

“Taxpayer First Act” Continues Emphasis on Electronic Services and Refocuses IRS on Taxpayer Needs

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Several years in the making, the “Taxpayer First Act” was signed into law on July 1, 2019 (Pub. L. No. 116-25). It is largely focused on improving the Internal Revenue Service and its ability to function in the electronic age, with a few items to note for plan sponsors, recordkeepers, and exempt organizations:

- Internet Platform for Form 1099 filings (including Forms 1099-MISC and 1099-R). No later than January 1, 2023, the IRS shall make available an internet website or other electronic media with a user interface and functionality to allow persons to (1) prepare and file Forms 1099, (2) prepare Forms 1099 for distribution to recipients other than the IRS, and (3) maintain a record of completed, filed, and distributed Forms 1099. This should include pension plan payment reporting on Form 1099-R.
- Electronic Filing of Returns. In general, the Act lowers the threshold for mandatory electronic/magnetic media filing of tax and information returns with the IRS for persons that file from 250 returns, to 100 returns for calendar year 2021, and to only 10 returns for calendar years after 2021.
- Electronic Signatures. Not later than 6 months after enactment, the IRS shall publish guidance to establish uniform standards and procedures for accepting a taxpayer’s signature appearing on an electronic form with respect to any request for disclosure of a taxpayer’s return or return information to a practitioner (under Code section 6103(c)) or any power of attorney (Form 2848) granted by a taxpayer to a practitioner.
- Mandatory E-Filing of Exempt Organizations (Forms 990). Generally effective for taxable years beginning after July 1, 2019, any organization that is required to file a return under Code section 6033 (Form 990) or section 511 (UBIT – Form 990-T) must file the form with the IRS electronically. The Forms 990 shall be made available to the public as soon as practicable in a

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machine readable format. There is also potential transition relief for those eligible for Form 990-EZ filings and 990-T filers for up to 2 years.

- Increased Failure To File Penalty. The minimum threshold for failure to file a tax return under Code section 6651 is amended to replace the \$205 dollar threshold with \$330 (indexed for inflation from 2019). This is effective for returns required to be filed after December 31, 2019.

The remainder of the Act provisions focus on changes to the IRS regarding its organizational structure, customer service, enforcement procedures, management of information technology, and use of electronic systems. These provisions include: (1) establishing the IRS Independent Office of Appeals to resolve certain federal tax controversies without litigation; (2) requiring the IRS to develop a comprehensive customer service strategy; (3) modifying tax enforcement procedures that address issues such as the seizure of property, issuing a summons, joint liability, referral for private debt collection, and contacting third parties; (4) establishing requirements for responding to Taxpayer Advocate Directives; (5) establishing requirements for cybersecurity and identity protection; (6) development of information technology management; and (7) other miscellaneous provisions, including updated procedures for whistle-blowers.

GROOM