2023 IRS Updates for Payroll Professionals

September 2023

Who we are:

- Team within IRS that establishes relationships with practitioner and industry organizations representing small business and self-employed taxpayers. We provide information about the policies, practices and procedures the IRS uses to ensure compliance with the tax laws.

What we do:

- Share IRS news and updates
- Education and outreach – (webinars, educational events, etc.)
- Issue Management Resolution System (IMRS) – tell us about IRS issues, we need your feedback!

Find us by searching "Stakeholder Liaison" on IRS.gov

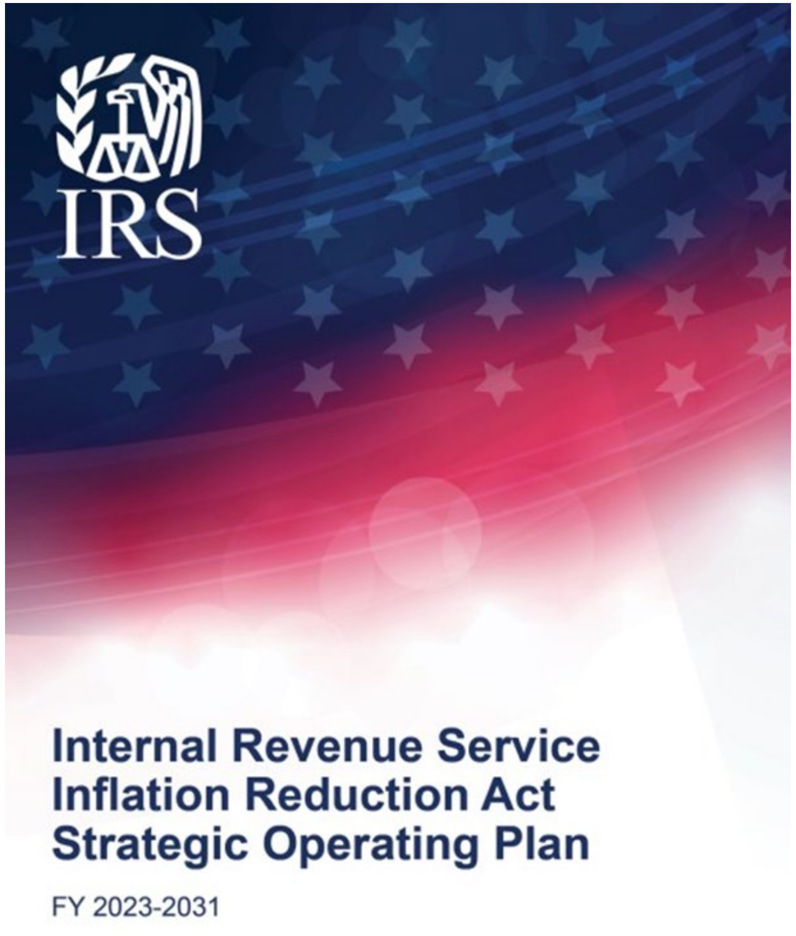
IRS Updates

- Inflation Reduction Act
- Information Returns Intake System (IRIS)
- Return processing updates
- New clean vehicle and clean energy credits
- Employee Retention Credit warnings and other scams
- 2023 IRS Announcements
- IRS resources for payroll professionals
- Hiring initiatives – come work with us!

2022 Inflation Reduction Act

- August 16, 2022 – IRA was signed into law. This marked a transformational moment for the Internal Revenue Service – and an opportunity for the future of tax administration.
- IRS will receive nearly $80 billion of funding over next 10 years (reduced to ~$60B)
- Goals:
  - improve taxpayer service and technology,
  - increase staff,
  - and ensure that all taxpayers are paying their fair share.

IRS Inflation Reduction Act Strategic Operating Plan



Compliance / Service Transformation

Compliance Transformation:

$45.6 billion for tax enforcement:

hiring more enforcement agents, providing legal support, and investing in "investigative technology"

Service Transformation:

$3.2 billion for taxpayer services such as filing and account services, prefiling assistance, and education.

$4.8 billion for Business Systems Modernization

- Improving customer service technology (automated callback systems)

The additional funding will enable the IRS to tackle the transformation of core tax systems and address some major pain points for taxpayers, businesses, tax professionals and others.

Taxpayer First Act – Section 2102

Internet Platform for Form 1099 Filings:

Information Returns Intake System (IRIS)

Information Returns Intake System (IRIS)

We are excited to announce that you will be able to submit a Form 1099 series using the new web portal user interface (Taxpayer Portal) on January 9, 2023.

Beginning January 9, 2023, use the Taxpayer Portal to:

1. **Key in information to create a Form 1099.**
2. **Upload a .csv file using a downloadable template the IRS provides within IRIS that will also create Forms 1099.**
3. **Download and print the 1099s they created to provide to recipients.**
4. **Electronically submit the 1099s by hitting "Submit" button.**
5. **File a corrected 1099 if the original was filed using the IRIS web portal.**
6. **File an automatic extension.**

Future Releases* Will:

1. **Modernize the bulk Application to Application** (A2A) intake channel to XML schemas.**
2. **Modernize the processing of the information returns filed on paper.**
3. **Electronically file non-automatic extensions and waivers.**
4. **Allow IRIS to intake other information returns,** (1099 DA, 3921, 3922, 1097, 1098, 5498, 1042-S, W2-G, 8027, 8955, ACA forms, FATCA forms, FinCEN, K-1s, State Info forms, non-standard info returns).
5. **Support the future retirement of legacy systems and applications.**

* Conversations regarding future releases are underway; future releases may include fewer or additional components

** A2A refers to "Application to Application": the process of connecting data or a function from one application program with another application program

Taxpayer First Act – Sec. 2102

Sec. 2102 of the TFA calls for the IRS to set up a website or other electronic media whereby taxpayers may electronically file Forms 1099. This website is to be modeled after the Business Services Online Suite of Services provided by the Social Security Administration.

Legislative Language

IN GENERAL.—Not later than January 1, 2023, the Secretary of the Treasury or the Secretary's delegate (hereafter referred to in this section as the ''Secretary'') shall make available an internet website or other electronic media, with a user interface and functionality similar to the Business Services Online Suite of Services provided by the Social Security Administration, that provides access to resources and guidance provided by the Internal Revenue Service and allows persons to—

(1) **prepare** and **file** Forms 1099;
(2) **prepare** Forms 1099 for distribution to recipients other than the Internal Revenue Service; and
(3) **maintain** a record of completed, filed, and distributed Forms 1099.

(b) ELECTRONIC SERVICES TREATED AS SUPPLEMENTAL; APPLICATION OF SECURITY STANDARDS.—The Secretary shall ensure that the services described in subsection (a)—

(1) are a supplement to, and not a replacement for, other services provided by the Internal Revenue Service to taxpayers; and
(2) comply with applicable security standards and guidelines.

System Capabilities, Authentication and Authorization

IRS Business Unit and IT stakeholders engaged in a collaborative process to identify and examine the impact of TFA Sec. 2102. Through Rapid Requirement Elicitation sessions, business coordination meetings, and working sessions, the project team determined the scope, system functionality of and capabilities the 1099 platform.

Current Capabilities in the 1099 Platform – Information Returns Intake System (IRIS)

- ✓ Create User Type Profile
- ✓ Authorize Users to Access the Platform
- ✓ View Authorized Account Users
- ✓ Support of Automatic Extensions
- ✓ Prepare Form(s) 1099
- ✓ Allow File Uploads
- ✓ Populate Form(s) 1099 with Prior Year Data
- ✓ Provide Inline Form(s) 1099 Data Validation
- ✓ Conduct Data Checks
- ✓ Store Unsubmitted Data Internally at IRS
- ✓ Review Form Data
- ✓ Store Payer Information for Re-use
- ✓ Download Form(s) 1099 for Distribution to Recipients
- ✓ View Detailed Submission Information
- ✓ Push Notifications for Users
- ✓ Notifications within IRS System
- ✓ Combined Federal/State Filing (CF/SF) Program Integration
- ✓ Correct Submitted Form(s) 1099
- ✓ Store Persisted Data in a Repository
- ✓ Provide Data for Downstream Systems

User Authentication and Authorization Protocols

- ✓ Secure Access Digital Identity (SADI) – Users must authenticate using this one-time, two-factor authentication process
- ✓ E-Services Account - Users will need to create an E-Services account to access IRIS
- ✓ External Services Authorization Management (ESAM) - IRIS is an application within ESAM, similar to Transcript Delivery System (TDS), FIRE, Affordable Care Act Information Returns (AIR), etc.

Information Returns to be Accepted by IRIS

Release 1 - January 2023	Releases 2 & 3 (Notional & subject to funding)
• Form 1099-A, Acquisition or Abandonment of Secured Property • Form 1099-B, Proceeds from Broker and Barter Exchange Transactions • Form 1099-C, Cancellation of Debt • Form 1099-CAP, Changes in Corporate Control and Capital Structure • Form 1099-DIV, Dividends and Distributions • Form 1099-G, Certain Government Payments • Form 1099-H, Health Coverage Tax Credit (HCTC) Advance Payments • Form 1099-INT, Interest Income • Form 1099-K, Payment Card and Third-Party Network Transactions • Form 1099-LS, Reportable Life Insurance Sale • Form 1099-LTC, Long-Term Care and Accelerated Death Benefits • Form 1099-MISC, Miscellaneous Information • Form 1099-NEC, Nonemployee Compensation • Form 1099-OID, Original Issue Discount • Form 1099-PATR, Taxable Distributions Received from Cooperatives • Form 1099-Q, Payments from Qualified Education Programs • Form 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. • Form 1099-S, Proceeds from Real Estate Transactions • Form 1099-SA, Distributions from an HSA, Archer MSA, or Medicare Advantage MSA • Form 1099-SB, Seller's Investment in Life Insurance Contract • 1099-QA, Distributions from ABLE Accounts • Automatic Extensions for Forms 1099 Filing	• New Digital Asset Forms (e.g., 1099-DA, Digital Asset Proceeds from Broker Transactions & 8300-DA, Report of Digital Asset(s) and Cash Payments Over $10,000 Received in a Trade or Business) • Form 3921, Exercise of an Incentive Stock Option Under Section 422(b) • Form 3922, Transfer of Stock Acquired Through an Employee Stock Purchase Plan under Section 423(c) • Form 5498, IRA Contribution Information • Form 5498-ESA, Coverdell ESA Contribution Information • Form 5498-SA, HSA, Archer MSA, or Medicare Advantage MSA Information • Form 5498-QA, ABLE Account Contribution Information • Form W-2G, Certain Gambling Winning • Form 1098, Mortgage Interest Statement • Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes • Form 1098-E,Student Loan Interest Statement • Form 1098-F, Fines, Penalties and Other Amounts • Form 1098-Q, Qualifying Longevity Annuity Contract Information • Form 1098-T, Tuition Statement • Form 1097-BTC, Bond Tax Credit • Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding • Form 8955-SSA, Annual Registration Statement Identifying Separated Participants with Deferred Vested Benefits • Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips

Later Releases (Notional & subject to funding)

- Non-Automatic Extensions & Waivers
- ACA Forms
- FATCA Forms
- Non-Standard Information Returns
- K-1s
- State Information Returns
- FinCEN Information Returns

IRIS Resources

Publications	Publication 5717 Information Returns Intake System (IRIS) Taxpayer Portal User Guide https://www.irs.gov/pub/irs-pdf/p5717.pdf
	Publication 5718 Information Returns Intake System (IRIS) Electronic Filing Application to Application (A2A) Specifications
	Publication 5719 Information Returns Intake System (IRIS) Test Package for Information Returns
Websites	www.irs.gov/inforeturn - a website that provides an overview of the three different intake channels (FIRE, AIR and IRIS)
	www.irs.gov/iris - a website that provides general information about IRIS
	www.irs.gov/iris-ats and www.irs.gov/iris-schema - websites that provide information about Assurance Testing Scenarios (ATS) for the Application to Application (A2A) filer for IRIS

E-filing required for 10 or more information returns starting 1/1/2023

> **10 or more returns: E-filing now required**
>
> Starting tax year 2023, if you have 10 or more information returns, you must file them electronically. Find details on the final e-file regulations.

The IRS receives nearly **4 billion information returns per year** and expects to receive nearly 5 billion by 2028.

In 2019, the IRS still received nearly **40 million paper information returns**, even though approximately 99% of all information returns for that year were e-filed.

IRS Operations: Status of Mission-Critical Functions – Favorite this IRS.gov Page!

IRS Operations: Filed a Tax Return in 2022 (and later)

- Form 1040
- Form 1040-X
- Form 941’s
- Form 941-X’s

IRS Operations: Notices/Letters, ITINs, ID Theft

- Answered a Letter or Notice
- Individual Taxpayer Identification Number (ITIN)
- Victims of ID Theft w/Form 14039 or 14039-B

IRS Operations: Need Help

- Phones
- IRS.gov
- Online Account
- IRS.gov/payments
- Interactive Tax Assistant
- Taxpayer Assistance Centers
- Taxpayer Advocate Service (TAS)

Clean Energy Credits

Energy Efficient Home Improvement Credit (§ 25C)

- Homeowners
- Renters
- Second home used as residence

Credits are available for homes that you use as a residence

Energy Efficient Home Improvement Credit (continued)

30% credit, with a $1,200 annual credit limit for

(1) qualified energy efficiency improvements – known as building envelope components
(2) residential energy property expenditures made during the year, and
(3) home energy audits conducted during the year (maximum of $150)

30% credit, with a $2,000 annual credit limit for

(1) heat pumps and heat pump water heaters, and
(2) biomass stoves and boilers.

The credit is allowed for qualifying property placed in service on or after January 1, 2023, and before January 1, 2033.

Energy Efficient Commercial Building Credits

IRS

Energy Efficient Commercial Buildings Deduction

Building owners who place in service energy efficient commercial building property (EECBP) or energy efficient building retrofit property (EEBRP) may be able to claim a tax deduction. An increased deduction may be available for increased energy savings or meeting prevailing wage and apprenticeship requirements.

Who Is Eligible

Beginning January 1, 2023, the deduction is available to:

- Owners of qualified commercial buildings
- Designers of EECBP/EEBRP installed in buildings owned by specified tax-exempt entities, including certain: government

Amount of the Deduction for 2023 and After

For property placed in service in 2023 and after, the deduction for EECBP equals the **lesser** of:

The cost of the installed property
or
The savings per square foot calculated as:

Credit for New Clean Vehicles Purchased in 2023 or After (Cont.)

Qualified Vehicles

To qualify, a vehicle must:

- Have a battery capacity of at least 7 kilowatt hours
- Have a gross vehicle weight rating of less than 14,000 pounds
- Be made by a qualified manufacturer.
- Undergo final assembly in North America

Fuel Cell Vehicles (FCVs) do not need to be made by a qualified manufacturer to be eligible. But qualified manufacturers of EVs must also report for their FCVs. See Rev. Proc. 2022-42 for more detailed guidance.

Credit for New Clean Vehicles Purchased in 2023 or After (Cont.)

A list of eligible clean vehicles may be found at federal government’s website:

https://www.fueleconomy.gov/feg/tax2023.shtml

Employee Retention Credits

Employee Retention Credit scam warning

Warning signs to watch out for:

- Unsolicited calls or advertisements mentioning an “easy application process”
- Promoters that obtain clients through a large number of “agents” or a “referral partner network”
- Statements that the promoter can determine ERC eligibility within minutes
- Large upfront fees to claim the credit
- Fees based on a percentage of the refund amount
- Broad possibilities that a business qualifies before any discussion of details
- Suggestions to submit the claim because there is nothing to lose

To report tax-related illegal activities relating to ERC claims, submit by fax or mail a completed Form 14242, Report Suspected Abusive Tax Promotions or Preparers and any supporting materials to the IRS Lead Development Center in the Office of Promoter Investigations.

Updates – News Release IR-2023-123

Updates – Security Summit Messages

Tax Security Awareness

Reporting data loss: W-2 info

The IRS can help protect employees from tax-related ID theft if notified quickly about the loss

- Email: dataloss@irs.gov
- Subject line: W2 Data Loss
- The IRS does not initiate contact with taxpayers by email, text messages or social media

Reporting data loss

- Data breaches could affect victims' state tax accounts
- Email Federation of Tax Administrators
- StateAlert@taxadmin.org
- File a complaint with the FBI's Internet Crime Complaint Center (IC3)
- File a report with local law enforcement agencies

Data breach - Info for employees

- IRS Pub 5027, Identity Theft Information for Taxpayers
- Place a “fraud alert” or “credit freeze” with at least one of the three credit bureaus
- File a complaint with the Federal Trade Commission
- Review FTC’s www.identitytheft.gov for additional steps

Report phishing emails

Email: phishing@irs.gov

Subject line: **W2 Scam**

- Email headers in plain ASCII text format
- Attach phishing email to one you're sending to the IRS
- Do not include PII such as SSNs or W-2s

File a complaint with the FBI's IC3

IRS Resources

for

Payroll Professionals

Payroll Industry Calls

Monthly payroll industry calls

First Thursday of each month

1:00 p.m. Eastern

For an invitation to join the discussions, send an email to:

sbse.payroll@irs.gov

e-News for Payroll Professionals

Information about:

- Recent changes affecting payroll issues
- IRS news releases and announcements pertaining to the payroll industry
- Employment tax procedures
- Other information of interest to payroll pros

IRS.gov – Search for keyword: e-News

IRS social media

Instagram – @IRSnews

Twitter:

@IRSnews

@IRSenEspanol

@IRStaxsecurity

YouTube: IRS Videos in English, Spanish and American Sign Language

Facebook: IRS, IRS en Español, IRS Tax Pros

IRS Webinars

IRS.gov – Search for keyword: **webinars**

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File Pay Refunds Credits & Deductions Forms & Instructions

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Webinars for Tax Practitioners

Individuals

Businesses and Self-Employed

Small Business and Self-Employed

Employer ID Numbers

Business Taxes

Reporting Information

Upcoming Webinars

- Qualified Educational Assistance Programs (September 14, 2023)
- Preparation of Form 1040-NR, U.S. Nonresident Alien Income Tax Return (September 26, 2023)
- Mortgage & Other Interest Expense Allocation & Apportionment for Individuals with Partnership Interests Form 1116 and Schedule K-3 (September 28, 2023)
- Beneficial Ownership Information (October 4, 2023)

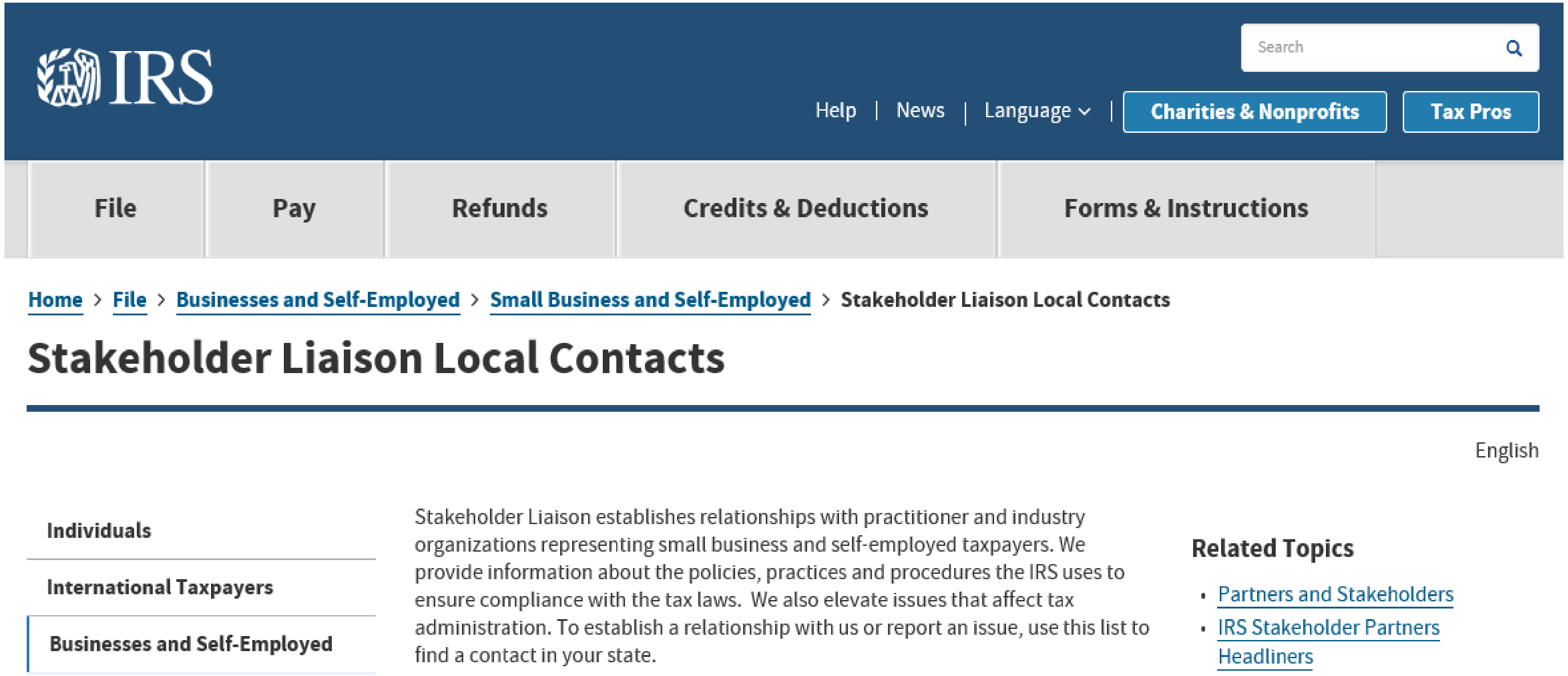
Qualified Educational Assistance Programs

Related Resources

- Practitioner Local Liaison Meetings and Seminars
- Tax Practitioner Institute Classes
- Workshops and Other Events in Spanish for Small Businesses

Stakeholder Liaison

IRS.gov – Search for keyword: **stakeholder liaison**



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Stakeholder Liaison Local Contacts

English

- Individuals
- International Taxpayers
- Businesses and Self-Employed

Stakeholder Liaison establishes relationships with practitioner and industry organizations representing small business and self-employed taxpayers. We provide information about the policies, practices and procedures the IRS uses to ensure compliance with the tax laws. We also elevate issues that affect tax administration. To establish a relationship with us or report an issue, use this list to find a contact in your state.

Related Topics

- Partners and Stakeholders
- IRS Stakeholder Partners Headliners

IRS Careers

- IRS Hiring
- Benefits
- www.jobs.irs.gov
- www.usajobs.gov
- www.irs.usajobs.gov

Contact information

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- **Report issues with IRS policies, practices, procedures**
- **Help navigating IRS processes**
- **Presentations/workshops on current IRS issues or tax topics**

Thank you!