IMPORTANT UPDATE FOR PAYPAL AND VENMO USERS: IRS ADJUSTS 1099-K REPORTING THRESHOLDS

The IRS has issued new guidance on its phased rollout of 1099-K reporting requirements. This impacts millions of users of platforms like PayPal, Venmo, Etsy, and eBay. These updates build on the IRS's December 2023 announcement, where it delayed the implementation of a $600 reporting threshold due to concerns over taxpayer confusion and administrative burdens.

As we discussed in our December 2023 post, the IRS had originally planned to drop the 1099-K reporting threshold from $20,000 (and 200 transactions) to $600, but after industry pushback and legislative discussions, it introduced a gradual transition to ease compliance. The latest update confirms the reporting thresholds leading up to 2026.

Recap: What Happened in Late 2023?

In December 2023, we covered the IRS's decision to postpone the $600 reporting threshold in response to widespread concerns that taxpayers would erroneously receive 1099-Ks for personal transactions. The IRS acknowledged that transactions such as splitting a dinner bill or selling personal items at a loss could trigger unnecessary tax forms, creating confusion.

At that time, the IRS signaled its intention to transition to a $5,000 threshold for 2024, allowing time for further adjustments. The latest update now provides a clearer roadmap:

- **2024:** $5,000 reporting threshold
- **2025:** $2,500 reporting threshold
- **2026 and beyond:** $600 reporting threshold

The gradual approach aims to ensure that small business owners and independent contractors have time to adjust. It also gives third-party payment platforms time to refine their compliance procedures. However, the phased implementation is not without controversy. Many e-commerce platforms and lawmakers continue to push for a permanent threshold increase to prevent confusion.

Key Updates for 2024

Lower Thresholds, Same Reporting Rules
For tax year 2024 (filed in 2025), only business-related transactions that total $5,000 or more will trigger a 1099-K form. While this is a significant reduction from the prior $20,000/200 transaction threshold, the IRS has emphasized that:

- **Personal transactions remain exempt.** If you send money to a friend for dinner or receive a gift through Venmo, it should not be reported.
- **Business-related payments will be reported.** If you sell products or services and receive payments through PayPal, Venmo, or similar platforms, those payments may be subject to reporting once they exceed the $5,000 threshold.

No IRS Penalties for 2024 Non-Compliance by Platforms

To ease the transition, the IRS has confirmed it will not impose penalties on third-party platforms that fail to comply with backup withholding requirements during 2024. This provides companies like PayPal, Venmo, and Etsy additional time to adjust their reporting systems.

Future Thresholds: Plan Ahead

By 2026, even causal sellers will be impacted. For example, if you sell a used couch for $700 on Facebook Marketplace, you could receive a 1099-K—even if you sold at a loss. Selling personal items at a loss does not create taxable income. However, receiving a tax form could still create confusion and require additional documentation to correct.

Legislative Uncertainty and IRS Criticism

The phased implementation of the 1099-K threshold has not been without controversy. While many taxpayers welcome the delay, some lawmakers and tax professionals believe the IRS has overstepped its authority by postponing the $600 threshold beyond the timeline set by the American Rescue Plan Act of 2021.

- E-commerce platforms like eBay and Etsy continue to lobby Congress to raise the threshold permanently, arguing that the $600 rule will lead to unnecessary tax forms for millions of casual sellers.
- Lawmakers from both parties have introduced bills proposing thresholds of $5,000, $10,000, or even $20,000, but Congress has yet to pass a long-term fix.
- Political debates continue, with some lawmakers framing the delayed IRS rollout as a tax policy shift that could have major implications for future administrations.

Despite this uncertainty, taxpayers should prepare for the likelihood that the $600 threshold will take effect in 2026 unless Congress acts.

How This Affects You

Business Transactions & Purchase Price Allocation Matter

If you’re a small business owner, freelancer, or independent contractor, the 1099-K will report your total payments received through payment apps. However, not all funds received may be taxable.

For example:

- If you earn $6,000 providing graphic design services through PayPal, that entire amount will be reported to the IRS and subject to self-employment tax.
- However, if $2,000 of that total was a personal gift from family, those funds should be flagged as personal transactions to avoid misclassification.

Properly labeling transactions as “personal” or “business” in your payment apps can prevent errors when 1099-Ks are issued.

Preventing Incorrect 1099-K Filings

If you receive a 1099-K in error (for instance, for personal transactions), you should:

- Request a corrected form from the issuing platform.
- Provide supporting documentation (e.g., receipts, bank statements) to clarify taxable vs. non-taxable transactions.

What Should Taxpayers Do Now?

- **Keep detailed records of all transactions** to ensure proper tax reporting. Many payment platforms allow transaction labeling, which can help prevent issues later.
- **Review any 1099-K forms you receive** and dispute any misclassified transactions.
- Consult a tax professional if you are a small business owner, freelancer, or independent contractor, as the new thresholds could impact your tax liability.

As we highlighted in our December 2023 article, the IRS is steadily reducing the 1099-K reporting threshold, requiring online sellers, freelancers, and small businesses to be more proactive in managing their tax reporting obligations. While personal transactions remain exempt, it’s essential to track income sources carefully to avoid potential IRS issues.

Meanwhile, Congress continues to debate long-term solutions, but taxpayers should prepare for the likelihood that the $600 rule will take effect in 2026 unless legislative action is taken.

If you need guidance on tax compliance or reporting strategies, contact us, the O’Neil Cannon Tax Team, for assistance.

REMINDER: WISCONSIN ELECTRIC VEHICLE

CHARGING STATION EXCISE TAX AND REGISTRATION REQUIREMENTS BEGIN JANUARY 1, 2025

Beginning January 1, 2025, Wisconsin will implement a new excise tax on electric vehicle (EV) charging stations under 2023 Wisconsin Act 121. If your business owns, operates, manages, or leases EV charging stations, here's what you should know:

Who Must Register: Any business delivering electricity through EV charging stations must register with the Wisconsin Department of Revenue using the Online Business Tax Registration system. This requirement applies regardless of whether:

- The charging station is open to the public or for private use.
- A fee is charged for the electricity.

Residential EV charging stations are exempt, except for those located at hotels.

Excise Tax Details:

- A 3-cent per kilowatt-hour tax applies to electricity delivered by:
  - Level 3 chargers.
  - Level 1 or Level 2 chargers installed on or after March 22, 2024.
- Exemptions:
  - Chargers installed before March 22, 2024.
  - Residential chargers (except those at hotels).

Filing and Payment Requirements: Registered businesses must file returns biannually, with reporting periods ending June 30 and December 31. Returns and payments are due by July 31 and January 31, respectively. Late filings or payments may result in penalties, interest, or other legal consequences.

Penalties for Non-Compliance: Failure to register, file returns, or pay the tax can result in severe penalties, including fines, interest, and possible legal action. Compliance is critical to avoid disruptions to your operations.

For more details, refer to Wisconsin Department of Revenue Publication 305, or contact us, the O'Neil Cannon Tax Team, for guidance tailored to your business.

WHAT TO EXPECT FOR TAX POLICY IN 2025 AFTER TRUMP'S ELECTION VICTORY

The recent election of Donald Trump as president signals potential changes to the U.S. tax code in 2025. Some anticipated adjustments align with Trump's proposals to extend or expand certain cuts from the Tax Cuts and Jobs Act of 2017, enacted during Trump's first term, as well as new measures aimed at encouraging economic growth and adjusting tax policies for individuals and businesses.

Individual Income Taxes: Lower Rates, Expanded Cuts Individual taxpayers may see a continuation of the lower income tax rates introduced by the TCJA, with support for making these rates permanent beyond their scheduled 2025 expiration. Trump has also proposed doubling the standard deduction, which would reduce taxable income for many households and retain current tax brackets, avoiding a return to higher, pre-2018 rates. Another key component includes the full reinstatement of the State and Local Tax deduction, which has been capped at $10,000 since the TCJA—an aspect that affected taxpayers in high-tax states.

Capital Gains and Investment Incentives Trump's proposed tax policies may include changes to capital gains taxes as a way to encourage investment. Currently, long-term capital gains are taxed at 15-20%, based on income. The administration may consider lowering these rates further and could revisit indexing capital gains to inflation, which would allow for an inflation-adjusted basis, potentially reducing taxable gains upon sale.

Corporate Tax Rates and Incentives Corporate tax policy may also be an area of focus, with proposals to reduce the corporate tax rate from 21% to 15% intended to enhance the competitiveness of U.S. businesses internationally. Other potential measures could include deductions or credits targeting manufacturing, research, and domestic investment.

Estate and Wealth Transfer Taxes For estate and wealth transfer taxes, Trump has indicated support for maintaining the higher exemption levels established under the TCJA. Currently, individuals can pass up to $13.61 million ($27.22 million for married couples) tax-free, with this exemption increasing to $13.99 million for individuals and $27.98 million for married couples in 2025. These exemption levels are set to decrease if the TCJA sunsets at the end of 2025. Keeping these thresholds in place would help limit estate tax liabilities for high-net-worth individuals.

Looking Ahead Trump's tax agenda reflects an approach geared toward a low-tax environment for individuals, investors, and businesses, emphasizing economic growth and domestic investment. Taxpayers should stay informed on policy developments and consult with tax advisors on potential implications for financial planning and business strategies.

The O’Neil Cannon Tax Team will monitor these developments and provide updates as any proposed tax changes become more concrete. We encourage you to reach out with any questions about how these potential reforms might affect you.

2025 IRS TAX ADJUSTMENTS: WHAT YOU NEED TO KNOW

The IRS has released inflation adjustments for the 2025 tax year, bringing changes to tax brackets, deductions, and credits that may affect taxpayers across income levels. Here’s a quick overview of the updates:

Income Tax Brackets

Tax brackets will shift higher to accommodate inflation, helping prevent “bracket creep.” For example, the 37% top rate now applies to incomes over $626,350 for individuals and $751,600 for married couples filing jointly. Other rates are as follows:

- 10% for incomes up to $11,925 ($23,850 for married couples)
- 12% for incomes over $11,925 ($23,850 for married couples)
- 22% for incomes over $48,475 ($96,950 for married couples)
- 24% for incomes over $103,350 ($206,700 for married couples)
- 32% for incomes over $197,300 ($394,600 for married couples)
- 35% for incomes over $250,525 ($501,050 for married couples)

Standard Deduction Increases

For 2025, the standard deduction increases to $15,000 for single filers and married individuals filing separately, $30,000 for married couples filing jointly, and $22,500 for heads of households. This adjustment provides taxpayers with additional income shielded from taxation.

Alternative Minimum Tax (AMT) Exemption Amounts

The AMT exemption for unmarried individuals rises to $88,100, phasing out at $626,350. For married couples filing jointly, the exemption is $137,000, with the phaseout beginning at $1,252,700.

Earned Income Tax Credits (EITC)

The maximum EITC for taxpayers with three or more qualifying children is $8,046, up from

$7,830 in 2024. Adjustments for income thresholds and phaseouts are also in place for other qualifying taxpayer categories.

Qualified Transportation and Health Benefits

Qualified Transportation Fringe Benefit: The monthly limit for qualified transportation and parking expenses increases to $325.

Health Flexible Spending Arrangements (FSAs): The maximum contribution rises to $3,300, with a maximum carryover of $660.

Medical Savings Accounts (MSAs)

For individuals with self-only coverage, the minimum annual deductible increases to $2,850, with a maximum of $4,300. Out-of-pocket expenses for these plans rise to $5,700. For family coverage, the deductible range is $5,700 to $8,550, and the out-of-pocket maximum is $10,500.

Foreign Earned Income Exclusion

The foreign earned income exclusion will increase to $130,000 for tax year 2025, up from $126,500 in 2024.

Estate and Gift Tax Exemptions

Estate Tax: The estate tax exemption increases to $13,990,000 for decedents passing in 2025, up from $13,610,000 in 2024.

Gift Tax: The annual gift exclusion rises to $19,000 in 2025.

Adoption Credit

The adoption credit for a child with special needs increases to $17,280, reflecting higher allowable adoption expenses.

These adjustments aim to help taxpayers manage inflationary effects and offer greater tax savings for 2025. As always, consult our O’Neil Cannon Tax Team for advice on how these changes may impact your specific financial situation.

WISCONSIN EXPANDS CHILD AND DEPENDENT CARE TAX CREDIT

Wisconsin families received a significant boost with the recent signing of Assembly Bill 1023. The bill was signed into law by Governor Tony Evers on Monday, March 4, 2024. This groundbreaking legislation, effective immediately for the 2024 tax year, expands the state's child and dependent care tax credit from 50% to 100% of the federal credit, potentially providing substantial relief to families grappling with childcare expenses.

The amended law not only doubles the benefit percentage, but it also raises the cap on allowable childcare expenses, allowing taxpayers to claim up to $10,000 for one dependent and $20,000 for two or more dependents. Governor Evers emphasizes that this change will result in a maximum credit ranging from $2,000 to $3,500 for one dependent and $4,000 to $7,000 for two or more dependents, offering tangible financial support to Wisconsin families.

Following the rejection of the remaining components of a Republican-backed tax cut package, the political terrain surrounding tax cuts and credits has garnered significant attention. Last week, Governor Evers rejected three tax-cutting proposals: AB 1020, aimed at expanding the state's second-lowest income tax bracket; AB 1021, which sought to increase the retirement income exclusion to $75,000 for individuals; and AB 1022, which proposed raising the maximum income tax credit for married couples from $480 to $870.

Despite being the sole tax bill signed by Governor Evers among several sent by the Republican-led legislature, the impact of this legislation is far-reaching. The changes will affect more than 110,000 taxpayers, with an average benefit of over $656, according to the governor's office.

For questions or further information relating to the Wisconsin Child and Dependent Care Tax Credit, please contact Attorney Britany E. Morrison.

IMPORTANT UPDATE FOR PAYPAL AND VENMO USERS: IRS POSTPONES 1099-K REPORTING REQUIREMENT!

The IRS recently made a significant decision that could impact users of platforms like PayPal's Venmo and Etsy. It has chosen to delay a requirement set by a 2021 law, which mandates companies to send tax forms (1099-K) to customers involved in business transactions surpassing $600.

Key Takeaways from the Delay

This delay for the 2024 filing season brings a sigh of relief for casual sellers, as they will not be receiving the 1099-K form for now, which usually contains information about gross payments made on these platforms. However, keep in mind that taxpayers are still responsible for reporting their income from these transactions on their tax returns.

Changes in Reporting Thresholds

For the upcoming filing season, the IRS is sticking to the old reporting threshold. This requires e-commerce companies to report transactions exceeding $20,000 in gross payments and more than 200 transactions. However, there is a significant change in the pipeline! Starting in tax year 2024, the IRS plans to transition to a new rule, gradually increasing the reporting threshold from $600 to $5,000.

Steering Clear of Confusion

One reason behind this delay is the confusion among taxpayers about which transactions are reportable under the new law. For instance, sales between friends and family or selling personal items like used clothing, furniture, or other household goods at a loss might trigger a 1099-K, even though they don’t result in tax liabilities. On the flip side, sales by small businesses generating profit could be taxable.

Congress’ Response

Lawmakers are actively proposing various thresholds—$5,000, $10,000, and $20,000—to simplify things for taxpayers. Meanwhile, the IRS is proceeding cautiously, working to implement the law while legislators explore potential solutions.

Your Input Matters: Seeking Feedback

The IRS wants your input! It is open to suggestions about the $5,000 threshold for 2024 and strategies to streamline reporting for taxable transactions. Tax professionals and anyone affected by these changes are encouraged to share their thoughts.

What to Expect Next

To sum up, personal transactions like splitting bills won’t fall under the reporting requirements. But keep in mind, there’s a $5,000 threshold planned for 2024. The IRS aims to simplify the reporting process for taxpayers and tax pros amidst these changes.

Bottom Line

The IRS has hit pause and is transitioning to a $5,000 threshold for 2024, all in an effort to strike a balance between compliance and reducing confusion for taxpayers. As the IRS continues to navigate these changes, your feedback remains critical in shaping a more manageable way to report taxable transactions.

IRS PREPARING FOR POTENTIAL GOVERNMENT SHUTDOWN: WHAT YOU NEED TO KNOW

As we approach the end of September, the possibility of a government shutdown looms large, and the Internal Revenue Service is making preparations for the potential impact on its operations. Below is a summary of the IRS's contingency plans and what taxpayers can expect in the event of a government shutdown.

Government Shutdown: A Looming Threat

If Congress fails to reach a short-term agreement to fund the government by the end of September, a government shutdown is likely to occur. The IRS, like other federal agencies, is not immune to the consequences of such an event.

IRS Contingency Plans

To mitigate the potential disruption caused by a government shutdown, the IRS has been developing contingency plans. While it was initially believed that the agency could continue its operations thanks to funds allocated through the Inflation Reduction Act, recent reports indicate a change in strategy.

The National Treasury Employees Union, which represents IRS employees, has suggested that the IRS is working on a new contingency plan that includes furloughing some of its workforce. While the full scope of this plan is yet to be disclosed, it raises questions about how IRS services will be affected.

Impact on Taxpayers

So, what does this mean for taxpayers? In the event of a government shutdown, several key IRS functions may be affected:

1. Delayed Refunds: Taxpayers who file paper returns will likely experience delays in receiving their refunds. Even electronic filers may encounter delays if their returns require further processing.
2. Backlog Increase: The IRS has been grappling with a backlog of tax returns, with 2.6 million returns pending at the end of the 2023 filing season. A shutdown could exacerbate this backlog, further delaying tax processing.
3. Filing Deadlines: It's essential to note that filing deadlines for certain entities remain unchanged. Calendar-year individuals and C corporations with filing extensions must still file their 2022 returns by October 16, and tax-exempt organizations with extensions must file by November 15. Employers must also meet their Q3 employment tax deadlines by October 31, 2023.

Uncertain Future

As the deadline for a government shutdown approaches, the situation remains uncertain. While federal agencies have backup plans in place to maintain essential services, there will undoubtedly be impacts on federal employees and the American public. In the coming weeks, taxpayers should stay informed about developments in the IRS's contingency plans and be prepared for potential disruptions to IRS services. O'Neil Cannon will continue to monitor the situation and provide updates as more information becomes available.

For questions or further information relating to the potential government shutdown's impact on the IRS, please contact Britany E. Morrison.

TAX AND WEALTH ADVISOR ALERT: IRS POSTPONES $600 PAYMENT PROCESSOR 1099-K REPORTING REQUIREMENT

In a year-end gift of sorts to tax professionals, payment processing companies, and individuals pursuing eBay and other small-transaction side hustles, the IRS has delayed a new transaction reporting requirement that some believed would cause confusion among taxpayers and tax preparers alike.

Many More Payments Were to Be Reported to the IRS

The new reporting requirement would have required companies such as Venmo, PayPal, eBay, and Etsy that process business-related payments to provide each individual who received more than a total of $600 in reportable transaction payments from the company in 2022 with a form 1099-K and to report those payments to the IRS. Formerly the 1099-K reporting requirement was not triggered unless an individual received more than $20,000 in reportable payments in more than 200 transactions in a calendar or tax year.

So, for example, if an eBay seller earned more than $600 from eBay auctions in 2022, eBay would have been required to report that total to the IRS and to send the seller a form 1099-K reflecting those payments. This would be the case for any payment processor that made payments to individuals or businesses for business-related transactions (StubHub, Etsy, Airbnb, Venmo, Zelle, Square, and the like). In each case, if any one individual or company was paid more than $600 for business-related transactions in 2022, the payment processor would have been required to report the total amount paid to the IRS, and the recipient of the payments would receive a form 1099-K reflecting that total.

Concerns About Errors and Confusion

There was widespread concern that given the lower reporting threshold of $600 per year, many individual taxpayers would receive erroneous 1099-Ks that mistakenly included non-reportable transactions. A Venmo payment for splitting dinner checks with a friend is one example. Only properly reportable transactions, such as payments for business-related products or services, should trigger a 1099-K, and the risk of error with the lower threshold was significant. Of course, those erroneous amounts would also have been reported to the IRS, creating headaches for taxpayers, tax preparers, and the IRS.

The IRS Has Delayed the New Reporting Requirement

In late December 2022, the IRS issued a notice delaying the implementation of the $600 threshold for the 1099-K reporting requirement until 2023, meaning taxpayers should not be receiving 1099-Ks from payment processors such as eBay and PayPal unless the old $20,000/200-transaction threshold was reached during the year.

This does not mean taxpayers are not required to declare all their 2022 income, of course. It simply means that if a taxpayer’s transactions for the year were under the $20,000/200-transaction threshold, payments won’t be reported to the IRS by the payment processors and the taxpayers won’t receive a form 1099-K for amounts they’ve received.

Be Prepared for 2023

Note that the IRS is not abandoning the new $600 reporting requirement; it’s simply giving payment processors, tax professionals, and taxpayers another year to ensure they are prepared to implement it. This means that if you’re a taxpayer and you receive payments from online transactions such as eBay, Etsy, StubHub, or Airbnb, or if you have clients pay you via Venmo or Paypal, it’s essential for you to keep track of the money you receive via these payment processing services. You should also make sure you pay close attention to non-business payments you receive from friends and family when you split a dinner check or share a weekend cabin rental.

Keep track of expenses you incur related to the reportable payments you receive – for example, if you buy and resell concert tickets, the cost of the original ticket you purchased is an expense related to the money you receive from selling the ticket. Doing so will usually reduce your reportable income. And the more you keep good records, the easier it will be to ensure that any 1099-K forms you receive for 2023 payments are accurate and properly reflect the money you've been paid for goods or services you provided.

Note That Things May Change

The new $600 threshold for 1099-K reporting provoked a predictable backlash from the payment processing industry. Some members have formed an advocacy group called the Coalition for 1099-K Fairness to draw attention to the new requirement and encourage the IRS to, at a minimum, delay its implementation. With the IRS's decision in late 2022 to postpone enforcement of the new rule for a year, at least one of this group's requests has been met (though the IRS did not specifically reference the Coalition when it issued its notice).

According to a survey conducted on behalf of the Coalition, millions of what they call "casual sellers" make less than $5,000 per year selling used or pre-owned goods online. For most of these people, the Coalition argues that selling things online is not their primary source of income; think "side-gig." One industry concern is that if millions of people start receiving 1099-K forms for casual transactions, many may stop selling online to avoid the hassle of keeping records of revenues and expenses as though they are operating a full-fledged business.

On the other side is the idea that even "casual sellers" should include their income from smaller-scale transactions on their tax returns. And the thought is that if taxpayers are aware that the revenue they receive from these casual sales is being reported to the IRS, they will be more inclined to include it (or the portion that is properly reportable as income) on their tax returns.

That said, there is no dispute that the new $600 reporting threshold is a drastic change from the old $20,000/200-transaction threshold, and that complying with the new 1099-K reporting requirement will be significantly more burdensome for payment processors of all types. While the $600 threshold may be changed in response to industry and taxpayer pressure, there is no guarantee this will happen, so payment processors and taxpayers should continue to act as though the threshold will remain where it is for 2023.

For questions or further information relating to form 1099-K reporting, please contact

Attorney Britany E. Morrison.

TAX AND WEALTH ADVISOR ALERT: UNDERSTANDING COMMON NOTICES INDIVIDUALS RECEIVE FROM THE IRS

Although tax season may end for many individuals after returns are filed on April 15, for others it may be just the beginning. Many people receive a notice from the IRS as they process returns. These communications from the IRS are common and aren't necessarily a sign of trouble. If you receive a notice, read it carefully, address it promptly, and consider whether you should contact a lawyer.

Most notices from the IRS are regarding incomplete or incorrect information on taxpayer's tax forms, but there are plenty of other reasons the agency might be contacting you. The IRS website notes that the IRS sends notices and letters to individuals for the following reasons:

- You are due money.
- You owe money.
- You need to provide additional information or clarify part of your tax return.
- You need to verify your identity.
- Your tax return has a processing delay.

Each notice or letter contains a lot of valuable information, so it is particularly important that you read it carefully. Any communication you receive from the IRS will have a code on the right side at either the top or the bottom. The codes on notices begin with CP. The codes on letters begin with LTR. Here are some common notices the IRS sends out, identified by code.

CP2000 Notice

The IRS sends taxpayers this notice when the information they have on file does not match the information provided on the tax return. There might need to be an adjustment to your tax forms.

For example, your employer originally sent you a W-2 with incorrect information. They later sent an amended W-2, but you used the incorrect W-2 when completing your taxes.

If the notice alerts you to a discrepancy in your tax filing, it will explain how the IRS determined the error. You can either agree and sign off on the proposed changes or explain why you disagree, including providing relevant documents. You typically will be given 30 days to respond.

CP3219A Notice

If you fail to resolve the issue highlighted by a CP2000 Notice, the IRS sends a CP3219A Notice. Known as the Statutory Notice of Deficiency, this form gives you 90 days to reply. Like a CP2000 Notice, you can either agree or disagree with the changes when you respond.

Failure to reply to this notification can bar your ability to appeal and contest the issue in Tax Court.

CP3219N Notice

When the IRS has not received your tax return, they will send you this notice. You have 90 days to reply. If you believe you did not have to file a return but receive this notice, you should contact the IRS.

CP501 Notice

The IRS sends this to remind taxpayers that they have 21 days to pay any outstanding tax. If you cannot pay what you still owe, you can see if you qualify for a payment plan.

CP501 Notices are generally the first notice sent. If you do not reply within 15 days, the IRS will then send a CP503 notice. If you receive a CP503 notice but believe you have resolved the issue, you should contact the IRS for confirmation.

If you fail to respond to this notice, the IRS can levy interest and penalties as well as file a Notice of a Federal Tax Lien. Like other notices, you can disagree with the IRS's calculations. You should be prepared to offer documentation to show their error.

CP14 Notice

This communication closely relates to CP501. It lets you know that the IRS believes you underpaid the amount due on your taxes.

Similar to a CP501 Notice, failure to respond in the required time period can result in additional penalties and accruing interest.

Timely Action

If you have received communication from the IRS, you should act promptly.

Failure to act in a timely manner can cause serious problems. Additional fees and interest can accrue on unpaid tax. If you disagree with the IRS's determinations, failure to reply may bar you from appealing the decision.

It is especially critical to respond to an IRS notice if you're unable to pay the full amount you owe on your taxes, because the agency may allow you to arrange a payment plan.

Beware of Scams

There are scammers out there who will send fake IRS letters and notices in an effort to obtain your personal information or even a check. Whenever you get a communication from the IRS, examine it carefully to make sure it is legitimate. If you are unsure, contact the IRS directly or reach out to a tax professional or attorney for guidance.

Contact Qualified Tax Attorneys

If you have received a notification from the IRS, contact Attorney Britany Morrison at one of Wisconsin's premiere law firms, O'Neil Cannon

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TAX AND WEALTH ADVISOR ALERT: IRS REMINDS INDIVIDUAL TAXPAYERS OF SEPTEMBER 15 DEADLINE FOR THIRD QUARTER ESTIMATED TAX PAYMENTS

The IRS has reminded taxpayers who pay estimated taxes that the deadline to submit their third quarter estimated tax payments is September 15, 2022. The fourth and final estimated tax payment for tax year 2022 is due January 17, 2023. Taxpayers not subject to withholding, such as those who are self-employed, investors, or retirees, may need to make quarterly estimated tax payments. Taxpayers with other income not subject to withholding, including interest, dividends, capital gains, alimony, cryptocurrency, and rental income, also normally need to make estimated tax payments.

In most cases, individual taxpayers need to make estimated tax payments if they expect their tax liability to be at least $1,000 for the tax year 2022, after subtracting their withholding and tax credits. Special rules apply to some groups of taxpayers, such as farmers, fishermen, casualty and disaster victims, those who recently became disabled, recent retirees, and those who receive income unevenly during the year.

To compute estimated tax, individuals must determine their expected Adjusted Gross Income (AGI), taxable income, taxes, deductions, and credits for the year. While calculating their

2022 estimated tax, it is helpful for taxpayers to use their income, deductions, and credits for 2021 as a starting point. Taxpayers can avoid underpayment penalties by making payments of at least 90% of the tax expected on their 2022 income tax return, or by making payments of at least 100% of the tax shown on their 2021 income tax return. The IRS may waive such penalties for underpayment due to unusual circumstances, but not willful neglect.

Additional information regarding individuals that need to make Federal and Wisconsin estimated tax payments and how to make such payments can be found here. For questions or further information relating to estimated tax payments, please contact Attorney Britany E. Morrison.