Form 8821 but does allow for most needs. The individual taxpayer will need to log in to their online account to review, approve or reject and sign the POA or TIA. An approved request will be processed into the centralized authorization file database (CAF).

With recent enhancements, tax professionals can now link their CAF number to their Tax ID Number to see all active authorizations on file, including viewing taxpayer balance due and withdraw from active authorizations online.

You can learn more about Tax Pro Account on the [Use Tax Pro Account](#) page on IRS.gov

If you have missed *any* previous webinars, don't worry, look out in a couple of weeks for the replay Webinar after about 3 weeks on the [IRS Video portal](#). Don't forget to bookmark these pages and visit them regularly so you won't miss out on any great webinars.

1099K UPDATE

November 21, 2023, the IRS announced a delay in Form 1099-K reporting threshold for third-party platform payments for 2023; plans for a threshold of \$5,000 in 2024 to phase in implementation. [Notice 2023-74](#) announced a delay of the new \$600 Form 1099-K reporting threshold for third-party settlement organizations for calendar year 2023. The agency will treat 2023 as an additional transition year. As a result, reporting will not be required unless the taxpayer receives over \$20,000 and has more than 200 transactions in 2023.

Here is the response from the business owner of IRIS:

1. The IRIS application doesn't have an option to choose Single Member LLCs? Without this option, tax pros would be required to have 2 RO and 2 contacts in lieu of 1 RO and zero contacts.

IRS RESPONSE- In the drop-down, there's an option to select sole proprietor or Limited Liability Single Member – please be sure to check the list thoroughly. S-Corp/C-Corp/Partnerships/LLCs – requires two responsible officials. Sole prop/Single member LLC (Limited Liability Single Member)-disregarded entities – requires one responsible official

2. I applied for the IRIS program. Now I am having issues with the IRIS application. When completing the application, I was forced to add another responsible official. So, I added my associate and now I cannot submit the application because he must sign. He does not have an IRS account nor an ID.me account. He does not want to apply for an ID.me account. How can he sign the application without creating an IRS account?

IRS RESPONSE- He must authenticate his identity to use IRIS, he must apply for an account. For more information visit: [Internal Revenue Service and ID.me – ID.me Help Center](#)

3. Any other unresolved issues

IRS RESPONSE- Call Toll-free: [866-937-4130](tel:866-937-4130) Mon. – Fri. 7:30 a.m. – 7 p.m. Eastern

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Appeals Request for Feedback

IRS Independent Office of Appeals releases fiscal year 2024 priorities; focus on improving taxpayer service. Appeals will be improving taxpayer service in its mission to resolve tax disputes in a fair and impartial manner without the need for litigation.

The Appeals' Focus Guide, which aligns with the objectives of the [IRS Strategic Operating Plan \(SOP\)](#), outlines the service initiatives taxpayers can expect over the coming year, including:

- Promoting digital platforms to improve how taxpayers communicate with Appeals.
- Promoting paperless processes and other modernization efforts.
- Helping taxpayers achieve tax certainty earlier in the dispute resolution process.
- Expanding access to in-person conferences and promoting [video conferences](#) for taxpayers who don't live near an Appeals office.
- Collaborating with the tax practitioner community on continuing education opportunities for the Appeals workforce.

In line with the IRS' recently announced [paperless processing](#) achievements, Appeals is working to make it easier for taxpayers to communicate digitally.

- Appeals now includes information about [secure messaging](#) in letters to taxpayers and will continue efforts to ensure taxpayers can conveniently communicate about their cases.

At its 2023 Practitioner Perspective series, tax practitioners shared insights with Appeals employees through panels focused on issues of mutual interest. Recordings of the [Appeals Practitioner Perspective Series \(Part 1\) – Common penalties \(irsvideos.gov\)](#) and [Appeals Practitioner Perspective Series \(Part 2\) – International information reporting penalties \(irsvideos.gov\)](#) discussions are now available online.

PLEASE SUBMIT YOUR FEEDBACK TO: ap.adr.programs@irs.gov

IRS expands Business Tax Account access to S corporations, partnerships; adds ability to view business tax transcripts

WASHINGTON — As part of continuing transformation work, the Internal Revenue Service today announced the launch of the second phase of a new online self-service tool for businesses that expands the business tax account capabilities and eligible entity types. As a result, individual partners of partnerships and individual shareholders of S corporation businesses are now eligible for a Business Tax Account in addition to sole proprietors. Available at [IRS.gov/businessaccount](https://www.irs.gov/businessaccount), the new business tax account is a key part of the agency's continuing service improvement initiative.

Individual partners and individual shareholders will be able to access Business Tax Account information once they have filed a business return with the Schedule K-1 and it is processed by the IRS. New businesses won't have access until a business return is submitted, processed, and on file with the IRS.

To set up a new Business Tax Account, or for more information about this app, visit www.irs.gov/businessaccount.

Taxpayer Advocate

[Get help - Taxpayer Advocate Service \(irs.gov\)](https://www.irs.gov/advocate)

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Prior Issues:

Erroneous Balance Due Notices

Issue: Tax Year 2022 filers receiving erroneous balance due notices (CP501/503 and 504)

Response: Corrections have been made and refunds issued.

Status: Closed

Tax Pro Account – error

Issue: A practitioner wants to submit a F2848 from the Tax Pro Account, noticed that a selection beyond tax year 2020 was not available.

Response: Tax Pros can request authorizations for calendar year filers for periods from the last 20 years through the current year, plus 3 future years [Tax Pro Account | Internal Revenue Service \(irs.gov\)](#)

Status: Elevated

Taxability of Arizona rebate

Issue: The state of Arizona is currently in the process of issuing a one-time individual income tax general welfare rebate, (Arizona families tax rebate). The taxability of the rebate is determined by the Internal Revenue Service. How should these payments be treated for tax purposes?

Response: IRS Counsel guidance has determined the payments are in fact taxable.

Status: Closed

New Issues:

Fire System

Issue: Practitioners unable to access The FIRE system.

Response: The FIRE System is down for annual maintenance November 27, 2023 – January 7, 2024.

Status: Closed

ERC Penalties

Issue: Penalties related to amended 1040 showing a higher tax liability (vs original), because of an ERC. Will the IRS grant late payment or underpayment penalty relief related to payment of the increased 1040 tax liability?

Response: No, the IRS has not issued any notification for abatement of penalties. Bookmark and review the following link [Employee Retention Credit | Internal Revenue Service \(irs.gov\)](#) for current updates regarding the Employee Retention Credit.

Status: Closed

Issue: When an ERC results in the need to file to file amended return and payment of additional tax, is the IRS providing relief from the payment of interest on the additional tax?

Response: No, the IRS has not issued any notification for abatement of interest. Review the FAQs on the same link [Employee Retention Credit | Internal Revenue Service \(irs.gov\)](#)

Status: Closed