

Area 6 - First Thursday Notes

September 1, 2022

Internal Revenue Service – First Thursday Area 6 Stakeholder Liaison Team

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Webinars

Please check [Webinars for Tax Practitioners](#) for upcoming Webinars

Please check here for previously recorded Webinars: www.irsvideos.gov

IRS Discussion Items

Appeals conference options

IRS Appeals invites input on enhancing video conference options for taxpayers and tax professionals. Options include telephone, video, in-person and correspondence.

Public input is sought for permanent video conference guidance. Public comments can be sent to AP.Taxpayer.Experience@irs.gov through Wednesday, Nov. 16, 2022.

COVID tax relief – broad-based penalty relief

IRS provides broad-based penalty relief for certain 2019 and 2020 returns due to the pandemic. \$1.2 billion in penalties being refunded to 1.6 million taxpayers.

To help struggling taxpayers affected by the COVID-19 pandemic, the Internal Revenue Service today issued [Notice 2022-36](#), which provides penalty relief to most people and businesses who file certain 2019 or 2020 returns late.

Penalty relief is automatic. This means that eligible taxpayers need not apply for it. If already assessed, penalties will be abated. If already paid, the taxpayer will receive a credit or refund.

IMRS at work – previously raised issues

Issue #1

Letter 2644C on an Interim Response from Campus. It could be an inquiry to account such as EIP and ACTC payments, is why that letter has been received.

Issue #2

Standard Mileage Rate can be used for electric cars. IRS Announcement 2022-13 and IRS Notice 2022-03 have not mentioned the Standard Mileage Rate for electric cars, but it does apply. From discussion with the contact on this issue, it appears future notices on the Standard Mileage Rate will consider adding electric cars.

Issue #3 Form 3911 -Taxpayer Statement Regarding Refunds is being evaluated for further instructions and clarifications.

Issue #4

CP14 - Spouses payment not showing on the joint account and CP14 generated. IRS is pausing Collection Notices while this is researched. See "IRS Collection Notices" on "IRS-Operations-during- Covid-19-Mission-Critical-Functions-Continue" link.

State Revenue Updates

Colorado Department of Revenue

The Colorado Department of Revenue identified an error in the structure of form DR 0112 (the Colorado income tax return for C corporations). The error will impact C corporations that are required to apportion income and that are claiming a subtraction under 39-22-304(3)(p) for tax year 2021. This subtraction relates to certain disallowed CARES Act deductions allowed under Colorado HB21-1002. The Department has published supplemental instructions for impacted taxpayers that can be accessed on the 2021 corporate income tax forms page (<https://tax.colorado.gov/2021-c-corporation-forms>). Colorado C corporations that do not apportion income can complete the form without any modifications.

There was also a question about SALT/PTE elections:

Q: All we've seen is that there should be guidance coming, when will they be coming?

A: Guidance by EOY and forms no earlier than 1/1/2023.

Iowa Department of Revenue

- **Failure to File a Tax Return – Penalty**

This proposed rulemaking is intended to implement the penalty imposed on taxpayers for failure to file a tax return within 90 days of written notice from the Department. The Department will send a written demand to a taxpayer instructing the taxpayer to file a tax return. If the taxpayer fails to file within 90 days of a demand letter, a \$1,000 penalty will be added to the amount of tax shown due. This rulemaking describes the demand letter that will be sent to the taxpayer to start the 90-day time period. It also articulates what constitutes a showing of “good reason” for which this penalty may be waived by the Department. This penalty generally applies to all taxpayers for all tax types.

- **HF 2552**

- \$500 Civil Penalty for each occurrence

- Willful failure to furnish an employee, nonresident, or other person with an income statement
- Willfully furnishing false or fraudulent statement w/ payee
- Willful failure to file an income statement with the Dept
- Willfully filing a false or fraudulent statement with Dept

- Question kurt.konek@iowa.gov 515-587-0440

Minnesota Department of Revenue

- Coming soon, 2022 forms walk-through and e-File update webinar - Sept 14 at 10:30 am [Cisco Webex Meetings - Register Meeting](#)
- Student loans forgiven (\$10,000 or \$20,000 amounts) will be taxable to Minnesota
- There will most likely **not** be a 1099 issued for frontline worker pay but the amount will be the same for all frontline workers once that amount is determined – taxable to federal but not Minnesota
- Fact sheets will be converted to webpages in mid-September, use Print Page function and save as a pdf to get a nicely formatted document you can send to your clients
- You may now submit appeals electronically using our electronic appeals system in e-Services Online.

Missouri Department of Revenue

- MODOR has begun to update our forms based on Missouri’s legislative changes.
- The biggest changes coming for MO will be for Corporate Tax. MODOR is currently heavily researching the SALT Parity Act and it’s impacts.

Questions from the Chat

Q: For the 2019 and 2020 penalty relief: What about penalties already paid? Will refunds be issued?

A: Yes - Penalty relief is automatic. This means that eligible taxpayers need not apply for it. If already assessed, penalties will be abated. If already paid, the taxpayer will receive a credit or refund.

Q: Instructions state taxpayers who have not received a response from the 3911 by extension deadline should submit 1040 with RRC showing the EIP3 WAS received. My taxpayers do NOT want to sign a fraudulent tax return. Any further guidance.? We plan to file correctly and claim RRC for EIP3 not received.

A: The information in EIP FAQs may be helpful as additional instructions are provided for this scenario: [How do I request a payment trace to track my third-round Economic Impact Payments](#)

Note: If you are filing your 2021 tax return before your trace is complete, do not include the payment amount on the Recovery Rebate Credit Worksheet. If you do, you may receive a notice saying your 2021 Recovery Rebate Credit was changed, but an adjustment will be made after the trace is complete and it is determined your payment has not been cashed. You will not need to take any additional action to receive the credit.

Q: Does the penalties that IRS is going to remove - are they also including fiscal year filers for 2019-2020-2019 with overlapping calendar year?

A: Notice 2022-36 uses the term 'taxable year(s)'. The definition can be found in IRC §7701(a)(23):

(23) Taxable year

The term "taxable year" means the calendar year, or the fiscal year ending during such calendar year, upon the basis of which the taxable income is computed under subtitle A. "Taxable year" means, in the case of a return made for a fractional part of a year under the provisions of subtitle A or under regulations prescribed by the Secretary, the period for which such return is made.

Q: Will 1099-C be issued for the student loan forgiveness and why isn't that reportable on the 1040 return?

A: More information and background on this topic can be found here:

- [IRS and Treasury issue guidance for students with discharged student loans and their creditors | Internal Revenue Service:](#)
- [Revenue Procedure 2020-11](#)
- Search "section 9675" in "American Rescue Plan Act" on www.congress.gov
- See IRC §108(f)(5) - Income from discharge of indebtedness -> Student loans -> Special rule for discharges in 2021 through 2025

Next First Thursday Meeting - Thursday October 6, 2022.