

May 15, 2024

Pacific Northwest Action Wednesday IMRS Call

Virtual Meeting via MS Teams

Time: 10:00 am –11:00 am (PDT)

Attendees:

Internal Revenue Service

- John Blakeman, Stakeholder Liaison
- Lelah Martinez, Stakeholder Liaison
- Mercean Lam, Stakeholder Liaison
- Sarah DeBurle, Taxpayer Advocate Service

Practitioner Representatives

- Lisa Rogers, AKSCPA
- Steven Stauss, NM
- Ami Oppe, AKSCPA
- Terry Bakker, OAIA
- Krish Perinkulam, AZSEA
- Shawn Mattingly, WA
- Nina Tross, NSTP
- Edwin del Carpio, WA
- Kristen Keats, OSCPA
- Jaye Tritz, AZ NATP
- Melissa Burr, OSCPA
- Robin Smith, WSTC
- David Freeland, AAATP
- Doug Henne, OSCPA
- Kristen Keats, OSCPA
- Daniel Stearns, ORSEA
- Harriet Strothers, OSCPA
- Kate Grubb, WSSEA
- Stephan King, ASCPA
- Teresa Moore, EA WY
- John Hawkins, OSCPA
- Laurie Brock, OR TAP
- Jeremy Saladino, WAATP
- John Burke, OSCPA
- Barbara Culver, WSSEA
- Carol Wild, OATC
- Melissa Rainwater-Fleming, AZSEA
- Heather Jackson, OSCPA
- Anne Rothrock2, NM

Meeting Summary

Lelah Martinez, Senior Stakeholder Liaison

IRS has issued [final regulations](#) that provide guidance for the entities choosing the elective payment for the advanced manufacturing investment credit, established by the CHIPS Act of 2022. The final regulations include special rules for partnerships and S corporations making the election. In addition, the final regulations provide rules related to the mandatory pre-filing registration requirement that were previously issued as [temporary regulations](#).

This credit will incentivize the manufacturing of semiconductors and semiconductor manufacturing equipment within the United States. The credit is available to taxpayers that meet certain eligibility requirements, and there is the ability for taxpayers to make an elective payment election to be treated as making a refundable payment against the tax equal to the amount of the credit. A partnership or S corporation can make an elective payment election to receive a payment, instead of claiming the credit.

The final regulations provide guidance related to the mandatory IRS pre-filing registration process, which is available through [pre-filing registration tool](#). The pre-filing registration process must be completed, and a registration number received, prior to making an elective payment election.

For more information, see [Publication 5884, Inflation Reduction Act \(IRA\) and CHIPS Act of 2022 \(CHIPS\) Pre-Filing Registration Tool User Guide](#).

The Internal Revenue Service has also issued [final regulations](#) describing rules and definitions for the transfer of eligible credits in a taxable year, including specific rules for partnerships and S corporations.

The Inflation Reduction Act and the Creating Helpful Incentives to Produce Semiconductors act (CHIPs) enable taxpayers to take advantage of certain manufacturing investment, clean energy investment and production tax credits through elective pay or transfer provisions.

For tax years beginning after Dec. 31, 2022, eligible taxpayers can choose to transfer all or a portion of eligible credits to unrelated taxpayers for cash payments. The unrelated taxpayers are then allowed to claim the transferred credits on their tax returns. The cash payments are not included in gross income of the eligible taxpayers and are not deductible by the unrelated taxpayers.

The final regulations also describe special rules related to excessive credit transfers and recapture events, including rules for determining whether an event has occurred, the resulting tax impact and the person responsible for that tax impact. The final regulations also provide rules for a mandatory IRS pre-filing registration process through an electronic portal. The pre-filing registration process must be completed, and a registration number received, prior to making an election to transfer eligible credits. The unrelated taxpayers are then allowed to claim the transferred credits on their tax returns. The cash payments are not included in gross income of the eligible taxpayers and are not deductible by the unrelated taxpayers.

The final regulations also describe special rules related to excessive credit transfers and recapture events, including rules for determining whether an event has occurred, the resulting tax impact and the person responsible for that tax impact. The final regulations also provide rules for a mandatory IRS pre-filing registration process through an electronic portal [see link above]. The pre-filing registration process must be completed, and a registration number received, prior to making an election to transfer eligible credits.

On March 5, 2024, Treasury issued final regulations for Elective Pay

[Treasury, IRS issue guidance for the elective payment of advanced manufacturing investment credit | Internal Revenue Service](#)

On April 25, 2024, Treasury issued final regulations for Credit Transferability Election

[IRS releases final guidance on transfers of certain credits under the Inflation Reduction Act | Internal Revenue Service](#)

Mercean Lam, Senior Stakeholder Liaison

We wanted to discuss two relatively new applications at the IRS and how they are working for tax preparers and their clients. The first is the Document Upload Tool, or DUT for short, and the other is IRIS...Information Returns Intake System.

We have received many comments on the DUT and have included some of them here, just so you know where we stand with the 'input':

- The DUT doesn't appear to link with IRS notice processing...follow up notices go out with no indication that a response has been sent in for the initial notice. Practitioners have expressed concern that they cannot confirm that the document has been uploaded properly [besides the 'Success' screen, which provides no detail].
- There is no information that it may take up to 30 days [or more!] to associate the uploaded documents with their case file.
- Practitioners are generally confused as to which notices/letters/documents can be filed using the DUT, and which cannot. For example, if a notice does not require a response or additional documentation, there will be a message that indicates that no response is required, and they cannot proceed to upload documentation. There should be more clear guidance that this might be the case. Also, the message appears at the top of the screen, and it's not highlighted very well.
- Practitioners are concerned that this 'portal' can be used to send in not so nice things if someone has someone else's SSN and a desire to do so. It would be good to have an identification process or a registration process to use the DUT.
- IRS assistors are advising that people send in documentation via fax and/or certified mail, as well as sending in via the DUT, and this should not be necessary.

This is just a snapshot of comments received, and we hope these comments spur others FROM YOU 😊 ... send us your opinions and comments on your experience using the DUT.

The IRIS system is also *relatively* new, and there's been plenty of comments on that as well...much of which centers around getting registered to use it.

One of the primary concerns is that IRIS requires 2 responsible parties when applying to get permission to use the system. BOTH of these people need to be e-Services users as well. This is a genuine hindrance to the one-person accounting/tax firm.

Another concern, and this also holds for the FIRE system [Filing Information Returns Electronically], the original and still running system for uploading Information Returns to the IRS, is that it bogs down terribly toward the deadline date. Sometimes to the point of timing out or just not being accessible due to volume.

Please note that all these comments and concerns [and many more] have been elevated, but we'd really appreciate as much feedback as we can handle on this.

John Blakeman and IMRS and other updates

The fact of the matter is, that we have quite a few collector issues that would love some feedback and not just IRIS and DUT. The current collector issues include:

- IRIS
- Document Upload Tool
- Resumption of Collection Notices
- Digital Assets [cryptocurrency and related issues]
- Inflation Reduction Act
 - Clean energy credits
 - IRS modernization efforts
- Direct File
- American Rescue Plan Act of 2021 [for example, 1099K]

So really, what we are asking is that when you encounter these things, or when you are working with them, please take the time to let us know how your experience was. I know it's hard to remember when we are in the thick of things, but it really goes a long way to helping us improve your experience with us.

Questions and Answers!

Q: What does it mean when we upload a file to IRIS and it comes back with the message 'accepted with errors'? We do understand that there sometimes are name/number mismatches, but does the file continue to be processed or do we have to upload corrections for processing to continue?

A: We believe it means the file is accepted and will continue processing, but every effort should be made to correct the errors in the file.

Q: Regarding the DUT: we had an encounter where we had been asked to gather a large amount of information to send in...about 240 pages of documentation, and we were to use the DUT to send it in. When we spoke with the assistor, the person said he did not have time to wait for the DUT to complete its upload, and we were to fax the documentation in. IRS fax machines are slow...they just are...240 pages could be a 2 day fax...assuming the machine does not run out of paper/ink. Why could the person not take the information on the DUT?

A: A good question, and we have elevated this.

Q: Regarding Notices of Deficiency, we are still seeing the taxpayer's SSN in the body of the Notice. IRS has redacted the SSN on the first page of the notice...mostly, but on all the other pages it still is showing.

A: We thought we had this cleared up too... we shall send this in again.

Q: Regarding F2848 for deceased persons [the estate representative, really], we wanted to re-iterate the issue with Forms 2848 having a terrible habit of dropping off the associated return...it seems to happen about the 7th of each month.

A: Yes, we did get an answer on that, and supposedly there has been a software update [should have happened in Early April] that fixed this issue. Try it again, and let's see if it really got fixed.

Q: Are we required to get KBA [knowledge based authentication] for e-Signatures?

A: Yes, for F8878/8879. Please see the following link to the efile handbook: e File Handbook www.irs.gov/pub/irs-pdf/p1345.pdf page 20. We have elevated this question, and it seems, for now, the only e-signatures that require the KBA are the ones for F8878/8879.

Comment: There is an issue right now with PPS not being able to move payments from one module to another. We know of the issue, and are working on getting that fixed. Several practitioners commented on this.

Q: We have heard from 2 practitioners now that the DUT would not upload their .pdf file and they had to convert the file to jpeg. Is this an issue?

A: We've not really heard this as an issue in other areas, but perhaps it is the file size? We will ask about this, though.

Next Scheduled Meeting; Wednesday, June 26th, 2024

Because June 19th is Juneteenth and that is indeed a holiday.