



IRS Congressional Update

News for members of Congress and their staffs.... April 2018

Paycheck Checkup

Considering new tax law, the IRS encourages employees to use our updated [Withholding Calculator](#) to perform a quick “paycheck checkup.” By checking their withholding, employees can help protect against having too little tax withheld and facing an unexpected tax bill or penalty at tax time in 2019. It can also prevent employees from having too much tax withheld.

People with simple situations might not need to make any changes. Simple situations include singles and married couples with only one job, who have no dependents, and who have not claimed itemized deductions, adjustments to income or tax credits.

People with more complicated financial situations might need to revise their [Form W-4](#), Employee’s Withholding Certificate.

Among the groups who should check their withholding are:

- Two-income families.
- People with two or more jobs at the same time or who only work for part of the year.
- People with children who claim credits such as the Child Tax Credit.
- People who itemized deductions in 2017.
- People with high incomes and more complex tax returns.

Taxpayers who owe self-employment tax, the alternative minimum tax, or tax on unearned income from dependents, and people who have capital gains and dividends, might need to use [Publication 505](#), Tax Withholding and Estimated Tax, expected to be available on IRS.gov in early spring.

Need an Extension of Time to File Taxes?

This year’s tax-filing deadline is April 17. Taxpayers needing more time to file their taxes can get an automatic six-month extension from the IRS.

Below are four things to know about filing an extension:

1. Use IRS Free File to file an extension. IRS [Free File](#) allows taxpayers to prepare and e-file their taxes for free. It can also be used to e-file a free extension to file request. Midnight April 17 is the deadline for receipt of an e-filed extension request.
 2. Use Form 4868. Fill out a request for an extension using [Form 4868](#), Application for Automatic Extension of Time to File U.S. Individual Income Tax Return. The deadline for mailing the form to the IRS is April 17. Form 4868 is available on [IRS.gov/forms](#).
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3. More time to file is not more time to pay. Requesting an [extension to file](#) provides taxpayers an additional six months to prepare and file taxes. However, it does not provide additional time to pay taxes owed. Taxpayers should estimate and pay any owed taxes by April 17. To avoid penalties and interest, pay the full amount owed by the original due date.
 4. Use electronic payment options to get an automatic extension. An extension of time to file will automatically process when taxpayers pay all or part of their taxes electronically by April 17. There is no need to file a paper or electronic Form 4868 when making a payment with IRS [Direct Pay](#), the Electronic Federal Tax Payment System ([EFTPS](#)) or by [debit or credit card](#). Select "Form 4868" as the payment type. Keep the confirmation as proof of payment.

Need More Time to Pay Taxes?

All taxpayers should file on time, even if they can't pay what they owe. This saves them from potentially paying a failure to file penalty. Taxes are due by the original due date of the return.

Here are four tips for those who can't pay their taxes in full by the April 17 due date:

1. File on time and pay as much as possible. Pay online, by phone, with your mobile device using the IRS2Go app, or by check or money order. Visit IRS.gov for [electronic payment options](#).
2. Get a loan or use a credit card to pay the tax. The interest and fees charged by a bank or credit card company may be less than IRS interest and penalties. For [credit card options](#), see IRS.gov.
3. Use the Online Payment Agreement tool. Don't wait for the IRS to send a bill before seeking a [payment plan](#). The best way is to use the [Online Payment Agreement tool](#) on IRS.gov. Taxpayers can also file [Form 9465](#), Installment Agreement Request, with their tax return. Set up a direct debit agreement. With this type of payment plan, there is no need to send a check each month.
4. Don't ignore a tax bill. If so, the IRS may take [collection action](#). Contact the IRS right away by calling the phone number on your bill to talk about options. The IRS will work with taxpayers suffering [financial hardship](#).

Unclaimed refunds

Unclaimed federal income tax refunds totaling about \$1.1 billion may be waiting for an estimated 1 million taxpayers who did not file a 2014 federal income tax return.

To collect the money, these taxpayers must file their 2014 tax return with the IRS no later than this year's tax deadline, Tuesday, April 17.

"We're trying to connect a million people with their share of \$1.1 billion in unclaimed refunds for 2014," said Acting IRS Commissioner David Kautter. "Time is running out for

people who haven't filed tax returns to claim their refunds. Students, part-time workers and many others may have overlooked filing for 2014. And there's no penalty for filing a late return if you're due a refund."

More info [at IRS.gov](https://www.irs.gov).

File current versions of exemption applications

The IRS reminds people seeking tax-exempt status to use the current version of forms to avoid processing delays. The current version of Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, is dated December 2017, and Form 1024, Application for Recognition of Exemption Under Section 501(a), is dated January 2018.

If you use a prior version of one of these forms, the IRS will return your application and ask you to resubmit using the current version of the form.

Sharing Economy

Small business owners that offer goods and services through an online platform may be part of the sharing economy. Some participate part time while others operate full time. Activities such as ride sharing, freelancing, renting a spare bedroom and crowd funding are usually taxable. The IRS has a [Sharing Economy Tax Center](#) to help these taxpayers find the information and help they need to meet their tax obligations.

Some sharing economy tips for small businesses to consider:

Taxes. Sharing economy activity is generally taxable. Payments received in the form of money, goods, property or services may require filing a tax return to report that income to the IRS.

Tips. People often conduct sharing-economy activities electronically but tips in cash are still a common occurrence. Tips are generally subject to withholding. Small businesses or self-employed persons should report tips they receive as income on Schedule C or C-EZ. See [Publication 334](#), Tax Guide for Small Business, for more details.

Large Cash Amounts. Any person in a trade or business who receives [more than \\$10,000 in cash](#) in a single transaction or in related transactions must file [Form 8300](#), Report of Cash Payments Over \$10,000 Received in a Trade or Business, within 15 days after receiving payment.

Deductions. Expenses to carry on a trade or business are usually deductible. Examples include claiming the 54 cents per mile rate for 2016 when using a car for a ride-sharing business, or deducting the commission/fee charged by a freelancer marketplace service.

Estimated Payments. Small businesses in the sharing economy often need to make quarterly [estimated tax payments](#) to cover their tax obligation. [Form 1040-ES](#), Estimated Tax for Individuals, will help to figure these payments. IRS [Direct Pay](#) is the

fastest and easiest way to make these payments. The Treasury Department's ([EFTPS](#)) system is also an option.

Records. Good records assist in monitoring a business's progress, tracking deductible expenses and can substantiate items reported on tax returns. A good [recordkeeping](#) system includes a summary of all business transactions. Generally, it is best to record transactions on a daily basis.

Taxpayer Advocacy Panel Members Selected for 2018

The Internal Revenue Service recommended and the Department of the Treasury approved the selection of 25 new members to serve on the nationwide Taxpayer Advocacy Panel (TAP). The TAP is a federal advisory committee charged with providing taxpayer suggestions to improve IRS customer service. Oversight and program support for the TAP are provided by the Taxpayer Advocate Service.

The [new TAP members](#) will join 40 returning members to round out the panel of 65 volunteers for 2018.

Information about the various TAP project committees, recruitment of new members, and upcoming events is available on the TAP website, www.improveirs.org.

Low Income Taxpayer Clinic Program Report and 2018 Clinic Listings Available

The [Low Income Taxpayer Clinic \(LITC\)](#) Program Office has issued its annual program report. The [report](#) describes how LITCs provide representation, education, and advocacy for taxpayers who are low income or speak English as a second language (ESL). In addition, [Publication 4134](#) has been updated for 2018. The publication contains the names and contact information of the 2018 LITC grant recipients to help taxpayers with locating assistance. It also provides the languages each LITC serves in addition to English.

IRS Data Book covers FY 2017 activities

The data book includes the below letter by IRS Acting Commissioner David Kautter:

I'm pleased to present the [Fiscal Year \(FY\) 2017 IRS Data Book](#), an informative overview of the major functions of the Internal Revenue Service. The IRS has a storied history as the nation's tax administrator and our commitment to public service has endured. This year's publication includes familiar data on tax returns, refunds, examinations and Appeals, as well as many other critical functions. We also include new insights on taxpayer attitudes from the long-running Comprehensive Taxpayer Attitude survey.

With 245 million tax returns processed in FY 2017 and more than \$3.4 trillion in federal taxes paid by individuals and businesses, tax administration remains a huge undertaking. In FY 2017, the cost of collecting \$100 was 34 cents, the lowest cost in more than 70 years. In all, the IRS issued over 121 million individual tax refunds totaling over \$436 billion. We also continued a years-long effort to fight tax-related identity theft on many fronts, with another

524 criminal investigations completed.

Helping individuals and small business owners in an increasingly diverse economy requires an extensive array of taxpayer assistance programs, which remained in high demand. Millions reached out to the IRS for help answering tax questions and resolving issues on the phone, in-person and online. In all, more than 55 million taxpayers were assisted by calling or visiting an IRS office.

Employees of the IRS continue to deliver for the American people, working to support our nation and our tax system. I hope you enjoy this year's publication and the many insights into the scope and scale of Federal tax administration. Thanks for reading.

Reminders

- The latest information on the [Tax Cuts and Jobs Act](#)
- The [Bipartisan Budget Act of 2018](#), signed on Feb. 9, retroactively extended and modified numerous tax provisions covering 2017
- [Dirty Dozen](#) tax scams

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