TAX NEWS

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Dear Client:

As we wind down the 2022 tax year, the issue of taxpayer security has been a high priority for the Internal Revenue Service. Many of the functions within the IRS now require a rigorous verification process in order to access online accounts or a multi-factor authentication system.

The IRS is moving towards online automation to the extent possible, and many functions are now available on the IRS.gov website. Simple inquiries such as "Where's My Refund," or "Where's My Amended Return" are available – be sure to have your copy of the return handy when using these tools as verification from the tax return is required.

The IRS has also announced that they have begun using voice and chat bots on two of its specialized toll-free telephone assistance lines and IRS.gov, enabling taxpayers with simple payment or collection notice questions to get what they need quickly and avoid waiting. Taxpayers can still speak with an IRS telephone representative if needed.

These bots are not available to help you with:

- *How to make one-time payments*
- *Answers to frequently asked questions*
- *Collection notice clarification*

Later in 2022, IRS voice bots will also enable taxpayers to authenticate their identity to establish payment plans, request a transcript and obtain information about their accounts, such as payoff details. The IRS plans to roll out more voice and chat bots later in 2022 to assist taxpayers with more complex issues.

We also caution you about relying on companies who promise unrealistic resolutions to your outstanding tax liability. We are here to help you resolve any outstanding tax issues, set up an installment agreement plan, or, if appropriate, consider filing an Offer in Compromise to reduce your outstanding tax liability.

Included in this newsletter we have provided some information regarding scams involving the IRS, and how to know it is really the IRS reaching out to you. Our office is here to help you navigate the IRS maze and help bring a satisfactory resolution to your outstanding tax issues.

Due to the IRS staff shortage and backlog of processing of tax returns, the IRS has suspended many collection notices until they are able to handle the workload. However, not all notices have been suspended and, in this newsletter, we review Notice CP14, Notice and Demand for Tax. It is important that this notice be resolved in a timely manner to prevent any further collection activity on the part of the IRS.

Any time you receive a notice from IRS or state taxing authorities, send them to our office for reconciliation and authentication before responding or sending any monies on the demand notice.

As always, our office team is here to help you with tax preparation, tax planning or resolving tax issues.

CP14, NOTICE AND DEMAND FOR TAX

The CP14 notice is required by law to be issued within 60 days after the IRS assesses a tax liability. The bulk of CP14 notices show up in the beginning of June (for 2021 returns, this date was likely June 6, 2022), asking for payment within 21 days. The IRS has sent out approximately five million CP14 Notices this year.

This notice and demand letter sets the stage for the IRS to enforce collection. If the taxpayer does not respond to the CP14 notice with payment, the IRS can begin the process to collect the taxes by levy or by filing a notice of federal tax lien. Usually, the IRS will send a series of reminder notices, called the collection notice stream, to ask for payment before starting enforced collection.

What should you do if you receive a CP14 notice?

If the notice is wrong and you have proof of payment, then just hold on until the Service has had time to process all the payments and tax returns. This strategy has been echoed by the IRS as they are also aware of the issue of incorrect notices. The recommendation is not to add to the mail backlog or telephone logjam by sending in a response to the notice or trying to call.

If the notice is correct and the taxpayer does have a balance due then there are several options available:

OPTION 1: Pay the entire tax balance

The easiest option is to pay in full. Often, the decision to pay rests on your finances and the cost of other alternatives to full payment. The cost of not paying in full is the 4% current interest rate (adjusted quarterly by the IRS and scheduled to rise to 5% on July 1) and the 0.5% failure to pay penalty

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each month on the tax balance. Roughly, that equates to a 10% added cost every year if the taxpayer does not pay.

OPTION 2: Get an extension to pay

Some taxpayers just need more time to get the funds together to pay the IRS. For them, the best option may be to get an extension-to-pay agreement with the IRS. The IRS allows an extension of up to 180 days, which it calls a short-term payment agreement.

There is no fee to set up an ETP agreement, and you can avoid a notice of federal tax lien.

OPTION 3A: Set up a simplified payment plan with the IRS

The most common option taxpayers select is the IRS payment plan. The IRS term for a payment plan is an installment agreement. In 2021, almost 4 million taxpayers were in a payment plan.

There are several types of payment plans. The two most common are the guaranteed installment agreement (GIA) and the streamlined installment agreement (SLIA). These two agreements are popular because they are easy to get, have fixed payment terms, and avoid a tax lien if taxpayers set them up on time (before the lien is filed).

All IRS payment plans have set-up fees ranging from $31 to $225, depending on the set-up method. For the lowest set-up fee for a GIA or SLIA, taxpayers should set up the agreement online and pay by direct debit from a bank account. Low-income taxpayers may have no fee or a reduced fee, depending on how they set up their agreement.

OPTION 3B: Set up a full-pay non-streamlined payment plan (NSIA)

The IRS introduced this payment plan in 2020. In the full-pay non-streamlined installment agreement, taxpayers can owe up to $250,000 and make payments until the end of their collection statute of limitations expiration date. The collection statute of limitations is 10 years from the date the IRS assessed the tax. So, a 2021 tax filer can set up payments for the full 10 years left on the statute to collect.

OPTION 3C: Get an ability-to-pay payment plan

If taxpayers cannot meet the terms for a GIA, SLIA, or full-pay NSIA, or if they owe more than $250,000, they may need to set up a payment plan based on their ability to pay the IRS.

IRS collection agreements get complicated when they involve determining a taxpayer's ability to pay. The IRS goal is to allow the taxpayer enough money to pay their living expenses — and to send all their remaining funds to the IRS to pay their outstanding tax debt.

With ability-to-pay agreements, the IRS reviews the taxpayer's assets, income, expenses, and personal circumstances to determine their ability to pay. Taxpayers will have to provide collection information statements (IRS Form 433 series) and supporting evidence to prove their ability to pay.

OPTION 4: Temporary hardship status, or currently not collectible (CNC)

Currently-not-collectible status is similar to an ability-to-pay plan, with one exception: The analysis of the taxpayer's finances shows that they have no ability to pay. In these cases, the taxpayer will be put into a temporary non-collectible status that will pause IRS collection on their tax bill. As of the end of 2021, over 616,000 taxpayers with outstanding debts were in CNC status because of financial hardship.

Taxpayers requesting CNC status have to disclose the same financial information as taxpayers requesting ability-to-pay plans. Unlike payment plans, there is no set-up fee for CNC status. However, taxpayers in CNC status who owe over $10,000 are likely to see an IRS tax lien.

OPTION 5: Settle the debt with an offer in compromise (OIC)

The last IRS tax debt option is settlement, referred to as an offer in compromise. The OIC computation is similar to ability-to-pay plans and CNC status, except that the ability-to-pay determination concludes that the taxpayer does not and will not have enough money to pay the IRS before the statute of limitations to collect expires.

Like most IRS collection agreements, the OIC is computational in nature. To qualify for an OIC, the taxpayer must not be able to pay the IRS with their equity in assets and future monthly payments before the IRS collection statute of limitations expires. If the taxpayer qualifies, they must then figure out how much they need to offer the IRS to settle the tax debt. This is called the offer amount.

Contact our office if you are unable to pay your tax bill in full to review the option that best fits your financial situation. ■

IDENTITY PROTECTION PIN

All taxpayers are now eligible to voluntarily apply for an Identity Protection Personal Identification Number (IP PIN) that will help protect them from tax-related identity theft.

What is the IP PIN? The IP PIN is a 6-digit number assigned to eligible taxpayers. It helps prevent identity thieves from filing fraudulent tax returns with stolen Social Security numbers (SSNs). An IP PIN helps the IRS verify taxpayers' identities and accept their electronic or paper tax returns for processing.

The IRS issues IP PINs to confirmed identity theft victims once their cases are resolved. This process is unchanged. What is new is that any taxpayers who wants an IP PIN, even if they are not victims of identity theft, may now obtain one.

About the IP PIN Opt-in Program – here is what you need to know before applying for your IP PIN:

- This is a voluntary program.
- You must pass a rigorous identity verification process.
- Spouses and dependents are eligible for an IP PIN if they can verify their identities.
- An IP PIN is valid for a calendar year.
- A new IP PIN is generated each filing season, which you must obtain using the online tool.
- The IP PIN tool is unavailable generally mid-November through mid-January each year.
- Correct IP PINs must be entered on electronic and paper tax returns to avoid rejections and delays.

Once you opt-into the IP PIN program there is no opt-out option – you must use the IP PIN program for all tax years going forward.

The fastest, easiest and preferred way

ABLE ACCOUNTS CAN HELP PEOPLE WITH DISABILITIES PAY FOR DISABILITY-RELATED EXPENSES

People with disabilities can use an Achieving a Better Life Experience or ABLE account to help pay qualified disability-related expenses. This tax-advantaged savings account does not affect their eligibility for government assistance programs. Here are some key things people should know about these accounts.

Millions of individuals with disabilities and their families depend on a wide variety of public benefits for income, health care and food and housing assistance. Eligibility for these public benefits (SSI, SNAP, Medicaid) require meeting a means/resource test that restricts eligibility to individuals with less than $2,000 in liquid resources, such as cash savings, non-ABLE checking and savings accounts and some retirement funds. To remain eligible for these public benefits, an individual must remain poor. For the first time in public policy, the ABLE Act recognizes the extra and significant costs of living with a disability. These include costs related to raising a child with significant disabilities or a working-age adult with disabilities, accessible housing and transportation, personal assistance services, assistive technology and health care not covered by insurance, Medicaid or Medicare. For the first time, eligible individuals and their families will be allowed to establish ABLE savings accounts that will largely not affect their eligibility for SSI, Medicaid and means-tested programs such as FAFSA, HUD and SNAP/food stamp benefits.

ELIGIBILITY: You may establish an ABLE account if your blindness or disability occurred before age 26.

ANNUAL CONTRIBUTION LIMIT: The 2022 limit is $16,000 (this amount is adjusted annually and is tied to the annual gift amount).

SAVER'S CREDIT

- ABLE account designated beneficiaries may be eligible to claim the saver's credit for a percentage of their contributions.
- The saver's credit is a non-refundable credit available to individuals who meet these three requirements:
  - Are at least 18 years old at the close of the taxable year
  - Are not a dependent or a full-time student
  - Meet the income requirements

ROLLOVERS AND TRANSFERS FROM SECTION 529 PLANS

- Families may roll over funds from a 529 plan to another family member's ABLE account.
- The ABLE account must be for the same beneficiary as the 529 account or for a member of the same family as the 529 account holder. Rollovers from a section 529 plan count toward the annual contribution limit. For example, the $16,000 annual contribution limit would be met by parents contributing $10,000 to their child's ABLE account and rolling over $6,000 from a 529 plan to the same ABLE account.

QUALIFIED DISABILITY EXPENSES

- A "qualified disability expense" means any expense related to the designated beneficiary as a result of living a life with disabilities. These may include education, food, housing, transportation, employment training and support, assistive technology, personal support services, health care expenses, financial management and administrative services and other expenses which help improve health, independence, and/or quality of life.
- States can offer ABLE accounts to help people who become disabled before age 26 or their families pay for disability-related expenses. These expenses include housing, education, transportation, health, prevention and wellness, employment training and support, assistive technology and personal support services.
- Though contributions are not deductible for federal tax purposes, distributions, including earnings, are tax-free to the beneficiary, if they are used to pay qualified disability expenses.

ABLE accounts are generally set up through an investment advisor or on-line providers. *Contact our office if you have any questions regarding the eligibility for an ABLE account or referral for an ABLE account provider.* ■

is by using the Get an IP PIN online tool. Here's how it works: Go to IRS.gov/IPPIN, select the Get an IP PIN tool, verify your identity and create an account.

If you cannot pass online identity proofing, there are alternatives but there will be a delay in obtaining an IP PIN. Here's how it works:

- File Form 15227 if you have a valid SSN or ITIN, the adjusted gross income on your last filed return is below $73,000 for Individuals or $146,000 for Married Filing Joint, and access to a telephone. An IRS assistor will call you, validate your identity and ensure that you receive an IP PIN the next filing season.
- If you are ineligible for Form 15227, you may schedule a visit at a Taxpayer Assistance Center to request an IP PIN. You can find the TAC office closest to you with our Taxpayer Assistance Locator tool or call (844-545-5640) to schedule an appointment. ■

Understanding How the IRS Contacts Taxpayers; Avoiding Scams and How to Know It's Really the IRS Reaching Out

With continuing phone and in-person scams taking place across the country, it is important to understand how and why agency representatives may contact taxpayers.

In most instances, the IRS sends a letter or written notice to a taxpayer in advance, but not always. Depending on the situation, IRS employees may first call or visit with a taxpayer.

Here's how taxpayers can know if a person calling or visiting their home or place of business is a legitimate IRS employee or an imposter. There are special instances where an IRS revenue officer or revenue agent may visit a home or business related to an unpaid tax bill or an audit; the IRS urges people with tax issues to understand the circumstances around these visits and also help protect themselves against imposters.

Text messages: The IRS does not send text messages including shortened links, asking the taxpayer to verify some bit of personal information. These fraudulent messages often contain bogus links claiming to be IRS websites or other online tools. Other than IRS Secure Access, the IRS does not use text messages to discuss personal tax issues, such as those involving bills or refunds.

The IRS reminds everyone NOT to click links or open attachments in unsolicited, suspicious or unexpected text messages whether from the IRS, state tax agencies or others in the tax community.

Email: The IRS does not initiate contact with taxpayers by email to request personal or financial information. The IRS initiates most contacts through regular mail. If a taxpayer receives an unsolicited fraudulent email that appears to be from either the IRS or a program closely linked to the IRS, report it by sending the email as an attachment to *phishing@irs.gov*.

Mail and phone contacts are first steps with a tax issue: Taxpayers will generally first receive several letters from the IRS in the mail before receiving a phone call. However, there are circumstances when the IRS will call, including when a taxpayer has an overdue tax bill, a delinquent or unfiled tax return or has not made an employment tax deposit.

The IRS does not leave pre-recorded, urgent or threatening voice messages. Additionally, the IRS (and its authorized private collection agencies) will never:

- Call to demand immediate payment using a specific payment method such as a prepaid debit card or gift card. The IRS does not use these methods for tax payments.
- Threaten to immediately bring in local police or other law-enforcement groups to have the taxpayer arrested for not paying.
- Demand that taxes be paid without giving the taxpayer the opportunity to question or appeal the amount owed.
- Ask for credit or debit card numbers over the phone.

In-person visits: IRS revenue officers generally make unannounced visits to a taxpayer's home or place of business to discuss taxes owed or tax returns due. Keep in mind this important point: taxpayers would have first been notified by mail of their balance due or missing return. A limited exception involves revenue officer contacts while working a small number of "alert" cases, designed to help businesses from falling behind on withheld employment taxes before a balance due notice is created or mailed. Revenue officers are IRS civil enforcement employees whose role involves education, investigation and when necessary, appropriate enforcement steps to collect a tax debt. A revenue officer will help a taxpayer understand their tax obligations as well as the consequences for not meeting the obligations.

IRS revenue agents will at times visit an individual, business or non-profit who is being audited. That taxpayer would have first been notified by mail about the audit and set an agreed-upon appointment time with the revenue agent. Also, after mailing an initial appointment letter to a taxpayer, an auditor may call to confirm and discuss items pertaining to the scheduled audit appointment.

When visited by someone from the IRS, the taxpayer should always ask for credentials or identification. IRS representatives can always provide two forms of official credentials: IRS-issued credentials (also called a pocket commission) and a HSPD-12 card. The HSPD-12 card is a governmentwide standard form of identification for federal employees.

Remember that the IRS will not:

- Call to demand immediate payment using a specific payment method such as a prepaid debit card, gift card or wire transfer. Generally, the IRS will first mail a bill to any taxpayer who owes taxes.
- Demand a taxpayer pay taxes without the opportunity to question or appeal the amount they say they owe. Taxpayers should also be advised of their rights as a taxpayer.
- Ask for credit or debit card numbers over the phone.
- Threaten to bring in local police, immigration officers or other law-enforcement to have taxpayers arrested for not paying. The IRS also cannot revoke a driver's license, business license or immigration status. Threats like these are common tactics scam artists use to trick victims into buying into their schemes.

Taxpayers who have filed a petition with the U.S. Tax Court may receive a call from an Appeals officer to discuss their tax dispute and options for resolution. During the call, the Appeals officer will provide their name, their badge number and their contact information including their phone number, e-fax, and e-mail address. The Appeals Officer will also know the docket number, as well as specifics regarding the case.

Appeals employees will never ask for credit card or banking information. If an Appeals officer cannot reach a taxpayer by phone, they may leave a general voicemail message. When an Appeals employee leaves a voicemail, they will include self-identifying information such as their name, title, badge number, and contact information. Also, during this call, Appeals employees may ask taxpayers to submit additional documentation regarding their petition directly to the Independent Office of Appeals via mail, fax, or to an email address ending with @irs.gov.

Also note, taxpayers can contact the Taxpayer Advocate Service, which is an independent organization within the IRS that helps taxpayers and protects taxpayers' rights. They can offer taxpayers help if their tax problem is causing a financial difficulty, they've tried and been unable to resolve the issue with the IRS, or they believe an IRS system, process, or procedure just is not working as it should. Visit www.taxpayeradvocate.irs.gov or call 1-877-777-4778 for more information.

If you are contacted by the IRS or state taxing authority, contact our office before releasing any information.

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