

Area 6 – First Thursday Notes

August 1, 2024

Internal Revenue Service – First Thursday Area 6 Stakeholder Liaison Team

Stakeholder Liaison	Email	States Covered
Lelah Martinez	Lelah.L.Martinez@irs.gov	New Mexico
Vacant	CL.SL.Area.6@irs.gov	Colorado
Neki Cox	Neki.M.Cox@irs.gov	Montana Nebraska South Dakota Wyoming
Mercean Lam	Mercean.Lam@irs.gov	Oklahoma
Alan Gregerson	Alan.J.Gregerson@irs.gov	Minnesota North Dakota
Michael Smith	Michael.Smith6@irs.gov	Wisconsin
Jody Stamback	Jody.K.Stamback@irs.gov	Idaho Utah
Krista Sullivan	Krista.M.Sullivan@irs.gov	Kansas Missouri

Employee Retention Credit updates

Following a detailed review to protect taxpayers and small businesses, the Internal Revenue Service announced plans to deny tens of thousands of improper high-risk Employee Retention Credit claims while starting a new round of processing lower-risk claims to help eligible taxpayers.

The review involved months of digitizing information and analyzing data since last September to assess a group of more than 1 million Employee Retention Credit (ERC) claims representing more than \$86 billion filed amid aggressive marketing last year.

During this process, the IRS identified between 10% and 20% of claims fall into what the agency has determined to be the highest-risk group, which show clear signs of being erroneous claims for the pandemic-era credit. Tens of thousands of these will be denied in the weeks ahead. This high-risk group includes filings with warning signals that clearly fall outside the guidelines established by Congress.

In addition to this highest risk group, the IRS analysis also estimates between 60% and 70% of the claims show an unacceptable level of risk. For this category of claims with risk indicators, the IRS will be conducting additional analysis to gather more information with a goal of improving the agency's compliance review, speeding resolution of valid claims while protecting against improper payments.

At the same time, the IRS continues to be concerned about small businesses waiting on legitimate claims, and the agency is taking more action to help. Between 10% and 20% of the ERC claims show a low risk. For those with no eligibility warning signs that were received prior to the last fall's moratorium, the IRS will begin judiciously processing more of these claims.

The IRS anticipates some of the first payments in this group will go out later this summer. But the IRS emphasized these will go out at a dramatically slower pace than payments that went out during the pandemic period given the need for increased scrutiny.

Given the large number of questionable claims indicated by the new review, the IRS continues to urge those with unprocessed claims to consider the special IRS ERC [Withdrawal Program](#) to avoid future compliance issues.

Final Regulations on Digital Asset Reporting

The U.S. Department of the Treasury and the Internal Revenue Service issued [final regulations](#) requiring custodial brokers to report sales and exchanges of digital assets, including cryptocurrency. These reporting requirements will help taxpayers to file accurate tax returns with respect to digital asset transactions, which are already subject to tax under current law.

These final regulations reflect consideration of more than 44,000 public comments received last fall on the proposed regulations. They require brokers to report certain sale and exchange transactions that take place beginning in calendar year 2025 and will be reported on the soon-to-be released Form 1099-DA. The regulations implement reporting requirements by the Infrastructure Investment and Jobs Act, enacted in 2021.

The final regulations require reporting by brokers who take possession of the digital assets being sold by their customers. These brokers include operators of custodial digital asset trading platforms, certain digital asset hosted wallet providers, digital asset kiosks, and certain processors of digital asset payments (PDAPs). The majority of digital asset transactions today occur using these brokers. By focusing first on this group, the IRS intends these regulations to cover the greatest number of taxpayers while allowing the IRS and U.S. Treasury Department more time to consider the nuances of transactions involving non-custodial and decentralized brokers.

The final regulations do not include reporting requirements for brokers that do not take possession of the digital assets being sold or exchanged. These brokers are commonly called decentralized or non-custodial brokers. The U.S. Treasury Department and the IRS intend to provide rules for these brokers in a different set of final regulations.

In addition to the broker reporting rules, the regulations provide rules for taxpayers to determine their basis, gain, and loss from digital asset transactions. The regulations also provide backup withholding rules.

Transitional relief is available, so please check out the news release link in the minutes for additional information.

New, Evolving Tax Scams Threaten Tax Professionals

This summer's Security Summit Campaign warns tax professionals to be on the lookout for a variety of new and evolving schemes aimed at stealing business and taxpayer information.

Beware of the “new client” scheme

In this form of so-called spear phishing, fraudsters pretend to be real taxpayers seeking tax pros' help with their taxes. They use emails to try to get sensitive information or gain access to a practitioner's client data. In these fake “[new client](#)” schemes, the fraudster can send a malicious attachment or include a link to a site that the tax professional thinks they need to access to obtain the supposed new client's tax information. In reality, the site is collecting information from the tax pro, such as their email and password, or loading malware onto the tax pro's computer to gain access to their computer or system.

While not a fresh scam, the IRS continues seeing activity this year. It remains an ongoing threat that can be alluring to a tax professional or a practice's employees seeking new business. And while this fake outreach can peak around tax season, this sort of scam remains a threat year-round.

Look out for multiple phishing scams

Another scam circulating on a large scale this year involves phishing attempts by scammers trying to obtain various identification numbers used by tax professionals.

Obtaining these digits helps a bad actor obtain information and file a fraudulent return that looks legitimate. Scammers are trying to get these sensitive identification numbers by sending emails or texts that appear to be from the IRS. The scammers tell tax pros they need to confirm this information by entering it into a form that was hosted on what appears to be a real IRS website, but in reality is a fake website designed to mimic the real thing.

People that receive scams by email should send the email to phishing@irs.gov. As a reminder, people can forward the message, but IRS cybersecurity experts prefer to see the full email header to help them identify the scheme. Of course, tax pros experiencing a data breach in Area 6 will want to send an email to us at cl.sl.area.6@irs.gov

State Revenue Updates

Minnesota Department of Revenue

We continue to release information on the new e-CRP requirements that are mandatory for property owners and managers beginning in 2025. Visit your outreach workers at the State Fair Revenue Booth on Friday, August 30! Mena Duarte no longer works for the Minnesota Department of Revenue.

Wisconsin Department of Revenue

Tax professionals should review the latest Wisconsin Tax Bulletin here:
<https://www.revenue.wi.gov/Pages/ISE/wtb-2024.aspx>

Questions and Answers:

Q: Any estimate of how many ERC claims have been processed and what date of filing are they working on processing?

A: Here are three additional links with most current information on ERC processing;

[IRS continues work on Employee Retention Credit; new IRS CI education sessions come as agency urges businesses to review VDP, withdrawal program for questionable claims | Internal Revenue Service](#)

[Read out: Commissioner Werfel Briefs Senate Finance Committee on Employee Retention Credit | Internal Revenue Service \(irs.gov\)](#)

[IRS enters next stage of Employee Retention Credit work; review indicates vast majority show risk of being improper | Internal Revenue Service](#)

Q: Why can't IRS phone assistants on the Practitioner Priority Service line send Form 941 Account Transcripts until September 30?

A: IT is resolving the programming issues with 94X series tax return transcripts and then can be ordered beginning September 29, 2024, for the postal mail delivery. Selecting online delivery method and Secure Mailbox as delivery is unaffected allowing the transcript to be mailed. Internal Revenue Manual 21.2.3 referenced.

Q: How is the IRS handling erroneous letters that were sent out stating the taxpayer owed when they actually paid timely? Will a letter say the taxpayer paid in full?

A: The issues were elevated on this and Stakeholder Liaison received many notices on this, and response currently is on <https://www.irs.gov/newsroom/irs-statement-on-balance-due-notices-cp14>. Currently the answer on above link on irs.gov is;

No immediate action or phone call needed: Taxpayers who receive a notice but paid the tax they owed in full and on time, electronically or by check, should not respond to the notice at this time. The IRS is researching the matter and will provide an update as soon as possible.

Q: We have received IRS notices on four different clients that a 2021 tax return needs to be filed. All these tax returns had been filed and we responded, and then 30 days later the clients received another IRS notice stating they need to file.

A: TIGTA report from June 2024 references a backlog of 2021 tax returns. This issue is being elevated from the practitioner.

Q: How long after tax returns are received by the Offer In Compromise unit are they logged into the Memphis IRS system? The OIC case was received July 17, 2024.

A: The IRS operations page does not list processing time frames for Offer In Compromise receipts. [IRS operations: Status of mission-critical functions | Internal Revenue Service.](#)

The Internal Revenue Manual lists these processing times for the initial receipt of Offer-In-Compromise packages. It does not list a specific time frame for assignment to an Offer Specialist.

Internal Revenue Manual 5.8.3.2 (10/11/2022)

Perfection and Case Building Time Frames

1. If an offer is received with payment(s), processability and payment processing must be determined within 24 hours of IRS received date and case building completed within 20 days of Area Office (AO) received date.
2. If no payment(s) is submitted, processability and case building must be completed within 20 days of the AO received date.

If you are experiencing processing times longer than this, please provide specific details to the stakeholder liaison for your state so this issue can be elevated.

Q: Can IRS acknowledge Form 941-X claims, Appeal letters, and Offer-In-Compromise cases received so practitioners know they are received?

A: Elevated this issue for consideration.

Q: IRS requesting Letter 3531 – Signature Return and received two of them. Is this correct, I have not heard of them previously?

A: I tried to locate this IRS Letter 3531 and could not find any information on irs.gov, and asked practitioner to send this notice to my attention.

Q: I have a client that filed their return electronically about April 12, 2024, with \$42,XXX refund that is part of the \$117,XXX refund. Practitioner's client has not received refund but has received two IRS letters saying sixty days more time is needed.

A: This is still being processed based on IRS correspondence received. If you do not continue to get these status letters, then go to the Taxpayer Advocate for resolution. But the process is still active currently.

Q: When dependents tax return is filed, and need to file parents, do you find any issues?

A: If the dependents return was corrected using a "superseded" status instead of an amendment, then the parent's return would be able to e-file after the dependent's return is processed by the IRS. Practitioner stated we always tell our parents - do not file your child's return until after we have completed yours. This has helped with this issue.

Q: Any estimate of how many claims must be processed and what date of filing are they working on processing? Always check this link for updates,

A: [IRS operations: Status of mission-critical functions | Internal Revenue Service](#)

Q: Any idea of Colorado Stakeholder Liaison will be?

A: We will update the alignment of Stakeholder Liaison on the next call, but Neki Cox will be the contact.

Q: Form 911 is taking longer to assist. Why?

A: This is a priority, but assisting times have been taking longer based on workload.

Q: What is the process to get copies of Form 1099-NEC for a business client, when the practitioner cannot locate them.

A: This question is currently being researched. The tax transcripts available for businesses are listed at this page, but 1099 series forms are not listed: [Get a business tax transcript | Internal Revenue Service \(irs.gov\)](#). The Practitioner Priority Service line may be able to provide specific information about 1099 series forms reported to the EIN.

Next Meeting

Thursday September 12, 2024
(1 week later than normal, 2nd Thursday)

Microsoft Teams meeting

Join on your computer, mobile app or room device

[Click here to join the meeting](#)

Meeting ID: 241-938-273-298

Passcode: VdxVtm

[Download Teams](#) | [Join on the web](#)

Or call in (audio only)

[+1 737-253-8186,,838814991#](#) United States, Austin

Phone Conference ID: 838-814-991#

[Find a local number](#) | [Reset PIN](#)