First Friday Hot Issues Summary – October 04, 2024

What we Want You to Know

Tax Relief for Hurricane Helene:

The IRS grants tax relief for victims of Hurricane Helene in Alabama, Georgia, North Carolina, South Carolina and parts of Florida, Tennessee and Virginia. Taxpayers in affected areas now have until May 1, 2025, to file various returns and make payments. Taxpayers in these areas now have until May 1, 2025, to file various federal individual and business tax returns and make tax payments. Among other things, this includes 2024 individual and business returns normally due during March and April 2025, and 2023 individual and corporate returns with valid extensions and quarterly estimated tax payments.

- The IRS is offering relief to any area designated by the **Federal Emergency Management Agency (FEMA)**. Besides all of Alabama, Georgia, North Carolina and South Carolina, this currently includes 41 counties in Florida, eight counties in Tennessee and six counties and one city in Virginia.
- Individuals and households that reside or have a business in any one of these localities qualify for tax relief. The same relief will be available to other states and localities that receive FEMA disaster declarations related to Hurricane Helene. The current list of eligible localities is always available on the **Tax relief in disaster situations** page on IRS.gov.
- The IRS webinar "Dealing with Disasters from an Individual Tax Perspective" is scheduled for Thursday, September 26, 2024; Available for replay on IRS YouTube for Tax Pros when FEMA designates public assistance only taxpayers still may qualify for tax relief in the form of claiming casualty losses. excluding qualified disaster relief payments from gross income and take special disaster distributions from retirement accounts are not subject to the additional 10% penalty for early withdrawal, etc.

Tax Relief for the people in Israel, the West Bank and Gaza:

Relief for Taxpayers Affected by the 2023-2024 Terroristic Action in the State of Israel. The Secretary of the Treasury has issued a separate determination to issue disaster relief to taxpayers impacted by the ongoing conflict in the State of Israel, West Bank, and Gaza. This new determination provides relief until September 30, 2025.

Tax Relief For Farmers and Ranchers Forced to sell livestock:

The Internal Revenue Service today issued guidance providing tax relief for farmers and ranchers in applicable regions forced to sell or exchange livestock because of drought conditions.

Under the guidance, farmers and ranchers may have an extended period to replace their livestock and defer tax on any gains from the forced sales or exchanges.

- Notice 2024-70 PDF provides a list of the applicable areas, by county or other jurisdiction, designated as eligible for federal assistance. The list includes 41 states and other regions for which drought was reported during the 12-month period ending on Aug. 31, 2024.

- Farmers and ranchers who are impacted by drought and forced to sell livestock, may qualify for additional time to replace your animals and defer tax on gains from sales or exchanges.
- Under IRS relief, farmers and ranchers forced to sell their livestock due to drought may qualify for additional time to replace their animals
- Qualified farmers and ranchers forced to sell their livestock due to drought may defer tax on any gains for an extended period. For updated #IRS information on drought relief for farmers and ranchers

The tax relief generally applies to capital gains realized by eligible farmers and ranchers on sales or exchanges of livestock held for draft, dairy or breeding purposes. Sales of other livestock, such as those raised for slaughter or held for sporting purposes, or poultry, are not eligible.

The livestock sales or exchanges must be solely due to drought causing an area to be designated as eligible for federal assistance. Livestock generally must be replaced within a four-year period, instead of the usual two-year period. The IRS is authorized to further extend this replacement period if the drought continues.

The replacement period extension announced in the notice gives eligible farmers and ranchers four years until the end of their first tax year after the first drought-free year to replace the sold or exchanged livestock. As a result, eligible farmers and ranchers whose drought-sale replacement period was scheduled to expire at the end of 2024 will have until the end of their next tax year to replace the sold or exchanged livestock.

IRS extends relief to farmers and ranchers impacted by drought in 41 states, other regions | Internal Revenue Service

Offer-In-Compromise (OIC) Mills:

The IRS issues renewed warning on Offer in Compromise "mills" that mislead taxpayers into believing they can settle a tax debt for pennies on the dollar.

Here’s what to look out for:

Taxpayers should be cautious of aggressive marketing that can be misleading. Many mills charge steep fees, give false assurances and can take advantage of taxpayers with empty promises that their tax debt will disappear. The result is often good money paid for bad results.”

An OIC is a legitimate IRS program that allows qualifying taxpayers to work with the IRS to settle a tax debt for less than the full amount owed. It is a possible option for those who are unable to pay their full tax liability, or if doing so creates a financial hardship. In determining eligibility, the IRS considers the taxpayer's unique situation, income and equity in assets. The OIC agreement occurs directly between the taxpayer and the IRS.

Watch out for scams promising to wipe your tax debt at a steep discount. The IRS has resources to help you determine if an Offer in Compromise is right for the taxpayer. Beware of promoters claiming their services are necessary to resolve your tax debt while charging excessive fees that often lead to no results.

These unscrupulous "mills" use aggressive marketing to make false claims of guaranteed settlements for "pennies-on-the-dollar," or will say there's a limited window of time to resolve tax debts through the IRS Offer in compromise | Internal Revenue Service (irs.gov)

Apply with the new Form 656

You must use the April 2024 version of Form 656-B, Offer in Compromise Booklet **PDF**.

Individual taxpayers may also check their OIC eligibility via Individual Online Account.

Offer in Compromise Pre-Qualifier (treasury.gov)

FinCEN Publishes Beneficial Ownership Reporting Outreach and Education Tool Kit:

The U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) has issued another resource to familiarize small business owners with beneficial ownership reporting requirements. These reporting requirements are mandated by the Corporate Transparency Act, a bipartisan law enacted to curb illicit finance by supporting law enforcement efforts. This law requires many small businesses to report basic information to the Federal government about the real people who ultimately own or control them.

The toolkit contains templates and sample content that has been structured to allow private, public, and non-profit organizations to share and amplify this important information. The toolkit includes general background on the reporting requirements, as well as templates for newsletters, websites, and emails; sample social media posts and images; and information on how to contact FinCEN.

Toolkit: https://www.fincen.gov/boi/toolkit

Prior Issues

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Issue:
Have heard from number of members, it is problem tax return time, that ID ME gets you into IRS for transcript but Wage reports have insufficient information to determine if this is actual wages of taxpayer or not. Some are paid by Franchises with different names or employers who are out of business. A mess to try and help.
RESPONSE:
Although the taxpayer can call and request an unmasked transcript, the tax pros suggested there be an option within the Online Account (such as a checkbox) to request.an unmasked transcript be mailed to their current address shown in the IOLA. This would cut back on calls that require an assistor's time and ties up the phone lines. IRM **21.2.3.5.9.2.1** addresses when an unmasked wage and income transcript can be provided. These options can also be added to the request in the IOLA to check the box as to the reason they need an unmasked transcript.
STATUS: Closed

Issue:
Deceased taxpayer filing jointly - refunds being held - the same issue, most are seniors who do not understand why their refunds are delayed. Same address, names, income and other information the same. Wrong identifiers on these accounts and taxpayers are suffering.
RESPONSE:
Are you still waiting for the IRS to issue a refund for a deceased taxpayer's tax year 2022 or 2023 final income tax return? You are not alone. The IRS significantly delayed issuing refunds for final income tax returns filed with an attached Form 1310, Statement of Person Claiming Refund Due a Deceased Taxpayer.

This year, the Taxpayer Advocate Service (TAS) saw a spike in requests for assistance for the processing of deceased individuals' returns and reached out to the IRS to find the source of the issue and solution. The cause of the problem was identified, and the IRS is working to reduce the backlog of unprocessed Forms 1310, which will allow the processing of the remaining returns and issuance of any outstanding refunds.

Background on Filing Requirement
IRS Form 1310 is filed to claim a refund on behalf of a deceased taxpayer. When a taxpayer dies, the taxpayer's personal representative or surviving spouse must file a final income tax form (Form 1040 or 1040-SR) for the year of death (in addition to any returns not filed in preceding years). If a refund is claimed on a final income tax return or an amended return for that final tax year, the personal representative or surviving spouse must attach a Form 1310, unless an exception applies. Attaching Form 1310 notifies the IRS that the taxpayer has died and directs the IRS to send the refund to the beneficiary. Form 1310 is not required if the surviving spouse is filing a joint original or amended return claiming a refund. However, a surviving spouse may file the form to request the IRS reissue a check originally issued in the name of the deceased taxpayer and surviving spouse. In addition, Form 1310 is not required if the personal representative files the return with an attached court certificate showing the appointment. You can find more details about

Form 1310 and other filing requirements upon the death of a taxpayer in IRS Publication 559, Survivors, Executors, and Administrators.

Backlogs in the Processing of Form 1310

TAS estimates that the IRS received nearly 18,000 paper Forms 1310 for 2022 and, through the end of April, the IRS received nearly 14,000 paper Forms 1310 for 2023. Upon receipt of a return with an attached Form 1310, it is our understanding that the IRS separates the paper form from the return for different processing streams. Normally, the IRS processes Form 1310 before processing the return. While the IRS has added Form 1310 to its Modernized e-File platform, depending on the boxes checked on the form, not all Forms 1310 are supported and require paper filing. Unfortunately, the paper Forms 1310 were not properly processed, which created a backlog of unprocessed 2022 and 2023 Forms 1310.

If the Form 1310 is unprocessed, the IRS cannot process the associated final return and issue the refund. Once the Form 1310 is secured and processed, the IRS must manually issue the refund. There were significant processing delays in issuing refunds for the 2022 and 2023 returns filed with an attached Form 1310. After identifying and correcting the root cause of the issue, the IRS has worked to decrease the backlog of unprocessed Forms 1310 and to manually issue the associated refunds.

STATUS: Closed

NOTE: The IRS backlog of unprocessed Forms 1310 and the resulting refund issuance delays caused significant taxpayer burden. As the IRS addresses the challenges associated with paper filing through its modernization efforts, we hope in the future those individuals filing a final return due to the passing of a loved one will not face the same delays. The IRS is now prioritizing processing these forms and is working through the backlog to manually issue the associated refunds. In the meantime, the IRS can improve its transparency by reporting its progress on the IRS.gov website's IRS Operations: Status of Mission-Critical Functions page. In addition, the IRS should provide internal guidance to taxpayer-facing IRS employees (*e.g.*, customer service representatives and TAS employees) so that they can provide useful information to taxpayers and representatives when they contact the IRS inquiring about the status of these refunds. Losing a loved one is difficult and filing a final tax return should not cause undue burden in a difficult time.

Are You Still Waiting on a Refund From a Deceased Taxpayer's Return? - Taxpayer Advocate Service (irs.gov)

New Issues

Issue: Secure Object Repository – Unable to download batches of transcripts to SOR due to limitations on verifying 2848 for each individual transcript.

Response: According to IR 2024-136, issued May 8th, and reference to IRM 21.3.10.4.4 (11), SOR boxes can no longer be by a firm, each practitioner must have their own.

Status: Closed

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Issue: PPS Request for **SSN and DOB**, though authentication rule POA/TIA is SSN ***or*** date of birth (not both). According to IRM link: 21.1.3 Operational Guidelines Overview | Internal Revenue Service (irs.gov)
Response: As part of an ongoing effort to combat identity theft, the IRS is requesting some personal information, in addition to the CAF number, from tax professionals, or anyone accessing tax related information via the Form 8821 or Form 2848. The purpose is to confirm the identification of the person calling prior to releasing sensitive information. The intent is to enhance protections for tax professionals and their clients. After satisfactory authentication of the third-party, it is not necessary to re-authenticate their personal information if additional accounts for multiple clients are accessed during the same call. After establishing the third-party authorization is valid for the account, you must validate the POA/TIA by performing an abbreviated authentication process on the caller's SSN following procedures in paragraph 6, (a) and (d) in the IRM 21.1.3.2.3, Required Taxpayer Authentication. The POA/TIA must pass authentication on their SSN to be validated as an authorized third-party.
Status: **Elevated as Feedback**

Issue: **Dual disaster zones** – FEMA-4798-DR-TX for Hurricane Beryl and FEMA-4781-DR-TX issued for those affected by severe storms, straight-line winds, tornadoes and flooding that began on April 26, 2024
Response: If an affected taxpayer's estimated tax payment was due on June 15, it would be postponed until Nov. 1, 2024, by the first grant of relief. If the taxpayer is also affected by the second disaster, then her Nov. 1, 2024, due date (which falls within the postponement period) would be further postponed until Feb. 3, 2025. The affected taxpayers, based on the declarations and the counties therein are covered under both declarations if their respective counties are identified. **The taxpayer is responsible for verifying this information**. Therefore, the assumption," … general understanding and consensus has been that Q2 payments for taxpayers eligible under both disaster relief provisions would essentially be pushed from **6/15 to 11/1 to 2/3**, if the criteria is met.
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 November 01, 2024