Chapter 7: IRS Update

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Note. Corrections were made to this workbook through January of 2025. No subsequent modifications were made. For clarification about terms used throughout this chapter, see the **Acronyms and Abbreviations** section following the index.

For your convenience, in-text website links are also provided as short URLs. Anywhere you see **uofi.tax/xxx**, the link points to the address immediately following in brackets.

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INFORMATION RETURNS INTAKE SYSTEM (IRIS)[1]

The Taxpayer First Act (TFA) required the IRS to develop an Internet portal by January 1, 2023, to allow taxpayers to electronically file **information returns.** Starting with the 2023 tax year, any entity that files a combination of 10 or more **information returns** must file them electronically. The IRS created the Information Returns Intake System (IRIS) to allow taxpayers a **free** option to electronically file certain information returns. Any entity that has an employer identification number (EIN) can electronically file via IRIS.

> **Note.** Taxpayers must file any corrected information electronically if the original return was required to be filed electronically.

There are two ways through IRIS to electronically file returns: through the IRIS portal and with software through IRIS Application to Application (A2A).

IRIS PORTAL

The IRIS portal allows taxpayers to enter data to create forms and conduct the following activities.

- Electronically prepare and file up to 100 returns at a time
- Download and print completed copies of information returns to distribute
- Keep a record of completed, filed, and distributed information forms
- Validate data before submission
- Participate in the Combined Federal/State Filing Program[2]
- Submit automatic extensions for information returns
- Make corrections to information returns filed with IRIS

> **Note.** Taxpayers who currently use the filing information returns electronically (FIRE) system or a third-party provider to prepare and submit information returns can continue to use these systems.

The IRIS portal accepts the following Forms 1099 and their automatic extensions for tax years 2022 and beyond.

- 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*

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1. *E-file forms 1099 with IRIS.* Feb. 8, 2024. IRS. [www.irs.gov/filing/e-file-forms-1099-with-iris] Accessed on Feb. 15, 2024; IRS Pub. 5717, *Information Returns Intake System (IRIS) Taxpayer Portal User Guide;* IRS Pub. 5718, *Information Returns Intake System (IRIS) Electronic Filing Application to Application (A2A) Specifications.*

2. Discussion of the Combined Federal/State Filing Program is beyond the scope of this chapter. Information on the program can be found in IRS Pub. 5717, *Information Returns Intake System (IRIS) Taxpayer Portal User Guide.*

- 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 Income*
- 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 (Under Section 529 and 530)*
- Form 1099-QA, *Distributions from ABLE Accounts*
- 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*

Note. Users should download IRS Pub. 5717, *IRS Information Returns Intake System (IRIS) Taxpayer Portal User Guide,* prior to beginning the registration. This publication contains a wealth of valuable information and screenshots. The publication also provides valuable information on making corrections, requesting automatic extensions, and downloading recipient copies.

Getting Started

To get started, the business will need an IRIS Transmitter Control Code (TCC), a 5-character alphanumeric TCC that begins with the letter "D," which identifies the business when forms are electronically filed. The TCC can only be used for IRIS.

Caution. It may take 45 days or longer to obtain the TCC.

Transmitters who file for multiple issuers should submit one application and use the assigned TCC for all issuers. The purpose of the TCC is to identify the business acting as the transmitter of the file. Transmitters may transmit files for as many companies as needed under one TCC.

A responsible official (RO) completes and submits the **application** for a TCC electronically. The RO must provide the following information to complete each application.

- Firm's business structure
- Firm's employer EIN (social security numbers (SSNs) and individual taxpayer identification numbers (ITINs) are not permitted)
- Firm's legal business name and business type
- Firm's doing business as name if different from the legal business name
- Business phone number
- Business address (must be a physical location, not a post office box)
- Mailing address if different than business address

- For the RO and authorized delegate, if applicable, information must include the following.
  - SSN or ITIN
  - Date of birth
  - Contact information, including email address, position/title, and phone number
- Role: RO must select either issuer or transmitter (issuer is a person filing **only** for their business and transmitter is a person filing for their own business **and** other businesses or multiple businesses)
- Forms: select Form 1099
- Transmission Method: select the check box next to Portal

Each RO must sign the application with a self-selected 5-digit code and accept the terms of agreement.

To access the IRIS TCC application, users must complete the following steps.

1. Go to the IRIS TCC web page at **uofi.tax/24x7x1** [www.irs.gov/tax-professionals/iris-application-for-tcc].
2. Click on the Access Application for TCC button.
3. Sign in or create an account to begin the application process.
4. Select Individual on the Select Your Organization page.
5. Click on New Application and select IRIS Application for TCC.
6. Complete and submit an IRIS Application for TCC.
7. After the application is in Completed status and TCCs have been issued, users can access the IRIS portal at **uofi.tax/24x7x2** [www.irs.gov/filing/e-file-forms-1099-with-iris] to submit information returns.

Caution. Electronically filed returns **cannot** be transmitted through the IRIS portal until a TCC has been approved and assigned.

IRIS A2A

Companies that are developing software can use IRIS A2A to electronically file thousands of returns. A2A uses extensible markup language (XML) format and allows users to file volumes of information returns. IRS Pub. 5718, *Information Returns Intake System (IRIS) Electronic Filing Application to Application (A2A) Specifications,* provides additional information on the communication procedures, transmission formats, business rules and validation procedures for information returns transmitted electronically through the IRIS A2A system.

To start using IRIS A2A with software, users must follow these steps.

1. Apply for an IRIS A2A TCC.
2. Obtain an application program interfaces (API) client identification.[3]
3. Obtain a schema package.[4]
4. Submit IRIS Assurance Testing System (ATS) transmissions.[5]

After successfully submitting ATS transmissions, users can transmit return data through IRIS A2A.

3. For more information on the API client identification and the process of acquiring it, see [www.irs.gov/tax-professionals/get-an-api-client-id].

4. For a table listing XML schemas, business rules, and release memorandum for IRIS, see [www.irs.gov/e-file-providers/iris-schemas-and-business-rules].

5. For more information on ATS transmissions, see [www.irs.gov/e-file-providers/iris-assurance-testing-system-ats].

RESUMPTION OF COLLECTION NOTICES[6]

In 2022, the IRS suspended mailing certain automated reminder notices to taxpayers with income tax balances due.[7] While the IRS continued to issue **initial** notices of balances due, it ceased to send subsequent reminders of unpaid balances due and accrued failure-to-pay tax penalties under IRC §6651. Recognizing the inequity of taxpayers accruing failure-to-pay tax penalties but receiving no correspondence from the IRS regarding the accruals, the IRS is granting relief from the failure-to-pay tax penalties for eligible taxpayers. In January 2024, the IRS resumed mailing reminder collection notices to individuals with tax liabilities before tax year 2022. It also resumed sending notices to businesses, tax-exempt organizations, trusts, and estates with tax liabilities before tax year 2023.[8]

> **Note.** Relief is provided only for failure to pay tax penalties and not for any accrued interest resulting from underpaying a tax liability.

ELIGIBLE TAXPAYERS

Relief from the failure to pay tax penalty is only applicable for the 2020 and 2021 tax years. Eligible taxpayers include individuals, businesses, trusts, estates, and tax-exempt organizations who filed an eligible income tax return for the 2020 or 2021 tax year. Such eligible income tax returns include, but are not limited to, the following.

- Form 1040, *U.S. Individual Income Tax Return*
- Form 1040-NR, *U.S. Nonresident Alien Income Tax Return*
- Form 1120-S, *U.S. Income Tax Return for an S Corporation*
- Form 1120, *U.S. Corporation Income Tax Return*
- Form 1041, *U.S. Income Tax Return for Estates and Trusts*
- Form 990-T, *Exempt Organization Business Income Tax Return*

To be eligible for relief, the taxpayer must meet **all** the following requirements.

- The taxpayer's tax liability (excluding applicable additions to tax, penalties, or interest) for the 2020 or 2021 tax year is less than $100,000 as of December 7, 2023.
- The IRS issued the taxpayer an initial balance-due notice for the 2020 or 2021 tax year on or before December 7, 2023.
- The taxpayer is otherwise liable for the failure-to-pay tax penalty for the 2020 or 2021 tax year during the period of February 5, 2022, through March 31, 2024.

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6. IRS Notice 2024-7, 2024-07 IRB 673.

7. IRS News Rel. IR-2022-31 (Feb. 9, 2022).

8. *IRS resumes issuing collection notices*. Jan. 4, 2024. IRS. [www.irs.gov/newsroom/irs-resumes-issuing-collection-notices] Accessed on Jun. 18, 2024.

RELIEF

Taxpayers eligible for relief from the failure-to-pay tax penalty for the 2020 and 2021 tax years **do not need to take any action** to obtain such relief. Rather, the IRS will notify eligible taxpayers of their adjusted balances due, factoring relief from the failure to pay tax penalty in such balances. Eligible taxpayers who already paid tax balances that included failure-to-pay tax penalties will receive a refund or credit toward an outstanding tax liability.

> **Note.** The notice grants relief from failure-to-pay tax penalties incurred during the period beginning on the date of the IRS notice of initial balance due (or February 5, 2022, whichever is later) and ending on March 31, 2024. Failure-to-pay tax penalties are not eligible for relief if accrued before or after this period.

The IRS clarified that relief would **not** be granted from failure to pay tax penalties arising from a fraudulent failure to file, calculated and included in an offer in compromise (OIC), or settled in a closing agreement or judicial proceeding.

OFFER IN COMPROMISE[9]

Many taxpayers face financial challenges and cannot satisfy their tax obligations either by paying the full amount due or using installment options. Taxpayers may consider an OIC to settle the balance due for a reduced amount. This also allows an eligible taxpayer to start fresh with their IRS tax obligations. The objectives of the OIC program are as follows.[10]

- Obtain what can reasonably be collected at the earliest possible time with the least cost to the government.
- Resolve the taxpayer's delinquent tax liability in a manner that fits the best interests of both the taxpayer and the IRS.
- Provide the taxpayer with a fresh start toward future compliance with filing and payment requirements.
- Collect tax that may not otherwise be collected.

> **Caution.** Taxpayers should explore all other payment options before submitting an OIC.

ELIGIBILITY

Taxpayers applying for an OIC must meet the following preliminary requirements.

- Filed all required tax returns
- Made all required estimated payments for the current year
- Are not in an open bankruptcy proceeding
- Have a valid extension for a current year return
- Made all required federal tax deposits for the current quarter and past two quarters (if taxpayer is an employer)

9. *Offer in compromise*. May 15, 2024. IRS. [www.irs.gov/payments/offer-in-compromise] Accessed on Jun. 14, 2024; Form 656 Booklet, *Offer in Compromise.*

10. IRM 5.8.1.1 (2023).

Prequalifier Tool

The IRS provides a prequalifier tool, which is useful in determining whether a taxpayer qualifies for an OIC. It also assists in determining a starting point for the preliminary offer amount. The online questionnaire gathers needed information to provide eligibility feedback. However, this preliminary offer amount does not guarantee acceptance by the IRS.

> **Note.** The OIC prequalifier tool can be found at **uofi.tax/24x7x3** [irs.treasury.gov/oic_pre_qualifier] along with other helpful information associated with the OIC application and OIC approval process. For a step-by-step guide through the OIC prequalifier status screens, see the 2015 *University of Illinois Federal Tax Workbook,* Volume A, Chapter 3: IRS Update. This can be found at **uofi.tax/arc** [taxschool.illinois.edu/taxbookarchive].

The prequalifier tool **requires no personally identifiable information** (PII) about the taxpayer. It is a generic application that provides a guideline of the information required. Once the taxpayer's information is entered, the prequalifier tool makes basic calculations to determine whether the taxpayer's circumstances meet OIC criteria in a manner that will lead to acceptance of the OIC application by the IRS.

The OIC prequalifier has the following **six basic sections.**

1. **Status.** The status section asks questions about the preliminary requirements the taxpayer must meet in order to be eligible for an OIC. If the taxpayer does not meet these preliminary requirements as listed in the eligibility section, then an OIC is not an option for the taxpayer at this time.
2. **Basic information.** The basic information section requests general information about the tax liability, household size, most recent tax filing, and state of residence.
3. **Assets.** In the assets section, taxpayers enter information including bank balances, home value, home loan balance, vehicle equity, retirement account equity, other real property equity, any other asset's equity, and stocks, bonds, and other investments. There is also an entry for any miscellaneous assets.
4. **Income.** This section requests relevant income for the prequalifier, including gross wages (including social security, pensions, unemployment, etc.), interest and dividends, distributions from flow-through entities, net rental income, net business income, and any child support or alimony received. Taxpayers should also include any additional income.
5. **Expenses.** The expenses section reviews the taxpayer's typical household expenses for a month. These are in addition to expenses for food, clothing, miscellaneous items, and out-of-pocket medical expenses that the IRS estimates based on the taxpayer's location and number of family members. Pertinent expenses include rent or mortgage and utilities, information on vehicles the taxpayer owes, any public transportation costs, health insurance premiums, life insurance premiums, taxes, court-ordered payments, and child dependent care costs. For the standards used by the IRS, see Collection Financial Standards, discussed later.
6. **Proposal.** Based on the information the taxpayer provides, the prequalifier calculates whether the taxpayer is likely to qualify for an OIC **or does not appear** to meet the qualifications that may lead to an accepted OIC application.

Practitioner Planning Tip

Tax practitioners should be realistic when reviewing a taxpayer's financial information. If the client has income or asset equity sufficient to satisfy the balance due, submitting an OIC is unlikely to be successful. As a part of considering offers that involve doubt as to collectability, the IRS undertakes financial analysis that examines the valuation of taxpayer assets.[11]

The IRS will investigate the taxpayer's income, assets, and liabilities to verify the financial data on the application. Therefore, tax practitioners should use due diligence to ensure the accuracy of the OIC. Tax practitioners should use a separate engagement letter to prepare a taxpayer's OIC and obtain a retainer, if possible.

Example 1. Archie meets with Howie, a CPA, to figure a way to pay his tax liabilities for the 2020 and 2021 tax years. Howie requests a list of Archie's income, assets, and liabilities. After reviewing the information provided, Howie discusses submitting an OIC with Archie. Using the prequalifier tool, Howie enters Archie's net monthly income and his equity in assets, among other financial data. Howie prepares an OIC proposing a cash settlement of $5,000 based on the prequalifier tool.

PREPARING THE OIC APPLICATION

Form 656, *Offer in Compromise,* is used to apply for an OIC if the application is based on doubt as to collectability or on the premise that the offer is in the best interest of effective tax administration. Form 656 is published in a booklet format that also contains the following information.

- Instructions (including information required, payment options, fee information, and how to apply)
- Form 433-A (OIC), *Collection Information Statement for Wage Earners and Self-Employed Individuals*
- Form 433-B (OIC), *Collection Information Statement for Businesses*
- Application checklist with mailing instruction

Form 656-B, *Offer in Compromise Booklet,* contains information regarding the application process and fees, payment options, completing the application, and submission.

Caution. The IRS released **revised** English versions of these forms in April and May **2024.** It released the Spanish versions of these forms in 2020 and 2023. Tax practitioners must use the most recent versions of the OIC forms. **Using the older forms will delay the acceptance of an OIC.**

11. IRM 5.8.5.1 (2021). See also IRM 8.23.3.2 (2023).

Grounds for an OIC Application[12]

After a taxpayer applies for an OIC, the IRS reviews the taxpayer's ability to pay by analyzing their income, expenses, and asset equity. Acceptance of an OIC depends on meeting **one or more** of the following grounds.

- Doubt as to collectability
- Doubt as to liability
- The best interest of tax administration

The IRS may accept the OIC application on the basis of any of these three grounds. The taxpayer must submit appropriate documentation to establish that the grounds for application have been met.

Doubt as to Collectability. Doubt as to collectability exists in any case in which the taxpayer's assets and income are less than the full amount of the assessed liability. When doubt as to collectability has been established, an offer is generally considered acceptable if it closely approximates the amount that could reasonably be collected by other means, including through IRS administrative and judicial collection powers.

The following four components of collectability must be considered.

1. Net equity in assets
2. Present and future income
3. Amounts collectable from third parties
4. Amounts available to the taxpayer but beyond IRS reach

Doubt as to Liability. Doubt as to liability exists when there is a genuine dispute as to the existence or amount of the correct tax liability under the law. Doubt as to liability does not exist when the liability has been established by a final court decision concerning the existence or amount of the liability.

Taxpayers filing an OIC application based on doubt as to liability grounds use Form 656-L, *Offer in Compromise (Doubt as to Liability).*

Interest of Effective Tax Administration. In general, when there are no grounds for compromise on collectability or liability grounds, a compromise may be entered into in order to promote effective tax administration. This applies when collection of the full liability would create economic hardship within the meaning of Treas. Reg. §301.6343-1 or when compelling public policy or equity considerations identified by the taxpayer provide a sufficient basis for compromising the liability.

Note. Further details on each of these three grounds can be found in Treas. Reg. §301.7122-1.

12. IRM 33.3.2.3 (2004).

Filing Fee

For the IRS to consider an OIC, the taxpayer generally must pay an application fee of $205. This fee must be paid separately from any other required payments.

Low-income taxpayers can request a waiver of the application fee and/or the initial payment using the low-income certification form found in Form 656-B. The low-income exemption applies if the taxpayer's monthly income is below 250% of the federal poverty level (as defined by Health and Human Services guidelines).[13] To qualify for this exemption, page 2 of the Form 656 must be completed.

> **Note.** The Health and Human Services federal poverty guidelines for 2024 may be found at **uofi.tax/24x7x4** [aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines/prior-hhs-poverty-guidelines-federal-register-references/2024-poverty-guidelines-computations].

If the IRS decides that a taxpayer has not filed all required forms, it returns the OIC application and the fee paid to the taxpayer.

Forms for Collection Information Statements

Taxpayers applying for an OIC must submit information that allows the IRS to evaluate their financial ability to make payments. With the OIC application form, individuals who report wages or self-employment income should also submit Form 433-A (OIC). They provide information about household size, location, assets, and earnings. The IRS uses location information to estimate reasonable living costs for their city or county.

The IRS allows some assets (such as vehicles and real estate) to be valued at the quick sale value (QSV). This is the amount the asset can be sold for immediately. To calculate the QSV, a taxpayer obtains the value of a vehicle by consulting a trade association guide (such as **kbb.com**) for the fair market value (FMV) and discounting the value by 20%. The FMV of real estate is obtained by an appraisal, the replacement cost, or the taxable value of the home.[14]

Businesses other than sole proprietors use Form 433-B (OIC) to provide financial information instead of Form 433-A (OIC). Form 433-B (OIC) provides information about the business's location, assets, whether it is a federal contractor, its gross monthly payroll, and whether it has a separate payroll processing or tax preparation service. The form also provides information about the business's expenses.

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13. IRC §7122(c)(3).

14. *Offer in Compromise (OIC) Disagreed Items.* Jan. 18, 2024. IRS. [www.irs.gov/appeals/offer-in-compromise-oic-disagreed-items] Accessed on Aug. 7, 2024.

Final Checklist

The following checklist appears near the end of Form 656-B and can assist tax practitioners in ensuring that OICs are complete and the IRS can process them.

APPLICATION CHECKLIST

Review the entire application using the Application Checklist below. Include this checklist with your application.

Forms 433-A (OIC), 433-B (OIC), and 656	☐ Did you complete all fields and sign all forms
	☐ Did you make an offer amount that is equal to the offer amount calculated on the Form 433-A (OIC) or Form 433-B (OIC)? If not, did you describe the special circumstances that are leading you to offer less than the minimum in Section 3, Reason for Offer, of Form 656, and did you provide supporting documentation of the special circumstances
	☐ Have you filed all required tax returns and received a bill or notice of balance due
	☐ Did you include a complete copy of any tax return filed within 12 weeks of this offer submission
	☐ Did you select a payment option on Form 656
	☐ Did you sign and attach the Form 433-A (OIC), if applicable
	☐ Did you sign and attach the Form 433-B (OIC), if applicable
	☐ Did you sign and attach the Form 656
	☐ If you are making an offer that includes business and individual tax debts, did you prepare a separate Form 656 package (including separate financial statements, supporting documentation, application fee, and initial payment)
Supporting documentation and additional forms	☐ Did you include photocopies of all required supporting documentation
	☐ If you want a third party to represent you and receive confidential information during the offer process, did you include a Form 2848? If you want a third party to only receive confidential information on your behalf, did you include a valid Form 8821? Does the authorization include the current tax year
	☐ Did you provide a letter of testamentary or other verification of person(s) authorized to act on behalf of the estate or deceased individual
Payment	☐ Did you include a check or money order made payable to the "United States Treasury" for the initial payment? (Waived if you meet Low-Income Certification guidelines—see Form 656)
	☐ Did you include a separate check or money order made payable to the "United States Treasury" for the application fee? (Waived if you meet Low-Income Certification guidelines—see Form 656)

OIC PAYMENT OPTIONS

Payment can be made in either a lump sum or through periodic payments.

Lump Sum

Selection of the lump-sum option requires that a 20% down payment be included with the offer. Remaining payments are **due after the OIC is accepted** in five or fewer monthly payments.

Periodic Payments

For the periodic-payment option, an initial payment must accompany the offer. The remaining balance is due in six to 24 monthly installments, depending on the offer the taxpayer proposed. The total amount paid with periodic payments will be greater than the amount paid with the lump sum.

> **Note.** When using this option, monthly payments must be paid while the IRS is considering the offer. Failure to make the monthly payments will result in the offer being rejected. Interest and penalties will continue to accrue while the offer is being evaluated.

Interest **does not accrue** on the taxpayer's accepted OIC amount from the date of acceptance until the OIC is paid.

The amount of time a taxpayer requires to pay their offer will affect the amount of the minimum offer. Paying over a shorter period of time reduces the amount of the offer.

Example 2. Fred and Frieda, a married couple, owe $102,862 in delinquent taxes. Based on the information in their OIC application, a lump sum offer would be $49,228, and a periodic offer would be $61,156. These are the minimum amounts needed to apply for the OIC.

Benny, an EA, informs Fred and Frieda about the $205 application fee, which is sent with the application, and also advises them about their payment options. These options are summarized in the following table.[15]

Lump Sum Cash Option	Periodic Payment Option
Fred and Frieda must submit an initial payment of 20% of the calculated offer ($49,228 × 20% = $9,846) with the OIC application. If the IRS accepts the OIC, the remaining balance of $39,382 ($49,228 − $9,846) may be paid in five or fewer payments (made over a period of five or fewer months). If the offer is rejected, the IRS **retains** the $9,846 initial payment and will apply it against the tax liability.	The payments are made in six or more monthly installments, with the full amount of the offer paid within 24 months of acceptance of the offer. Fred and Frieda submit the initial periodic payment of $2,548 ($61,156 ÷ 24 months) with the OIC application and continue to make monthly payments in the same amount while the IRS considers the offer. If the offer is rejected, the IRS **retains** all periodic payments and will apply them against the tax liability.

> **Note.** To view Fred and Frieda's completed Form 433-A (OIC) that illustrates the periodic payment option, see the 2015 *University of Illinois Federal Tax Workbook,* Volume A, Chapter 3: IRS Update. This can be found at **uofi.tax/arc** [taxschool.illinois.edu/taxbookarchive].

15. *Topic 204: Offers in Compromise.* Jan. 26, 2024. IRS. [www.irs.gov/taxtopics/tc204.html] Accessed on Jun. 16, 2024.

If the OIC is not calculated correctly or the offer amount is not high enough, the IRS will figure the appropriate or revised amount. If this amount is higher than what the taxpayer offered, and they do not have any special circumstances, the taxpayer will be given the opportunity to accept the new amount. If the taxpayer does not accept, their offer will be rejected. The taxpayer should give due consideration to the new amount to avoid an appeals process or starting the OIC process again.[16]

> **Note.** OICs are reviewed for fraudulent intent. Submitting an OIC with false information or making fraudulent statements to an IRS employee is considered fraud and may be subject to civil or criminal penalties.

IRS INTERNAL VERIFICATION[17]

The taxpayer's OIC application should reflect current information. The IRS may request updated information if the information becomes older than one year and it appears that the taxpayer's financial circumstances have significantly changed. However, before contacting the taxpayer for updated information, the IRS will attempt to update information through available internal resources.

These internal resources include previous tax returns filed by the taxpayer. Some steps that the IRS takes to verify OIC application amounts include the following.

- Determine whether the taxpayer has disclosed all business activity in the OIC application by researching and cross-referencing the taxpayer's taxpayer identification number (TIN) with IRS business return information.
- Ensure that the taxpayer has filed previous returns and has complied with federal tax laws.
- Compare the income and expense amounts in the OIC application with those reported on tax returns.
- Compare real estate tax and mortgage-related amounts in the OIC application with those reported on tax returns.
- Identify any discrepancies between the OIC application and tax returns for investment accounts.
- Verify sources of income, including income from employers, banks, and retirement accounts.
- Determine if assets have been recently disposed of, including investment assets.

Moreover, the IRS may take steps to determine whether there are any vehicles or real estate registered to the taxpayer that were **not disclosed in the OIC application.** This may involve the use of public records and a search of business records (to identify any indirect ownership through an entity).

Ownership in additional assets may be determined through searches of Uniform Commercial Code (UCC) filings, court records, and other names used by the taxpayer in the past.

IRS verification may also include researching taxpayer information with credit bureaus. This may provide information about the taxpayer's past residences, employers, and payment history. As with UCC filing research, this provides information about the taxpayer's debts, any liens on taxpayer property, and any property that the taxpayer has not listed in the OIC application. There are several internal IRS rules regarding the acquisition of a taxpayer credit report in the course of verifying an OIC application. These rules can be found in IRM 5.8.5.3.1.2 (2024).

> **Caution.** Transferring assets from the taxpayer's name before submission of the OIC will result in rejection because the IRS thoroughly investigates applications before accepting the OIC. Such a transfer may result in allegations of fraud or perjury if intent to defraud is found.[18]

16. *Offer in Compromise — Frequently Asked Questions.* May 6, 2024. IRS. [www.irs.gov/businesses/small-businesses-self-employed/offer-in-compromise-FAQs] Accessed on Aug. 6, 2024.
17. IRM 5.8.5.3 (2021).
18. IRC §7206(4).

COLLECTION FINANCIAL STANDARDS

IRS collection financial standards (CFS) are used in the calculations to determine the taxpayer's ability to pay delinquent taxes. Generally, sources of income are added together; this amount is then reduced by expenses. However, these expenses generally must be those allowable under CFS rules. In addition, national standards are generally used for allowable expense amounts (instead of the actual expenditures made by the taxpayer).

Accordingly, national standards are used for expenses associated with food, clothing, and other items. These national standard amounts vary with family size. National standards also exist for out-of-pocket healthcare costs.

Many expenses disclosed by the taxpayer in an OIC application are associated with housing costs, including utilities. Because of the disparity in such expenses across the country, localized standards are used for housing and utility expenses. This ensures a standard that is more appropriate and fair to the taxpayer. Local standards are also used for transportation costs, which include the ownership costs of an automobile.

> **Note.** For further information on CFS and the amounts used for the various allowable expenses, see **uofi.tax/24x7x5** [www.irs.gov/businesses/small-businesses-self-employed/collection-financial-standards].

The IRS's authority to use national and local guidelines within the OIC process is provided by IRC §7122(d)(2). This Code section requires the IRS to determine whether the use of the national and local guidelines for each taxpayer is appropriate based on a facts and circumstances analysis. The IRS may not apply these standards if it would result in the taxpayer not having adequate means to provide for basic living expenses.

Generally, the taxpayer can use these allowable national and local standard expense amounts in their OIC application (even if their actual expenses are lower). However, if the taxpayer's actual expenses are higher, **the IRS may use the lower standard amounts.** Generally, in order for the IRS to agree to the higher amount instead of imposing a lower standard amount for a particular expense, substantial and clear documentation of the actual expense amount and its necessity must be provided.

The IRS's use of CFS in calculating the taxpayer's ability to pay delinquent taxes has been upheld by the Tax Court. In *Drakes and Taylor v. Comm'r,*[19] the taxpayers owed $75,157 for the 2006 and 2007 tax years. The taxpayer's OIC application offered the IRS payment of $12,000, and the IRS rejected the taxpayer's application. After the rejection, the taxpayer claimed undue financial hardship, and the case was assigned to the Appeals Division for reconsideration.

Upon reconsideration, the Appeals Division settlement officer determined that the taxpayers could pay $5,664 per month. However, the taxpayers were only willing to agree to a monthly installment of $1,650 per month. In calculating the monthly amount the taxpayer could afford, the settlement officer used CFS and applied the national and local standards to arrive at the monthly installment requirement of $5,664. Because the taxpayers had the ability to pay $5,664 under CFS guidelines, the Tax Court held that there was no hardship to the taxpayers and that it was proper for the IRS to reject the taxpayer's OIC application.

> **Note.** Taxpayers should designate in writing the tax period that each payment should be applied to when payments are made. In the absence of any written designation, the IRS applies the payments in the best interest of the government, typically the earliest period. By designating the payments, the taxpayer may apply the payments in a manner that is in their best interest.

19. *Drakes and Taylor v. Comm'r,* TC Memo 2012-189 (Jul. 11, 2012).

REJECTED OIC APPLICATIONS

Taxpayers' OICs are **automatically accepted** if the taxpayer has received no notice for 24 months from the date the IRS received them.[20] As a practical matter, however, the IRS sends timely rejections to many taxpayers, and this automatic acceptance provision does not have an effect.

Appeals Process[21]

Taxpayers can appeal a rejected OIC within 30 days of the date on their rejection letter. Using Form 13711, *Request for Appeal of Offer in Compromise,* as shown later, taxpayers can request an administrative review of their offer in many cases. Taxpayers should send this form to the IRS office that originated the rejection letter.

Practitioner Planning Tip

Tax practitioners should consider submitting additional supporting documentation with their client's Form 13711. At the very least, taxpayers should provide a collection information statement, such as Form 433-A (OIC). For example, an individual may need to provide substantiation of health insurance premiums, utilities, rent, or dependent care expenses. A business may find additional information about expenses, such as vehicle expenses, utilities, and taxes, to be helpful.[22]

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20. IRC §7122(f); Treas. Reg. §301-7122-1(f)(5).

21. *Taxpayers can appeal a rejected offer in compromise.* May 30, 2024. IRS. [www.irs.gov/newsroom/taxpayers-can-appeal-a-rejected-offer-in-compromise] Accessed on Jun. 4, 2024.

22. See sections 6 and 7 of Form 433-A (OIC), *Collection Information Statement of Wage Earners and Self-Employed Individuals*; See sections 2–4 of Form 433-B (OIC), *Collection Information Statement for Businesses*.

Example 3. Use the same facts as **Example 1.** Archie's OIC application was rejected on April 1, 2024. On April 25, Archie filed the following Form 13711 to appeal the IRS's decision.

Form **13711** (December 2017)

Department of the Treasury - Internal Revenue Service

Request for Appeal of Offer in Compromise

Provide the information required in the spaces below. You must sign and date this form.

Taxpayer name **Archie Baker**			Taxpayer Identification Number *****-**-8877**
Taxpayer name			Taxpayer Identification Number
Mailing address **1500 Main St**			Tax form number **1040**
City **Elizabeth**	State **IL**	ZIP Code **61028**	Tax period(s) ended **2020, 2021**
Taxpayer's current daytime telephone number **815-555-6644**			

Name of authorized representative **Howie Chandler**			
Mailing address **2000 Main St**	City **Elizabeth**	State **IL**	ZIP Code **61028**
Telephone number of authorized representative **815-555-6655**		Best time to call *(during normal business hours)* **9:00 a.m. – 4:00 p.m.**	

If you disagree with a specific item shown on the Income and Expense Table and Assets and Equity table you received with your rejection letter, identify the specific item(s). In the space next to the disagreed item, provide a brief statement indicating why you don't agree with our determination *(if the disagreed item is the value of future income, indicate that under "Disagreed Item," and provide an explanation under "Reason for Disagreement")*. There is room for more entries on the back of this form, and you may use additional pages, if necessary. Attach supporting documents for each disagreed item you identify and indicate on them which issue they apply to. If you disagree with a reason for the rejection stated in our letter but not discussed on the Table, identify what statement you disagree with, the reason you disagree and attach any supporting documentation. Additional pages may be attached. If you do not agree with the Service's analysis of economic hardship or Effective Tax Administration, please provide an explanation with documentation. If possible, attach a copy of the rejection letter to this form.

Disagreed item	Reason for disagreement *(attach supporting documentation)*
Medical expenses	**Taxpayer incurs signficant expenses for transportation to life-sustaining medical treatment for kidney dialysis. Doctor's prescription is attached with bill from dialysis center and transportation company. These expenses are not included in the IRS explanation of rejected offer.**

Certification of Taxpayer: Under penalties of perjury, I declare that to the best of my knowledge, the information contained herein is true, correct, and complete.

Signature of Taxpayer	Date signed	Signature of Taxpayer	Date signed

Certification for authorized representative: Check the box that applies depending on whether you have personal knowledge.

☒ I declare that I have submitted the protest and accompanying documents and to the best of my knowledge, the facts stated in the protest and accompanying documents are true, correct, and complete.

☐ I declare that I have submitted the protest and accompanying documents, but have no personal knowledge concerning the facts stated in the protest and the accompanying documents.

Signature of authorized representative *(Attach a copy of your completed Form 2848, Power of Attorney and Declaration of Representative.)*

Signature of authorized representative	Date signed

www.irs.gov/compliance/appeals

Scan this QR Code with your smartphone or other device with a QR reader, or go to the website url shown, to view more information about completing this form and other Appeals processes online.

Catalog Number 40992F www.irs.gov Form **13711** (Rev. 12-2017)

Businesses that wish to appeal an adverse OIC decision also use Form 13711.

The IRS may decline an appeal of a rejected OIC in any of the following situations.[23]

- The taxpayer's offer was not processable.
- The taxpayer failed to provide the requested information.
- The taxpayer uses the OIC process to delay an IRS proceeding.

However, the return may not be processable because an IRS employee decides the taxpayer has failed to provide needed financial information. In this situation, the IRS does not return the taxpayer's paperwork until a managerial review has affirmed the decision.[24]

> **Caution.** An appeal of a rejected OIC results in the **suspension of the statute of limitations.**[25]

ACCEPTED OIC APPLICATIONS

The taxpayer applying for an OIC **must agree to its offer terms,** as contained in section 7 of Form 656. This includes an obligation to file all required tax returns and make all payments. As with any legally binding agreement, taxpayers agree to comply with the terms of the agreement, and breaching them may cause the OIC agreement to be canceled. In this event, the taxpayer is again fully liable for the tax balance due. The IRS will not release federal tax liens until the offer terms are satisfied.

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Although taxpayers should carefully review these terms themselves or with an attorney, tax professionals can call attention to the following provisions.

- The taxpayer is liable for the **unpaid amount of the full tax liability** until they have completely met the terms of the agreement. This provision means taxpayers still owe the entire tax amount while paying the OIC, perhaps longer.
- Interest and penalties accrue on the **unpaid amount** of the tax liability, even while the taxpayer is making payments under the OIC's terms.
- The taxpayer agrees not to file an amended tax return for the years stated on the OIC application, even before the offer is accepted. Violation of this provision may cause the OIC to be canceled.
- If the taxpayer files an amended return for a year **not** covered by the OIC application but ends before the IRS accepts the OIC, any refund associated with the amended return is applied to the tax liability.
- If the taxpayer pays the IRS more than the OIC requires, the IRS applies the extra amount to the tax liability and does not return it.
- The statute of limitations is suspended if the IRS cannot levy against the taxpayer's property. The IRS may require the taxpayer to agree to extend the statute of limitations on assessment.[26] The specific period during which the IRS cannot levy begins with submitting an OIC and continues for 30 days following a rejection.[27]

> **Caution.** Taxpayers should be aware that certain offer information is available for public review by requesting a copy of a public inspection file.

23. Treas. Reg. §301.7122-1(f)(5)(i).
24. Treas. Reg. §301.7122-1(f)(5)(ii).
25. Treas. Reg. §301.7122-1(g)(1).
26. Treas. Reg. §301.7122-1(i).
27. Treas. Reg. §301.7122-1(g)(1).

OIC CONDITIONS AND CONSEQUENCES

The IRS may deem an OIC agreement to be in default if the taxpayer is **noncompliant** during the period in which an OIC is effective.

Defaulted OIC

An OIC can generally be deemed to be in default by the IRS if the taxpayer:[28]

- Fails to make timely payments in accordance with the terms of the accepted OIC agreement,
- Does not comply with other terms of the OIC agreement, or
- Received an erroneous refund and fails to return it to the IRS.

If the taxpayer engages in such conduct, the IRS will seek to obtain compliance from the taxpayer before deeming the OIC agreement in default. If the taxpayer fails to comply with any requests for delinquent returns or payments, the OIC will be deemed to be in default.[29] An OIC agreement in default is considered to be no longer in effect.

After default, the entire tax liability (less any payments made by the taxpayer under the OIC agreement while it was in effect), is directed back to the regular IRS collection system. The IRS may use any of the usual collection methods available to obtain payment of the tax liability remaining at the time of default.

> **Note.** For further information on the collection methods available to the IRS, see **uofi.tax/24x7x6** [www.irs.gov/taxtopics/tc201.html].

Rescinded OIC Agreements[30]

Once an OIC application has been accepted, the IRS expects the taxpayer to comply with tax laws and not have any further delinquencies. The IRS requires the taxpayer to abide by all the terms and conditions of the accepted OIC. These terms generally include a requirement to timely file all tax returns and pay all taxes for the 5-year period beginning with the OIC acceptance date. If the taxpayer does not adhere to these terms, the IRS **may rescind** the agreement.

IRS procedures for rescinding an OIC agreement include sending a letter to the taxpayer, identifying the particular OIC agreement, and indicating the grounds for its rescission. All rescission letters are reviewed and approved by IRS legal counsel before they are sent to the taxpayer.

Statute of Limitations and Impact on OIC

IRC §6502(a)(1) provides that the IRS has 10 years after the taxes are assessed to collect the tax due. An OIC extends the 10-year statute of limitations for collection of the tax assessment.

When an OIC is made, the statute of limitations is suspended during the following periods.[31]

- During the pending period (under IRS consideration to accept or reject)
- For 30 days following the rejection of the offer
- For the period the timely filed appeal is under consideration

IRC §7122 provides that the OIC amount includes the tax assessed, interest, and assessable penalty. From this total, the monthly payment amount or lump-sum payment can be calculated.

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28. IRM 5.8.9 (2022).
29. Ibid.
30. IRM 5.8.9.2 (2022).
31. Treas. Reg. §301.7122-1(g).

Example 4. Kristoff applied for an OIC in January 2019. The tax years covered by the OIC application are 2013 through 2015. Kristoff's tax liability for these years is $51,000. However, his OIC application offered payment of $20,000. Part of his offer required him to make monthly payments for 24 months to pay the $20,000. The offer was approved, and Kristoff made the required payments, with the last payment made in December 2020.

In 2022, Kristoff started a small snow plowing business and failed to pay estimated tax payments, resulting in a balance due of $10,000 for the 2022 tax year. The IRS issued a letter requesting the 2022 return in June 2024. Kristoff initially ignored the notice. He eventually filed the 2022 return in January 2025, with the $10,000 balance due still remaining (along with applicable interest). **Because the failure to file the 2022 tax return and pay the $10,000 amount due is within five years of the date the OIC was accepted, the IRS sent Kristoff a letter rescinding the OIC agreement.**

As a result, the offer accepted for the 2013–2015 tax years is void. If these returns were timely filed, the 10-year collection limitations period would normally expire for the 2013 return in 2024. However, due to the suspension of the statute while the offer was processed, the collection limitation period will expire in 2025. The 2014 return's collection statute will expire in 2026, and the 2015 return's collection statute will expire in 2027.

Even though the OIC reduced Kristoff's tax liability from $51,000 to $20,000 for tax years 2013 through 2015, the IRS's rescission means that the **original balance due is reinstated.** This $51,000 balance is reduced by the $20,000 that Kristoff paid under the OIC agreement while it was effective, leaving $31,000 due. This $31,000 (plus applicable interest and penalties) is the amount the IRS may now collect after the rescission of the OIC agreement.

Observation. Many taxpayers who apply for an OIC or who have an accepted OIC agreement do not understand the grounds for rescission or the conduct that causes the agreement to be deemed in default. It is essential that practitioners advise clients of their obligations and the consequences for failure to adhere to those obligations during the OIC period and for the 5-year period after the OIC has been accepted.

TWO NEW REFUND POLICIES[32]

Effective **November 1, 2021,** the IRS does not reduce refunds to offset a prior tax liability in the calendar year it **accepts** a taxpayer's OIC. Previously, the IRS would retain the refund to offset the previous tax liability using a process called a "refund offset."[33]

Even with the new policy, the taxpayer's refund may be retained by the IRS and applied to the taxpayer's liability.[34] This policy does not apply to businesses; it only applies to individual taxpayers. Additionally, the taxpayer promises to repay any refund they receive that the IRS mistakenly sends them.[35]

Example 5. Annabelle's OIC covering the 2020 and 2021 tax years was accepted on December 15, 2022. The OIC provides for payments through December 2023. Even though the OIC has not been fully paid when she files her 2022 tax return, Annabelle receives a refund of her 2022 income tax overpayment. Prior to November 1, 2021, the IRS would have applied the refund to Annabelle's balance due for 2020 and 2021.

Example 6. Use the same facts as **Example 5,** except that the IRS accepted Annabelle's OIC on January 15, **2023**. Even though Annabelle had submitted her OIC in 2022, the IRS accepted it in calendar year 2023. Under the terms of the new OIC policy, the IRS applies Annabelle's 2022 refund to her tax liability for 2020 and 2021.

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32. *IRS Initiates New Favorable Offer in Compromise Policies.* Feb 8, 2024. National Taxpayer Advocate. [www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-irs-initiates-new-favorable-offer-in-compromise-policies/2021/11] Accessed on Jun. 4, 2024.

33. IRC §6402(a); IRM 21.4.6 (2023).

34. Form 656 Booklet, *Offer in Compromise*.

35. Form 656, *Offer in Compromise.*

A second new policy applies to certain taxpayers who submitted OICs before November 1, 2021, and, therefore, were ineligible for the first new policy. In some circumstances, the IRS's retention of a taxpayer's refund for the year an OIC is accepted causes financial hardship. These taxpayers are able to seek offset bypass refunds (OBRs) while their OICs are pending. Under the new rules, the IRS can forego the offset and issue the refund only if the taxpayer has a federal tax liability and is experiencing economic hardship. For example, the taxpayer may be facing disconnection of their electric service because they owe $1,000. In this case, the taxpayer may receive a $1,000 refund to alleviate the hardship. The IRS applies the remaining refund to outstanding liabilities.

Unfortunately, there is no specific form to request an OBR. To make the request, a client must contact the IRS at 800-829-1040 or the Taxpayer Advocate Service (TAS) **before** the IRS posts their refund to their tax liability.

TAXPAYER ADVOCATE SERVICE[36]

As an independent organization within the IRS, TAS assists taxpayers in resolving IRS disputes while protecting taxpayer rights. The functions of the TAS are as follows.

- Assist taxpayers in resolving problems with the IRS.
- Identify areas in which taxpayers have problems dealing with the IRS.
- To the extent possible, propose changes in the IRS's administrative practices to mitigate identified problems.
- Identify potential legislative changes that may be appropriate to mitigate such problems.

The National Taxpayer Advocate (NTA) leads the TAS, as established in IRC §7803(c). IRC §7803(c) outlines the administration, function, and responsibilities of the NTA. The NTA is not considered an IRS employee. The NTA reports semi-annually to Congress. These reports are not reviewed by the IRS Commissioner, the Secretary of the Treasury, or the Office of Management and Budget prior to their submission to Congress.

TAS has at least one local taxpayer advocate (LTA) office in every state, Puerto Rico, and the District of Columbia. Although it is not organized by congressional district, TAS reports statistics by district.[37]

Practitioner Planning Tip

Some states, such as Illinois, California, and Texas, have multiple local offices for TAS.[38] Practitioners who need to request assistance for taxpayers in these states should contact the local TAS office that corresponds to the taxpayer's congressional district, as TAS advocates may service taxpayer issues based on their congressional district. This is not necessarily the closest local TAS office.

36. IRC §7803(c).

37. *Research Studies and Congressional District Statistics*. Taxpayer Advocate Service. [www.taxpayeradvocate.irs.gov/research-studies/] Accessed on Apr. 11, 2024.

38. *Local Taxpayer Advocate.* Mar. 20, 2024. IRS. [www.irs.gov/advocate/local-taxpayer-advocate] Accessed on Apr. 11, 2024.

CASE CRITERIA[39]

The primary responsibility of TAS is to assist taxpayers in resolving issues with the IRS. Most TAS cases fall into one of two general categories: **economic advocacy** and **systemic advocacy.**

A taxpayer qualifies for TAS assistance under **economic advocacy** if they have one of the following **economic hardship** situations.

- Suffers from or is about to suffer economic harm
- Faces an immediate threat of adverse IRS action
- Will likely incur significant costs if relief from IRS action is not granted
- Will likely suffer irreparable injury or long-term adverse impact if relief from IRS action is not granted

A taxpayer qualifies for TAS assistance under **systemic advocacy** if they have one of the following **systemic burdens.**

- Experiences a delay of more than 30 days to resolve a tax account problem
- Does not receive a response or resolution to the problem or inquiry by the date promised
- Suffers from a system or procedure that fails to operate as intended or fails to resolve the taxpayer's problem or dispute within the IRS

TAS also accepts cases that are in the best interest of the taxpayer. These cases ensure that taxpayers receive fair and equitable treatment and that their rights as taxpayers are protected. Additionally, TAS accepts cases of public policy that are determined by the NTA. These cases are generally based on a unique set of circumstances warranting assistance to certain taxpayers.

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TAS PROCESS[40]

Practitioners should first attempt to resolve a taxpayer's IRS problem through telephone contact or mail correspondence with the IRS. If resolution is not achieved and the taxpayer's circumstances meet the qualifications previously listed, then they should contact TAS. The tax practitioner must have an active power of attorney (POA) and a centralized authorization file (CAF) number to advocate for a client.

To request TAS assistance, a taxpayer should call the phone number for the closest TAS office. A list of all the TAS offices is available on the IRS website at **uofi.tax/24x7x16** [www.taxpayeradvocate.irs.gov/contact-us/#FindlocalTAS]. The taxpayer should then complete Form 911, *Request for Taxpayer Advocate Service Assistance.* This completed form, and/or any other correspondence, should be faxed or mailed to the appropriate TAS office.

Once TAS accepts the request, a case advocate is assigned. This person becomes the single point of IRS contact and works the case through to its conclusion. Taxpayers incur no fee to use TAS services.

TAS **does not have the power to stop or overturn IRS activity,** except in limited situations provided by IRC §7811 and its supporting regulations. For example, TAS cannot lift wage garnishments or remove liens. However, if TAS determines an erroneous lien has been placed on a taxpayer's property, TAS works with the IRS Collection Division to rectify the situation.[41] TAS can advocate the taxpayer's issue to key IRS personnel. The IRS will comply with an order from the TAS unless it is appealed and then modified or rescinded by the NTA, the IRS Commissioner, or the Deputy Commissioner.[42]

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39. IRM 13.1.7.3 (2023).

40. Instructions for Form 911.

41. *Resolving IRS hardships with the Taxpayer Advocate Service*. Stigile, Cory. Oct. 1, 2020. AICPA. [www.thetaxadviser.com/issues/2020/oct/taxpayer-advocate-service.html] Accessed on Apr. 11, 2024.

42. Treas. Reg. §301.7811-1.

Form 911

A taxpayer or their representative must complete Form 911 in its entirety to ensure that it can be processed by TAS. A few key points for completing Form 911 follow.

- Section I, *Taxpayer Information*, should state the taxpayer's name **exactly** as shown on the tax return.
- Checkbox 7b authorizes the TAS advocate to leave confidential information on a voicemail. This checkbox should be marked if such a message would not create an unauthorized disclosure.
- In item 12a, taxpayers should describe the tax issue concisely. A bulleted list of the facts is easier for TAS to process, particularly if it includes dates and contacts at the IRS.
- In item 12b, taxpayers should describe the assistance they seek. This request should be specific, relevant, and concise. For example, a taxpayer should state that the IRS will remove funds from their bank account on December 24 if that is the case.
- Section II, *Third Party Information,* identifies the taxpayer's representative. Form 2848, *Power of Attorney and Declaration of Representative,* should be attached if it has not already been provided to the IRS or TAS.

A blank Form 911 follows.

Form **911** (March 2024)	Department of the Treasury - Internal Revenue Service **Request for Taxpayer Advocate Service Assistance** **(And Application for Taxpayer Assistance Order)**	OMB Number 1545-1504

Section I – Taxpayer Information *(See Pages 3 and 4 for Form 911 Filing Requirements and Instructions for Completing this Form.)*

1a. Taxpayer name as shown on tax return	1b. Taxpayer Identifying Number *(SSN, ITIN, EIN)*	
2a. Spouse's name as shown on tax return *(if joint return)*	2b. Spouse's Taxpayer Identifying Number *(SSN, ITIN)*	
3a. Taxpayer current street address *(number, street, & apt. number)*		
3b. City	3c. State *(or foreign country)*	3d. ZIP code
4. Fax number *(if applicable)*	5. Email address	
6. Person to contact if no authorized third party	7a. Daytime phone number ☐ Check if Cell Phone	7b. ☐ Check here if you consent to have confidential information about your tax issue left on your answering machine or voice message at this number.
8. Best time to call		

9. Preferred language *(if applicable)*

☐ TTY/TDD Line ☐ Interpreter needed - Specify language other than English *(including sign language)* ______

☐ Other *(specify)*

10. Tax form number *(1040, 941, 720, etc.)*	11. Tax year(s) or period(s)

12a. Describe the tax issue you are experiencing and any difficulties it may be creating
(If more space is needed, attach additional sheets.) (See instructions for completing Lines 12a and 12b)

12b. Describe the relief/assistance you are requesting *(if more space is needed, attach additional sheets)*

I understand that Taxpayer Advocate Service employees may contact third parties in order to respond to this request and I authorize such contacts to be made. Further, by authorizing the Taxpayer Advocate Service to contact third parties, I understand that I will not receive notice, pursuant to section 7602(c) of the Internal Revenue Code, of third parties contacted in connection with this request.

13a. Signature of taxpayer or corporate officer, and title, if applicable	13b. Date signed
14a. Signature of spouse *(if joint assistance request)*	14b. Date signed

Section II – Third Party Information *(Attach Form 2848 or Form 8821 if not already on file with the IRS.)*

1. Name of authorized third party	2. Centralized Authorization File (CAF) number
3. Current mailing address	4. Daytime phone number ☐ Check if Cell Phone
	5. Fax number
6. Signature of third party	7. Date signed

Catalog Number 16965S www.irs.gov Form **911** (Rev. 3-2024)

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Section III – Initiating Employee Information *(Section III is to be completed by the IRS only)*

Taxpayer name			Taxpayer Identifying Number *(TIN)*	
1. Name of employee	2. Phone number	3a. Function	3b. Operating division	4. Organization code no.

5. How identified and received *(check the appropriate box)*

IRS function identified issue as meeting Taxpayer Advocate Service (TAS) criteria

☐ (r) Functional referral *(function identified taxpayer issue as meeting TAS criteria)*

☐ (x) Congressional correspondence/inquiry not addressed to TAS but referred for TAS handling

Name of senator/representative ______________________________

Taxpayer or authorized third party requested TAS assistance

☐ (n) Taxpayer (or authorized third party) called into a National Taxpayer Advocate (NTA) toll-free site

☐ (s) Functional referral *(taxpayer or representative specifically requested TAS assistance)*

6. IRS received date

7. TAS criteria *(Check the appropriate box. **NOTE: Checkbox 9 is for TAS Use Only**)*

☐ (1) The taxpayer is experiencing economic harm or is about to suffer economic harm.

☐ (2) The taxpayer is facing an immediate threat of adverse action.

☐ (3) The taxpayer will incur significant costs if relief is not granted (including fees for professional representation).

☐ (4) The taxpayer will suffer irreparable injury or long-term adverse impact if relief is not granted.

(if any items 1-4 are checked, complete Question 9 below)

☐ (5) The taxpayer has experienced a delay of more than 30 days to resolve a tax account problem.

☐ (6) The taxpayer did not receive a response or resolution to their problem or inquiry by the date promised.

☐ (7) A system or procedure has either failed to operate as intended or failed to resolve the taxpayer's problem or dispute within the IRS.

☐ (8) The manner in which the tax laws are being administered raise considerations of equity or have impaired or will impair the taxpayer's rights.

☐ (9) The NTA determines compelling public policy warrants assistance to an individual or group of taxpayers **(TAS Use Only)**

8. What action(s) did you take to help resolve the issue? ***(This block MUST be completed by the initiating employee)***
If you were unable to resolve the issue, state the reason why (if applicable)

9. Provide a description of the Taxpayer's situation, and where appropriate, explain the circumstances that are creating the economic burden and how the Taxpayer could be adversely affected if the requested assistance is not provided
(This block MUST be completed by the initiating employee)

10. How did the taxpayer learn about the Taxpayer Advocate Service

☐ IRS forms or publications ☐ Media ☐ IRS employee ☐ Other *(specify)* ______________________

Catalog Number 16965S www.irs.gov Form **911** (Rev. 3-2024)

TAS personnel complete section III, *Initiating Employee Information,* which appears on page 2. To accept the case, the TAS employee must identify at least one of the TAS criteria, as shown in Item 7. If the case does not meet one criterion, TAS rejects the case.

> **Note.** Taxpayers and tax professionals may believe it is easier to file Form 911 than to work with the IRS. However, if the case does not meet the TAS criteria, TAS will likely reject Form 911.

Practitioner Planning Tip

If TAS accepts a case and the TAS case advocate does not respond reliably, noting the name and phone number of their supervisor may be useful. A contact log showing the dates, times, and the subject of intended conversations with the case advocate may prove useful in bringing the necessary focus to the case. Before a tax practitioner bypasses the case advocate and goes directly to their supervisor, they should prepare a document listing attempted contacts with the case advocate. The case advocate's manager will review what attempts have been made to resolve the case.

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Taxpayer Assistance Orders.[43] A taxpayer facing a significant hardship may file an application for a taxpayer assistance order (TAO) on Form 911. The NTA can subsequently issue a TAO to assist the taxpayer. Alternatively, the NTA can issue a TAO on its own when it sees a taxpayer facing a significant hardship. IRC §7811 authorizes the NTA to issue TAOs to assist taxpayers who are suffering or about to suffer a significant hardship because of how the IRS is administering the tax laws or when the taxpayer meets other requirements. A TAO is a powerful statutory tool delegated by the NTA to LTAs to push the IRS to take **immediate** action. The TAO is used on a case-by-case determination. A taxpayer can suffer **significant hardship** from the following.

- Immediate threat of adverse action

  Example 7. The IRS serves notice of a levy on Alex's bank account. Alex needs the bank funds to pay for a medically necessary surgical procedure that is scheduled to take place in two weeks. If the levy is not released, Alex will lack the funds necessary to have the procedure. He is experiencing an immediate threat of adverse action.

- Delay in resolving account problems of more than 30 days or receiving a response by the date promised by the IRS

  Example 8. On April 1, Leo receives a notice from the IRS requesting additional information to process his return. He responds right away. Yet, every 60 days he receives a letter saying that the IRS needs 60 more days to process the return. He has received several of these letters. When he calls the IRS, no one is able to help.

43. Treas. Reg. §301.7811-1(a)(4)(ii); see IRM 13.1.20 (2023).

- Significant costs, including professional representation costs, if relief is not granted

  Example 9. The IRS sends The Three Musketeers, Inc. (TTM) a notice demanding payment of outstanding employment taxes and penalties. The notice states that TTM has outstanding employment tax balances for 12 quarters totaling $25,000. TTM provides documentation to the IRS, which, it contends, shows that if all payments were applied to each quarter correctly, there would be no balance due. The IRS requests additional records and documentation. Because there are 12 quarters involved, to comply with this request, TTM must hire an accountant who estimates fees of at least $5,000 to organize all the records and provide a detailed analysis of the deposits and payments. Therefore, TTM faces significant costs.

- Irreparable injury to, or a long-term adverse impact on, the taxpayer if relief is not granted

  Example 10. Millie has arranged with a bank to refinance her mortgage to lower her monthly payment. She is unable to make the current monthly payment. Unless the monthly payment amount is lowered, she will lose her residence to foreclosure. The IRS refuses to subordinate the federal tax lien, as permitted by IRC §6325(d), or discharge the property subject to the lien, as permitted by §6325(b). As a result, the bank does not allow Millie to refinance. She faces an irreparable injury, the loss of her home, if relief is not granted.

If an IRS employee is not following published administrative guidance, the NTA can consider how to issue the TAO in a way that favors the taxpayer.[44]

OFFICE OF SYSTEMIC ADVOCACY[45]

The TAS Office of Systemic Advocacy studies, analyzes and recommends actions that address systemic issues affecting large groups of taxpayers. It recommends administrative changes to IRS policy, procedures, and processes. When appropriate, it suggests legislative remedies.

The Office of Systemic Advocacy focuses on big-picture issues rather than individual issues, such as processing original returns, rejected returns, returns that cannot be posted, processing amended returns, and injured spouse claims. TAS focuses its limited resources on economic burden cases and only those systemic burden cases in which it plays a more direct role in affecting the outcome. Examples of systemic cases that the TAS accepts include those referred by a congressional office and those that could be resolved if a taxpayer files an amended return, original return, or claim for refund.

The Office of Systemic Advocacy uses the Systemic Advocacy Management System (SAMS) database to receive, prioritize, and assign issues submitted by the public and IRS employees. Individuals, businesses, academic and research institutions, professional organizations, practitioners, and all other interested parties may submit issues.

Issues are submitted to SAMS at **uofi.tax/24x7x11** [www.irs.gov/advocate/systemic-advocacy-management-system-sams]. The practitioner briefly describes the issue and includes contact information. The information is transmitted over a non-secure channel, so specific tax account information should **not** be included.[46]

Additionally, an issue can be submitted by completing Form 14411, *Systemic Advocacy Issue Submission*, and faxing it to 855-813-7412 or emailing to **Systemic.Advocacy@irs.gov**.

After the issue is submitted, an acknowledgement is sent to the taxpayer via email. Based on the facts presented, a decision is made about whether the issue merits development as an advocacy project. If so, it is assigned. As the issue is reviewed and the status updated, additional email correspondence may be sent.[47]

An example of Form 14411 follows.

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44. IRC §7811(a)(3).

45. IRM 13.2.2 (2020); IRM 13.1.7 (2023).

46. *Systemic Advocacy: Report a systemic issue.* Jun. 17, 2024. IRS. [www.irs.gov/advocate/systemic-advocacy-management-system-sams] Accessed on Jun. 21, 2024.

47. *TAS Systemic Advocacy FAQ.* Aug. 9, 2023. IRS. [www.irs.gov/advocate/tas-systemic-advocacy-faq] Accessed on Jun. 21, 2024.

Form **14411** (March 2022)	Department of the Treasury - Internal Revenue Service **Systemic Advocacy Issue Submission**	OMB Number 1545-1832

The purpose of Form 14411 is to report systemic issues to the Taxpayer Advocate Service (TAS). For questions about your tax account visit www.irs.gov or call the IRS at 800-829-1040. For information about your refund, visit "Where's My Refund" on www.irs.gov. If you have tried to resolve your tax problem with the IRS and were not successful, contact the Taxpayer Advocate Service at 877-777-4778.

The Form 14411 can be submitted by Fax: (855) 813-7412 or by email: Systemic.Advocacy@irs.gov.

To submit an issue via the web, visit www.irs.gov/advocate/systemic-advocacy-management-system-sams.

Originator's name	Daytime telephone number ☐ Cell phone	Best time to call

Address *(street, city, state, ZIP code)*

Email address *(TAS will contact you by email if you can't be reached by phone as a way to notify you that you should contact TAS to discuss your submission)*

☐ Practitioner	☐ Professional/Trade Group	☐ Academic/Research
☐ Taxpayer	☐ Attorney	☐ LITC
☐ Other		

Before you begin:

Be sure the issue is systemic, meaning that it requires a change to an IRS administrative policy, procedure, or process, or a legislative recommendation. A systemic issue:

- Impacts multiple taxpayers;
- Involves an IRS system, policy, or procedure;
- Affects taxpayer rights, increases burden, causes disparate treatment, or involves essential taxpayer services.
- Is not exclusively a tax law issue; and
- Is not a specific taxpayer's account issue.

Describe the problem and how you think it is affecting other taxpayers. What group (or groups) of taxpayers is affected? Include any actions you have taken, if any, to resolve the problem. *Caution: Do not include your tax account information or any personally identifiable information (e.g., SSN, EIN, etc.)*

(Optional) Can you identify a possible cause of the problem? Can you recommend a possible solution to the problem? Include relevant authorities or guidance, such as sections of the Internal Revenue Code, Treasury Regulations, or Internal Revenue Manual (IRM), etc.

Privacy Act and Paperwork Reduction Act Notice

The Privacy Act of 1974 requires that when we ask you information about yourself, we state our legal right to do so, tell you why we are asking for it, and how it will be used. We must also tell you what could happen if we do not receive it, and whether your response is voluntary, required to obtain a benefit, or mandatory. This information is voluntary and may be used to study and analyze issues identified to help mitigate problems encountered by taxpayers. Your contact information will be used only to respond to you with our finding on the systemic advocacy issue you identified.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction unless the form displays a valid OMB control number.

Books or records relating to a form or its instructions must be retained as long as their contents are material in the administration of any Internal Revenue Law. Generally, tax returns and return information are confidential, per Internal Revenue Code section 6103.

The estimated average time to complete this form is 48 minutes. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

Catalog Number 35591S www.irs.gov Form **14411** (Rev. 3-2022)

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ANNUAL REPORTS TO CONGRESS

The NTA submits two reports to Congress each year; an Annual Report in January and an Objectives Report in June.

Annual Report[48]

This report identifies the most serious problems that taxpayers encounter, analyzes those problems, and recommends solutions. According to the 2023 Annual Report, the **10 most serious problems** encountered by taxpayers are the following.[49]

1. Ongoing processing delays
2. IRS hiring, recruitment, and training
3. IRS transparency
4. Telephone and in-person service
5. Return preparer oversight
6. Identity theft
7. Online account access for both taxpayers and tax professionals
8. International information return penalties approach
9. Compliance challenges for taxpayers living abroad
10. The IRS Independent Office of Appeals is not perceived as independent, which ultimately prolongs dispute resolution

The Code requires the NTA to identify the **10 most litigated tax issues** in federal courts and to recommend ways to lessen these disputes.[50] In the 2023 Annual Report, the following litigated tax issues received the NTA's focus.

Ranking	Issue Category	Total Petitions to Tax Court
1	Gross income (IRC §61 and related IRC sections)	13,475
2	Statutory adjustment	5,409
3	Filing status and dependents	2,088
4	Family status related credits	1,772
5	Payments and credits	1,669
6	Earned income tax credit (EIC)	1,608
7	Federal income tax withholding	1,036
8	Schedule A itemized deductions under IRC §§211–224	916
9	Adjusted gross income exclusions and deductions	778
10	Taxes and other credits	617

The NTA must give this report to the House Ways and Means Committee and the Senate Finance Committee by December 31 of each year.

48. IRC §7803(c)(2)(b)(ii).

49. *National Taxpayer Advocate Annual Report to Congress: 2023*, pp. 5–142. Dec. 31, 2023. Taxpayer Advocate Service. [www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/03/Pub-2104_2023_508Compliant.pdf] Accessed on Apr. 16, 2024.

50. IRC §7803(c)(2)(B)(ii)(XI).

Objectives Report[51]

The *National Taxpayer Advocate Objectives Report to Congress* is delivered each June and contains the goals and objectives planned by TAS for the upcoming year. The Objectives Report to Congress reviews the filing season that has just ended. For example, the fiscal year 2024 *Taxpayer Advocate Service Objectives Report* was issued in June 2023 and provided Congress with a review of the **2023 filing** season. It reported that the 2023 filing season generally ran smoothly.

This report identifies key TAS objectives for the upcoming fiscal year. The fiscal year 2024 report indicated that:

- The IRS caught up in processing paper-filed original Forms 1040 and various business returns,
- Refunds were generally issued quickly, and
- Taxpayers calling the IRS were much more likely to get through with substantially shorter wait times.

The report also indicated that the IRS is still behind in processing amended tax returns and taxpayer correspondence. The major successes are:

- Eliminating the backlog of about 17 million paper-filed Forms 1040; and
- Answering a much higher percentage of taxpayer telephone calls.

The annual Objectives Report also identifies TAS's key objectives for the upcoming fiscal year, segregated as case advocacy objectives and other business objectives, research objectives, and systemic advocacy objectives. In its FY2024 Objectives Report, TAS expects to work with the IRS to improve the processing of tax returns and taxpayer service. The FY2024 report identifies the following objectives, among others.

- Protect taxpayer rights as the IRS implements its Strategic Operating Plan
- Improve correspondence audit processes, taxpayer participation, and agreement and default rates
- Implement systemic first-time penalty abatement but allow substitution of reasonable cause

The NTA must give this report to the House Ways and Means Committee and the Senate's Committee on Finance by June 30 of each year.

TAXPAYER ROADMAP[52]

TAS provides a taxpayer roadmap that illustrates the U.S. tax system and provides information about the processing of income tax information and issues. The roadmap is a graphic illustrating the path from tax preparation through processing, collections, appeals, and even litigation.

> **Note.** The IRS provides an online, interactive version of this tool at **uofi.tax/24x7x12** [www. taxpayeradvocate.irs.gov/get-help/roadmap]. This graphic provides taxpayers and their tax practitioners with useful information about the sequence of steps needed to resolve a tax controversy.

51. IRC §7803(c)(2)(b)(i); *NTA Objectives Report to Congress: Fiscal Year 2024*. Taxpayer Advocate Service. [www.taxpayeradvocate.irs.gov/reports/2024-objectives-report-to-congress/full-report] Accessed on Apr. 12, 2024.

52. *Taxpayer Roadmap*. Apr. 27, 2022. Taxpayer Advocate Service. [www.taxpayeradvocate.irs.gov/get-help/roadmap] Accessed on Apr. 11, 2024; IRS Pub. 5341, *The Taxpayer Roadmap.*

This online, interactive version allows tax professionals to input a notice number that their clients received. The system responds with an explanation of why the IRS sent the notice and how the client can resolve the issue. Currently, the taxpayer roadmap application contains commonly issued IRS notices and letters, **but not all of them.** The taxpayer roadmap can be used in a variety of ways.

- Enter an IRS notice number in the search field
- Use the 'View by map' section to navigate a "processing station" area within the map
- Manually click on different markers (stops) throughout the map

When a user enters an IRS notice or letter number, the taxpayer roadmap provides answers to the following questions.

- What does the notice or letter mean to the taxpayer?
- Where is the taxpayer in the tax system?
- How did the taxpayer get into the current situation?
- What are the taxpayer's next steps?
- Where can the taxpayer get more information?
- Where can the taxpayer get additional help?
- What are the taxpayer's rights?

For example, the explanation for Notice CP14, *Notice of Tax Due and Demand for Payment,* can be found using the roadmap. IRS Pub. 5341, *The Taxpayer Roadmap,* provides a paper version of the digital roadmap but is not interactive.

TAXPAYER BILL OF RIGHTS[53]

The Taxpayer Bill of Rights is closely connected to TAS. Both are creations of Congress that were designed to protect U.S. taxpayers' rights when they deal with the IRS. As presently written, the Taxpayer Bill of Rights assures taxpayers of the following rights when dealing with the IRS, as the right to:[54]

- Be informed,
- Receive quality service,
- Pay no more than the correct amount of tax,
- Challenge the IRS's position and be heard,
- Appeal an IRS decision in an independent forum,
- Finality,
- Privacy,
- Confidentiality,
- Retain representation, and
- A fair and just tax system.

53. *Taxpayer Bill of Rights 2*, PL 104-168, §101.

54. IRS Pub. 1, *Your Rights as a Taxpayer*.

MANAGING CAF AUTHORIZATIONS WITH A TAX PRO ACCOUNT

The IRS Tax Pro Account is an online portal for tax practitioners that allows for virtual creation of a POA and tax information authorization (TIA). It permits access to individual taxpayer information once a taxpayer has created their own IRS online account and grants authorization to their tax professional.[55] The record is updated in the CAF immediately in most cases.[56] This electronic means of establishing client representation in the CAF system significantly improves the system, reducing dependence on outdated fax machines.

> **Note.** Tax practitioners can access their tax pro accounts at **uofi.tax/24x7x15** [www.irs.gov/tax-professionals/tax-pro-account]. For more information about IRS Tax Pro accounts, see the 2021 *University of Illinois Federal Tax Workbook*, Volume A, Chapter 1: New Developments. This can be found at **uofi.tax/arc** [taxschool.illinois.edu/taxbookarchive].

In September 2023, the IRS unveiled a new feature that allows practitioners to link their Tax Pro Account with their CAF number.[57] This enables a tax practitioner to view the clients for whom they have authorizations in effect and manage the authorizations. More specifically, this new feature enables a tax practitioner to immediately withdraw a POA for a client they no longer represent. Previously, a tax practitioner had to file a Freedom of Information Act (FOIA) request to manage their active client authorizations, usually incurring a long turnaround time.

LINKING A CAF NUMBER WITH A TAX PRO ACCOUNT

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The IRS uses a PIN to identify the tax practitioner and link a Tax Pro Account to a CAF number. Because this process must be very secure, it requires sending the PIN to the tax practitioner's mailing address as stored in the CAF system.

Tax practitioners must follow the following steps to link their CAF number and Tax Pro Account.

1. **Sign in or create a new Tax Pro account.** The linking process starts with the tax practitioner logging in to their Tax Pro Accounts with ID.me. If the tax practitioner does not already have an ID.me account with the IRS, they can create a new account. Before signing in, the tax practitioner should have their 9-digit CAF number handy. They should also expect to use the 2-factor authentication (2FA) code generator.

> **Caution.** Tax practitioners must already have a CAF number to link with their Tax Pro Account. Practitioners can obtain a CAF number by submitting a POA or a Form 8821, *Tax Information Authorization*, with "None" entered in the space on the form where the number is customarily entered.[58]
>
> While this method is still available, it is now possible for practitioners to obtain a CAF number online using their Tax Pro Account. The IRS web page describing these accounts states that a new CAF number is available to individual practitioners without a wait and without filing Form 2848 or 8821.[59]

> **Note.** For more information on setting up a Tax Pro Account, see the 2021 *University of Illinois Federal Tax Workbook*, Volume A, Chapter 1: New Developments. This can be found at **uofi.tax/arc** [taxschool.illinois.edu/taxbookarchive].

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55. IRS Pub. 5533-A, *How to Submit Authorizations Using Tax Pro Account and Online Account*.
56. IRS Pub. 5533-B, *Benefits of Tax Pro Account and Digital Authorizations.*
57. IRS News Rel. IR-2023-182 (Sep. 28, 2023).
58. Instructions for Form 2848.
59. *Tax Pro Account.* Jul. 1, 2024. IRS. [www.irs.gov/tax-professionals/tax-pro-account] Accessed on Jul. 9, 2024.

2. **Request PIN to link CAF number.** Once signed in to their Tax Pro Account, the tax practitioner should click the button "link your CAF number" and then, on the next screen, click the button "request PIN." After the practitioner submits the required information, the IRS sends this PIN through the U.S. Postal Service via a CP310 Notice. The IRS advises that it may take 1–2 weeks to arrive. **This PIN is only good for 30 days.** If the PIN becomes invalid for any reason, the tax practitioner must repeat the process to request a new PIN, which means waiting another 1–2 weeks for a second PIN.

3. **Enter PIN to Link CAF Number.** Upon receipt of the PIN, the tax practitioner can finish linking their CAF numbers to their Tax Pro Accounts by navigating back to the "link your CAF number" screen and clicking the "enter PIN" button. After entering the PIN and CAF number, the tax practitioner can view client authorizations within their Tax Pro Account.

Caution. The process for linking a CAF account to a Tax Pro Account gives tax practitioners another reason to guard their CAF numbers. If an imposter can intercept a tax practitioner's information, they could gain access to the tax practitioner's client information by establishing the link before the tax practitioner does. Fortunately, the IRS has designed what seems like a secure process, and the tax practitioner may find that by linking their CAF numbers to their Tax Pro Accounts proactively, they have prevented an imposter from first establishing that link. Once a CAF number is linked, it cannot be unlinked.[60]

WITHDRAWING AUTHORIZATIONS USING A TAX PRO ACCOUNT

After the tax practitioner links their Tax Pro Account to their CAF number, they can manage their authorizations more effectively. The tax practitioner can see authorization details, such as the tax form, the periods covered by the authorization, and communications the IRS is authorized to undertake with the practitioner for all clients associated with their CAF number. It also lists which acts the tax practitioner is authorized to undertake on behalf of the client.

The tax practitioner can withdraw the authorization by enabling the check box near the bottom of the dialog box and clicking the white "WITHDRAW" button. This step immediately withdraws the POA or TIA.

60. *Tax Pro Account*. Feb. 6, 2024. IRS. [www.irs.gov/tax-professionals/tax-pro-account] Accessed on Apr. 4, 2024. See the CAF number/Linking your CAF number dialogs.

Example 11. John wants to check the validity of active POAs he has on file. To access them online, he needs to link his Tax Pro Account to his CAF number. He goes through the process of requesting a PIN to link his CAF number. Approximately a week later, he receives a CP310 notice in the mail with the PIN. John logs back into his Tax Pro Account and enters the PIN. His Tax Pro Account is now linked to his CAF number and he can see the following active authorizations.

Tax Pro Account Home | Authorization Requests | **Taxpayers**

Account Home / Taxpayers

Taxpayers

Taxpayers with active authorizations recorded on the Centralized Authorization File (CAF).

Active Authorizations

To view authorization details, select a taxpayer name.

CAF Number: 1234-56789

Taxpayers are listed alphabetically with Taxpayer Identification Number (TIN). ?

Taxpayer Name	TIN
ABC COMPANY	**-****1234
AGATE, MARY	***-**-7867
APPALOOSA, INC.	**-***2345
CYANITE, JAMES	***-**-9087
EMERALD, ROBERT	***-**-9876
IRON, LINDA	***-**-9877
ONYZ, JOSEPH	***-**-9878
PERCH & PIKE LLP	**-***3456
RASORITE, SARAH	***-**-5432
TESS CORPORATION	**-***4567

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PREVIOUS 1 2 3 4 5 6 7 8 … 27 NEXT | GO

7

John remembers working on Mary Agate's return a couple of years ago but has not seen her since 2022. He clicks on her name and sees the following details.

Account Home / Taxpayers / Taxpayers Details

AGATE, MARY

TIN: 777-88-7867

CAF number: 1234-56789

To view details for this taxpayer, select a tab.

Limitations: You can only view taxpayer details for the tax matters, forms and periods under your authorization. Details outside your authorization aren't shown.

Overview **Authorizations** Account Balance Payment Activity

Authorizations

Active Authorizations

To view or withdraw an authorization for this taxpayer, select the authorization Type. Authorizations are listed by the most recent Signature Date.

Type	Signature Date	Periods	Tax Form
Form 8821	06/29/2020	Multiple	Multiple
Form 2848	03/07/2018	Dec 2015 - Dec 2020	1040 Series
Form 8821	04/08/2019	Dec 2016	709 Series

Results Per Page 10

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PREVIOUS 1 NEXT

Jump To GO

John does not want the responsibility of having a POA for Mary because she is no longer a current client. He selects Form 2848 and sees the following dialog box.

Account Home / Taxpayers / Taxpayers Details / Authorization Details

Authorization Details

AGATE, MARY

TIN: 777-88-7867

Form 2848, Power of Attorney and Declaration of Representative

Signature Date: 07/29/2018

Form Details

Tax Form	**1040 Series**
Periods	Dec 2015 - Dec 2020

Authorization Information

Designation	Enrolled Agent
Communications	Authorized to receive copies of notices and other written communications
Acts Authorized	Substitute or Add Representatives

Back to Taxpayer Details

Withdraw this Authorization

You can withdraw an authorization at any time. Once you withdraw, the authorization is immediately and permanently removed from the CAF database.

To withdraw this authorization, provide your electronic signature.

Electronic Signature

All fields with an asterisk (*) are required.

☐ By checking this box, you are electronically signing your request to withdraw this authorization from the CAF database.*

WITHDRAW

John selects the box to withdraw the authorization. His POA with Mary is immediately terminated. The IRS will send Mary a notice informing her that John has withdrawn the authorization.

The IRS continues to enhance Tax Pro Accounts. For example, in July 2024, the IRS added the capability to obtain a new CAF number online, in addition to obtaining one by filing Form 2848 or Form 8821.

IRS RELEASES "DIRTY DOZEN" LIST OF TAX SCAMS FOR 2024

The IRS issued its "dirty dozen" list of tax scams and reminded taxpayers to remain vigilant to these schemes throughout the year. Although these scams may peak during tax season, taxpayers may encounter them anytime.

A recap of this year's top scams follows.

1. **Phishing and smishing.**[61] Scammers pose as legitimate organizations and send unsolicited text messages (smishing) or emails (phishing) to entice unsuspecting victims into providing their personal and financial information. The thieves then use that information for identity theft. The IRS reminds everyone that it initiates most contact through regular mail rather than email, text, or social media.

2. **Questionable employee retention credit (ERC) claims.**[62] Scammers promote large refunds related to the ERC, attempting to con ineligible individuals and businesses to claim the credit. The scammers' promotions often base their sales claims on inaccurate information about a business's eligibility for the ERC and its credit computation. The scammers may collect personally PII and use that information to steal taxpayers' identities.

3. **Third-party scammers offering to set up free IRS online accounts.**[63] Taxpayers should not accept help from third parties offering to help taxpayers set up IRS online accounts. Such scammers can use that valuable information for fraudulent gains once the taxpayer provides the third party with their PII. Taxpayers should establish their online accounts without outside help other than from the IRS or their tax practitioners.

4. **False fuel tax credit claims.**[64] The fuel tax credit is available for off-highway and farming use. Most taxpayers are not eligible for the credit. Unscrupulous practitioners and promoters entice taxpayers to inflate their tax refunds by incorrectly claiming the credit on Form 4136, *Credit for Federal Tax Paid on Fuels*.

5. **OIC mills.**[65] OICs help individuals unable to pay their total tax liability to settle with the IRS. However, third-party OIC mills aggressively promote OICs to individuals who do not meet the qualifications, often costing the taxpayer thousands of dollars.

6. **Fake charities.**[66] Defrauders set up fake charitable organizations to exploit donors' generosity whenever a crisis or natural disaster strikes. The scammers acquire taxpayers' money and personal information to exploit them. Individuals can only claim itemized deductions if they donate to qualified tax-exempt IRS-approved organizations.

7. **Untrustworthy tax preparers.**[67] Common warning signs of a corrupt tax preparer include charging a contingency fee based on the size of the refund, refusing to sign the return as the preparer, or refusing to provide their preparer tax identification number (PTIN). They may even induce a taxpayer to have their refund deposited into the bogus tax preparer's bank account.

8. **Social media: fraudulent form filing and bad advice.**[68] The IRS has observed some individuals using social media to recommend fraudulent tax practices. Some social media postings recommend the fraudulent filing of Forms W-2, *Wage and Tax Statement,* or Forms 8944, *Preparer e-file Hardship Waiver Request*. The scheme encourages individuals to file these forms using false, inaccurate information to get a refund.

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61. IRS News Rel. IR-2024-84 (Mar. 28, 2024).
62. IRS News Rel. IR-2024-85 (Mar. 29, 2024).
63. IRS News Rel. IR-2024-87 (Apr. 1, 2024).
64. IRS News Rel. IR-2024-89 (Apr. 2, 2024).
65. IRS News Rel. IR-2024-91 (Apr. 3, 2024).
66. IRS News Rel. IR-2024-92 (Apr. 4, 2024).
67. IRS News Rel. IR-2024-96 (Apr. 5, 2024).
68. IRS News Rel. IR-2024-98 (Apr. 8, 2024).

9. **Spearphishing and new client scams aimed at tax practitioners.**[69] Tax practitioners are common targets for data thieves because they extensively use clients' PII. The IRS warns tax practitioners that cybercriminals use spearphishing to gain access to clients' sensitive data, sometimes by embedding malware that maliciously sends this data to a remote computer. Sometimes, the cybercriminal pretends to be a potential tax client seeking help. Although these criminals take advantage of tax professionals' busy schedules during tax season, they may attack throughout the year. They may also attack nonrelated businesses if they anticipate gaining access to valuable information.

10. **Scams targeting high-income taxpayers.**[70] High-income taxpayers are attractive targets for tax-related schemes. The IRS has highlighted three scams that prey on high-income taxpayers and their desires to minimize their tax burdens.

    - **Monetized installment sales.** Promoters target people who want to delay recognizing capital gains from selling their property. These scammers offer a so-called "monetized installment sale" for a fee.

> **Note.** For more information on legitimate installment sales and monetized installment sales, see the 2024 *University of Illinois Federal Tax Workbook*, Chapter 6: Installment Sales and Chapter 11: Agricultural Issues and Rural Investments.

    - **Charitable remainder annuity trusts (CRATs).** CRATs are irrevocable trusts established to transfer assets to qualified charitable organizations. After individuals contribute appreciated assets to their CRATs, they draw annuity income for a specified period, sometimes even for life. Eventually, the assets pass to the charitable organization. However, some trusts are misused to eliminate ordinary income or capital gain on the sale of property.

> **Note.** The IRS has proposed that certain CRATs should be identified as listed transactions.[71] IRC §6707A(c) defines listed and reportable transactions as transactions designed for tax avoidance.

    - **Improper art donation deductions.** Art donation scams targeting high-income taxpayers are a new addition to the IRS's dirty dozen for 2024. Promoters encourage these taxpayers to purchase "art" from the promoter, hold it for one year, and then donate it to a charitable organization. The donation deduction may claim an exaggerated value for the art. To combat this, the IRS employs professionally trained art appraisers.

69. IRS News Rel. IR-2024-100 (Apr. 9, 2024).

70. IRS News Rel. IR-2024-104 (Apr. 10, 2024).

71. 89 Fed. Reg. 20,569 (Mar. 25, 2024). See IRC §6707A(c) for definitions of listed and reportable transactions.

11. **Bogus tax avoidance schemes.**[72] The IRS has identified two specific tax avoidance schemes of which to be aware.

- **Syndicated conservation easements.** Conservation easements restrict a taxpayer's right to use real property, typically rural land. Generally, the taxpayer claims a charitable contribution for the FMV of a conservation easement they contribute to a qualified charity. The transfer must meet the requirements of IRC §170. Promoters abuse the system by grossly inflating the associated tax deduction.
- **Micro-captive insurance arrangements.** Micro-captive insurance companies are those whose owners are taxed only on the captive's investment income. These schemes lack many of the characteristics of legitimate insurance, yet the companies that establish them may take deductions for "insurance premiums" that they pay. These schemes may include improbable risks, the failure to match legitimate business needs, and the unnecessary duplication of insurance coverage for the taxpayer. In some cases, however, companies may establish micro-captive insurance companies because they cannot insure unusual business risks with publicly available insurance. The IRS has investigated at least one tax attorney who has provided legal services establishing micro-captive insurance companies.[73]

12. **Bogus schemes with international elements.**[74] The IRS has identified the following specific international schemes of which to be aware.

- **Offshore accounts and digital assets.** The IRS continues to investigate individuals with offshore accounts. Recently, it has focused on accounts containing digital assets, such as cryptocurrency. Individuals who attempt to conceal their assets in offshore banks, brokerage accounts, digital asset accounts, and nominee entities are subject to IRS investigations. The IRS can identify and track seemingly anonymous transactions involving foreign financial accounts and digital assets.
- **Maltese retirement arrangements.** This scheme involves U.S. residents and citizens contributing to individual retirement arrangements (IRAs) in Malta or other host countries to avoid U.S. taxes. However, they lack any connection to the host country. The individuals claim the foreign arrangement is a pension fund and, based on the tax treaty, qualifies for an exemption from U.S. income tax on gains and earnings in and distributions from the foreign IRA.

> **Note.** More information on each of these scams can be found at **uofi.tax/24x7x9** [www.irs.gov/newsroom/dirty-dozen].

72. IRS News Rel. IR-2024-105 (Apr. 11, 2024).
73. *Celia R. Clark v. U.S. and Internal Revenue Service*, No. 21-cv-82056 (S.D. Fla. 2022).
74. IRS News Rel. IR-2024-105 (Apr. 11, 2024).

IRS DATA BOOK STATISTICS

Each year in the spring, the IRS issues its data book containing statistical tables and organizational information for the most recently concluded fiscal year (FY). The FY 2023 IRS data book, covering October 2022 to September 2023, is available at **uofi.tax/24x7x7** [irs.gov/pub/irs-pdf/p55b.pdf]. The FY 2022 IRS data book is available at **uofi.tax/24x7x8** [www.irs.gov/pub/irs-prior/p55b--2023.pdf].

REVENUE COLLECTION AND RETURNS PROCESSING[75]

During FY 2023, the IRS collected more than $4.6 trillion (Figure 1, Figure 2), processed more than 271.5 million tax returns and other forms, and issued almost 121 million individual income tax refunds totaling over $461.2 billion (Figure 3, Table 1). In FY 2023, the average cost of collecting $100 was $0.34, representing an increase over FY2022 ($0.29).[76]

Figure 1. Gross Collections by Type of Tax, Fiscal Years 2014–2023

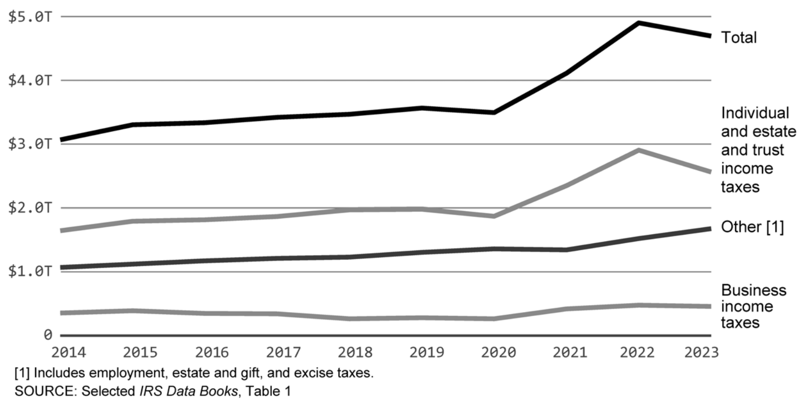
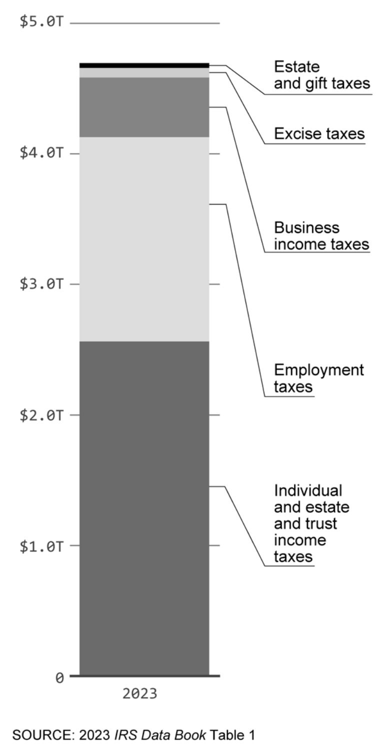


Figure 2. Gross Collections by Type of Tax, Fiscal Year 2023



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75. *2023 IRS Data Book*. Apr. 2024. IRS. [www.irs.gov/pub/irs-pdf/p55b.pdf] Accessed on Jun. 11, 2024.

76. See Table 33, *Collections, Costs, Personnel, and U.S. Population, Fiscal Years 1994–2023.*

Table 1. Collections and Refunds, by Type of Tax, Fiscal Years 2022 and 2023

[Money amounts are in thousands of dollars]

Type of tax	Gross collections [1]			Refunds [2]	Net collections	
	2022	2023	Percentage of 2023 total	2023	2023	Percentage of 2023 total
	(1)	(2)	(3)	(4)	(5)	(6)
United States, total	**4,901,514,194**	**4,694,335,168**	**100.0**	**659,051,685**	**4,035,283,483**	**100.0**
Business income taxes	**475,871,099**	**456,940,780**	**9.7**	**43,854,645**	**413,086,135**	**10.2**
Corporation income tax	474,468,574	454,962,812	9.7	n.a.	n.a.	n.a.
Tax-exempt organization unrelated business income tax	1,402,525	1,977,968	[3]	n.a.	n.a.	n.a.
Individual and estate and trust income taxes [4]	**2,903,798,899**	**2,561,601,596**	**54.6**	**466,447,613**	**2,095,153,983**	**51.9**
Individual income tax withheld	1,763,004,514	1,725,748,211	36.8	n.a.	n.a.	n.a.
Individual income tax payments [5]	1,055,634,292	783,602,938	16.7	n.a.	n.a.	n.a.
Estate and trust income tax [6]	85,160,093	52,250,447	1.1	5,235,503	47,014,944	1.2
Employment taxes	**1,417,809,803**	**1,566,109,766**	**33.4**	**144,723,954**	**1,421,385,812**	**35.2**
Old-Age, Survivors, Disability, and Hospital Insurance (OASDHI), total [4]	1,404,615,026	1,550,944,750	33.0	144,547,165	1,406,397,585	34.9
Federal Insurance Contributions Act (FICA)	1,326,252,997	1,473,833,500	31.4	n.a.	n.a.	n.a.
Self-Employment Insurance Contributions Act (SECA)	78,362,029	77,111,250	1.6	n.a.	n.a.	n.a.
Unemployment insurance	7,046,465	7,946,725	0.2	162,062	7,784,663	0.2
Railroad retirement	6,148,312	7,218,291	0.2	14,726	7,203,565	0.2
Estate and gift taxes	**33,355,276**	**35,434,261**	**0.8**	**1,850,749**	**33,583,512**	**0.8**
Estate	28,909,393	33,780,186	0.7	1,748,560	32,031,626	0.8
Gift	4,445,883	1,654,075	[3]	102,189	1,551,886	[3]
Excise taxes [7]	**70,679,117**	**74,248,765**	**1.6**	**2,174,724**	**72,074,041**	**1.8**

n.a.—Not available.

[1] Gross collections include penalties and interest in addition to taxes.

[2] Includes overpayment refunds, refunds resulting from examination activity, refundable tax credits, and other refunds required by law. Also includes $10.2 billion in interest, of which $1.1 billion was paid to corporations and $9.1 billion was paid to all others (related to individual, employment, estate, gift, and excise tax returns). Excludes refunds credited to taxpayer accounts for tax liability in a subsequent year.

[3] Less than 0.05 percent.

[4] Collections of withheld individual income tax are not reported by taxpayers separately from Old-Age, Survivors, Disability, and Hospital Insurance (OASDHI) taxes on salaries and wages (under the Federal Insurance Contributions Act or FICA) and individual income tax payments along with taxes on self-employment income (under the Self-Employment Insurance Contributions Act or SECA). The OASDHI tax collections and refunds shown in this table are based on estimates made by the Secretary of the Treasury pursuant to the provisions of Section 201(a) of the Social Security Act as amended and include all OASDHI taxes. Amounts shown for individual income tax withheld and individual income tax payments were derived by subtracting the FICA and SECA tax estimates from total individual income tax withheld and individual income tax payments. Refund estimates, and, therefore, net collection estimates, were not made for the components of income and OASDHI taxes.

[5] Includes collections of estimated income tax and payments made in conjunction with individual income tax return filings.

[6] Includes collections of estimated estate and trust income taxes and payments made in conjunction with estate and trust tax return filings.

[7] Excludes excise taxes collected by U.S. Customs and Border Protection and the Alcohol and Tobacco Tax and Trade Bureau.

NOTES:

Detail may not add to totals because of rounding.

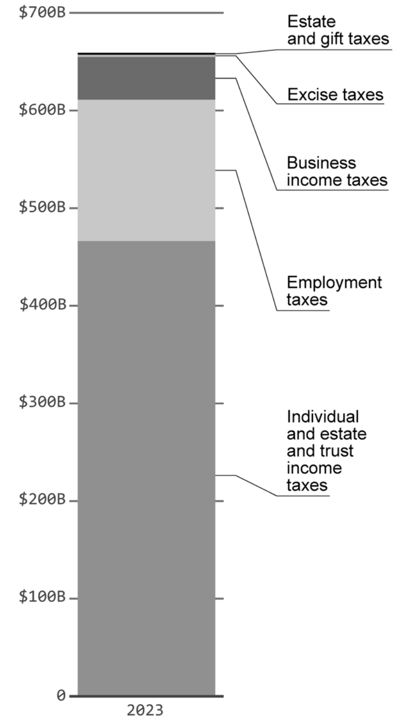
All money amounts are in current dollars.

Collection and refund data may not be comparable for a given fiscal year because payments made in prior years may be refunded in the current fiscal year.

Partnership, S corporation, regulated investment company, and real estate investment trust data are not shown in this table since these entities generally do not have a tax liability. Instead, they pass any profits or losses to the underlying owners, who include these profits or losses on their income tax returns.

SOURCE: Chief Financial Officer, Financial Management, Corporate Accounting.

Figure 3. Refunds by Type of Tax, Fiscal Year 2023



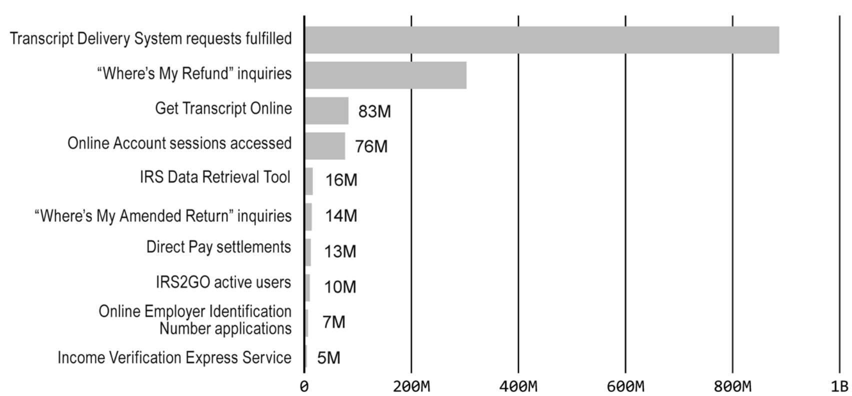
SOURCE: 2023 *IRS Data Book* Table 1

In FY 2023, more than 15.7 million tax refunds included a refundable child tax credit (CTC), and almost 22.4 million included a refundable EIC.[77]

TAXPAYER SERVICE AND ENFORCEMENT ACTIONS

The IRS provided taxpayer assistance through approximately 880.9 million visits to IRS.gov and helped almost 60.3 million taxpayers through correspondence, toll-free telephone helplines, or Taxpayer Assistance Centers. Taxpayers made approximately 303.1 million inquiries to the "Where's My Refund" application. The number of active IRS2GO mobile app users has almost doubled since 2017 to over 10.3 million. Taxpayers and tax practitioners downloaded over 538 million tax forms, their instructions, and other files from IRS.gov during the fiscal year. The IRS responded to almost 887 million transcript delivery requests during FY 2023, as shown in the following chart.

Figure 4. Selected Electronic Transactions, Fiscal Year 2023



SOURCE: 2023 *IRS Data Book* Table 10

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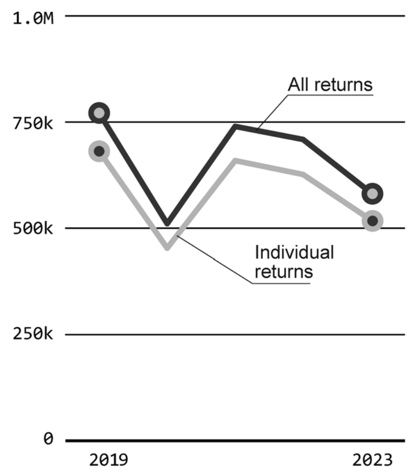
77. See Table 7, *Number of Refunds Issued, by Type of Refund and State, Fiscal Year 2023.*

Enforcement Actions

The IRS closed fewer taxable return audits during FY 2023 (582,944) than the prior year (708,309).[78] The percentage covered by field examinations increased slightly from 21.4% in FY 2022 to 22.7% in 2023.[79] The IRS collected an additional $31.9 billion from the FY 2023 audits.

The IRS conducted fewer audits and collection actions during FY 2023 than in FY 2022, as shown in Figure 5. The IRS closed examinations of over 518,607 individual income tax returns during FY 2023, of which more than 84% were correspondence examinations.[80]

Figure 5. Number of Returns Examined, Fiscal Years 2019–2023



SOURCE: Selected *IRS Data Books*, Table 18

In FY 2023, the number of IRS-requested levies increased 4.8%.[81] However, the number of seizures decreased from 89 to 65. The IRS filed almost 13.8% more liens in FY 2023 than in FY 2022.[82]

Of the almost 271.5 million total federal tax returns and supplemental documents that the IRS processed, taxpayers filed 213.3 million returns electronically in FY 2023.[83] When other forms are included, this number represents 78.6% of all filings, an increase of over 8% since FY 2017.[84] Paid preparers filed more than 84 million **individual** tax returns.

During FY 2023, the IRS completed 2,584 criminal investigations and referred 1,838 for prosecution. The criminal investigation program resulted in 1,167 cases that involved some form of incarceration.

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78. See Table 18, *Examination Coverage: Recommended Additional Tax, and Returns with Unagreed Additional Tax, After Examination, by Type and Size of Return, Fiscal Year 2023; 2022 IRS Data Book*, p. 46. Mar. 2023. IRS. [www.irs.gov/pub/irs-pdf/p55b.pdf] Accessed on Jun. 12, 2024. See Table 18, *Recommended Additional Tax, and Returns with Unagreed Additional Tax, After Examination, by Type and Size of Return, Fiscal Year 2022.*

79. In 2022, the IRS closed 151,437 field examinations ÷ 708,309 total examinations closed, which equals 21.4%. In 2023, the IRS closed 132,587 field examinations ÷ 582,944 total examinations closed, which equals 22.7%.

80. In FY 2023, 437,566 correspondence closed individual examinations ÷ 518,607 closed total examinations, which equals 84.37%.

81. The increase is computed as (286,270 requested levies in FY 2023 – 273,286 requested levies in FY 2022) ÷ (273,286 requested levies in FY 2022), which equals 4.8%.

82. The increase is computed as (179,019 liens filed in FY 2023 – 157,323 liens filed in FY 2022) ÷ (157,323 liens filed in FY 2022), which equals 13.8%.

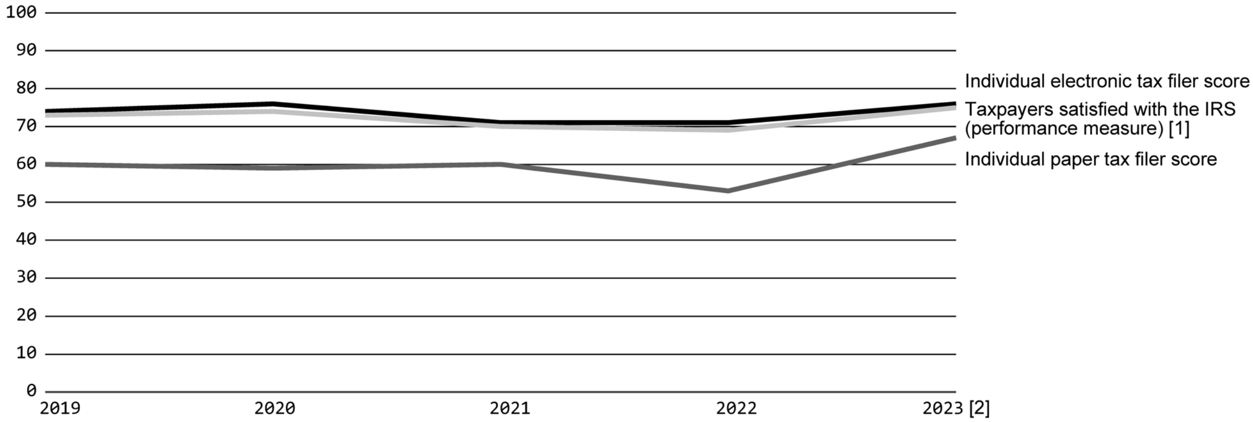
83. See Table 2, *Number of Returns and Other Forms File, by Type, Fiscal Years 2022 and 2023*, and Table 4, *Number of Returns and Other Forms Filed Electronically, by Type and State, Fiscal Year 2023*.

84. *2017 IRS Data Book*, pp. 4 and 8. Mar. 2018. IRS. [www.irs.gov/pub/irs-soi/17databk.pdf] Accessed Jun. 12, 2024. See Table 2, *Number of Returns and Other Forms File, by Type, Fiscal Years 2016 and 2017*, and Table 4, *Number of Returns and Other Forms Filed Electronically, by Type and State, Fiscal Year 2017*.

TAXPAYER ATTITUDES

The IRS developed a measure of customer satisfaction in 1994, still in use. The American Customer Satisfaction Index (ACSI) Index tracks taxpayer satisfaction with the IRS, generally based on their experience with Forms 1040 and 1040-SR, *U.S. Tax Return for Seniors*. The following graph shows trends over the last five years.

Figure 6. ACSI Customer Satisfaction



[1] The Taxpayers Satisfied with the IRS measure calculation weights the individual paper and electronic filer customer satisfaction scores by the percentage of paper and electronic individual tax returns filed, derived from IRS Publication 6187, *Calendar Year Projections of Individual Returns by Major Processing Categories*, Table 1A, and combines the results.

[2] In 2023, IRS changed the American Customer Satisfaction Index (ACSI) data collection methodology from telephone interviews to online panel surveys and made efforts to improve representation.

NOTE: The IRS ACSI survey is conducted by Claes Fornell International Group, founding partner of ACSI and sole company licensed in the United States to use the patented, customized ACSI methodology.

SOURCE: 2023 IRS ACSI Survey.

This measurement shows relatively stable satisfaction, although it increased in 2023 among taxpayers who paper-filed individual income tax returns.

In past years, the IRS has conducted a Comprehensive Taxpayer Attitude Survey, which has guided IRS decision-making. For the first time since 1999, this survey was not conducted in FY 2023, perhaps reflecting the increasing difficulty of reaching survey respondents for telephone interviews. Nevertheless, the IRS expects to resume its use.