

Area 6 – First Thursday Notes
September 7, 2023

Internal Revenue Service – First Thursday Area 6
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Data Security for Tax Pros

Just in case you have not heard the news... as of June 9, 2023, the FTC [Standards for Safeguarding Customer Information rule](#), better known as the Safeguards Rule (which is part of the Gramm-Leach-Bliley Act) has now entered the enforcement stage.

The Rule requires financial institutions to develop, deploy and maintain a comprehensive security program to keep their customer financial data safe. Financial institutions are not just banks under the FTC's eyes. Tax and accounting professionals are considered financial institutions regardless of size. This also includes mortgage brokers, real estate appraisers, universities, nonbank lenders, and check cashing businesses.

The good news is that if you have already been complying with IRS Publication 4557, Safeguarding Taxpayer Data, you will already be in good shape and may only need to add a few additional security measures to comply with the FTC Safeguards Rule.

The concern will be for firms who have been attesting that they have a Written Information Security Plan (WISP) in place for their PTIN renewal, but really don't.

Pub 4557, Safeguarding Taxpayer Data, and the Safeguards Rule:



Pub 4557

It is important to understand how Pub 4557 and the Safeguards Rule work together, IRS Publication 4557 sits "under" or "within" the FTC Safeguards Rule. All firms who provide tax prep services for their clients are subject to BOTH Pub 4557 and the Safeguards Rule, because providing paid tax preparation services is called out specifically on the FTC website and IRS Publication 4557.

Under Both

Firms must designate a person to be in charge to make sure that security policies are adhered to. The designate will assess overall risk, and then design policies to ensure that all Personally Identifiable Information (PII) and Customer Information is encrypted, transmitted, and stored safely. Access would be limited to only those who need it, and background checks being required before hiring employees or contractors. Security software must be used, all hardware is encrypted and inventoried, network protections are put in place, strong password policies adhered to, and Multi-Factor Authentication used. A WISP, or Written Information Security Plan, is created to document that the firm is following all recommended security requirements and has the necessary policies and procedures in place to keep all clients' data safe. Annually, staff are trained, safeguards are tested and the WISP is reviewed for updates.

Just FTC

For firms with 5,000 or more combined current and past clients on their data banks that provide client accounting services (CAS) (Financial Planning) or Payroll Services, FTC mandates that these companies also adhere to the Safeguards Rule.

Also, just within the FTC requirements is choosing a QUALIFIED individual to assess the security risk in the firm's operations, create a Written Risk Assessment, and then create policies and procedures to mitigate the risks. These policies from the firm's WISP or Written Information Security Plan will be used to ensure that all staff are trained to prevent and spot security risks. Additionally, that person must report annually to the firm's Board of Directors.

If you are overwhelmed or have a smaller firm and don't have a qualified IT person working in-house or under contract, consider engaging a Managed Service Provider (MSP) to manage the firm's overall data and network security infrastructure and to help in creating the policies required and rolling them out to your staff.

Publication 5708 – Creating a Written Information Security Plan for Your Tax and Accounting Practice



Creating a WISP

If you are a do-it-your-selfer, the bare essentials of a Written Information Security Plan are outlined on page 4 of Pub 5708, with links for more details within each section.

There is also a fill-in-the blank sample WISP template on pages 5-12

Additional Considerations – On pages 13-16 it gives you more explanation on how to:

- Define the WISP objectives, purpose and scope
- Identify responsible individuals
- Assess Risks
- Inventory Hardware (template on page 24)
- Document Safety Measures – Like how to set up policy for remote workers
- Draft an Implementation Clause stating when security measures are started and how they are compliant with the Gramm Leachy Bill Act and FTC
- Include certain attachments such as the Records Retention Policy

Best Practices:

- Going over written security rules of conduct and having your employees sign it before each filing season and using articles from the Ouch! Newsletter from SANS.ORG for security topics at staff meetings.
- Have a list of who can access PII and what information they have access to

Some additional Resources:

In addition to Pub 4557 and 5708, here are a couple of additional resources...firstly, to the Federal Trade Commission website: [Federal Trade Commission | Protecting America's Consumers \(ftc.gov\)](https://www.ftc.gov/protecting-america-consumers) and here is a copy of the FTC Data Breach Response Guide:



FTC DB Response
Guide for Business

The Data Breach Response Guide is AMAZING! It spells everything that you need to do, from taking your systems down to a sample client letter. IRS mentions it in our Publication 5708 to read before starting to draft your WISP.

IPPIN Program:

What else can we do to thwart identity thieves from filing fraudulent tax returns? We can all help promote the IPPIN program!

Some folks view the IPPIN program as a positive thing and already actively promote it, but some are not so sure it's a good thing...or at least it's not *that* good yet.

We have heard a lot of feedback by this time on the IPPIN Program, both positive and negative, but The biggest reason that we hear that practitioners do not want to promote it is because that their clients lose them. Yes, this is true...clients lose 1099s and W-2s also...and other stuff...we've all got stories.

An IPPIN is often retrievable: [Retrieve Your IP PIN | Internal Revenue Service \(irs.gov\)](https://www.irs.gov/retiree-ippin)

But if they can not retrieve it, you will have to print out their return and have them sign, date and mail it to the IRS. And, of course, you might be thinking, 'I don't want my client's returns to end up in a stack of paper...' but let's look at the current statistics. According to our Mission-Critical Function page as of August 16, 2023, on the backlogs:

- Processing for paper 1040's without errors is now just taking 21 days, which is where this return would end up
versus
- Taking 430 days if your client's information gets fraudulently filed by an ID thief.

Another reason we hear is that the IPPIN is just too hard to get...some folks just can't seem to get past the identity verification process. Specifically, they can't seem to be able to get the ID.me credential. Please remember, there are other ways to get the IPPIN, and you can get info on that here at this link: [Get An Identity Protection PIN | Internal Revenue Service \(irs.gov\)](#). For example, Form 15227 for people with certain AGI levels, and of course at a Taxpayer Assistance Center [TAC]. Taxpayer Advocate can also assist with the process for people who are disabled/mobility challenged and can't get to the TAC.

And then there's the 'I just don't want to sign up for it...or promote it...etc...'. Which is also human nature, but consider this...IPPIN is a valid tool for keeping fraudulent tax returns from being filed...if you do get breached, and if your client[s] have fraudulent tax returns filed and there was a way to avoid that...a way that you knew about, but didn't say...that might not look so hot to some people...

Currently trending in the myriad of ways systems are hacked/breached are:

- Phishing texts impersonating the IRS
- Software [fraudulent] companies letting practitioners know that they have been breached [that's a tough one...remember to call your software provider, and not any number in the email!]
- Insider threats (physical theft and employee retaliation)
- Cloud-based platforms being accessed
- Impersonators (like Geek Squad, MicroSoft, Microsoft Defender, web developers, IRS and credit card companies)
- Live screenshare

As a reminder, if you have not heard about the IRS impersonation mail scam, do a search for IRS News Release IR-2023-123 : [IRS, Security Summit partners warn taxpayers of new scam; unusual delivery service mailing tries to trick people into sending photos, bank account information | Internal Revenue Service](#) .

This new release speaks to a new IRS impersonating mailing scam that tries to mislead people into believing that they are owed a refund. It asks for things like copies of their drivers licenses along with other PII. The grammar is off and it mentions getting a property claim instead of a tax refund. Since this is a scam impersonating the IRS, these incidents should be reported to TIGTA.

Tax Pro Account Update

The Tax Pro Account has been enhanced, tax pros now have the ability to view and manage all authorizations they have on file with IRS.


Here's how this works:

- Practitioner updates Tax Pro account profile with CAF # (this is within the Tax Pro Account platform – not ID.me)
- System sends practitioner a PIN via mail to address in CAF system.
- Practitioner completes the profile update by inputting the PIN.

The screenshots and FAQ below show how the process works:

Your Profile

Login Email and Password


To change your email address, password, and other account details, [update your sign-in settings](#) .

Login Email Address

Centralized Authorization File (CAF) Number

You can view your active authorizations for individuals and businesses recorded on the CAF after you link your CAF number.

To start or continue this one-time process, select the LINK YOUR CAF NUMBER button.

CAF Number 

Not Linked

[LINK YOUR CAF NUMBER](#)



Help Topics

Linking your CAF Number


When you link your CAF number in Tax Pro Account, you associate it with your Tax Identification Number in the CAF database.

Once your CAF number is linked, you can't unlink it. If you choose not to link your CAF number, you can still request POA and TIA in Tax Pro Account.

Linking your CAF number is a one-time process. It lets you view your active authorizations for individuals and businesses recorded on the CAF. You can also withdraw in real-time from any active authorization.

Receiving a PIN

Once you've requested a PIN:

- Allow 1-2 weeks to receive your PIN after you request it.
- We mail your PIN in an IRS notice to the address associated with your CAF number. 
- Your PIN is valid for 30 days after the notice date.
- If you don't receive it, you can [request a replacement PIN](#).

Entering a PIN


- Your PIN is for one-time use only. It is valid for 30 days after the notice date.
- You have up to 5 attempts to enter the PIN correctly. After that, your PIN will be invalidated, and you will need to [request a replacement PIN](#).

Requesting a Replacement PIN

- If your PIN expired or is invalidated, you can immediately [request a replacement PIN](#).
- If you didn't receive or lost your PIN, you must wait at least 14 days from your last request before you can request a new PIN.

Updating your Address of Record for CAF


If you changed your address on file with the IRS, you must also update it on the CAF.

To update your address on the CAF, [submit Form 2848 or 8821](#) .

Address information can't be updated in Tax Pro Account at this time.

Updating your Name on the CAF

If you changed your name with the Social Security Administration or the IRS, you must also update it on the CAF.

To update your name on the CAF, [submit Form 2848 or 8821](#) .

Names can't be updated in Tax Pro Account at this time.

Direct Hiring

Please help us promote IRS as a great place to work.

IRS offers multiple benefits including:

- pension
- 401k matching
- tuition repayment
- childcare subsidy
- transit subsidy
- 11 paid holidays
- leave sharing programs, and
- a host of other employee programs

The IRS is hiring for three positions under this special direct hire:

- Tax Examining Technician
- Tax Examining Clerk
- Tax Examining Technician (Bilingual-Spanish)

To Apply:

- Submit a resume only
- Submit resumes by September 15, 2023, to kimberly.d.crawford@irs.gov

At the top of the resume include:

- the desired location
- preferred shift (day shift or night shift)
- There is no requirement to apply through USA Jobs

State Revenue Updates

Colorado Department of Revenue

- The Department published forms, instructions, and other information on making an election under the SALT Parity Act retroactively for tax years 2018 through 2021. Visit <https://tax.colorado.gov/SALT-parity-act-election> for more information.
- The Department recently produced two new publications, [Income Tax Topics: Innovative Motor Vehicle Credit](#) and [Income Tax Topics: Innovative Truck Credit](#), to replace FYI Income 69 and to provide information about changes made to the credits by House Bill 23-1272.
- Certain changes to the innovative motor vehicle credit took effect on July 1, 2023. In particular, allowable credits increase for qualifying vehicles purchased or leased on or after July 1, 2023, but no credit will be allowed for vehicles with a manufacturer's suggested retail price exceeding \$85,000.
- Beginning in 2024, a purchaser or lessee may assign an allowable credit to either the financing entity or the motor vehicle dealers (right now, credits may be assigned to the financing entity but not the motor vehicle dealer).
- Beginning in 2025, financing entities and motor vehicle dealers will be able to claim advance payments of assigned credits on a quarterly basis.

Minnesota Department of Revenue

- [Direct Tax Rebate Payments | Minnesota Department of Revenue \(state.mn.us\)](#)
- [Property Tax Refund | Minnesota Department of Revenue \(state.mn.us\)](#)
- Rebate checks and direct deposits have been going out. The return address does state Montana, and the vendor is Submittable Holdings. This is correct, it's not junk mail. It does say below this c/o State of Minnesota. Also, we've gotten a lot of questions from surviving spouses saying their rebate amount is more than it should be. If the surviving spouse filed a joint return in 2021, they will receive their deceased spouses rebate amount; they do not need to return it.
- Rent refund and homeowners property tax refund checks have started going out. Just a reminder that we automatically increased refund amounts based on the appropriation from the legislature. Your clients will not receive a letter explaining the increased refund amount. If you need to use the Where's My Refund system

to check on a refund, you must use the refund calculated on the original return to locate the refund status.

- We posted drafts of 2023 near final forms for individual and business returns about a month ago on our website. Just a reminder that instructions for these forms and draft forms for other tax types will not be released until a later date.
- We sent out an email July 24 explaining the change to reduce the corporate net operation loss deduction limit from 80% to 70% effective for tax years beginning after 12/31/22. There is a possibility this will be delayed until 12/31/23, refer to the email for information on what to do if you have a client with an NOL in tax year 2023.

Missouri Department of Revenue

- <https://dor.mo.gov/taxation/individual/tax-types/income/year-changes/documents/2023TaxLegislativeChanges.pdf>
- MO DOR is working through the legislation and what year end changes need to be made to implement the signed bills. If you have specific questions feel free to send an email to income@dor.mo.gov
- SB 20- extension of the ESOP deduction
- SB 24- changes to the adoption tax credit program, the local sales tax for Jefferson County Repeal, changes to the prepaid emergency phone charges
- SB 94- the entertainment tax credit bills (film & concert)
- SB 106 & SB 45- the DSS forms filed at DOR
- SB 138 - changes to the ethanol and biodiesel tax credits, the business exemption for farmers & the new subtraction for land sold or rented to beginning farmers
- SB 186 – public safety sales tax, the local sales tax for Jefferson County Repeal, changes to the prepaid emergency phone charges
- SB 190- Social Security benefits tax free and public pension benefits increase in tax free benefit
- HB 202- changes to the ethanol and biodiesel tax credits, the business exemption for farmers & the new subtraction for land sold or rented to beginning farmers

- HB 417- the intern and apprentice tax credit program

Nebraska Department of Revenue

- Nebraska has posted main forms for Individual and Business taxes for 2023 as DRAFTS, we do expect there may be updates, but these are a good place to start. Also, some of the applications have been posted and some links to additional information as well as forms, applications, and schedules are below. We anticipate releasing additional forms and schedules in DRAFT format soon.
- 2023 [Nebraska Draft Forms](#)
- [First Responder Recruitment and Retention Act – including Form FRVA](#)
[Opportunity Scholarship Act - including Form NSGO-A](#)
- [Nebraska Pass-Through Entity Tax \(PTET\) – Including Form PTET- E](#)

North Dakota Department of Revenue

- No updates this month

Wisconsin Department of Revenue

- Read the recent Wisconsin Tax Bulletin:
<https://www.revenue.wi.gov/WisconsinTaxBulletin/222-07-23-WTB.pdf>

Questions and Answers:

Q: Are law firms considered "financial institutions" for purposes of the FTC Safeguards Rule?

A: You can check the [Standards for Safeguarding Customer Information](#) to determine if your firm is considered a "financial institution".

...The "financial institutions" subject to the Commission's enforcement authority are those that are not otherwise subject to the enforcement authority of another regulator under section 505 of the Gramm-Leach-Bliley Act, [15 U.S.C. 6805](#). More specifically, those entities include, but are not limited to, mortgage lenders, "pay day" lenders, finance companies, mortgage brokers, account servicers, check cashers, wire transferors, travel agencies operated in connection with financial services, collection agencies, credit counselors and other financial advisors, tax preparation firms, non-federally insured credit unions, investment advisors that are not required to register with the Securities and Exchange Commission, and entities acting as finders...

Q: What is the best way to contact the Taxpayer Advocate Service?

A: This page lists your options for contacting the Taxpayer Advocate office: [Contact us - Taxpayer Advocate Service \(irs.gov\)](#)

You'll see the following notice about processing delays:

Note: The Taxpayer Advocate Service is currently experiencing a high volume of assistance requests **due to tax return processing delays**. As a result, you may experience lengthy wait times while trying to connect with an advocate or while waiting for a return call. We ask for your patience as it may take up to two weeks before we will be able to return your call or reply to your request. We apologize for these delays and are taking steps to reduce hold and response times to better serve you.

Scroll down the page and select your state or territory (Wisconsin used in this example):

Find a local TAS office

TAS has offices in all 50 states, the District of Columbia, and Puerto Rico.

I'm looking for a TAS office

▼

There is 1 office for Wisconsin

Milwaukee

211 W. Wisconsin Ave. Room 507, Stop
1005 MIL Milwaukee, WI 53203

☎ (414) 231-2390

☎ (855) 833-8230

✉ tas.wi.milwaukee@irs.gov

Consider using Form 911: Request for Taxpayer Advocate Service Assistance if you've been unable to resolve tax issues through normal channels and are facing undue hardship as a result of the IRS actions or inactions. More details can be found here:

[Submit a request for assistance - Taxpayer Advocate Service \(irs.gov\)](#)

Q: Is there any update on when the system generated CP501/CP504 are starting back up?

A: You can check this website for news and updates on collection notices: [IRS Operations: Status of Mission-Critical Functions | Internal Revenue Service](#)

The most recent update on collection notices was issued July 27, 2022 and states:

...Aside from the first billing notice after a tax return is processed, we have paused the issuance of most balance due notices. Note however that revenue officers are operating with their normal authorities and may issue notices on the cases they are working...