

First Friday Hot Issues Summary – September 6, 2024

What we Want You to Know

IRS Videos are now available on YouTube:

Following inaccurate tax advice from social media influencers can have bad consequences. Make sure you follow official #IRS social media accounts and subscribe to e-news services for reliable tax news and resources.

Tax Tip: Following official #IRS social media and signing up for e-news subscriptions is the quickest way to get accurate tax news and resources.

The IRS doesn't initiate contact on social media to ask for personal or financial information. Avoid imposters by following the real IRS on social media and subscribing to e-news services for important tax matters.

Beware of IRS impersonators on social media. If you're looking for the latest IRS news and resources, make sure you follow official IRS social media accounts and subscribe to e-news services.

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

[e-News subscriptions | Internal Revenue Service \(irs.gov\)](#)

<https://www.irs.gov/newsroom/e-news-subscriptions>

[IRS social media | Internal Revenue Service](#)

Security: Protect Secure Lock adds up to more protection:

Security Summit partners remind tax professionals not to overlook important security basics that form a critical defense against identity thieves and hackers:

- Anti-virus software scans computer files or memory for certain patterns that may indicate there's malicious software – also called malware – on the device. Anti-virus vendors find new issues and update malware daily. This is why it's important for users to install the latest updates of the software.
- Firewalls provide protection against outside attackers. The firewall shields computers and networks from malicious or unnecessary web traffic. This helps prevent malicious software from accessing the user's system.
- Multi-factor authentication adds an extra layer of protection beyond a password. The returning user enters credentials like a username and password. Then, there's another step, such as entering a security code, token or a biometric like a fingerprint. Under new rules from the Federal Trade Commission, all tax professionals are required to use multi-factor authentication.
- Backup software or services should be routinely used by tax pros to back up critical files on their computers and hard drives to external sources. This is helpful not just to protect against a cyber-attack but is also helpful in case of device failure or a natural disaster.

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- Drive encryption: Because tax professionals keep sensitive client data on their computers, users should consider drive encryption software. Drive encryption is also known as disk encryption. It transforms data on the computer into protected files that are unreadable to outsiders. This means only people who are authorized to access the data can do so.
- Virtual Private Network: Because many tax firms' employees must occasionally connect to unknown networks or work from home, the office should establish an encrypted virtual private network (VPN). This allows for a more secure connection. A VPN provides a secure, encrypted tunnel to transmit data between a remote user over the internet and the company network.

As part of a security plan, the IRS also recommends tax professionals create a data theft response plan, which includes contacting their IRS Stakeholder Liaison to report a security incident.

Tax professionals can also visit the Federation of Tax Administrators to find state contact information. Tax professionals can share information with the appropriate state tax agency by visiting their special Report a Data Breach page.

Tax professionals should also understand the Federal Trade Commission data breach response requirements PDF as part of their overall information and data security plan.

[IRS, Security Summit highlight "Security Six" and key steps for tax pros to protect themselves | Internal Revenue Service](#)

Trending scams / Schemes:

The summer Security Summit tax pro campaign will cover key topics that will highlight a series of simple actions that tax professionals can take to better protect their clients and themselves from data theft. Highlights of the summer news release series being issued in upcoming weeks will highlight these topics:

- **Create a security plan, Summit updates special plan.** The newly updated [Written Information Security Plan](#), or WISP, is an easy-to-understand document developed by and for tax and industry professionals to keep customer and business information safe and secure. Security Summit partners, including tax professionals, software and industry partners, representatives from state tax groups and the IRS developed the WISP. The Summit partnership will highlight these plans at each of the five IRS Nationwide Tax Forums this year.
- **New, emerging scams targeting tax pros.** The Summit continues to see new scams targeting tax professionals in attempts to gain access to their systems. This news release will highlight new and ongoing schemes targeting the tax community, including new client scams and other elaborate efforts.
- **Phishing, Spear phishing and Whaling.** These aren't summer activities; these are real cyber schemes that put sensitive information at risk.

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- Tax pros are a common, everyday target of phishing scams designed to trick the recipient into disclosing personal information such as passwords, bank account numbers, credit card numbers or Social Security numbers. Tax professionals, and taxpayers, should be aware of different phishing terms and what the scams might look like.
- **Sign up clients for Identity Protection PINs, IRS Online Account** The IRS now offers IP PINs to all taxpayers who can verify their identities online, on the phone with an IRS employee after filing a Form 15227 or in person. To obtain an IP PIN, the best option is the IRS online tool [Get an IP PIN](#).
- **Know the tell-tale signs of identity theft.** Many tax professionals who report data theft to the IRS also say they were unaware of signs that a theft had already occurred. There are many signs for which tax pros should watch. These include multiple clients suddenly receiving suspicious IRS letters requesting confirmation that they filed a tax return; tax professionals seeing e-file acknowledgements for far more tax returns than they filed; and tax pros' computer cursors moving seemingly on their own.
- **Understand the “Security Six” protections.** This includes using anti-virus software, a firewall, multi-factor authentication, drive encryption, virtual private networks or VPN and backing up critical files.

Related items

[Publication 5461-D, Tax professionals should review their security protocols](#)

[Publication 5709, How to Create a Written Security Information Plan for Data Safety](#)
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

IRS updates draft version of Form 1099-DA, Digital Asset Proceeds From Broker Transactions; requests comments on form planned for 2025:

IR-2024-204, Aug. 09, 2024

WASHINGTON — The Internal Revenue Service today posted an early draft of the updated Form 1099-DA, which is the form for brokers to report certain sale and exchange transactions of digital assets that take place beginning in calendar year 2025. Generally, these forms will be sent separately to taxpayers and the IRS in early 2026. [IRS updates draft version of Form 1099-DA, Digital Asset Proceeds From Broker Transactions; requests comments on form planned for 2025 | Internal Revenue Service](#)

The new draft of Form 1099-DA, [Digital Asset Proceeds From Broker Transactions](#), reflects the [final regulations](#) for custodial broker reporting and includes the transitional relief described in [Notice 2024-56](#), [Notice 2024-57](#) and [Revenue](#)

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[Procedure 2024-28](#). Interested parties can provide the IRS with comments about the draft at the [forms and publications comments page](#) on IRS.gov.

“This new form will provide more clarity for taxpayers and give them another tool to help them accurately report their digital assets transactions,” said IRS Commissioner Danny Werfel. “We know third-party reporting greatly improves compliance with the nation’s tax law.

This step will also help us make sure digital assets are not used to hide taxable income, including in high-income categories, while providing taxpayers who play by the rules more information to accurately report their income.”

“Digital assets greatly increase the complexity of our tax system, and the IRS continues to work to make improvements in this area as part of our larger efforts to transform the agency,” Werfel added. “We will continue working this area to help ensure the tax laws are met while working to reduce burden wherever possible to help taxpayers in this challenging area.”

As part of the process that will lead to a final version of the form, the IRS posted the new draft of Form 1099-DA to IRS.gov along with the instructions for the recipients of the form. The IRS expects to post the draft instructions for filers soon. Once the draft filer instructions have been posted, a notice will be published in the Federal Register to allow for a 30-day comment period.

The IRS issued a [news release](#) at the end of June announcing the [final regulations](#) on the reporting requirements for custodial brokers regarding digital assets, while informing the public that the agency would soon release an updated form.

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

Prior 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).

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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

New Issues

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.

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

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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:

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

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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 \(irs.gov\)](#)

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 October 4, 2024