



IRS Congressional Update

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

New tax withholding tables

The Internal Revenue Service released [Notice 1036](#), which updates the income tax withholding tables for 2018 reflecting changes made by the tax reform legislation enacted last month. This is the first in a series of steps that IRS will take to help improve the accuracy of withholding following major changes made by the new tax law.

Employers should begin using the 2018 withholding tables as soon as possible, but no later than Feb. 15, 2018. They should continue to use the 2017 withholding tables until implementing the 2018 withholding tables.

The new withholding tables are designed to work with the Forms W-4 that workers have already filed with their employers to claim withholding allowances. This will minimize burden on taxpayers and employers. Employees do not have to do anything at this time.

Many employees will begin to see increases in their paychecks to reflect the new law in February. The time it will take for employees to see the changes in their paychecks will vary depending on how quickly the new tables are implemented by their employers and how often they are paid — generally weekly, biweekly or monthly.

The IRS is revising the withholding tax calculator on IRS.gov which should be available by the end of February. Taxpayers may then use the calculator to check their withholding.

IRS has consolidated tax reform guidance on [Resources for Tax Law Changes](#).

IRS urges travelers requiring passports to pay their back taxes; new rule affects those owing more than \$51,000 in back taxes

This month, the IRS will begin implementing provisions of the Fixing America's Surface Transportation (FAST) Act. The FAST Act requires the IRS to notify the State Department of taxpayers the IRS has certified as owing a seriously delinquent tax debt, see [Notice 2018-1](#).

The FAST Act also requires the State Department to deny a passport application or deny renewal of a passport for seriously delinquent taxpayers. In some cases, the State Department may revoke a passport.

A taxpayer with a seriously delinquent tax debt is generally someone who owes the IRS more than \$51,000 in back taxes, penalties and interest for which the IRS has filed a [Notice of Federal Tax Lien](#).

There are several ways taxpayers can avoid having the IRS notify the State Department of their seriously delinquent tax debt including,

- Paying the tax debt in full,
- Paying the tax debt under an approved installment agreement,
- Paying the tax debt under an accepted offer in compromise,
- Paying the tax debt under the terms of a settlement agreement with the Department of Justice,
- Having requested or have a pending collection due process appeal with a levy, or
- Having collection suspended because a taxpayer has made an innocent spouse election or requested innocent spouse relief.

For payment options visit [IRS.gov/payments](https://www.irs.gov/payments).

A passport won't be at risk under this program for any taxpayer:

- Who is in bankruptcy.
- Who is identified by the IRS as a victim of tax-related identity theft.
- Whose account the IRS has determined is currently not collectible due to hardship.
- Who is located within a federally declared disaster area.
- Who has a request pending with the IRS for an installment agreement.
- Who has a pending offer in compromise with the IRS.
- Who has an IRS accepted adjustment that will satisfy the debt in full.

For taxpayers serving in a combat zone who owe a seriously delinquent tax debt, the IRS postpones notifying the State Department, and the individual's passport is not subject to denial during this time.

For more information see and share this [IRS news release](#).

National Taxpayer Advocate delivers Annual Report to Congress; discusses tax reform implementation and unveils "Purple Book"

National Taxpayer Advocate Nina E. Olson recently released her [2017 Annual Report to Congress](#), describing challenges the IRS will face as it implements the recently enacted tax reform legislation and unveiling a new publication, "The Purple Book," that presents 50 legislative recommendations intended to strengthen taxpayer rights and improve tax administration.

The report also examines a wide range of other tax administration issues, including the IRS's administration of the private debt collection program, the agency's increasing emphasis on online taxpayer accounts, and its implementation of a recent law that would deny or revoke the passports of taxpayers with significant tax debts.

The [Annual Report to Congress](#), issued by the National Taxpayer Advocate every year, includes analysis of at least 20 of the most serious problems encountered by taxpayers, legislative and administrative recommendations for solving those problems, and a discussion of the year's ten most frequently litigated tax issues.

Changes made to Form 1023-EZ, Form 1023 and user fee structure

IRS has recently introduced changes to the Form 1023-EZ, the Form 1023, and the user fees associated with certain tax exemption applications. These changes are intended to make it more efficient for organizations to apply for tax exempt status, as well as assist IRS in making correct status determinations.

Here are the three new features on the Form 1023-EZ:

- Addition of a text box to allow an organization to briefly describe its mission or most significant activities.
- Addition of three questions concerning an organization's assets, income level, and public charity classifications to help organizations confirm their eligibility before filing.
- Addition to the ineligibility areas listed in the instructions to ensure that organizations applying for reinstatement after auto-revocation are seeking the same foundation classification that they had at the time of revocation.

See the [new form and instructions](#).

Form 1023 has been updated to add a new public charity status for agricultural research organizations under IRC 170(B)(1)(a)(ix), and to remove obsolete information.

Finally, the IRS has simplified the user fee structure for applications for tax exempt status. The user fee for applications other than the 1023-EZ is now a flat \$600. The Form 1023-EZ user fee remains \$275. The cost to apply for a group exemption is \$2,000, down from \$3,000, reducing the burden on organizations seeking such a ruling.

Special rules for farmers and fisherman

Taxpayers with income from farming or fishing have until March 1 to file their 2017 Form 1040 and pay the tax due to avoid making estimated tax payments. This rule generally applies if farming or fishing income was at least two-thirds of the total gross income in either the current or the preceding tax year. Farmers and fishers choosing not to file by March 1 should have made an estimated tax payment by Jan. 16 to avoid a penalty.

For more information see,

- [Tax Topic 416](#), Farming and Fishing Income
 - [Publication 5034](#) Need to Make a Tax Payment? (English and Spanish)
 - [Fishing Tax Center](#)
 - [Agriculture Tax Center](#)
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FILING SEASON SUPPLEMENT

Filing help for individuals

As the annual filing season begins, taxpayers are faced with some basic questions:

- Do I need to file a tax return?
- Which form should I use?
- How do I file?
- Where do I file?

Answers to these basic questions are available at [IRS.gov/filing](https://www.irs.gov/filing). Answers to questions on topics such as filing status, claiming dependents, tax credits and more are available on the IRS's [Interactive Tax Assistant](#).

In addition, the IRS has:

- A special page on IRS.gov with specific steps taxpayers can take to prepare for the 2018 tax filing season,
- A [Let Us Help You page](#) with online tools, resources and information on how to contact the IRS by phone,
- An IRS news release, [Get Ready for Taxes: IRS.gov Offers Free Tax Help](#), and
- A two-page [IRS Services Guide](#) brochure.

To assist taxpayers throughout the filing season, the IRS issues daily tax tips. You can subscribe to IRS Tax Tips via [IRS.gov](https://www.irs.gov) and share as needed.

IRS Free File

IRS Free File allows qualifying taxpayers to prepare and file federal income tax returns for free using brand name software. The IRS will announce the opening of Free File as soon as it is available.

Taxpayers who want to use Free File are encouraged to check the IRS [Free File website](#) for qualifying information and updates on when Free File will be available.

Free tax return preparation at Volunteer Income Tax Assistance sites

Under the Volunteer Income Tax Assistance (VITA) program, IRS-certified volunteers provide free basic income tax return preparation with electronic filing to qualified individuals.

In addition to VITA, the Tax Counseling for the Elderly (TCE) program offers free tax

help specializing in questions about pensions and retirement-related issues unique to seniors.

- More information on VITA/TCE is available [here](#).
- To find VITA/TCE sites by zip code click [here](#).
- To use the AARP Foundation Tax-Aide Locator click [here](#).

Before going to a VITA or TCE site, taxpayers should review [Publication 3676-B](#) for services provided and check out the [What to Bring](#) page to ensure they will have all the required documents and information the volunteers will need to help them.

Recent IRS Tax Tips

- [Deciding whether to file? Here's what to remember](#)
- [Ten tips for choosing a tax preparer](#)
- [Five reasons to use direct deposit for a tax refund](#)
- [IRS.gov resources to help taxpayers get ready to file taxes](#)

Easy-to-read tips are issued each business day during the tax filing season and three times a week in the summertime. Special Edition Tax Tips are issued periodically throughout the year to highlight important topics of interest to the public. Subscribe to IRS Tax Tips [here](#).

For detailed information on filing individual tax returns see IRS [Publication 17](#), Your Federal Income Tax.

Interactive Tax Assistant

Find online answers to tax questions using the IRS's [Interactive Tax Assistant](#). It's available 24/7 and there's no need to call and wait to speak to an IRS representative. The most popular topics are,

- [Do I Need to File a Tax Return?](#)
- [Whom May I Claim as a Dependent?](#)
- [How Much Is My Standard Deduction?](#)
- [What Is My Filing Status?](#)

Other topics are listed by category or users can search for answers by keyword.

IRS2Go is the official mobile app of the IRS

Check your refund status, make a payment, find free tax preparation assistance, sign up for helpful tax tips, and more.

[IRS2Go](#) is available in both English and Spanish.

Saver's Credit – contribute to your IRA by April 17 to reduce your tax bill

Eligible constituents may qualify for the [Saver's Credit](#) for contributions made to an IRA for 2017 on or before April 17, 2018.

Links/Updates

- [New members appointed to the IRS Advisory Council \(IRSAC\)](#)
- [Where's My Refund?](#)

IRS on Social Media

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Updated tax withholding calculator and W-4 released

An updated [withholding calculator](#) on IRS.gov and a new version of [Form W-4](#) are now available to help taxpayers check their 2018 tax withholding following passage of the Tax Cuts and Jobs Act in December.

Taxpayers should use these tools to make sure they have the right amount of tax taken out of their paychecks. If changes to withholding need to be made, employees can complete a new Form W-4, Employee's Withholding Allowance Certificate, and submit it to their employer.

See IRS [news release IR-2018-36](#) and the related [FAQs](#) for more details.

Tax withholding for employers

There are several ways employers can figure the correct amount of federal income tax to withhold. IRS [Publication 15, Employer's Tax Guide 2018](#), includes the Percentage Method Tables and Wage Bracket Method Tables for income tax withholding. For details and examples, see Chapter 17 *How to Use the Income Tax Withholding Tables*.

To know how much federal income tax to withhold from employees' wages, employers should have a Form W-4 on file for each employee. Employers should encourage their employees to file an updated Form W-4 for 2018, especially if they owed taxes or received a large refund when filing their 2017 tax return.

Before figuring the correct amount to withhold from wages and salaries, employers must first reduce the amount paid by any amounts exempt from tax. Publication 15 includes a table of exempt amounts.

Tax Reform and Tax Extenders

Tax Extenders – The Budget Bipartisan Act of 2018 was signed Feb. 9 and retroactively extended and modified numerous tax provisions covering 2017. The IRS is incrementally updating the needed forms, and completing programming and testing of our processing systems to reflect each provision of the legislation.

Taxpayers may now file tax returns claiming the following:

- Extension and modification of exclusion from gross income of discharge of qualified principal residence indebtedness
- Extension of mortgage insurance premiums treated as qualified residence interest
- Extension of above-the-line deduction for qualified tuitions and related expenses

See [IRS.gov/Extenders](#) for the latest information.

Tax Reform - The IRS is working on implementing the major tax legislation signed Dec. 22 that will affect both individuals and businesses. We will provide information and guidance to taxpayers, businesses and the tax community as it becomes available. Check this [page](#) for updates and resources.

Certain Forms and Publications are being updated due to new tax legislation. Check the [Forms and Publications page on IRS.gov](#) for the latest developments.

New Scam Alert

IRS warned taxpayers of a [quickly growing scam](#) involving erroneous tax refunds being deposited into their bank accounts. The IRS also offered a step-by-step explanation for how to return the funds and avoid being scammed.

Following up on a Security Summit alert issued Feb. 2, the IRS issued this additional warning about the new scheme after discovering more tax practitioners' computer files have been breached. In addition, the number of potential taxpayer victims jumped from a few hundred to several thousand in just days. The IRS Criminal Investigation division continues its investigation into the scope and breadth of this scheme.

In one version of the scam, criminals posing as debt collection agency officials acting on behalf of the IRS contacted the taxpayers to say a refund was deposited in error, and that the taxpayer is required to forward the money to the bogus collection agency.

In another version, the taxpayer who received the erroneous refund is called by a recorded voice saying he is from the IRS and threatens the taxpayer with criminal fraud charges, an arrest warrant and a "blacklisting" of their Social Security Number. The recorded voice gives the taxpayer a case number and a telephone number to call to return the refund.

Security Summit Successes

There were steep declines in [tax-related identity theft in 2017](#), due to the work of the Security Summit partnership.

Since 2015, the number of tax-related identity theft victims has fallen by almost two-thirds and billions of dollars of taxpayer refunds have been protected.

In 2017, the number of taxpayers reporting that they were victims of identity theft was 242,000 compared to 401,000 in 2016 – a 40 percent decline.

The Security Summit, a private-public sector partnership formed in 2015 to combat identity theft, has put in place multiple behind-the-scenes safeguards to help protect the nation's taxpayers.

FAQs from Congressional Offices

Q. Am I subject to the individual shared responsibility provision if I don't have health insurance in 2018?

A. Yes. The [individual shared responsibility provision](#) requires you, your spouse, and your dependents to have qualifying health insurance for the entire year, report a health coverage exemption, or make a payment when you file. In addition, you may be eligible for the premium tax credit if you purchased health coverage through the Health Insurance Marketplace.

Q. What services are offered at my local Taxpayer Assistance Center?

A. All IRS Taxpayer Assistance Centers (TACs) now operate by appointment. If face-to-face service is needed, taxpayers can schedule an appointment at the nearest IRS office (see the [link](#) for your local TAC on services available) or [Virtual Service Delivery](#) site at a community partner location, by calling 844-545-5640, Monday through Friday, from 7 a.m. to 7 p.m.

FILING SEASON SUPPLEMENT

Due Date – Extensions – Payments

The due date for filing 2017 individual income tax returns, Form 1040, is April 17, 2018. More information on preparing and filing returns can be found at www.irs.gov/filing.

An extension of time to file 2017 income tax returns is available for those who need it. The extended filing deadline is Oct. 15, 2018.

Please note: While taxpayers may get an extension of time to file their return, any 2017 tax due must be paid by the April 17, 2018, due date. To request an extension of time to file form 1040 taxpayers may:

- [E-file their extension form for free](#) using IRS Free File,
- Submit [Form 4868](#), Application for Automatic Extension of Time To File U.S. Individual Income Tax Return, or
- By paying all or part of their estimated income tax due and indicate that the payment is for an extension using [Direct Pay](#), the [Electronic Federal Tax Payment System](#) (EFTPS), or a [credit or debit card](#). This way, taxpayers will not have to file a separate extension form and will receive a confirmation number for their records.

All payment options may be explored at www.irs.gov/payments. Individuals can make tax payments directly from a bank account, at no cost, using IRS [Direct Pay](#). Payments can be scheduled up to 30 days in advance and cancelled or modified up to two days before the scheduled payment date. Taxpayers can track payments by signing up for email notifications or using the Look Up Payment tool.

IRS Tax Tips

The IRS issues daily tax tips by email throughout the filing season. The tips are brief, easy to read and provide timely information. To sign up visit, [Subscribe to Tax Tips](#). Topics include:

- How to get free tax help
- Tips for choosing a tax preparer
- Getting answers to tax questions
- Filing and payment options
- Responding to IRS notices and letters
- Online tools for managing your taxes

To see and share tax tips delivered to date, [click here](#). For additional quick and easy tax information, see the IRS [YouTube](#) channel and follow the IRS on [Twitter](#).

Checking refund status/Claim prior year refund before it's too late

Taxpayers expecting a refund can check on its status using the [Where's My Refund](#) tool on IRS.gov or the [IRS2Go app](#). Information is available 24 hours after e-filing or four weeks after mailing in a paper return. To use the tool, taxpayers will need their SSN or ITIN, filing status and the exact amount of their refund.

Also, taxpayers who have not filed a 2014 federal income tax return and are due a refund have until April 17, 2018, to submit their return and claim the refund. By law, most taxpayers have a three-year window of opportunity to claim a refund. If they do not file a return within three years, the money becomes property of the U.S. Treasury.

IRS forms, instructions and publications to prepare and file returns for tax years prior to 2017 are available at [irs.gov Prior Year Forms and Instructions page](#).

Notes for those filing past due returns:

- Filing locations can change. Mail your return to the address in the most current (2017) instructions
- Use direct deposit to ensure your refund is not mailed to an old address
- A 2014 refund may be held if you have not filed for 2015 and/or 2016
- Any refund may be applied to past due federal or state taxes, other federal debts, student loans or child support

Reminders

- [Passports in jeopardy for those with seriously delinquent tax debts](#)
- [Tips for Choosing a Tax Preparer](#)
- [Order Forms online for delivery by U.S. mail](#)
- [3 Popular tax benefits retroactively renewed for 2017](#)

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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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Combat zone tax benefits now available to Armed Forces members who served in the Sinai Peninsula; IRS accepting retroactive tax refund claims back to 2015

U.S. Armed Forces members who served in the Sinai Peninsula of Egypt may qualify for combat zone tax benefits retroactive to June 2015, according to the Internal Revenue Service.

Under the [Tax Cuts and Jobs Act](#) (TCJA) enacted in December 2017, members of the U.S. Army, U.S. Navy, U.S. Marines, U.S. Air Force, and U.S. Coast Guard who performed services in the Sinai Peninsula can now claim combat zone tax benefits. Eligible service members should review [Publication 3](#), Armed Forces' Tax Guide, available on IRS.gov.

Among other benefits, eligible service members may be able to exclude part or all of their combat pay from their income for federal income tax purposes. Excluding combat pay from a taxpayer's income can result in lower tax.

How Armed Services members can claim a refund

Service members who previously paid tax on this income may be due a refund. They may file an amended tax return, [Form 1040X](#), if they already filed a tax return for tax years 2015, 2016 and 2017.

Combat pay received on or after Jan. 1, 2018, will be correctly reported on any W-2 forms issued to any service member who serves in the Sinai Peninsula. Service members who served in the Sinai Peninsula in 2015, 2016, or 2017 can provide documentation of their service to their finance officer and ask for a Form W-2c, Corrected Wage and Tax Statement.

However, an eligible service member who is unable to secure a corrected Form W-2c may still claim the combat pay exclusion by attaching to their Form 1040X copies of official documents showing they served or worked in the Sinai Peninsula. These documents should indicate the area, theater or military operation and the approximate entry date. Acceptable documents include military orders, letters of authorization (civilians), hospital discharge papers, discharge from active duty, official letterhead memorandum from a military department or civilian employer, or a request and authorization for temporary duty travel of Department of Defense personnel (civilians and military).

Amended returns can only be filed on paper (electronic filing is not available) and can take up to 16 weeks to process. Within about three weeks after mailing an amended return, taxpayers can track the status online using [Where's My Amended Return?](#)

For more information about requesting a refund based on service in the Sinai Peninsula, see the [Form 1040X instructions](#), available on IRS.gov.

Try electronic payment options if you owe taxes

Pay what you owe as quickly as possible to avoid interest and penalties. For a safe and easy way to pay, use an IRS electronic payment option and pay online, by phone or with your mobile device using the [IRS2Go mobile app](#).

[Electronic Funds Withdrawal](#) allows you to e-file and pay when you're using tax preparation software or a tax professional. With EFW, you can set up a direct debit payment from your bank account for the taxes you owe and up to four estimated payments.

Another option is [IRS Direct Pay](#); it's free and lets you pay from your checking or savings account. With Direct Pay, you can change or cancel your payment using the Look Up a Payment feature up to two business days before the payment date. You can choose to receive email notifications about your payment. To access Direct Pay, go to [IRS.gov/payments](#) or use the IRS2Go app.

Do you prefer to pay by debit or credit card? If so, you can pay online, by phone or with IRS2Go through authorized debit and credit card processors. Though the IRS does not charge for this service, there is a fee from the card processors. Visit [IRS.gov/payments](#), click debit or credit card for authorized card processors and their phone numbers.

If you need to pay with cash, [PayNearMe](#) may be the answer for you. You can make a payment without the need of a bank account or credit card at more than 7,000 7-Eleven stores nationwide. To pay with cash, first visit [IRS.gov/paywithcash](#) and follow the instructions.

When you access your account information on [IRS.gov/account](#), you'll see taxes you owe, your payment history, and you can pay by bank account, debit or credit card or apply for a payment plan. You can also view your federal tax records and key tax return information that you may need when you e-file.

If you normally pay by check or money order, consider using one of the safe and secure electronic payment options offered at [IRS.gov/payments](#).

Inflation adjustments under recently enacted tax law

The Internal Revenue Service has updated the tax year 2018 annual inflation adjustments to reflect changes from the Tax Cuts and Jobs Act (TCJA). The tax year 2018 adjustments are generally used on tax returns filed in 2019.

The tax items affected by TCJA for tax year 2018 of greatest interest to most taxpayers include the following dollar amounts:

- **The standard deduction for married filing jointly rises to \$24,000.** For single taxpayers and married individuals filing separately, the standard deduction rises to \$12,000; for heads of households, \$18,000.
-

- **The TCJA reduced the personal exemption.** The personal exemption for tax year 2018 is \$0.
- **TCJA reduced tax rates for many taxpayers. The new tax rates are: 10 percent, 12 percent, 22 percent, 24 percent, 32 percent, 35 percent and a top rate of 37 percent.** For tax year 2018, the highest tax rate will apply to married individuals filing jointly and surviving spouses with taxable incomes over \$600,000, to single taxpayers and heads of households with incomes over \$500,000, and to married taxpayers filing separately with incomes over \$300,000.
- **The TCJA eliminates the limitation for itemized deductions.**
- **The Alternative Minimum Tax exemption amount for tax year 2018** is greatly increased under TCJA. For tax year 2018, the exemption amount for single taxpayers is \$70,300 and begins to phase out at \$500,000, and the exemption amount for married couples filing jointly is \$109,400 and begins to phase out at \$1 million.
- **For estates** of any decedent passing away in calendar year 2018, the basic exclusion amount is \$11,180,000.

Certain items had minor adjustments. TCJA requires a different method for adjusting for inflation.

- For 2018, the foreign earned income exclusion will be \$103,900.
- The maximum **earned income credit** amount will be \$6,431 for taxpayers with 3 or more qualifying children, for 2018. Other earned income credit amounts are detailed in Revenue Procedure 2018-18.
- For tax year 2018, participants who have self-only coverage in a **Medical Savings Account**, the plan must have an annual deductible that is not less than \$2,300, but not more than \$3,450. For self-only coverage, the maximum out-of-pocket expense amount is **\$4,550**. For participants with family coverage for 2018, the floor for the annual deductible is **\$4,550**; however, the deductible cannot be more than \$6,850. For family coverage, the out-of-pocket expense limit is \$8,400 for tax year 2018. (Only the “\$4,550” amount differs from what was in the IR-2017-178.)

Items unaffected by the TCJA

The dollar amounts in the inflation adjustment news release issued in October 2017 remain unchanged under the new method for adjusting for inflation required by the TCJA:

- For tax year 2018, the annual exclusion for gifts is \$15,000.
 - For tax year 2018, the monthly limitation for the qualified transportation fringe benefit is \$260, as is the monthly limitation for qualified parking.
 - For tax year 2018, the adjusted gross income amount used by joint filers to determine the reduction in the Lifetime Learning Credit is \$114,000.
 - For calendar year 2018, the dollar amount used to determine the penalty for not maintaining minimum essential health coverage is \$695.
-

This news release replaces IR-2017-178, which provided the inflation adjusted items under the law prior to enactment of the TCJA.

[Revenue Procedure 2018-18](#) provides greater detail on these and other inflation adjusted items affected by the recent tax reform. See also [Revenue Procedure 2018-22](#).

Track your refund using Where's My Refund?

You can get fast answers about your refund by using the [Where's My Refund?](#) tool available on IRS.gov and through the [IRS2Go mobile app](#). All you need is your Social Security number, [tax filing status](#) and the exact amount of your refund.

You can use Where's My Refund? to start checking the status of your return within 24 hours after the IRS receives your e-filed return or 4 weeks after you mailed your paper-return. Where's My Refund? has a tracker that displays progress through 3 stages:

- (1) Return Received
- (2) Refund Approved
- (3) Refund Sent

Where's My Refund? is updated once every 24 hours, usually overnight.

The IRS issues more than 9 out of 10 refunds in less than 21 days. However, [some tax returns take longer to process than others](#) for many reasons, including when a return includes errors, is incomplete, needs further review, or is affected by identity theft or fraud.

Remember, Where's My Refund? on IRS.gov or the IRS2Go mobile app are the best ways to check your refund status.

Low Income Taxpayer Clinic Program Office Releases Program Report

The Internal Revenue Service's [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).

During 2016, LITCs represented 19,479 taxpayers dealing with an IRS tax controversy, conducted more than 2,500 educational activities, and advocated for taxpayers by utilizing more than 1,800 volunteers. More than two-thirds of the volunteers were attorneys, CPAs or enrolled agents.

The LITC Program Office also issued the [2018 Publication 4134](#). The publication contains the names and contact information of the 2018 LITC grant recipients to assist taxpayers in locating LITCs for assistance. It also provides the languages each LITC serves in addition to English. For more information about the LITC program, visit www.TaxpayerAdvocate.irs.gov/about/litc.

Reminders

- See the newly revised [estimated tax form and publication](#).
- Remember to do a [Paycheck Checkup](#).
- Additional time has been allotted to make [refund claims for wrongful incarceration exclusion](#). File by Dec. 17, 2018 at designated address.
- The FTC and IRS make it easier to report tax-related ID theft; [File Form 14039 Electronically through FITC](#).
- Frequently Asked Questions are available for [Individuals of the Same Sex Who Are Married Under State Law](#).
- Review the [new rules and limitations for depreciation and expensing under the Tax Cuts and Jobs Act](#).

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IRS Congressional Update

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

What every student should know about summer jobs and taxes

Many students take a job in the summer after school lets out. If it's your first job, it gives you a chance to learn about the working world. That includes taxes we pay to support the place we live, our state and our nation. Here are a few [things you should know about taxes](#).

Seasonal, part-year workers urged to check tax withholding amount

[IR-2018-118](#), May 9, 2018

The Internal Revenue Service today encouraged taxpayers who work seasonal jobs or are employed part of the year to visit the [Withholding Calculator](#) and perform a "paycheck checkup."

The Tax Cuts and Jobs Act made changes to the tax law, including increasing the standard deduction, eliminating personal exemptions, increasing the child tax credit, limiting or discontinuing certain deductions and changing the tax rates and brackets. These changes do not affect 2017 tax returns due earlier this year, but they will affect 2018 tax returns filed next year.

Any changes that a part-year employee makes to their withholding can affect each paycheck in a larger way than employees who work year-round.

The Withholding Calculator, a special tool on [IRS.gov](#), can help taxpayers with part-year employment estimate their income, credits, adjustments and deductions more accurately and check if they have the right amount of tax withheld for their financial situation.

The calculator asks about the dates of a taxpayer's employment and accounts for a part-year employee's shorter employment rather than assuming that their weekly tax withholding amount would be applied to a full year. The calculator makes recommendations for part-year employees accordingly. If a taxpayer has more than one part-year job, the Withholding Calculator can account for this as well. In contrast, the Form W-4 worksheets do not distinguish between part-year jobs and full-year jobs.

Using the Withholding Calculator

Taxpayers should have a completed 2017 tax return available when using the Withholding Calculator to help determine their proper withholding for 2018 and avoid issues when they file their returns in early 2019. Taxpayers also need their most recent paystub before using the Withholding Calculator.

Calculator results depend on the accuracy of information entered. If a taxpayer's personal circumstances change during the year, they should return to the calculator to check whether their withholding should be adjusted. For taxpayers who work for only part of the year, it's best

to do a “paycheck checkup” early in their employment period so their tax withholding is most accurate from the start.

The Withholding Calculator does not request personally-identifiable information, such as name, Social Security number, address or bank account numbers. The IRS does not save or record the information entered on the calculator. As always, taxpayers should watch out for tax scams, especially via email or phone and be especially alert to cybercriminals impersonating the IRS. The IRS does not send emails related to the calculator or the information entered.

Adjusting Withholding

If the calculator results indicate a change in withholding amount, the employee should complete a new Form W-4 and should submit it to their employer as soon as possible. Employees with a change in personal circumstances that reduces the number of withholding allowances should submit a new Form W-4 with corrected withholding allowances to their employer within 10 days of the change.

As a general rule, the fewer withholding allowances an employee enters on the Form W-4, the higher their tax withholding will be. Entering “0” or “1” on line 5 of the W-4 means more tax will be withheld. Entering a bigger number means less tax withholding, resulting in a smaller tax refund or potentially a tax bill or penalty.

The IRS encourages taxpayers to review additional details about withholding by visiting [IRS.gov](https://www.irs.gov).

How the Employer Credit for Family and Medical Leave benefits employers

IRS [Tax Reform Tax Tip 2018-69](#), May 4, 2018

During National Small Business Week, the IRS focuses on educating employers about the **employer credit for paid family and medical leave** created by the Tax Cuts and Jobs Act passed last year. Employers may claim the credit based on wages paid to qualifying employees while they are on family and medical leave.

Here are some facts about this credit and how it benefits employers:

- To claim the credit, employers must have a written policy that meets certain requirements:
 - Employers must provide at least two weeks of paid family and medical leave annually to all qualifying employees who work full time. This can be prorated for employees who work part time.
 - The paid leave must be not less than 50 percent of the wages normally paid to the employee.

 - A qualifying employee is any employee who:
 - Has been employed for one year or more.
-

- For the preceding year, had compensation that did not exceed a certain amount. For 2018, the employee must not have earned more than \$72,000 in 2017.
- For purposes of this credit, “family and medical leave” is leave for one or more of the following reasons:
 - Birth of an employee’s child and to care for the newborn.
 - Placement of a child with the employee for adoption or foster care.
 - To care for the employee’s spouse, child, or parent who has a serious health condition.
 - A serious health condition that makes the employee unable to perform the functions of his or her position.
 - Any qualifying event due to an employee’s spouse, child, or parent being on covered active duty — or being called to duty — in the Armed Forces.
 - To care for a service member who is the employee’s spouse, child, parent, or next of kin.
- The credit is a percentage of the amount of wages paid to a qualifying employee while on family and medical leave for up to 12 weeks per taxable year.
- An employer must reduce its deduction for wages or salaries paid or incurred by the amount determined as a credit. Any wages taken into account in determining any other general business credit may not be used toward this credit.
- The credit is generally effective for wages paid in taxable years of the employer beginning after December 31, 2017. It is not available for wages paid in taxable years beginning after December 31, 2019.

More Information:

- [Employer Credit for Family and Medical Leave FAQs](#)

IRS accepting applications for 2019 Low Income Taxpayer Clinic grants

The application period for Low Income Taxpayer Clinic (LITC) grants for calendar year 2019 is now open and will run through June 27, 2018.

The mission of LITCs is to ensure the fairness and integrity of the tax system for taxpayers who are low income or speak English as a second language:

- By providing pro bono representation on their behalf in tax disputes with the IRS;
- By educating them about their rights and responsibilities as taxpayers; and
- By identifying and advocating for issues that impact low income taxpayers.

The IRS welcomes all applications and will ensure that each application receives full consideration. The IRS is committed to achieving maximum access to representation for low income taxpayers under the terms of the LITC program. Thus, in awarding LITC grants for calendar year 2019, the IRS will continue to work toward the following program goals:

- Obtaining coverage for Hawaii, North Dakota, and Puerto Rico to ensure that each state (plus the District of Columbia and Puerto Rico) has at least one clinic.
- Expanding coverage to counties that are currently not being served by an LITC: mid-Florida, northeast Arizona, northern Pennsylvania, and southeast New York (not including boroughs of New York City).
- Ensuring that grant recipients demonstrate they are serving geographic areas that have sizable populations eligible for and requiring LITC services.

Complete program requirements and how to apply can be found in [Publication 3319](#), *Low Income Taxpayer Clinics (LITC) Grant Application Package and Guidelines*, on IRS.gov.

When to pay estimated taxes

For estimated tax purposes, the year is divided into four payment periods including June 15. Each period has options to [pay online](#), by phone, or by [mail](#) to the address provided in the section of Form 1040-ES titled "How to Pay Estimated Tax." For additional information, see [Publication 505, Tax Withholding and Estimated Tax](#). Also on IRS.gov: [Pay as you go so you won't owe a guide to withholding estimated taxes and ways to avoid the estimated tax penalty](#).

Tips to keep in mind about income taxes when selling a home

Homeowners may qualify to exclude from their income all or part of any gain from the sale of their main home. Here are [tips to keep in mind when selling a home](#).

What if I can't pay my taxes?

Don't panic. If you cannot pay the full amount of taxes you owe, you should still file your return by the deadline and pay as much as you can to avoid penalties and interest. See IRS.gov for [payment options](#). The agency may be able to provide some relief such as a short-term extension to pay, an installment agreement or an offer in compromise, or by temporarily delaying collection by reporting your account as currently not collectible until you are able to pay.

In some cases, the IRS may be able to waive penalties. However, the agency is unable to waive interest charges which accrue on unpaid tax bills. For more information, see [The Collection Process](#) and [Tax Payment Options](#). See also Form 1040 instructions on the [About Form 1040](#) page for additional guidance on filing and paying your taxes.

Expanded online access to information on tax-exempt organizations

IRS has a new online tool on IRS.gov designed to provide faster, easier access to publicly available information about exempt organizations.

The new [Tax Exempt Organization Search](#) (TEOS) replaces EO Select Check, a more limited tool available since 2012 that focused primarily on providing information on an organization's tax-exempt status.

New IRS five-year Strategic Plan outlines goals to improve taxpayer service and tax administration

The [Fiscal Year 2018-2022 IRS Strategic Plan](#) will serve as a roadmap to help guide the agency's programs and operations. The plan will also help meet the changing needs of taxpayers and members of the tax community.

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IRS Congressional Update

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

Steps to Take Now to Get a Jump on Next Year's Taxes

What's New for 2018

You may need a Paycheck Checkup. Following tax law changes, you should do a Paycheck Checkup using the IRS's [Withholding Calculator](#) and, if necessary, complete a new [W-4](#) form. The calculator helps determine the right amount of withholding.

You should check your withholding if you:

- Are a two-income family.
- Have two or more jobs at the same time or only work part of the year.
- Claim credits like the child tax credit.
- Have dependents age 17 or older.
- Itemized deductions in 2017.
- Have high income or a complex tax return.
- Had a large tax refund or tax bill for 2017.

Visit [IRS.gov/withholding](https://www.irs.gov/withholding) for details.

Standard deduction amount increased. For 2018, the standard deduction amount has been increased for all filers, and the amounts are as follows.

- Single or Married Filing Separately — \$12,000
- Married Filing Jointly or Qualifying Widow(er) — \$24,000
- Head of Household — \$18,000

Due to the increase in the standard deduction and reduced usage of itemized deductions, you may want to consider filing a new Form W-4.

Deduction for personal exemptions suspended. For 2018, you can't claim a personal exemption deduction for yourself, your spouse, or your dependents.

Changes to itemized deductions. For 2018, the following changes have been made to itemized deductions that can be claimed on Schedule A.

- Your itemized deductions are no longer limited if your adjusted gross income is over a certain amount.
 - You can deduct the part of your medical and dental expenses that is more than 7.5 percent of your adjusted gross income.
 - Your deduction of state and local income, sales, and property taxes is limited to a combined, total deduction of \$10,000 (\$5,000 if married filing separately).
-

- You can no longer deduct job-related expenses or other miscellaneous itemized deductions that were subject to the 2 percent of AGI floor. You may still deduct certain other items on Schedule A, such as gambling losses.
- For indebtedness incurred after December 15, 2017, the deduction for home mortgage interest is limited to interest on up to \$750,000 of home acquisition indebtedness. This new limit doesn't apply if you had a binding contract to close on a home after December 15, 2017, and closed on or before April 1, 2018, and the prior limit would apply.
- You can no longer deduct interest on home equity indebtedness, which means indebtedness not incurred for the purpose of buying, building, or substantially improving the qualified residence secured by the indebtedness.
- The limit on charitable contributions of cash has increased from 50 percent to 60 percent of your adjusted gross income.

Moving expenses no longer deductible. For 2018, you can no longer deduct your moving expenses unless you are a member of the Armed Forces on active duty.

Child tax credit and additional child tax credit. For 2018, the maximum credit increased to \$2,000 per qualifying child. The maximum additional child tax credit increased to \$1,400. In addition, the income threshold at which the credit begins to phase out is increased to \$200,000 (\$400,000 if married filing jointly).

Credit for other dependents. A new credit of up to \$500 is available for each of your dependents who does not qualify for the child tax credit. In addition, the maximum income threshold at which the credit begins to phase out is increased to \$200,000 (\$400,000 if married filing jointly).

Social security number (SSN) required for child tax credit. Your child must have an SSN issued before the due date of your 2018 return (including extensions) to be claimed as a qualifying child for the child tax credit or additional child tax credit. If your dependent child has an ITIN, but not an SSN, issued before the due date of your 2018 return (including extensions), you may be able to claim the new credit for other dependents for that child.

What You Need to Know

- [IRS.gov](https://www.irs.gov) is the official IRS website where you can find answers to your questions and resolve tax issues online.

The [IRS.gov/TaxReform](https://www.irs.gov/TaxReform) page highlights what taxpayers need to know about tax law changes and how they affect taxpayers and provides links to news releases, publications, notices, and legal guidance related to the [Tax Cuts and Jobs Act](https://www.irs.gov/TaxCutsAndJobsAct) legislation.

What You Need to Do

- Use the [Let Us Help You](https://www.irs.gov/LetUsHelpYou) page where you can get help answering most tax questions, get a copy of your tax record and make a payment, among other options.

The [IRS Services Guide](https://www.irs.gov/ServicesGuide) also links you to these and other IRS services.

Tax reform allows people with disabilities to put more money into ABLE accounts, expands eligibility for Saver's Credit

People with disabilities can now put more money into their tax-favored Achieving a Better Life Experience (ABLE) accounts and may, for the first time, qualify for the Saver's Credit for low- and moderate-income workers, according to the IRS.

The Tax Cuts and Jobs Act, the tax reform legislation enacted in December, made major changes to the tax law for 2018 and future years, including increasing the standard deduction, removing personal exemptions, increasing the Child Tax Credit, limiting or discontinuing certain deductions and changing tax rates and brackets.

The new law also enables eligible individuals with disabilities to put more money into their ABLE accounts, qualify for the [Saver's Credit](#) in many cases and roll money from their 529 plans -- also known as qualified tuition programs -- into their ABLE accounts.

States can offer specially designed ABLE accounts to people who become disabled before age 26. Recognizing the special financial burdens faced by families raising children with disabilities, ABLE accounts are designed to enable people with disabilities and their families to save for and pay for disability-related expenses. Though contributions are not deductible, distributions, including earnings, are tax-free to the designated beneficiary if used to pay qualified disability expenses. These expenses can include housing, education, transportation, health, prevention and wellness, employment training and support, assistive technology and personal support services and other disability-related expenses.

More information is available [here](#).

More than 2 million ITINs to expire this year; Renew soon to avoid refund delays

With more than 2 million Individual Taxpayer Identification Numbers (ITINs) set to expire at the end of 2018, the IRS is encouraging affected taxpayers to submit their renewal applications soon to beat the rush and avoid refund delays next year.

In the third year of the renewal program, the IRS has increased staffing to handle the anticipated influx of W-7 applications for renewal. This third wave of expiring ITINs is expected to affect as many as 2.7 million taxpayers. To help taxpayers, the renewal process for 2019 is beginning earlier than last year.

“Even though the April tax deadline has passed, the IRS encourages people affected by these ITIN changes to take steps as soon as possible to prepare for next year’s tax returns,” said Acting IRS Commissioner David Kautter. “Acting now to renew ITIN numbers will help taxpayers avoid delays that could affect their tax filing and refunds in 2019. The IRS appreciates the help from partner groups across the nation sharing this information with those with expiring ITIN numbers.”

Who should renew an ITIN

- Taxpayers whose ITIN is expiring and who need to file a tax return in 2019 must submit a renewal application. Others do not need to take any action. ITINs with the middle digits 73, 74, 75, 76, 77, 81 or 82 (For example: 9NN-73-NNNN) need to be renewed even if the taxpayer has used it in the last three years. The IRS will begin sending the [CP-48 Notice](#), “You must renew your Individual Taxpayer Identification Number (ITIN) to file your U.S. tax return,” in early summer to affected taxpayers. The notice explains the steps to take to
-

renew the ITIN if it will be included on a U.S. tax return filed in 2019. Taxpayers who receive the notice after taking action to renew their ITIN do not need to take further action unless another family member is affected.

- ITINs with middle digits of 70, 71, 72, 78, 79 or 80 have previously expired. Taxpayers with these ITINs can still renew at any time.
- Spouses or dependents residing inside the United States should renew their ITINs. However, spouses and dependents residing outside the United States do not need to renew their ITINs unless they anticipate being claimed for a tax benefit (for example, after they move to the United States) or if they file their own tax return. That's because the deduction for personal exemptions is suspended for tax years 2018 through 2025 by the Tax Cuts and Jobs Act. Consequently, spouses or dependents outside the United States who would have been claimed for this personal exemption benefit and no other benefit do not need to renew their ITINs this year.

More information is available [here](#).

Taxpayers should stay alert because scammers don't take a summer vacation

While many people take summer vacations, data thieves do not. Phishing emails and telephone scams continue to pop up around the country. The IRS reminds everyone to be vigilant to avoid becoming a victim.

Here are some things for taxpayers to remember so they can keep their personal data safe:

- The IRS does not leave pre-recorded, urgent messages asking for a call back. In one scam, the victim is told if they do not call back, a warrant will be issued for their arrest. Other variations may include the threat of other law-enforcement agency intervention, deportation or revocation of licenses. The IRS will never threaten to immediately bring in local police or other law-enforcement groups to have the taxpayer arrested for not paying.
- Criminals can fake or "spoof" caller ID to appear to be anywhere in the country, including from an IRS office. This prevents taxpayers from being able to verify the true call number. If a taxpayer gets a call from the IRS, they should hang up and call the agency back at a [publicly-available phone number](#).
- If a taxpayer receives an unsolicited email that appears to be from the IRS, they should report it by sending it to phishing@irs.gov. Some people might also receive an email from a program closely linked to the IRS, such as the Electronic Federal Tax Payment System. Recipients should also send these emails to phishing@irs.gov.
- The IRS does not initiate contact with taxpayers by email to request personal or financial information. The IRS initiates most contacts through regular mail delivered by the United States Postal Service.

There are special circumstances when the IRS will call or come to a home or business. This includes situations when a taxpayer has an overdue tax bill or when the IRS needs to secure a delinquent tax return or a delinquent employment tax payment.

More Information:

- [Report Phishing and Online Scams](#)
 - [Avoid scams: Know the facts on how the IRS contacts taxpayers](#)
-

Disaster Preparedness

Hurricane season started June 1. In late May, a named storm made landfall in Florida and killed two in North Carolina. We are seeing flooding and volcanic eruption in Hawaii, wildfires in California, a severe windstorm in Nebraska.

Planning what to do in case of a disaster is an important part of being prepared. Information from the U.S. Department of Homeland Security is available at [Ready.gov](#). [Make a plan](#).

As part of an emergency plan, the Internal Revenue Service encourages taxpayers to safeguard their financial and tax records. Some simple steps can help taxpayers protect their records and recover more quickly after a disaster. The IRS recommends that all taxpayers:

- Take advantage of paperless recordkeeping for financial and tax records.
- Document valuables and business equipment using:
 - [Publication 584, Casualty, Disaster, and Theft Loss Workbook](#)
 - [Publication 584-B, Business Casualty, Disaster, and Theft Loss Workbook](#)

If records are lost, taxpayers can request copies of returns and all attachments (including Form W-2) by using [Form 4506, Request for Copy of Tax Return](#) (PDF).

If taxpayers just need information from their returns, they can order free transcripts by calling (800) 829-1040 or using [Form 4506-T, Request for Transcript of Tax Return](#) (PDF). Requests for transcripts are also available using the online and mail options found on our [Get Transcript](#) page. Transcripts are available for the current year and returns processed in the three prior years.

More information is available on the IRS website at [Preparing for a Disaster](#) and in our short video, [Preparing for Disasters](#).

When disaster strikes in your district and you need to know what tax relief and help is available to your constituents, start here: [Help During Disasters](#).

Amend a Tax Return

Constituents who file their return and then discover they made a mistake can file an amended tax return to correct it. They can change their filing status or dependent exemptions, correct their income, credits, deductions and other items. The instructions for Form 1040X, Amended U.S. Individual Income Tax Return, list other reasons to amend a return.

If constituents discover a mistake on their filed tax return, here are some tips to help them correct it:

First, is an amended return really needed? Constituents do not need to file an amended return to fix math errors, the IRS will correct those. Also, constituents don't need to amend their return if they forgot to include a form or schedule. If the form or schedule is required, the IRS will mail a request asking them to send it in.

If an amended return is needed, constituents should prepare Form 1040X. Many find the easiest way to figure the entries for Form 1040X is to make the changes in the margin of their original tax

return and then transfer the numbers to the [Form 1040X](#). Refer to the Form 1040 [instructions](#) (PDF) for help when preparing the form.

Important note: The form 1040X *cannot* be filed electronically. If prepared electronically, a paper version will need to be printed, signed and mailed in. If the constituent is filing an amended return in response to an IRS notice, mail the amended return to the address on the notice. Otherwise, mail it to the address in the [1040X instructions](#).

Other tips:

- Use separate forms 1040X for each year and mail them in separate envelopes.
- If filing for a corrected refund, wait for the refund from the original return before filing an amended return. It's okay to cash the refund check from the original return before receiving any additional refund.
- Taxpayers filing an amended return because they owe more should file and pay as soon as possible to limit penalty and interest charges.
- Track the status of an amended return using [Where's My Amended Return](#).

Resources:

Share this IRS Tax Tip: [Tips for Taxpayers Who Need to Amend a Return](#)

From the IRS website share these pages:

- Interactive Tax Assistant – [Should I File an Amended Return](#)
- Tax Topic 308 – [Amended Returns](#)
- Amended Tax Returns – [Frequently Asked Questions](#)
- File Tab – [About Form 1040X](#)

From the IRS YouTube channel:

- Amending My Return – [English](#) | [Spanish](#) | [ASL](#)

IRS on Social Media

[YouTube](#)

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[IRS2Go Mobile App](#)

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IRS Congressional Update

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

Some veterans can now claim refund of taxes paid on disability severance payments

As a result of the Combat-Injured Veterans Tax Fairness Act of 2016, veterans who –

- Separated from military service after January 17, 1991,
- Received a one-time, lump-sum, disability severance payment, and
- Included that payment as income on their return

may be entitled to a refund.

Most such veterans will receive a letter from the Department of Defense explaining that, to claim the tax refund, they must file an Amended U.S. Individual Tax Return, [Form 1040X](#). The letter will include a simplified method for making the claim.

Veterans who may be eligible for a refund, but who do not receive a letter from DoD, should visit the [Defense Finance and Accounting Service \(DFAS\)](#) website and [IRS.gov](#) for more information.

There is a time limit. Veterans must file their claim (Form 1040X) by the latter of:

- 1 year from the date of the Department of Defense notice, or
- 3 years after the due date for filing the original return for the year the disability severance payment was made, or
- 2 years after tax was paid for the year the disability severance payment was made.

Frequently Asked Questions and their answers are available on [IRS.gov](#).

Paycheck Checkup

IRS continues to encourage all taxpayers to check their withholding and estimated tax payments to ensure they don't have any surprise tax bills next year. These short YouTube videos cover the basics, please share.

- **Paycheck Checkup:** [English](#) | [Spanish](#) | [ASL](#)
- **IRS Withholding Calculator Tips:** [English](#) | [Spanish](#)
- **Do I Need to Fill Out a New W-4? :** [English](#) | [Spanish](#) | [ASL](#)

Those who need more than the basics can use IRS Publication 505, Tax Withholding and Estimated Tax. Pub 505 is available on [IRS.gov](#) (PDF) or by calling IRS at 1-800-TAX-FORM.

With hurricane season underway, IRS warns of scams related to natural disasters

Sadly, when hurricanes or other disasters strike, scammers try to take advantage of people's generosity by soliciting donations to bogus charities. Scams normally start with unsolicited contact by phone, social media, email or in-person. Scammer's tactics include:

- Impersonating legitimate charities to get money or personal information
- Creating bogus websites that look like a legitimate charity
- Claiming to be working on behalf of the IRS to help victims file disaster loss claims and get refunds
- Setting up fake charities

The IRS urges people to check out an organization before they donate. A database of IRS recognized charitable and non-profit organizations is available on our website at [Tax Exempt Organization Search](#). Donations to organizations in our database may be tax deductible.

When contributing to a legitimate charity for any purpose, **do not**:

- Send or give cash – contribute by check or credit card to have a record of your donation
- Give out financial information, credit card or bank account number, in response to unsolicited contacts
- Provide personal information like your Social Security Number or date of birth

If fraud is suspected, report it. See the [Report Phishing and Online Scams](#) page on the IRS website for more information. Or visit the Federal Trade Commission's [FTC Complaint Assistant](#) page.

The IRS is here to help people affected by a disaster. Our toll-free disaster assistance number is 866-562-5227. Trained assistants will answer disaster related tax questions. More information can be found on the [disaster relief](#) page on IRS.gov.

Important ITIN Reminders

Some [Individual Taxpayer Identification Numbers \(Español\)](#) will expire on December 31, 2018, before constituents will need them to file a tax return in 2019. Constituents who need to should renew their ITIN **now**.

ITINs expiring at the end of the year include:

- Those not used on a federal tax return at least once in the last three years, and
- Those issued before 2013 with middle digits 73, 74, 75, 76, 77, 81, or 82 (Example: (9XX-73-XXXX)).

To renew their ITIN in time for next year, constituents should submit a [Form W-7, Application for IRS Individual Taxpayer Identification Number](#), or [Form W-7\(SP\), Solicitud de Número del Identificación Personal del Contribuyente del Servicio de Impuestos Internos](#).

ITINs with middle digits 70, 71, 72, 78, 79 or 80 that expired in 2016 & 2017 can also be renewed.

Along with their Form W-7 constituents will need to:

- Attach their original identification documents or copies certified by the issuing agency along with any other required attachments, and
- Select the reason for needing the ITIN as outlined in the Form W-7 and W-7(SP) instructions.

More information is available in the [ITIN Expiration Frequently Asked Questions \(Español\)](#) and [ITIN Fact Sheet](#) on the IRS website.

Low Income Taxpayer Clinics celebrate 20 years of service to taxpayers

Today, there are 134 clinics across the nation.

In July, the Low Income Taxpayer Clinic (LITC) program celebrated 20 years of service to constituents. Originally enacted as part of the IRS Restructuring and Reform Act of 1998, the program today consists of 134 LITCs in 48 states and the District of Columbia. For the most recent 4-year period (final data is only available through 2016), LITCs:

- Represented more than 100,000 low income taxpayers with IRS controversies; and
- Educated more than 450,000 low income taxpayers along with those for whom English is a second language about their rights and responsibilities under the tax code.

To be eligible for LITC assistance, constituents are considered low income if their income doesn't exceed 250 percent of the federal poverty level.

LITCs must have at least one staff member who is authorized to represent constituents before the IRS. In addition, all LITCs must have a staff member or a *pro bono* panel member who is admitted to practice before the United States Tax Court to handle litigation matters.

To learn more about [eligibility requirements](#) and locate clinics in each state, visit the [LITC website](#).

Tax Reform Outreach and Guidance on IRS.gov

Our [tax reform website](#) has been reorganized to make your job easier. Now, when searching for the latest tax reform content, you'll find it quickly based on the type of taxpayer: individuals, businesses or tax exempt entities.

NTA releases mid-year report to Congress/launches Tax Reform Changes website

National Taxpayer Advocate Nina E. Olson has released her statutorily mandated [mid-year report to Congress](#). The report presents a review of the 2018 Filing Season, identifies the priority issues the Taxpayer Advocate Service (TAS) will address during the upcoming fiscal year, and contains the IRS's

responses to each of the 100 administrative recommendations the Advocate made in her 2017 Annual Report to Congress.

The most significant challenge the IRS faces in the upcoming year is implementing the Tax Cuts and Jobs Act of 2017 (TCJA), which, among other things, requires programming an estimated 140 systems, writing or revising some 450 forms and publications, and issuing guidance on dozens of TCJA provisions. Ms. Olson expresses confidence that the IRS will implement the law successfully. “Make no mistake about it. I have no doubt the IRS will deliver what it has been asked to do,” she writes in the preface to the report.

Also, in light of the Tax Cuts and Jobs Act, TAS has launched a new website, [Tax Reform Changes](#), that lists key tax return items under current law (2017), shows which ones have been impacted by the TCJA, and illustrates how the changes will be reflected on tax year 2018 returns filed in 2019. Your constituents can navigate the website by viewing key tax return topics or seeing them illustrated on a 2017 Form 1040. The line-by-line explanations allow constituents to see how the new law may change their tax filings and consider how to plan for these changes.

To learn more about TAS’s areas of focus for FY 2019, visit www.TaxpayerAdvocate.irs.gov/2019ObjectivesReport.

Tax return copies and transcripts

Constituents should [keep a copy of tax returns for at least three years](#). If a constituent is unable to locate copies of previous year tax returns, they should check with their software provider or tax preparer first. Tax returns are available from IRS – for a fee.

Even if they have a copy of their tax return, some constituents need a [transcript](#) for a mortgage, college financial aid application or other reason.

To get a transcript, constituents can –

- Order online using the [Get Transcript](#) tool on IRS.gov. Users must authenticate their identity with the Secure Access process.
- Order by mail using [Get Transcript by Mail](#) or calling 800-908-9946.
- Complete and send either [4506-T](#) or [4506T-EZ](#) to the IRS.

Transcripts are free and available for the current tax year and the past three years. A transcript usually displays most line items from the tax return and any related forms and schedules. It doesn’t reflect any changes the constituent or the IRS may have made to the original return.

Constituents needing a transcript should plan ahead. Delivery times for online and phone orders are five to 10 days. Constituents should allow 30 days to receive a transcript ordered by mail.

Constituents who need an actual copy of a tax return can get one for the current tax year and as far back as six years. A constituent will complete and mail [Form 4506](#) to request a copy of a tax return. They should mail the request to the appropriate IRS office listed on the form and allow 75 days to receive the copies by mail. The current fee per copy is \$50.

Links

- [Passport Revocations](#)
- [For new tax on some private colleges, stepped-up basis may apply to property sold at a gain; new basis rule may limit tax impact](#)
- [Tax reform allows people with disabilities to put more money into ABLE accounts, expands eligibility for Saver's Credit](#)
- [Summer tips for temporary jobs, marriage, deductions and credits](#)

IRS on YouTube

- [Individual Tax Identification Number](#)
- [Monitoring Your Outsourced Payroll Duties on EFTPS](#)
- [IRS Letter CP2000: Proposed Changes to Your Tax Return](#)
- [Paycheck Checkup](#)

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IRS Congressional Update

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

IRS issues proposed regulations on new 20 percent deduction for passthrough businesses

IRS issued [proposed regulations](#) for a new provision allowing many owners of sole proprietorships, partnerships, trusts and S corporations to deduct 20 percent of their qualified business income.

The new deduction -- referred to as the Section 199A deduction or the deduction for qualified business income -- was created by the Tax Cuts and Jobs Act. The deduction is available for tax years beginning after Dec. 31, 2017. Eligible taxpayers can claim it for the first time on the 2018 federal income tax return they file next year.

The deduction is generally available to eligible taxpayers whose 2018 taxable incomes fall below \$315,000 for joint returns and \$157,500 for other taxpayers. It's generally equal to the lesser of 20 percent of their qualified business income plus 20 percent of their qualified real estate investment trust dividends and qualified publicly traded partnership income or 20 percent of taxable income minus net capital gains.

Deductions for taxpayers above the \$157,500/\$315,000 taxable income thresholds may be limited. Those limitations are fully described in the proposed regulations.

Qualified business income includes domestic income from a trade or business. Employee wages, capital gain, interest and dividend income are excluded.

In addition, [Notice 2018-64](#), also issued today, provides methods for calculating Form W-2 wages for purposes of the limitations on this deduction. More information in the form of [FAQs on Section 199A](#) can be found on IRS.gov.

Taxpayers may rely on the rules in these proposed regulations until final regulations are published in the Federal Register.

Written or electronic comments and requests for a public hearing on this proposed regulation must be received within 45 days of publication in the Federal Register.

Paycheck Checkup

Following the December 2017 Tax Cuts and Jobs Act, the IRS began conducting its "Paycheck Checkup" campaign. The goal is to encourage all taxpayers to check and adjust their withholding in light of tax law changes..

Under the TCJA, many taxpayers can decrease their withholding and increase their take home pay. Others need to increase their withholding to avoid a tax bill when it comes time to file their 2018 tax return.

During the week of August 13, 2018, the IRS focused its paycheck checkup campaign on specific groups of taxpayers who could be most affected by the TCJA changes. It's not too late for these taxpayers to do a paycheck checkup and adjust their withholding as they find it necessary.

Those groups and the outreach material designed to help them are:

-
- Taxpayers who got a big refund in 2018, see
 - [Got a big tax refund? Use IRS Withholding Calculator to boost take-home pay in 2018](#)
 - [IRS tells taxpayers who got a big refund to do a “paycheck checkup”](#)
 - Taxpayers with high income or a complex return, see
 - [Taxpayers with high incomes, complex returns: Check withholding soon](#)
 - [IRS urges taxpayers with high income, complex returns to check withholding](#)
 - Taxpayers with dependents, see
 - [Key tax change affects taxpayers with dependents; IRS urges workers to check withholding](#)
 - [Taxpayers who support dependents should check their withholding now](#)
 - Taxpayers with children and other dependents, see
 - [Taxpayers with children, other dependents should check their withholding soon](#)
 - [Taxpayers with children, other dependents should check withholding ASAP](#)
 - Taxpayers Working in the sharing economy, see
 - [For people involved in the sharing economy: Do a ‘Paycheck Checkup’ now, avoid a surprise year-end tax bill](#)

Any taxpayer with online access can use the IRS’s [Withholding Calculator](#) to do a paycheck checkup, even those who don’t have withholding. Those who don’t have online access can do a paycheck checkup with the help of IRS Publication 505, [Tax Withholding and Estimated Tax](#). To get Publication 505 by mail call 1-800-TAX-FORM.

Third quarter estimated tax payment September 17

U.S. income taxes work on a [pay as you go](#) basis. Taxes are paid throughout the year as income is earned. Taxpayers pay as they go by having their employer withhold tax from their wages, by making quarterly estimated tax payments out of their non-employee earnings, or by some combination of the two.

As the nature of work changes, fewer people make a living entirely through a traditional employer/employee relationship and more people make some, or all, of their living through non-employee earnings. As a result, more people become personally responsible for “withholding” taxes from their non-employee earnings and submitting those taxes in the form of estimated tax payments.

The IRS’s [Withholding Calculator](#), [Publication 505, Tax Withholding and Estimated Tax](#), and the worksheet in [Form 1040-ES](#), Estimated Tax for Individuals, can help people check their withholding and figure their payments correctly. IRS [Direct Pay](#) is the fastest and easiest way to pay.

Those without internet access can call the IRS at 1-800-TAX-FORM to have forms and publications mailed to them.

Taxpayer Advocate Services creates Tax Reform website

New site helps constituents understand how tax law changes might affect their returns

To help constituents understand how the provisions of the Tax Cuts and Jobs Act will affect them, the Taxpayer Advocate Service has created a [Tax Reform Changes website](#)

that identifies the most commonly reported items under pre-tax reform law and shows how the TCJA changes that took effect for 2018 regarding these items will be reflected on tax returns filed in early 2019. The site has been designed so constituents can also see what items have *not* changed. The [Tax Reform Changes website](#) shows your constituents how the new tax law may change their future tax filings and helps them plan for these changes. The site is mobile friendly and provides line-by-line explanations and scenarios to describe how the new law may affect them. Key features of the site allow constituents to:

- Navigate the website by key tax return topics, by reviewing the associated topic on a 2017 Form 1040, or by going straight to a “How will this affect me” section;
- See how the new law may change their tax filings and allow them to consider how they want to plan for these changes;
- Explore scenarios for each topic to help explain how the change might affect them; and
- Most importantly, make [withholding adjustments](#), if needed, by filing a new Form W-4, Employee’s Withholding Allowance Certificate. All constituents that are considered employees should take moment to check their withholdings to see if they need to make any changes. There is a link both to determine the correct withholding and to file the W-4 Form from the Tax Reform Changes website.

The website has been designed to incorporate updated information as it becomes available. Constituents can sign up for email notifications when the site is updated by using the purple *Subscribe* button at the top of the site.



Applying for tax exempt status

Many congressional inquiries focus on a constituent’s application for tax exempt status. The following is intended to help you and your constituents understand the application process.

State law governs nonprofit status. Before applying to the IRS for recognition as a tax-exempt organization, constituents must:

1. Prepare organizing documents establishing a nonprofit trust, corporation or association,
2. Register their nonprofit organization in compliance with state law, and
3. Obtain an employer ID number (EIN) from the IRS.

Federal law governs exemption from federal income tax. The constituent must decide which type of tax exempt status is appropriate:

- Charitable, Religious or Educational organization under 501(c)(3),
- Social Welfare organization under 501(c)(4), or
- Other Non-Profit or Tax-Exempt organization, 501(a).

An application for tax exempt status can then be submitted to the IRS.

Different application forms and supporting documents are required depending on the type of

exempt status sought. A complete and fully documented application expedites the process. Here's the walk-through:

- [Before Applying for Tax Exempt Status](#)
- [Applying for Tax Exempt Status](#)
 - [Interactive Application Process](#)
- [What's the Status of My Exemption Application?](#)

In general, if a constituent is eligible to use the "EZ" Application for Recognition of Exemption, they can expect to hear from the IRS in 90 days. Otherwise they can expect to hear in 180 days. If a constituent hasn't heard from IRS within these time frames, they can call the IRS to check on the status of their application. The toll-free number is 877-829-5500, 8 a.m. to 5 p.m. local time.

Many constituents want their application for tax exempt status expedited. This is not always possible. Information on when the IRS may consider expediting a tax-exempt application is available [here](#).

Understanding and meeting tax responsibilities is vital, failure to do so can result in automatic revocation of tax exempt status. See [How to Stay Exempt](#) for more information on keeping a tax-exempt status.

Information to help charities and non-profits is available. On the IRS.gov home page, select:

[Charities & Nonprofits](#)

New law gives individuals, businesses more time to challenge a wrongful IRS levy

Individuals and businesses have additional time to file an administrative claim or to bring a civil action for wrongful levy or seizure, according to the Internal Revenue Service. The Tax Cuts and Jobs Act of 2017, the tax reform law enacted in December, [extended the time limit for filing an administrative claim](#) and for bringing a suit for wrongful levy from nine months to two years.

Tax benefits for education

As school starts, many students and parents are concerned about tuition and other expenses. Tax credits and deductions may be able to help. Information on what tax benefits are available is at the IRS's [Tax Benefits for Education Information Center](#). The Center includes a link to the IRS's Interactive Tax Assistant, a tool taxpayers can use to help determine if they're eligible for credits and deductions.

Those planning for the longer term may be considering a 529 College Savings Plan or a Coverdell Education Savings Account. The Education Information Center covers savings plans as well. There have been some changes to 529 plans in recent years that taxpayers may want to be aware of. Information on the changes is available in this July 30, 2018, IRS News Release: [IRS offers guidance on recent 529 education savings plan changes](#).

IRS [Publication 970](#) (PDF), Tax Benefits for Education, has full details including an appendix with an illustrated example and a comparison chart of the various benefits. To receive the latest copy of Publication 970 by mail, call the IRS at 1-800-TAX-FORM.

You can use the IRS's [Interactive Tax Assistant](#) tool to help determine if you're eligible for

educational credits or deductions, including the American Opportunity Tax Credit, the Lifetime Learning Credit and the Tuition and Fees Deduction.

Reminders

[Treasury, IRS issue proposed regulations on charitable contributions and state and local tax credits](#)

[Treasury, IRS issue proposed regulations on new 100 percent depreciation](#)

[New law makes clear: Combat-zone contract workers qualify for foreign earned income exclusion](#)

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IRS Congressional Update

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

New Tax Reform webpage for business and self-employed

Business owners and self-employed taxpayers should make IRS.gov their first stop for information on how tax reform affects both their business and individual taxes. The updated [IRS.gov/tax reform page](#) has helpful information for individuals, businesses and tax-exempt entities.

The [Businesses page](#) includes these topics and others:

- [New 20 percent deduction for passthrough business](#)
- [Changes to deductions for certain fringe benefits](#)
- [New employer credit for paid family and medical leave](#)
- [Depreciation and expensing](#)

Like-kind exchanges - real estate tax tips

Like-kind exchanges — when you exchange real property used for business or held as an investment solely for other business or investment property that is the same type or “like-kind” — have long been permitted under the Internal Revenue Code. Generally, if you make a like-kind exchange, you are not required to recognize a gain or loss under Internal Revenue Code Section 1031. If, as part of the exchange, you also receive other (not like-kind) property or money, you must recognize a gain to the extent of the other property and money received. You can’t recognize a loss.

Under the Tax Cuts and Jobs Act, Section 1031 now applies only to exchanges of real property and not to exchanges of personal or intangible property. An exchange of real property held primarily for sale still does not qualify as a like-kind exchange. A transition rule in the new law provides that Section 1031 applies to a qualifying exchange of personal or intangible property if the taxpayer disposed of the exchanged property on or before Dec. 31, 2017, or received replacement property on or before that date.

Thus, effective Jan. 1, 2018, exchanges of machinery, equipment, vehicles, artwork, collectibles, patents and other intellectual property and intangible business assets generally do not qualify for non-recognition of gain or loss as like-kind exchanges. However, certain exchanges of mutual ditch, reservoir or irrigation stock are still eligible for non-recognition of gain or loss as like-kind exchanges.

Like-kind property

Properties are of like-kind if they're of the same nature or character, even if they differ in grade or quality.

Real properties generally are of like-kind, regardless of whether they're improved or unimproved. For example, an apartment building would generally be like-kind to another apartment building. However, real property in the United States is not like-kind to real property outside the United States.

An estimated tax payment in 2018 could help avoid a penalty in 2019

Taxes must be paid as you [earn or receive income](#) during the year, either through withholding, [estimated tax](#) payments or a combination of both. A Paycheck Checkup using the IRS [Withholding Calculator](#) can help you see if you need to make an additional payment to avoid an unexpected tax bill or underpayment penalty when you file your tax return next year.

You may need to make estimated payments if you:

- have multiple jobs — especially if you don't have each employer withhold taxes
- are self-employed or an independent contractor
- are a representative of a direct-sales or in-home-sales company
- participate in [sharing economy](#) activities where you are not working as an employee
- receive pension income

Visit [IRS.gov](https://www.irs.gov) to learn more.

Extension filers: deadline is Monday, Oct. 15

Filing

Taxpayers who requested an extension of time to file their 2017 income tax return have until Oct. 15 to submit their return. The IRS recommends taxpayers file their return electronically using IRS [e-file](#) or the [Free File](#) system. Both are available for taxpayers needing to file their returns.

The IRS also encourages taxpayers to see if they qualify for these and other significant [credits and deductions](#):

-
- Benefits for low- and moderate-income workers and families, especially the Earned Income Tax Credit, can increase a taxpayer's refund and lower the amount of taxes they pay. The [EITC Assistant](#) can help taxpayers see if they're eligible.
 - Savers credit, claimed on [Form 8880](#), for low- and moderate-income workers who contributed to a retirement plan, such as an IRA or 401(k).
 - American Opportunity Tax Credit, claimed on [Form 8863](#), and other [education tax benefits](#) for parents and college students.

Paying

Paying in full by the due date is best but taxpayers with extensions should file their returns by the due date even if they can't pay the full amount owed. By doing so, they will avoid the late-filing penalty, normally 5 percent per month, that would otherwise apply to any unpaid balance. Late payment penalties and interest will still apply but can be reduced by making a partial payment.

IRS [Direct Pay](#) offers taxpayers a fast and easy way to pay. Direct Pay is free and allows individuals to securely pay their tax bills online directly from checking or savings accounts without any fees or pre-registration. Taxpayers can also [pay by debit or credit card](#) however the card processors, not the IRS, charges a fee for this service.

If there is still a balance due, taxpayers can request a payment plan. Plans can be requested using the IRS's [Online Payment Agreement Application](#) or by sending in [Form 9465](#), Installment Agreement Request, with the return.

Paycheck Checkup

It is always a good idea for those who owe at the end of the year to do a "Paycheck Checkup" to ensure they will not owe again the next year. Considering significant changes in the tax laws, this year the IRS encourages all taxpayers to do a "Paycheck Checkup." Taxpayers can do a quick checkup using the IRS [Withholding Calculator](#) or by using IRS [Publication 505](#), Tax Withholding and Estimated Tax.

Tax scams and consumer alerts

Thousands of people have lost millions of dollars and their personal information to tax scams. Scammers use the regular mail, telephone, or email to set up individuals, businesses, payroll and tax professionals.

The IRS doesn't initiate contact with taxpayers by email, text messages or social media channels to request personal or financial information. Recognize the telltale

signs of a scam. See also: [How to know it's really the IRS calling or knocking on your door](#).

With hurricane season underway, the Internal Revenue Service is reminding taxpayers that criminals and scammers often try to take advantage of the generosity of those who want to help victims of major disasters. See the [IRS June 7, 2018 news release](#): With hurricane season underway, IRS warns of scams related to natural disasters.

The IRS also warns of a new twist on an old phone scam as criminals use telephone numbers that mimic IRS Taxpayer Assistance Centers to trick taxpayers into paying non-existent tax bills. See the [April 24, 2018 news release](#): IRS, Security Summit Partners warn of new twist on phone scam; crooks direct taxpayers to IRS.gov to “verity” calls.

How to Report Tax-Related Schemes, Scams, Identity Theft and Fraud

To report tax-related illegal activities, refer to our [chart](#) explaining the types of activity and the appropriate forms or other methods to use. You should also report instances of IRS-related phishing attempts and fraud to the [Treasury Inspector General for Tax Administration](#) at 800-366-4484.

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IRS Congressional Update

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

Guidance on business expense deductions

In October, the IRS issued guidance on the business expense deduction for meals and entertainment following recent changes to the tax law. Individuals, or their employees, may continue to deduct 50 percent of the cost of business meals if present and the food or beverages are not considered lavish or extravagant. The meals may be provided to a current or potential business customer, client, consultant or similar business contact.

Until the proposed regulations are effective, taxpayers can rely on guidance in [Notice 2018-76](#). Updates on the implementation of the Tax Cuts and Jobs Act can be found on the [Tax Reform page](#) of IRS.gov.

Limited time to elect out of new 100 percent depreciation deduction for 2017

Businesses that placed qualifying property in service during 2017 but choose not to claim the new 100 percent depreciation deduction have a limited time to file the required election with the IRS. The new 100 percent deduction allows businesses to write off most depreciable business assets in the year they are placed in service. Because the deduction is retroactive and applies to qualifying property acquired and placed in service after Sept. 27, 2017, it may affect many 2017 tax returns.

For more information, see [IRS Fact Sheet 2018-09](#).

It's time for a paycheck checkup if you have dependents

The [new tax law](#) includes a Credit for Other Dependents — those who can't be claimed for the Child Tax Credit. This new credit offers up to \$500 per eligible dependent and begins phasing out at \$400,000 for joint filers and \$200,000 for other taxpayers.

This change can affect your tax situation. Doing a paycheck checkup now, using the [IRS Withholding Calculator](#), can save you from an unexpected tax bill or penalties next year.

“Other dependents” are qualifying children and relatives that you claim on your tax return, including:

- Dependent children who are age 17 or older at the end of 2018.
- A parent you support.

Don't forget to check your state withholding too.

National Taxpayer Advocate blog highlights issues affecting taxpayers and their rights

Subscribe to the blog today.

The National Taxpayer Advocate examines, on a regular basis, the impact of governmental action on the ability of taxpayers to comply with the tax laws and resolve their disputes in a way that affords them all the rights to which they are entitled, including minimal burden. By using the topics covered in the Annual Reports to Congress as a basis for blog discussions, the National Taxpayer Advocate hopes to increase the transparency of U.S. tax administration. Each posting explores issues covered in the Reports, provides additional background information, and describes new developments.

The views expressed in this blog are solely those of the National Taxpayer Advocate. The National Taxpayer Advocate is appointed by the Secretary of the Treasury and reports to the Commissioner of Internal Revenue. However, the National Taxpayer Advocate presents an independent taxpayer perspective that does not necessarily reflect the positions of the IRS, the Treasury Department, or the Office of Management and Budget.

[Subscribe to the NTA's Blog](#) and receive updates on the latest blog posts from National Taxpayer Advocate Nina E. Olson. Additional blogs from the National Taxpayer Advocate can be found at www.taxpayeradvocate.irs.gov/blog.

Educational letters sent to paid tax preparers

The IRS expanded the refundable credit paid preparer compliance program to include the Earned Income Tax Credit (EITC), Child Tax Credit (CTC), Additional Child Tax Credit (ACTC), and the American Opportunity Tax Credit (AOTC).

Outreach and education are important parts of a tiered strategy to improve the accuracy of refundable credit claims. They are important tools to help paid tax preparers complete accurate returns. We focus on providing preparers with various educational resources including the [EITC Central Preparer Toolkit](#) to help them understand tax law and their due diligence responsibilities.

One tier in IRS' outreach and educational efforts includes sending [letters](#) to paid tax preparers with a high likelihood of refundable credit errors.

The letters are sent based on the previous filing season behavior prior to the start of the next filing season. The letters list the primary issues identified on the tax returns prepared, tax law changes that affect the paid tax preparer and due diligence requirements. The IRS continues to monitor the paid tax preparer's future returns claiming these credits. If improvement does not occur, the paid tax preparer may be subject to further compliance actions.

Paid tax preparers must comply with all due diligence requirements. Failure to do so can result in a penalty of \$520 per failure for tax returns filed in 2019, a due diligence audit, suspension or termination of e-filing privileges.

An opportunity for your constituents to help in their community

As the IRS prepares for the 2019 filing season, IRS partners are also preparing to recruit and train volunteers to help prepare tax returns for free in communities across the country. This is where you, your staffers and your constituents can help. Volunteers are always needed. Those who volunteer will provide free tax return preparation services for taxpayers who qualify for the Volunteer Income Tax Assistance and Tax Counseling for the Elderly programs.

Volunteering with VITA and TCE is a rewarding way to make a difference in the community. The programs help low-to-moderate income earners, seniors, people with disabilities, those who speak limited English, Native Americans and many others who need help with free tax return preparation.

Volunteers will have the opportunity to select their volunteer role. They can choose to be a greeter, a reviewer, a tax preparer and more. Once they pick their role, they will receive free IRS training to become an IRS-certified volunteer. This training will include the new tax reform, so that volunteers can help taxpayers take full advantage of the new tax benefits to which they are entitled.

Once training is complete and their site opens, volunteers will help provide tax preparation service to taxpayers – generally those who make \$55,000 or less – who do not have the ability to prepare their own tax returns. The hours are flexible, so volunteers can volunteer as their schedules permit. Last year, volunteers prepared over 3.5 million tax returns for taxpayers. Many of these returns resulted in refunds that help generate local economic activity in your state.

Prospective volunteers can find more details about volunteering for the VITA and TCE programs on the [IRS tax volunteer](#) website, and then submit their contact information as instructed on the site. This information will be sent to the local IRS area office and appropriate sponsoring partners for further contact. With sites conveniently located in churches, community centers, libraries and senior centers across the country, there's surely one nearby that can use some help.

Please help spread the word with your constituents of this rewarding way to make a difference! For more details about the VITA and TCE programs go to [IRS Free Tax Prep](#).

IRS offers a variety of ways to pay taxes

It may seem an odd time of year to be talking about paying taxes. Last year's returns were filed months ago, next year's returns aren't due until months from now. But at any given time, millions of Americans have an outstanding tax bill. And the key to keeping it

to a minimum, and avoiding IRS collection efforts, is to pay as much as you can whenever you can. So here are some options.

[IRS Direct Pay](#): Constituents can make online direct debit payments from their bank account. The system is easy to use, there's no cost and payments can be scheduled up to thirty days in advance. The option to receive email notifications of payments is provided.

[Debit or Credit Card](#): Payments can be made online or by phone through authorized payment processors. The processors charge a fee for this service. Find the payment processors and their telephone numbers on [IRS.gov/payments](https://www.irs.gov/payments).

[IRS2Go Mobile App](#): Pay on the go with the IRS mobile app. It provides access to IRS Direct Pay and payments by debit or credit card. Download the IRS2Go app from Google Play, Apple App Store or Amazon App Store.

[Electronic Federal Tax Payment System](#): It's used mostly by businesses but individuals can use it too. Enrollment is required but once enrolled, constituents can schedule multiple online direct debit payments up a year in advance and make spot payments by phone. Learn more at [EFTPS.gov](https://www.eftps.gov) or call 1-800-555-4477.

[Check or Money Order](#): They should be made out to the U.S. Treasury and include the constituent's SSN and the year and tax where they want the payment applied (e.g. 2017 1040). Mail them to the address on the tax bill.

[Cash \(At a Retail Partner\)](#): There is a \$3.99 fee per payment, payment amounts are limited to \$1,000 per day.

Can't Pay Now? Constituents can:

- Apply for a [payment plan](#)
- Consider an [offer in compromise](#) -- a way to settle tax debt for less than the full amount
- Request a [temporary delay in collection](#) until their financial situation improves

Individual Retirement Accounts – required distributions

A taxpayer cannot keep retirement funds in their account indefinitely. Someone with an IRA generally must start [taking withdrawals](#) from their IRA when they reach age 70½. Roth IRAs do not require withdrawals until after the death of the owner.

For traditional IRAs (including Simplified Employee Pension and Savings Incentive Match Plan for Employees IRAs), the deadline for taking the first required minimum distribution (RMD) is April 1 of the year following the calendar year in which the account holder reaches age 70½.

Additional Links

- [Charles P. Rettig becomes the 49th Commissioner of the IRS](#)
 - [Individual Taxpayer Identification Number reminders](#)
-

IRS on Social Media

[YouTube](#)

[Twitter](#)

[LinkedIn](#)

[Facebook](#)

[IRS2Go](#) is the official mobile app of the IRS, available in both English and Spanish.

The *IRS Congressional Update* is a monthly newsletter, prepared by IRS Legislative Affairs. For information on resolving taxpayer account issues, visit [Taxpayer Advocate Service](#).





IRS Congressional Update

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

National Tax Security Awareness Week, Dec. 3-7

IRS, state tax agencies and the nation's tax industry will sponsor a nationwide campaign in December urging people to better protect their sensitive tax and financial data.

The third annual [National Tax Security Awareness campaign](#), to be held Dec. 3-7, will feature events nationwide, highlight a daily security topic and mark the launch of a special @IRSTaxSecurity Twitter handle that will keep the public aware of emerging threats throughout the 2019 tax filing season.

"This time of year marks an especially risky period for people and their sensitive financial data," said IRS Commissioner Chuck Rettig. "There are added risks with online holiday shopping and tax scams that could threaten people's tax data. We encourage people to review some simple steps to protect their data and protect their tax returns during filing season."

To help protect the public, please follow the Tax Security Awareness campaign and share information. You can do that at [Twitter.com/IRSnews](https://twitter.com/IRSnews) with the IRS hashtag #TaxSecurity, and by subscribing to IRS [News Releases](#) and [Tax Tips](#).

Get Ready campaign: take steps now for 2019 tax filing season

There are significant changes taxpayers need to be aware of *before* they sit down to prepare their 2018 tax returns. The IRS is circulating a series of communications and outreach messages to help taxpayers "Get Ready" to file their tax returns timely and accurately next year.

Key things taxpayers need to know and do are covered at [IRS.gov/getready](https://irs.gov/getready). These will be covered in IRS [news releases](#) and tax tips to be issued through the end of the year and into the filing season. To subscribe to IRS news releases and tax tips click [here](#).

Tax Reform information for individuals, businesses and tax-exempt entities is available at [IRS.gov/taxreform](https://irs.gov/taxreform). On that page you'll find the IRS's newly developed [Publication 5307](#), Tax Reform Basics for Individuals and Families.

Key tax reform changes that affect individual taxpayers include:

- Increasing the standard deduction to,
-

- \$12,000 for single and married filing separate
- \$24,000 for married filing jointly or qualifying widow(er)
- \$18,000 for head of household
- Suspending personal exemptions,
- Increasing and expanding the child tax credit,
 - Credit increased from \$1,000 to \$2,000
 - Income limit expanded so more taxpayers qualify
 - Up to \$1,400 of the credit is refundable for each qualifying child
- A new credit for “other dependents”
 - Up to \$500 for dependents who are not a qualifying child

In addition to the above, tax reform suspended or modified certain individual itemized deductions.

Suspended itemized deductions include:

- The limit on overall itemized deductions
- Miscellaneous itemized deductions
- Moving expenses

Modified itemized deductions include:

- Medical and dental expenses
- State and local income, sales and property taxes
- Home mortgage and home equity interest
- Charitable contributions
- Casualty and theft losses

For more information about these and other tax reform changes, see and share IRS [Publication 5307](#), Tax Reform Basics for Individuals and Families.

Taxpayers can use the IRS’s [Interactive Tax Assistant](#) beginning in January to see if they’re eligible to claim the Child Tax Credit and Credit for Other Dependents.

Follow and share the IRS hashtags #GetReady and #BeTaxReady.

2019 Earned Income Tax Credit Awareness Day promotes awareness of refundable credits

Many eligible taxpayers fail to take full advantage of refundable tax credits. To help, planning is underway for the 2019 EITC Awareness Day. It’s a one-day blitz in mainstream and social media designed to raise awareness of refundable tax credits; credits that can result in a refund even for those who don’t owe any tax.

2019 EITC Awareness Day will be held on Friday, Jan. 25. Outreach material you can use should post to the IRS [Outreach Corner](#) in early January.

Follow and share the IRS hashtags #EITCAwarenessDay and #EITC.

Taxpayer Advocate Service's Tax Reform Changes website available in Spanish

TAS has expanded its [Tax Reform Changes](#) website to assist Spanish-speaking. The [Spanish version](#), like the English version, addresses the most common lines used on last year's IRS Form 1040, *US Individual Income Tax Return*, and shows which have been affected by the new law and which have not. For the lines that have changed, the website provides line-by-line explanations and scenarios to describe how the new law may affect constituents.

The new site is designed so everyone can see how the new changes that took effect for 2018 will be reflected on individual tax returns filed in early 2019. A preview of the site is available on [YouTube](#).

And just like the English site, constituents can sign up to receive email notifications as the website is updated with new tax law information. It's updated frequently, and many new topics have been added since the English version launched earlier this year.

To learn more about the site, read the National Taxpayer Advocate's recent [blog](#).



IRS Criminal Investigation releases its Fiscal Year 2018 Annual Report

IRS released the Criminal Investigation Division's (CI) [annual report](#), reflecting significant accomplishments and criminal enforcement actions taken in fiscal year 2018. "This report shows that as financial crime has evolved and proliferated around the world, so have IRS Criminal Investigation special agents and their abilities to track the

proceeds of financial crime,” said IRS Commissioner Chuck Rettig. “CI uses cutting-edge technology combined with sophisticated investigative work to bring the most impactful cases that affect tax administration. I am extremely proud of our special agents and professional staff and their work serving the nation.”

A major focus of CI in fiscal 2018 was traditional tax cases, including international tax enforcement, employment tax, refund fraud and tax-related identity theft. Other areas of emphasis included public corruption, cybercrime, terrorist financing and money laundering.

CI is the only federal law enforcement agency with jurisdiction over federal tax crimes. CI achieved a conviction rate of 91.7 percent in fiscal 2018, which is among the highest of all federal law enforcement agencies.

New YouTube video explains the Tax-Exempt Organizations Search tool

A new YouTube [video](#) features Exempt Organizations’ Tax Exempt Organizations Search (TEOS), the website where all Americans can go to check whether donations to an exempt organization are tax deductible.

The video is available in [English](#) and [American Sign Language](#).

Reminders

- [IRS warns of scams related to natural disasters](#)

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