

WELCOME

Navigating IRS Communication with Success

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Session Overview/Objectives

This session provides insight into some of the common letters and notices government entities normally receive, as well as notices they are receiving as a result of recent tax changes in the Affordable Care Act, the CARES Act of 2020, and the American Rescue Plan Act of 2021. Again, it will provide an overview of how to successfully navigate resolution of these IRS issues.



PART ONE:

IRS has Resumed Collection Notice Mailings After Pandemic Suspension

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IRS Collection Notices Coming Back in 2024

- A. The IRS has been on hold with its automated collection activity since March 2020
- During the Covid-19 pandemic, IRS temporarily suspended mailing of automated collection notices
 - IRS collection enforcement has been non-existent for the past 3 years, with the exception of fraudulent accounts
 - Reduced IRS tax debt enforcement has had an impact on tax collections
 - As of the end of 2023, over 24 million individual and business taxpayers owe back taxes to the IRS totaling \$453B.
 - Beginning in January 2024, the IRS resumed automated collection notice activity and subsequent collection enforcement

IRS Collection Notices Coming Back in 2024

B. Taxpayers with a balance due will receive IRS Letter LT 38, “Reminder – Notice Resumption”

- The IRS will issue LT 38 to alert you of your tax liability and that collection activities are resumed
 - Sent to individuals and tax debt before 2022
 - Sent to businesses and tax-exempt organizations with tax debt before 2023
- If the taxpayer does not pay amount due or resolve the tax matter, the IRS will begin enforcement action
- As IRS enforcement restarts, inaction and ignoring notices may result in an unwanted outcome: IRS enforcement through lien, levy, and passport restriction

IRS Collection Notices Coming Back in 2024

C. LT 38 Balance Due Reminder Notice

- Read notice carefully, and respond timely to the IRS
- This is not an audit, but a notice that debt is owed and must be resolved
- More than 3.7 million taxpayers in the IRS collection system will be sent reminder notices
- This is a shock to most taxpayers that have not received any notification since 2021 or earlier

IRS Collection Notices Coming Back in 2024

D. LT 38 – How to respond

- Call the IRS, or send the letter to your tax professional
- Understand the content of letter and the details of the amount charged
- If you disagree with the amount due, must work with the IRS to resolve the dispute
- If payments made previously are not accounted for, must send proof of payment and ask that they be posted to the correct account

IRS Collection Notices Coming Back in 2024

E. If LT 38 is Received, Get Right with the IRS

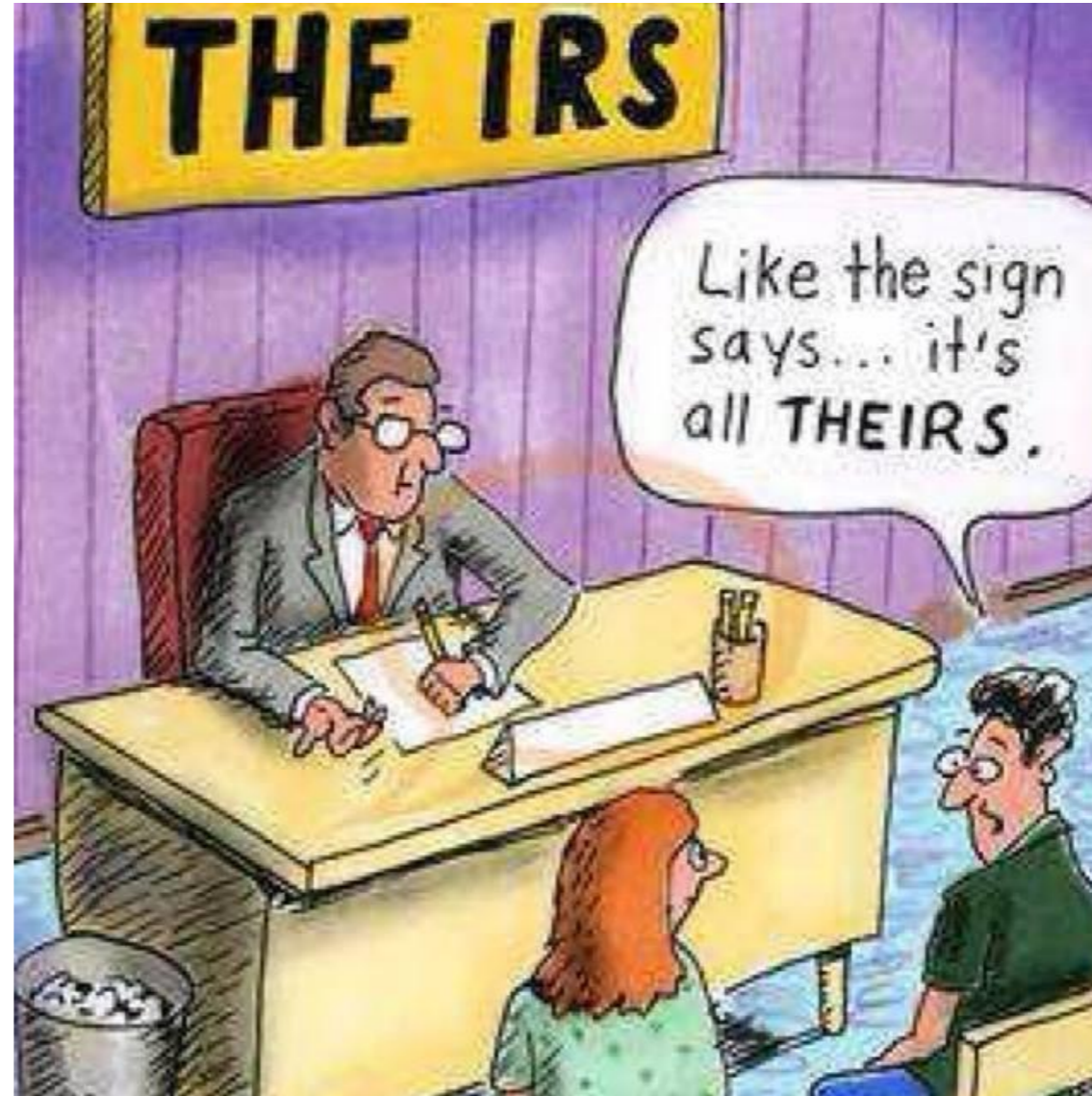
- If the total amount charged includes a penalty assessment, a request for penalty removal based on reasonable cause or First-Time Abatement can be made
- Pay unpaid balance due asap to avoid additional penalties and interest
- If payment in full cannot be made, set up an installment agreement with the IRS to avoid enforcement
- If any tax return or employment information returns are missing, file these returns immediately

PART TWO:

Resolving Notices Received From the IRS

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Position of
the IRS
when they
send a
NOTICE to
the
Taxpayer



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Form 941 Payroll Filings - Common Notices from the IRS Resulting in Penalties Assessed

A. IRS Mistakes/Procedures

- Quarterly filings not processed
- IRS misapplied amounts paid to the wrong quarter
- Refunds sent by IRS for overpayment instead of directed to underpaid quarter

Form 941 Payroll Filings - Common Notices from the IRS Resulting in Penalties Assessed

A. IRS Mistakes/Procedures

- Forms 941 missing in the IRS system even if filed by taxpayer
- Payments misapplied over several quarters, resulting in underpayments and overpayments of Forms 941
- Tax audit of regular Form 941 filings

Form 941 Payroll Filings - Common Notices from the IRS Resulting in Penalties Assessed

B. Taxpayer Preparation Mistakes/Errors

- Taxpayer codes the incorrect quarter for payment application
- Schedule B calculations prepared by taxpayer not matching Form 941
- Forms 941 not signed
- Payments or filings are late

Form 941 Payroll Filings - Common Notices from the IRS Resulting in Penalties Assessed

C. Penalty Assessments

- Penalties are 15% of the unpaid deposit for late payments
- Penalties are 5% of the unpaid taxes per month, up to a maximum penalty of 25%, for late filed returns

Forms W-2, 1099-MISC, and 1099-NEC Filings - Common Issues with Filings with the IRS Resulting in Penalties Assessed

A. Overview of Notice 972CG

- IRS issues Notice 972CG to propose penalties for late filed, missing, or incorrectly filed forms
- Covers W-2s, 1099-MISC, and 1099-NEC information return filings
- Taxpayer given chance to correct mistakes and ask for relief

Forms W-2, 1099-MISC, and 1099-NEC Filings - Common Issues with Filings with the IRS Resulting in Penalties Assessed

B. Problems with W-2s and 1099s

- Common issues - W-2s timely mailed but received late
 - Recommend certified mail to prove postmark date
- Common issue – late filing of W2s and 1099s
- Common issue with 1099s is missing or incorrect TINs
- Another mistake in processing - truncated TINs

Forms W-2, 1099-MISC, and 1099-NEC Filings - Common Issues with Filings with the IRS Resulting in Penalties Assessed

C. Penalty assessments

- For 2023, the late filing penalty for 1099s is \$310 per form – maximum total penalty of \$3.78M for large businesses and \$1.26M for small businesses
- For 2023, the late filing penalty for W2s is \$310 per form – maximum total penalty of \$3.78M for large businesses and \$1.26M for small businesses

Affordable Care Act (“ACA”) Forms 1094-C and 1095-C Information Return Filings

A. Explanation of Law

- ACA requires employers with at least 50 full-time workers to offer health insurance to employees
- ACA requires businesses to furnish information returns to employees and file forms with the IRS

Affordable Care Act (“ACA”) Forms 1094-C and 1095-C Information Return Filings

A. Explanation of Law

- A business with 250 employees could be charged almost \$200,000 in penalties and interest
- Could receive Letter 5699 (Missing Information Return) or a Notice assessing penalties

Affordable Care Act (“ACA”) Forms 1094-C and 1095-C Information Return Filings

B. Factual scenarios that may cause penalty assessments

- Taxpayer unaware of brand-new law and failed to file or furnish form
 - IRS provided 6 years of transition relief because of complicated law
- Taxpayer timely submitted forms but format incorrect and IRS rejected
- Taxpayer submitted form but not accepted by IRS

Affordable Care Act (“ACA”) Forms 1094-C and 1095-C Information Return Filings

B. Factual scenarios that may cause penalty assessments

- Taxpayer furnished forms to employees, but unaware of full filing requirements with IRS
- Taxpayer timely submitted returns but misstated number of returns on cover sheet; IRS rejected because thought some were missing
- Taxpayer timely filed returns with the IRS, but IRS lost the filed document
 - Funny story: when proof of filing was submitted, the IRS rejected the mailing receipt “because [we] didn’t know what was in the envelope,” so the return had to be re-filed electronically

Affordable Care Act (“ACA”) Forms 1094-C and 1095-C Information Return Filings

C. Penalty Assessments

- For 2023, failure to file and furnish penalties are \$310 per-form penalty – up to \$3,783,000 for large businesses or \$1,261,000 for small businesses
- IRS expected to issue more than \$228 billion in ACA-related penalty assessments to employers

In Closing...

As tax law is ever-changing, it is important to remain up-to-date on current tax law to maximize preparedness which leads to quicker resolution.



QUESTIONS?

Thank You

FINAL QUESTIONS OR COMMENTS?

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