

July 17, 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
- Melissa Chapman, Taxpayer Advocate Service

Practitioner Representatives

- Rebekkah Beckstead, AKSCPA
- Ami Oppe, AKSCPA
- Terry Bakker, OAIA
- Krish Perinkulam, AZSEA
- Nina Tross, NSTP
- Edwin del Carpio, WA
- Kristen Keats, OSCPA
- Jaye Tritz, AZ NATP
- Robin Smith, WSTC
- Doug Henne, OSCPA
- Harriet Strothers, OSCPA
- Kate Grubb, WSSEA
- Teresa Moore, EA WY
- Laurie Brock, OR TAP
- Jeremy Saladino, WAATP
- John Burke, OSCPA
- Carol Wild, OATC
- Heather Jackson, OSCPA
- Larry Hess, NMSCPA
- Vera Likhonin, WA
- Michael Davidson, ORSEA
- Colleen Barbee, OSTC
- James Adelman, OK
- Jeffrey Quatrone, AZ
- Mark Neumeister, OK
- Dale Marino, OSTC
- Elliott Gidan, CO
- Judy Hanson, WSTC President
- LaVeta Scherer, NATP
- Robin Harris, OK
- Sara Northcutt, OSCPA
- Greg Nunn, WA

Meeting Summary

Lelah Martinez, Senior Stakeholder Liaison

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.

Learn more in the news release: <https://www.irs.gov/newsroom/irs-enters-next-stage-of-employee-retention-credit-work-review-indicates-vast-majority-show-risk-of-being-improper>

John Blakeman, Senior Stakeholder Liaison

Final Regs for certain cryptocurrency brokers:

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 below for additional information.

<https://www.irs.gov/newsroom/treasury-irs-issue-final-regulations-requiring-broker-reporting-of-sales-and-exchanges-of-digital-assets-that-are-subject-to-tax-under-current-law-additional-guidance-to-provide-penalty-relief-address>

Mercean Lam, Senior Stakeholder Liaison

Stay alert to new scams!!

This summer's Security Summit Campaign began Monday, July 8, and to help kick it off, the Internal Revenue Service and the Security Summit renewed a warning today to tax professionals to be on the lookout for a variety of new and evolving schemes aimed at stealing business and taxpayer information. Now in its ninth year, the Protect Your Clients; Protect Yourself series will feature news releases each Tuesday for eight weeks.

The series coincides with the [Nationwide Tax Forum](#), a three-day seminar starting in Chicago and continuing with sessions the week of July 30 in Orlando, August 13 in Baltimore, August 20 in Dallas and September 10 in San Diego. The IRS reminds tax pros that registration deadlines are quickly approaching for several of the forums, and Orlando is already sold out.

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. But 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 involving EFINs, PTINs, CAF numbers

Another scam circulating on a large scale this year involves phishing attempts by scammers trying to obtain various identification numbers used by tax professionals, including their Electronic Filing Identification Number or EFIN; EFIN documents; their Preparer Tax Identification Number or PTIN; and their Centralized Authorized File or CAF number. 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

And for more information, please check out the news release:

<https://www.irs.gov/newsroom/new-evolving-scams-threaten-tax-professionals-security-summit-warns-extra-attention-needed-on-trending-threats-that-could-affect-businesses-clients>

IMRS and other updates

Please remember to send your SL any feedback you may have on interactions you have with the following IRS applications and programs:

- 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: Why can't we have a call-back feature for ANY call with the IRS when the wait times are over 15 minutes?

A: We have elevated this before, and we shall do it again.

Q: SL sent a newsletter out a few weeks ago and included were links to a couple of short YouTube videos on 'Appealing a Collection Action' and 'Appealing an Examination Dispute'. Both mention that taxpayers can engage attorneys and CPAs to assist them, but there is no mention of Enrolled Agents. Shouldn't there be mention of EAs too? After all, IRS licenses Agents, and oversees the Enrolled Agent program.

A: Absolutely they should mention EAs too! We'll make sure the video folks know about this.

Q: Have they fixed the situation with not being able to move amounts from one account to another?

A: The last we heard, we are able to move amounts between accounts/modules with the same TIN. But we have not heard that they can be moved between TINs...for example, between spouses.

Q: WSSEA had a member ask about the IRS placing his CAF number under review. He does representation work, and he cannot use his CAF now. He thinks it may be an

identity related issue, but cannot get anyone at the IRS to explain why it is under review. He was given an email address for CI, but so far they are unresponsive. Is there anything he can do?

A: We can say that CI typically does not comment on those types of things until the review/investigation is complete, but we will send this to our CI contact and see if he has any helpful suggestions. We will also ask CI if they plan to do any outreach on this.

Q: Will 1099s be required for taxable digital asset transactions in 2024 and 2025? Also, will broker reporting for digital asset transactions be required for offshore accounts?

A: We'll ask about the offshore accounts...and according to the news release, these transactions will be reported in 2025 on Form 1099-DA. Check out the news release link too [above], for the transitional relief.

Q: There were several questions regarding processing returns, whether deceased persons or alive, and how is the IRS doing in processing those?

A: We are working as fast as we can on processing all returns, but with the Mission Critical page not being updated any more it's a little harder to find out where we are in those departments...we'll keep asking, though.

Q: We had an interesting situation with a PPS assistor. The person did great, excellent service, but when we asked about the second issue the person said they couldn't take it and said we'd have to mail in information and that it would be 30 days...very odd, but in checking the time, it could have been the end of the person's shift and they just wanted to go...but could they just be honest?

A: That is indeed strange...understandable, but strange. We'll let our IMRS folks know about this one too.

Next Scheduled Meeting; TBD

At the moment, Area 6 is having some staffing issues, and it is getting hard to find enough folks each month to run this meeting and First Thursday too. We've discussed this with our companions who run First Thursday, and this meeting will combine with First Thursday for the time being. We will send a link for the next First Thursday meeting, which is **August 1st**.