

A More Agile (Even Forgiving) IRS? More COVID-19 Guidance and Releases...

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Despite significant prior resource constraints (people and technology), the IRS continues to be remarkably agile and quick to issue pertinent guidance and notifications of policy changes during this global COVID-19 pandemic. One glimpse at the IRS's Coronavirus Tax Relief Page and Coronavirus Resources and Guidance Page gives you an idea of how much guidance and information the IRS has generated over the last two months. The IRS is creating new procedures and policies in real time. We've covered and analyzed most of this guidance previously, including the payment and filing due date extensions, early responses to implement the CARES Act, and the various payroll tax credits and employment benefits. Nexsen Pruet's comprehensive COVID-19 information and insights page can be found [here](#). Now, let's get to the latest and most pertinent IRS guidance and policy announcements.

Revenue Procedure 2020-23

On April 8, 2020, the IRS issued Rev. Proc. 2020-23, which provides partnerships (and LLCs taxed as partnerships) subject to the centralized audit regime enacted as part of the Bipartisan Budget Act of 2015 (BBA) with the option to file amended returns (using a Form 1065) for 2018 and 2019 to account for the retroactive tax aspects of the CARES Act instead of having to file an Administrative Adjustment Request (AAR). For a recap of the BBA's centralized audit regime and why partnerships will generally have to file AARs instead of amended returns, read [this](#).

By giving partnerships (and partners) the option to file amended returns for 2018 and 2019, the IRS is accelerating when partnerships (and ultimately the partners) can receive the applicable tax benefits provided by the CARES Act. If an AAR was required, the partners would not be able to realize the CARES Act tax benefits until they filed their 2020 tax returns in April (or as late as October) of 2021. Thanks IRS.

Partnerships should also utilize this opportunity to make other non-CARES Act adjustments to their 2018 and 2019 returns that would ordinarily need to be made through an AAR. Note, even with this option to file amended returns versus AARs, the centralized audit procedures will apply in the event of a subsequent examination.

The People First Initiative

Shortly before the CARES Act was signed into law, the IRS issued a press release announcing its temporary People First Initiative, which consists of the relaxation or postponement of many compliance and collection initiatives through July 15, 2020. Some of the more significant items include:

- No new field, office, or correspondence audits;
- Suspension of the Liens and Levies initiated by field Revenue Officers and the IRS's automated system;
- Suspension of Installment Agreement payments;
 - Note – if you've set-up a Direct Debit Installment Agreement, contact your bank to stop the debit payments through July 15, 2020. See more information [here](#).
- Offers in Compromise will not be defaulted for delinquent returns or the failure to provide additional information before July 15, 2020, and taxpayers have the option to suspend payments to that date, too;
- No new Passport revocation referrals will be sent to the State Department; and
- No new delinquent accounts will be referred to private collection agencies.

This is honestly a surprisingly compassionate move from one of the least-liked Federal government agencies. Let's hope the IRS continues to evaluate whether this moratorium until July 15, 2020, needs to be extended if the impact of COVID-19 does not significantly decrease.

Penalty Relief for the Failure to Deposit Employment Taxes

In Notice 2020-22, the IRS provides penalty relief to employers entitled to the refundable payroll tax credits added by the Families First Coronavirus Response Act (FFCRA) and the CARES Act. In essence, the Notice provides relief from the failure to deposit penalty of IRC § 6656 up to the amount of the refundable tax credits the employer is entitled to under the FFCRA and the CARES Act. So, while this is a nice gesture by the IRS, as it will help employers pay the sick and family leave mandated by the FFCRA, the Notice does NOT provide blanket penalty relief.

Corporate Refund Claims Based on the CARES Act

The IRS issued a statement on April 8, 2020, that it intends to issue special filing instructions for CARES Act based corporate refund claims “in the coming days.” Good news for accountants.

Preemptive Warnings About Scams Concerning Economic Impact Payments

Both the IRS and the Treasury Inspector General for Tax Administration are preemptively warning taxpayers about the likelihood of scams related to the forthcoming Economic Impact Payments most Americans will be receiving over the next couple of months. The press releases urge taxpayers to take extra care and remind them of how the IRS will communicate with taxpayers concerning these Economic Impact Payments.

Conclusion

Expect similar formal and informal administrative guidance to continue to be released by the IRS. Let’s hope this more agile IRS, the signs of which first appeared during the implementation of the Tax Cuts and Jobs Act, continues along with this current forgiving and more understanding approach to enforcement. Keep checking this Insight for updates or check here.

For more detailed information and guidance please reach-out to David M. McCallum and your Nexsen Pruet Tax Team.

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