Congressional Update

News for members of Congress and their staffs – June 2024

Table of Contents (click topic to read article)

- IRS warns taxpayers they may be scam victims if they filed for big refunds
- IRS makes Direct File a permanent option to file federal tax returns
- IRS announces extension of Free File program through 2029
- Check business tax returns for signs of incorrect Employee Retention Credit claims
- Home improvements could help taxpayers qualify for home energy credits
- Estimated Tax Payment due June 17
- Selling your home this summer?
- IRS released Strategic Operating Plan update
- Internal Revenue Service (IRS) Inflation Reduction Act (IRA) Industry Day – June 5th
- New Video - How to Know if a Private Collection Agency Calling You is Legit
- IRS highlights tax-related tools and resources during National Small Business Week
- Disaster relief frequently asked questions: Retirement plans and IRAs under the SECURE 2.0 Act of 2022
- IRS recognizes two IRS teams that reached the finals for the 2024 Service to America Medals
- Recent IRS Criminal Investigation cases
- IRS Tax Tips: Helpful taxpayer information on a variety of topics
- Additional information on IRS.gov

IRS warns taxpayers they may be scam victims if they filed for big refunds; misleading advice leads to false claims for Fuel Tax Credit, Sick and Family Leave Credit, household employment taxes

IRS issued a **consumer alert** following ongoing concerns about a series of tax scams and inaccurate social media advice that led thousands of taxpayers to file inflated refund claims during the past tax season.

- The IRS warned taxpayers not to fall for these scams centered around the Fuel Tax Credit, the Sick and Family Leave Credit and household employment taxes.

They involve legitimate tax provisions, but they are limited to very specialized situations. The vast majority of claims do not qualify.

- Taxpayers claiming credits for which they are not eligible cause their refunds to be delayed. Taxpayers must provide IRS documentation to support these claims.
- Taxpayers who fell for these traps must follow IRS instructions to verify their eligibility for the claim. Taxpayers could also face steep financial penalties, potential follow-up audits or criminal action for improper claims.
- If a taxpayer filed one of these claims mistakenly, they need to follow advice on letters. They should use the IRS.gov tool **Should I file an amended return?** to determine if they should **amend their return**. They can call the IRS or talk to a trusted tax professional.

IRS makes Direct File a permanent option to file federal tax returns; expanded access for more taxpayers planned for the 2025 filing season

Following a successful filing season pilot and feedback from a variety of partners, the Internal Revenue Service announced that it will **make Direct File a permanent option for filing federal tax returns** starting in the 2025 tax season.

The agency is exploring ways to expand Direct File to make more taxpayers eligible in the 2025 filing season and beyond by examining options to broaden Direct File's availability across the nation, including covering more tax situations and inviting all states to partner with Direct File next year.

The IRS plans to announce additional details on the 2025 expansion in the coming months.

The decision follows a highly successful, limited pilot during the 2024 filing season, where 140,803 taxpayers in 12 states filed their taxes using Direct File. The IRS closely analyzed data collected during the pilot, held numerous meetings with diverse groups of stakeholders and gathered feedback from individual Direct File users, state officials and representatives across the tax landscape. The IRS heard directly from hundreds of organizations across the country, more than a hundred members of Congress and from those interested in using Direct File in the future. The IRS has also heard from a limited number of stakeholders who believe the current free electronic filing options provided by third party vendors are adequate.

The IRS will continue data analysis and stakeholder engagement to identify improvements to Direct File; however, initial post-pilot analysis yielded enough

information for the decision to make Direct File a permanent filing option. The IRS noted that an early decision on 2025 was critical for planning and programming both for the IRS and for additional states to join the program. IRS Commissioner Danny Werfel recommended to Secretary of the Treasury Janet L. Yellen to make Direct File permanent. He cited overwhelming satisfaction from users and improved ease of tax filing among the reasons for his recommendation, which Secretary Yellen has accepted.

“The clear message is that many taxpayers across the nation want the IRS to provide more than one no-cost option for filing electronically,” said IRS Commissioner Danny Werfel. “So, starting with the 2025 filing season, the IRS will make Direct File a permanent option for filing federal tax returns. Giving taxpayers additional options strengthens the tax filing system. And adding Direct File to the menu of filing options fits squarely into our effort to make taxes as easy as possible for Americans, including saving time and money.”

State and Eligibility Expansion

Building on the success of the limited pilot – where taxpayers with relatively simple tax situations in 12 states were eligible to use Direct File – the IRS is examining ways to expand eligibility to more taxpayers across the country. For the 2025 filing season, the IRS will work with all states that want to partner with Direct File, and there will be no limit to the number of states that can participate in the coming year. The agency expects several new states will choose to participate.

The IRS is also exploring ways to gradually expand the scope of tax situations supported by Direct File. Over the coming years, the agency’s goal is to expand Direct File to support most common tax situations, with a particular focus on those situations that impact working families. Announcements about new state partners and expanded eligibility are expected in the coming months.

“User experience – both within the product and integration with state tax systems – will continue to be the foundation for Direct File moving forward,” Werfel said. “We will focus, first and foremost, on continuing to get it right. Accuracy and comprehensive tax credit uptake will be paramount concerns to ensure taxpayers file a correct return and get the refund they’re entitled to. And our North Star will be improving the experience of tax filing itself and helping taxpayers meet their obligations as easily and quickly as possible.”

Direct File’s Role in the Tax System

During the agency’s review, many taxpayers told the IRS they want no-cost filing options. Millions of taxpayers who did not live in one of the 12 pilot states visited the Direct File website to learn more about this option or asked live chat assistors to make Direct File available in their state.

As a permanent filing option, Direct File will continue to be one option among many from which taxpayers can choose. It is not meant to replace other important options by tax professionals or commercial software providers, who are critical partners with the IRS in delivering a successful tax system for the nation. The IRS also remains committed to the ongoing relationship with Free File Inc., which has served taxpayers for two decades in the joint effort to provide free commercial software. Earlier this month, the IRS signed a five-year extension with industry to continue Free File.

As the IRS works to expand Direct File, it will also work to strengthen all free filing options for taxpayers, including Free File, the Volunteer Income Tax Assistance program (VITA) and the Tax Counseling for the Elderly program (TCE).

IRS announces extension of Free File program through 2029

The IRS announced an **extension of the current Free File program through 2029** following an agreement that will continue to make the free private-sector tax software available to taxpayers.

The five-year extension agreement between the IRS and Free File Inc. will continue the program through October 2029.

Free File is a public-private partnership between the IRS and several tax preparation software companies who provide their online tax preparation and filing software for free. Through this partnership, tax preparation and filing software providers make their online products available to eligible taxpayers. The program is only available on IRS.gov.

This year, Free File saw an increase of about 200,000 tax returns filed through the program, reaching 2.9 million returns as of May 11. That's an increase of 7.3% from the 2.7 million filed through the same period last year.

"Free File remains an important part of the IRS portfolio to help taxpayers file their taxes for free," said IRS Commissioner Danny Werfel. "We were pleased to see growth in the program this year, and we look forward to continuing this important collaboration with the tax software industry. Free File was part of a successful filing season at the IRS that saw increased interest in a range of free programs to help taxpayers."

Check business tax returns for signs of incorrect Employee Retention Credit claims

Some unscrupulous promoters have misrepresented eligibility rules for the **Employee Retention Credit** (ERC), luring well-intentioned businesses to claim the credit when they don't qualify. The IRS is highlighting **seven suspicious signs** and urging businesses to seek a **trusted tax professional** to resolve an incorrect claim.

With ERC compliance work expanding, the IRS reminds businesses to quickly pursue the **claim withdrawal process** if they need to ask the IRS not to process an ERC claim for any tax period that hasn't been paid yet.

Signs an ERC claim could be incorrect

These seven suspicious signs could indicate an incorrect claim:

- **Too many quarters claimed.** Some promoters urged employers to claim the ERC for all quarters that the credit was available. Qualifying for all quarters is uncommon. Employers should carefully review their **eligibility** for each quarter.

- **Government orders that don't qualify.** Some promoters told employers they can claim the ERC if any government order was in place in their area, even if their operations weren't affected or if they chose to suspend their business operations voluntarily. This is false. Some promoters also suggested that an employer qualifies based on communications from the Occupational Safety and Health Administration. This is generally not true. Employers should review the **frequently asked questions about ERC – Qualifying Government Orders** for more information and helpful examples for these topics.

- **Too many employees and wrong calculations.** Employers should be cautious about claiming the ERC for all wages paid to every employee on their payroll. Employers need to meet certain rules for wages to be considered **qualified wages**, depending on the tax period. Employers should review all calculations to avoid overclaiming the credit. They should not use the same credit amount across multiple tax periods for each employee. For details on credit amounts, see the **ERC 2020 vs 2021 Comparison Chart**.

- **Supply chain issues.** A supply chain disruption by itself doesn't qualify an employer for ERC. An employer needs to ensure that their supplier's government order meets the requirements. Employers should carefully review the **rules on supply chain issues** and examples in the **2023 legal memo on supply chain disruptions** (**PDF**).

- **Claims for too much of a tax period.** It's possible, but uncommon, for an employer to qualify for ERC for the entire calendar quarter if their business operations were fully or partially suspended due to a government order during a **portion of a calendar quarter**. A business in this situation can claim ERC only for wages paid during the suspension period, not the whole quarter. Businesses should check their claim for overstated qualifying wages and keep payroll records that support their claim.

- **Didn't pay wages or didn't exist during eligibility period.** Employers can only claim ERC for tax periods when they paid wages to employees. Records available to the IRS show some businesses that claimed ERC didn't have any employees or they claimed ERC for tax periods before the business existed.
- **Promoter says there's nothing to lose.** Businesses should be on high alert with any ERC promoter who urged them to claim ERC because they "have nothing to lose." Businesses that incorrectly claim the ERC risk repayment, penalties, interest, audit and other expenses.

The IRS has an **interactive ERC Eligibility Checklist** that tax professionals and taxpayers can use to check potential eligibility for ERC. It's also available as a **printable guide** (PDF).

Home improvements could help taxpayers qualify for home energy credits

Taxpayers that make certain energy efficient updates to their homes could qualify them for home energy credits. The credit amounts and types of qualifying expenses were expanded by the Inflation Reduction Act of 2022.

- Taxpayers can claim the **Energy Efficient Home Improvement Credit** and the **Residential Clean Energy Credit** for the year the qualifying expenditures are made.
- Homeowners who improve their **primary residence** will find the most opportunities to claim a credit for qualifying expenses. Renters may also be able to claim credits, as well as owners of second homes used as residences. Landlords cannot claim this credit.
- IR-2024-137: **IRS: Home improvements could help taxpayers qualify for home energy credits** has additional information.
- IRS encourages taxpayers to review all requirements and qualifications at **IRS.gov/HomeEnergy** for energy efficient equipment prior to purchasing. Additional information is available on **energy.gov**, which compares the credit amounts for tax year 2022 and tax years 2023-2032.

Estimated Tax Payment due June 17

Generally, individuals, sole proprietors, partners and S corporation shareholders must make estimated tax payments if they expect to owe $1,000 or more in taxes upon filing. Corporations must make estimated tax payments if they expect to owe $500 or more.

Taxpayers may have to pay estimated tax for the current year if their tax was more than zero in the prior year. The worksheet in **Form 1040-ES, Estimated Tax for Individuals**, has more details on who must pay estimated tax.

As taxpayers earn or receive income throughout the year, they should pay federal taxes either through withholding or estimated tax payments. If the amount of income tax withheld from a salary or pension isn't enough, or if there's income such as from self-employment, interest, dividends or capital gains, taxpayers may have to make estimated tax payments.

The next payments are due June 17, September 16, 2024, and January 15, 2025. If sufficient payments aren't made on time, penalties may apply.

Taxpayers can use the **Tax Withholding Estimator** to estimate their withholding and see how it affects their refund, take-home pay or tax due.

The **Pay As You Go, So You Won't Owe** guide provides more information on withholding, estimated taxes and ways to avoid the estimated tax penalty.

Selling your home this summer?

IRS Publication 523, Selling Your Home, explains the tax rules that apply when homeowners sell or otherwise give up ownership of their home. If they meet certain conditions, they may be able to **exclude some of the gain** from the sale of their home from their income and avoid paying taxes on it.

IRS released Strategic Operating Plan update

The **IRS released an update on the Strategic Operating Plan**, which outlines plans for the agency's transformation work and highlights dozens of improvements for taxpayers since the Inflation Reduction Act passed.

Internal Revenue Service (IRS) Inflation Reduction Act (IRA) Industry Day – June 5th

The IRS is hosting the 2nd Inflation Reduction Act Industry Day on June 5, 2024. This is an opportunity for current and future industry partners to hear details about the **IRS Strategic Operating Plan** and to learn about opportunities to support IRA initiatives. In-person event held in Lanham, MD, and virtual attendance available. Learn more and register at **SAM.gov**.

New Video - How to Know if a Private Collection Agency Calling You is Legit

Taxpayers who owe taxes might get a call from a private collection agency working on behalf of the IRS. The recently released YouTube video, "**Here's How to Know that Private Collection Agency Calling You is Legit**," explains how to know it's an IRS authorized private collection agency calling and not a scammer. For more information on private debt collection, visit the **frequently asked questions on IRS.gov**.

IRS highlights tax-related tools and resources during National Small Business Week

National **Small Business Week** was April 28-May 4, 2024. The IRS featured useful tax-related tools and resources to help small business owners, employers and self-employed individuals succeed.

To support the special week, the IRS highlighted a variety of resources available for small business owners to help them understand and meet their tax responsibilities. The IRS encouraged small businesses to take advantage of the numerous resources available on IRS.gov.

Related information:

- IR-2024-123, **IRS offers tax resources, information to nation's entrepreneurs**
- IR-2024-125, **IRS.gov offers one-stop shop for small business tax resources**
- IR-2024-128, **IRS warns entrepreneurs to take precautions on data security; protect their businesses, employees, customers**
- FS-2024-19, **Disaster relief frequently asked questions: Retirement plans and IRAs under the SECURE 2.0 Act of 2022**

Disaster relief frequently asked questions: Retirement plans and IRAs under the SECURE 2.0 Act of 2022

IRS has provided **frequently asked questions about SECURE 2.0 Act of 2022 (SECURE 2.0)** that provides for special rules for distributions from retirement plans and individual retirement arrangements (IRAs) and for retirement plan loans, for certain individuals impacted by federally declared major disasters.

IRS recognizes two IRS teams that reached the finals for the 2024 Service to America Medals

To help celebrate this year's Public Service Recognition Week, IRS recognized **two IRS teams** that reached the finals for the Samuel J. Heyman Service to America Medals.

Being recognized are the IRS Paperless Processing Initiative team of Darnita Trower, Wanda Brown and Gerald Johnson as well as a special agent duo from IRS Criminal Investigation (CI) – Trevor McAleenan and Michael Lane – for their work on a $3.4 billion cryptocurrency seizure and forfeiture.

Awarded by the nonprofit, nonpartisan Partnership for Public Service, the annual Service to America Medals, known as the Sammies and considered the "Oscars" of public service, recognize outstanding contributions by career federal employees that benefit the nation, build trust in the government and inspire more people to consider careers in public service.

The final winners of these prestigious awards will be announced on the week of Sept. 9. In addition, both IRS teams are eligible to win the Sammies People's Choice award, which gives special recognition to one of the 2024 finalists and is based solely on the total number of votes each finalist receives online.

This year's voting starts today at the People's Choice Award. Anyone can vote for the top picks and honor the achievements of the country's outstanding public servants.

Improving taxpayer service and moving toward a paperless IRS

The Paperless Processing Initiative team, led by Trower, Brown and Johnson, are selected finalists for the Management Excellence Medal of the 2024 Sammies in recognition of their significant accomplishment that exemplifies efficient, effective and results-oriented government.

With funding from the Inflation Reduction Act, the IRS launched the **Paperless Processing Initiative** in August 2023 to advance the goal of providing world-class customer service to taxpayers. By the 2024 filing season, the Paperless Processing

Initiative team had successfully developed and implemented a new digital system that enables taxpayers to electronically submit all correspondence, non-tax forms and notice responses to the IRS, laying the groundwork for future advancements in paperless processing.

“Taxpayers will not only be able to do things at their fingertips, but now there’s more security in their data and information. Processing efficiency will increase, and taxpayer issues will be resolved. This is an important building block toward a fully modern digital solution for the IRS,” said IRS Commissioner Danny Werfel. “This has been a team effort that sets the foundation for a fully digital experience that is ready to meet the next generation of taxpayers. IRS employees deeply appreciate all their hard work to get us where we are today and to keep us moving forward in this vital area.”

Historic $3.4 billion cryptocurrency seizure and forfeiture

Trevor McAleenan and Michael Lane, two CI special agents, are nominated finalists for the Safety, Security and International Affairs Medal of the 2024 Sammies, for spearheading a **cutting-edge investigation** that led to the seizure and forfeiture of over $3.4 billion worth of bitcoin, one of the largest financial seizures in the history of the U.S. government.

Back in 2012, James “Jimmy” Zhong committed wire fraud by stealing over 50,000 bitcoin from the darknet market Silk Road. For nearly a decade, the whereabouts of this massive chunk of missing bitcoin remained a mystery, until two CI special agents, McAleenan and Lane, uncovered Zhong's scheme and cracked the case.

“This is a fantastic example of the work that IRS Criminal Investigation does every day to protect against domestic and transnational financial crimes leading to tax evasion,” Werfel said. “Special Agents Trevor McAleenan and Michael Lane epitomize the tradition of IRS Criminal Investigation and the federal law enforcement community’s efforts to prevent and disrupt criminal activity to safeguard our nation.”

McAleenan and Lane combined traditional hard-nosed detective work with technological innovations to follow the money. Through relentless and skillful efforts, they examined tens and thousands of transactions to trace the movement of those funds. They also coordinated with crypto experts, used emerging technology and met with local authorities to launch a covert operation that exposed Zhong’s scheme and led to this historic victory.

“The Silk Road case should make cyber criminals take note that our special agents will follow the money and hold you accountable, no matter how sophisticated your scheme and or how long it takes,” said CI Chief Guy Ficco.

Recent IRS Criminal Investigation cases

- **Final defendants sentenced in $65 million TRICARE fraud**
- **Japanese-language translator charged in complaint with illegally transferring more than 16 million dollars from baseball player's account**
- **Los Angeles woman pleads guilty to 2.2 million dollar COVID loan scheme and to falsely seeking 1.3 million dollars in pandemic tax credits**
- **Owner of Chicago-area childcare centers sentenced to four years in prison for fraudulently obtaining more than $3.3 million in state subsidies**
- **Another co-founder of medical charity in St. Joseph pleads guilty to $8 million fraud scheme**
- **Cleveland man sentenced to more than 30 years in prison for his role in large-scale drug trafficking organization**
- **Dark web vendor sentenced for distributing narcotics and ordered to forfeit $150 million**
- **Instagram influencer known as "Jay Mazini" sentenced to 84 months in prison for overlapping fraud schemes**
- **Florida man sentenced to 10 years in prison and ordered to pay more than $97 million in restitution for participation in multiple health care fraud and kickback schemes**
- **Johnstown man sentenced to 12 years in prison for trafficking large quantities of fentanyl, heroin, methamphetamine, cocaine, and crack**

For the latest on IRS-CI cases, follow on Twitter **@IRS_CI** or via the **IRS-CI LinkedIn** page.

IRS Tax Tips: Helpful taxpayer information on a variety of topics

Reminder: Taxpayers must file and pay taxes even if they live abroad - It's important that U.S. citizens and resident aliens living abroad understand their tax obligations. Their worldwide income -- including wages, unearned income and tips -- is subject to U.S. income tax, regardless of where they live or where they earn their income.

How to request help with a tax matter from the IRS Independent Office of Appeals - If a taxpayer disagrees with an IRS decision, they can ask the IRS Independent Office of Appeals to review their case. This office is separate from the rest of the IRS.

By law, taxpayers have the right to challenge the IRS' position and be heard - Every taxpayer has fundamental rights when working with the IRS. Collectively their

rights are known as the Taxpayer Bill of Rights. One of these is the right to challenge the IRS's position and be heard.

What taxpayers should do if they receive mail from the IRS - IRS sends notices and letters when it needs to ask a question about a taxpayer's federal tax return, let them know about a change to their account or request a payment. Don't panic if something comes in the mail from the IRS – they're here to help.

Emergency preparedness plans for businesses should Include financial records - When business owners put together an emergency preparedness plan, it should include copies of vital records and financial information.

Tax pros: 2024 IRS Nationwide Tax Forums registration now open - Registration for the 2024 IRS Nationwide Tax Forum is now open. These annual forums provide tax professionals the opportunity to attend special continuing education sessions.

Taxpayers and tax pros: Beware of these common tax scams - Taxpayers and tax professionals should remain alert and aware of these common scams, schemes, and cons to avoid losing money, personal information or client data.

Additional information on IRS.gov

- **IRS releases 2023 Data Book describing agency's transformation through statistics**
- **Tax relief in disaster situations**
- **IRS reminds eligible 2020 and 2021 non-filers to claim Recovery Rebate Credit before time runs out**
- **Make a career change for the better; find out where you fit in at the IRS**
- **Need to respond to a letter or notice? Use the Document Upload Tool**
- **Where's My Refund?**
- **Inflation Reduction Act of 2022**
- **Resources and guidance for Puerto Rico families that may qualify for the Child Tax Credit**
- **Get an Identity Protection PIN (IP PIN)**
- **Get up-to-date status on affected IRS operations and services due to COVID-19**
- **Get your tax record**

Help on IRS.gov

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

IRS in other languages

Basic tax information is available in 21 languages, including English

IRS on social media

YouTube – X – Instagram – Facebook - LinkedIn

Follow TAS on social media

YouTube – X – Facebook – LinkedIn – Blog

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 the Taxpayer Advocate Service.