IRS

Congressional Update

News for members of Congress and their staffs ..... March 2020

Increased visits to high-income taxpayers who haven't filed

As part of a larger effort to ensure compliance and fairness, the IRS is stepping up efforts to visit high-income taxpayers who in prior years have failed to timely file one or more of their tax returns.

Everyone should file their 2019 tax return by the April 15 filing deadline regardless of whether they can pay in full. Six-month filing extensions are also available, although that does not extend the April deadline for paying any taxes owed.

Taxpayers who exercise their best efforts in filing their tax returns and paying their taxes deserve to know that the IRS is aggressively pursuing others who have failed to satisfy their filing and payment obligations.

For more information, see **IRS news release IR-2020-34**.

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e-Filing applications for tax exempt status

To help charities apply for Section 501(c)(3) tax-exempt status, the IRS has revised Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, and its instructions. The revision allows for electronic filing of Form 1023 for the first time.

As of Jan. 31, 2020, applications for recognition of exemption on Form 1023 must be submitted electronically online at **Pay.gov**. The IRS is providing a 90-day grace period during which it will continue to accept paper versions of Form 1023 (Rev. 12-2017).

The required user fee for Form 1023 will remain $600 for 2020. Applicants must pay the fee through **Pay.gov** when submitting the form. Payment can be made directly from a bank account or by credit or debit card.

Additional information on how organizations apply for IRS recognition of tax-exempt status is available on our website at:

- **Applying for Tax-Exempt Status**
- **Form 1023 Electronic Filing Overview presentation**
- **Applying for 501(c)(3) Status course**

SECURE Act makes RMD rule changes for IRAs

The *Setting Every Community Up for Retirement Enhancement Act of 2019* (SECURE Act) became law on Dec. 20, 2019 and included a change to the required minimum distribution (RMD) age rule. However, the change is not retroactive. That means any taxpayer who turned 70½ in 2019 must still take their first RMD by April 1, 2020. For 2020 and subsequent years, the required minimum distribution must be taken by Dec. 31.

Going forward, taxpayers will not be required to begin taking RMDs until they reach age 72. The first-year grace period still applies; they have until April 1 of the following year to take their first RMD but must do so by Dec. 31 in subsequent years.

More information on RMDs and how to calculate them is available on IRS.gov at:

- **Retirement Plan and IRA Required Minimum Distributions FAQs**
- **Retirement Topics — Required Minimum Distributions (RMDs)**

Employers hiring in 2020: Don't forget the Work Opportunity Tax Credit

Congress recently approved and the president signed into law the *Taxpayer Certainty and Disaster Tax Relief Act of 2019*. It renews several tax provisions, including the Work Opportunity Tax Credit (WOTC).

The WOTC is a Federal tax credit available to employers for hiring individuals from certain **targeted groups** who have consistently faced significant barriers to employment.

The WOTC allows eligible employers to claim the credit for all targeted group employee categories if the individual began or begins work for the employer *after* Dec. 31, 2014 and *before* Jan. 1, 2021.

For more information on the WOTC, employers may visit **Work Opportunity Tax Credit on IRS.gov**. The information is available in three languages.

Starting this year, a new 1099 form is in use: 1099-NEC (Nonemployee Compensation)

The 2015 PATH Act, P.L. 114-113, Div. Q, sec. 201, accelerated the due date for filing Forms 1099 that include nonemployee compensation (NEC) to Jan. 31, and the automatic 30-day extension for forms that include NEC was eliminated.

To help facilitate implementation of the PATH Act, starting with payments made in 2020, Form 1099-NEC replaces 1099-MISC for all payments to independent contractors, including regular payments for services and the value of certain fringe benefits. All payments to those designated as nonemployees are to be reported on this form, including payments to nonemployee directors and legal services provided by outside counsel.

Businesses and individuals who handle 1099 reporting in-house should start updating their systems. Businesses and individuals who outsource 1099 reporting should contact their vendor (tax professional) to confirm that the vendor has or soon will have updated systems.

The new 2020 form 1099-NEC and its instructions are available on IRS.gov at

- **Form 1099-NEC**
- **Instructions for Forms 1099-MISC and 1099-NEC (2020)**

See **About Form 1099-NEC, Nonemployee Compensation**. To order the new Form 1099-NEC, visit **Online Ordering for Information Returns and Employer Returns**.

Prior to the PATH Act, all Forms 1099-MISC, including those reporting nonemployee compensation, were due to taxpayers by Jan. 31 of the following year. The same forms were due to the IRS by Feb. 29 and an automatic 30-day extension of time to file forms 1099 with IRS was available.

This created a two-month window during which returns claiming refunds dependent on income and/or refundable tax credits could be filed and paid before the IRS had information to confirm that those returns were accurate and legitimate.

Among other things, the PATH Act closes that two-month window. It requires income reporting to occur earlier and refunds dependent in whole or in part on refundable credits to be paid later. In short, it allows more time for the IRS to confirm taxpayers' eligibility for refundable credits and protect taxpayers against refund fraud.

Tuition and fees deduction extended

The tuition and fees deduction has been extended for qualified tuition and fees paid in calendar years 2018, 2019 and 2020. Don't claim the deduction for expenses paid after 2020 unless the credit is extended again. Use **Form 8917 (Rev. January 2020)** and these instructions for years after 2017.

IRS seeks volunteers for Taxpayer Advocacy Panel through March 30

The IRS is seeking civic-minded volunteers to serve on the Taxpayer Advocacy Panel (TAP), a federal advisory committee that listens to taxpayers, identifies major taxpayer concerns, and makes recommendations for improving IRS service and customer satisfaction.

Established under the authority of the Department of the Treasury, the TAP generally is composed of representatives from all 50 states, the District of Columbia, and Puerto Rico. The TAP offers its members a unique opportunity to participate in the improvement of both the U.S. tax administration system and the organization of the IRS. TAP members serve as listening posts in their communities and make recommendations to the IRS to improve the taxpayer experience.

To learn more about the TAP, view the following video at **https://youtu.be/E_nREUZPmo4**. Applications will be accepted through March 30, 2020. For additional information, visit **www.improveirs.org** and select the "Join TAP" tab. Those interested can also contact the TAP staff at **taxpayeradvocacypanel@irs.gov**.

National Taxpayer Advocate appointment

The U.S. Treasury Department and IRS announced the appointment of Erin M. Collins to serve as the National Taxpayer Advocate (NTA).

Ms. Collins' extensive background in the tax community includes twenty years as a Managing Director of KPMG's Tax Controversy Services practice for the Western Area. Prior to that, she was an attorney in the Office of Chief Counsel for the IRS for 15 years. Throughout her career, she represented individuals, partnerships and corporate taxpayers on technical and procedural tax matters, and has also provided pro bono services to taxpayers to resolve disputes with the IRS.

The NTA is the "voice" of the taxpayer and serves as a senior advisor to the Commissioner on issues affecting the United States' 153 million individual and 11 million business taxpayers. The office of the NTA is charged with helping to improve the focus of the IRS to emphasize helping taxpayers comply with their legal responsibilities. The office also assists taxpayers, individually and collectively, in resolving issues with the IRS and in proposing changes to the administrative practices of the IRS. The NTA reports directly to the Commissioner and also reports to Congress on areas of the tax law that impose significant burdens on taxpayers or the IRS, including recommending potential legislative changes. Importantly, the NTA is a member of the team charged with helping to modernize the IRS and contributing to its strategic management.

For more details, see **Treasury's Press Release**.

IRS special agent Gary Alford receives prestigious Treasury Secretary's Honor Award

On Feb. 4, 2020, Treasury Secretary Steven Mnuchin presented the Secretary's Honor Award to special agent Gary Alford. Gary played a central role in identifying the creator and operator of the Silk Road, a digital black market for illegal narcotics. The Silk Road investigation was, and is, a precedent-setting case and is held up as a model cyber money-laundering investigation in law enforcement and academic circles.

The award from Secretary Mnuchin is further recognition of Gary's efforts on this case. Gary also received accolades from the DOJ and our fellow law enforcement partners. The case was featured in news media, various books, tv shows and even a movie. The investigation and Gary are also featured at the National Law Enforcement Museum in Washington, DC.

Reminders

- What to do if you didn't get your W-2 or Form 1099-R
- Get fast answers to refund questions using the "Where's My Refund?" tool on IRS.gov
- IRS launches Identity Theft Central
- Extension of Time to File Your Tax Return
- Should I file an Amended Return?
- Filing Season Stats

Help on IRS.gov

Filing – Payments – Refunds – Credits & Deductions – Forms & Instructions – Tax Questions

IRS in other languages

Spanish - Chinese - Korean - Russian - Vietnamese - ASL (YouTube)

IRS on social media

YouTube – Twitter – Instagram - 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.

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