GLO Report – March 2024

Internal Revenue Service

Watch this free webinar on 2023 Form 1099-K rules

People can now access a free recording of the 2023 Form 1099-K webinar. This webinar has important info for tax professionals and for anyone who receives a Form 1099-K, including people who use popular payment apps and online marketplaces.

The webinar covers:

- Friends and family transactions.
- How to report 1099-K amounts on a 2023 tax return.
- What to do if a 1099-K is incorrect.
- Recordkeeping.
- IRS resources.

The webinar recording also includes the live question and answer session. It's closed-captioned, and a full transcript is also available.

Form 1099-K reporting requirements On Nov. 21, 2023, the IRS announced that in general, reporting requirements for Form 1099-K will remain the same for 2023, which require the reporting of payments over $20,000 with over 200 transactions. The IRS also announced it's planning for a $5,000 reporting threshold in 2024.

IRS reminder to U.S. taxpayers living, working abroad: File 2023 tax return by June 17; those impacted by terrorist attacks in Israel have until Oct. 7 WASHINGTON – The Internal Revenue Service reminds taxpayers living and working outside the U.S. to file their 2023 federal income tax return by Monday, June 17, 2024. This deadline applies to both U.S. citizens and resident aliens abroad, including those with dual citizenship.

This deadline does not apply to taxpayers who live or have a business in Israel, Gaza or the West Bank, and certain other taxpayers affected by the terrorist attacks in the State of Israel. They are granted relief until Oct. 7, 2024, to both file and pay most taxes due. For more information, check out Notice 2023-71.

Taxpayers unable to file their tax returns by the June deadline can request a further extension to file, but not pay, until Oct. 15.

Qualifying for the June 17 extension

If a taxpayer is a U.S. citizen or resident alien residing overseas or is in the military on duty outside the U.S., on the regular due date of their return, they are allowed an automatic 2-month extension to file their return without requesting an extension. If they use a calendar year, the regular due date of their return is April 15, and the automatic extended due date would be June 15. Because June 15 falls on a Saturday this year, the due date is delayed until the next business day, June 17.

A taxpayer qualifies for the June 17 extension to file and pay if they are a U.S. citizen or resident alien, and on the regular due date of their return:

- They are living outside the United States and Puerto Rico and their main place of business or post of duty is outside the United States and Puerto Rico, or
- They are in military or naval service on duty outside the United States and Puerto Rico.

Qualifying taxpayers should attach a statement to the return indicating which of these two situations applies.

File to claim benefits Many taxpayers living outside the U.S. qualify for tax benefits, such as the Foreign Earned Income Exclusion and the Foreign Tax Credit, but they are available only if a U.S. return is filed.

In addition, the IRS encourages families to check out expanded tax benefits, such as the Child Tax Credit, Credit for Other Dependents and Credit for Child and Dependent Care Expenses and claim them if they qualify. Though taxpayers abroad often qualify, the calculation of these credits differs depending upon whether they lived in the U.S. for more than half of 2023. For more information, see the instructions to Schedule 8812, Credits for Qualifying Children and Other Dependents, and the instructions to Form 2441, Child and Dependent Care Expenses.

Reporting required for foreign accounts and assets Federal law requires U.S. citizens and resident aliens to report any worldwide income, including income from foreign trusts and foreign bank and securities accounts. In most cases, affected taxpayers need to complete and attach Schedule B, Interest and Ordinary Dividends, to their Form 1040 series tax return. Part III of Schedule B asks about the existence of foreign accounts such as bank and securities accounts and usually requires U.S. citizens to report the country in which each account is located.

In addition, certain taxpayers may also have to complete and attach to their return Form 8938, Statement of Specified Foreign Financial Assets. Generally, U.S. citizens, resident aliens and certain nonresident aliens must report specified foreign financial assets on this form if the aggregate value of those assets exceeds certain thresholds. For details, see the instructions for this form.

Reporting foreign financial accounts to Treasury Certain foreign financial accounts, such as bank accounts or brokerage accounts, must be reported by electronically filing Form 114, Report of Foreign Bank and Financial Accounts (FBAR), with the Treasury Department's Financial Crimes Enforcement Network (FinCEN). The FBAR requirement applies to anyone with an interest in, or signature or other authority over foreign financial accounts whose aggregate value exceeded $10,000 at any time during 2023.

The IRS encourages taxpayers with foreign assets, even relatively small ones, to check if this filing requirement applies to them. The form is available only through the Bank Secrecy Act E-Filing System. The deadline for filing the annual FBAR is April 15, 2024. However, FinCEN grants those who missed the April deadline an automatic extension until Oct. 15, 2024. There's no need to request this extension. See FinCEN's website for further information.

Report in U.S. dollars Any income received or deductible expenses paid in foreign currency must be reported on a U.S. tax return in U.S. dollars. Likewise, any tax payments must be made in U.S. dollars.

Both FINCEN Form 114 and IRS Form 8938 require the use of a Dec. 31 exchange rate for all transactions, regardless of the actual exchange rate on the date of the transaction. Generally, the IRS accepts any posted exchange rate that is used consistently. For more information on exchange rates, see Foreign Currency and Currency Exchange Rates.

Making tax payments To ensure tax payments are credited promptly, the IRS urges taxpayers to consider the speed and convenience of paying their U.S. tax obligation electronically. The fastest and easiest way to do that is via their IRS Online Account, IRS Direct Pay and the Electronic Federal Tax Payment System (EFTPS). These and other electronic payment options are available at IRS.gov/Payments.

Reporting for expatriates Taxpayers who relinquished their U.S. citizenship or ceased to be lawful permanent residents of the U.S. during 2023 must file a dual-status alien tax return and attach Form 8854, Initial and Annual Expatriation Statement. A copy of Form 8854 must also be filed with the IRS by the due date of the tax return (including extensions). See the instructions for this form and Notice 2009-85, Guidance for Expatriates Under Section 877A, for further details.

Extensions beyond June 17 Taxpayers who can't meet the June 17 due date can request an automatic extension to Oct. 15 by filing Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return. The IRS encourages anyone needing the additional time to make their request electronically. Several electronic options are available at IRS.gov/Extensions.

Businesses that need more time must file Form 7004, Application for Automatic Extension of Time to File Certain Business Income Tax, Information and Other Returns.

Extensions for military personnel Members of the military stationed abroad or in a combat zone during tax filing season may qualify for an additional extension of at least 180 days to file and pay taxes. More information, like who qualifies, can be found by reading Extension of Deadline – Combat Zone Service Q&As.

Spouses of individuals who served in a combat zone or contingency operation are generally entitled to the same deadline extensions with some exceptions. Extension details and more military tax information is available in IRS Publication 3, Armed Forces' Tax Guide.

Other resources:

- About Publication 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad
- About Publication 519, U.S. Tax Guide for Aliens

Time running out to claim $1 billion in refunds for tax year 2020, taxpayers face May 17 deadline WASHINGTON — The Internal Revenue Service announced today that almost 940,000 people across the nation have unclaimed refunds for tax year 2020 but face a May 17 deadline to submit their tax returns.

The IRS estimates more than $1 billion in refunds remain unclaimed because people haven't filed their 2020 tax returns yet. The average median refund is $932 for 2020, and the state-by-state table below shows how many people are potentially eligible for these refunds in each state along with the median average refund by state.

"There's money remaining on the table for hundreds of thousands of people who haven't filed 2020 tax returns," said IRS Commissioner Danny Werfel. "We want taxpayers to claim these refunds, but time is running out for people who may have overlooked or forgotten about these refunds. There's a May 17 deadline to file these returns so taxpayers should start soon to make sure they don't miss out."

Under the law, taxpayers usually have three years to file and claim their tax refunds. If they don't file within three years, the money becomes the property of the U.S. Treasury.

But for 2020 tax returns, people have a little more time than usual to file to claim their refunds. Typically, the normal filing deadline to claim old refunds falls around the April tax deadline, which is April 15 this year for 2023 tax returns. But the three-year window for 2020 unfiled returns was postponed to May 17, 2024, due to the COVID-19 pandemic emergency. The IRS issued Notice 2023-21 on Feb. 27, 2023, providing legal guidance on claims required by the postponed deadline.

The IRS estimates the midpoint for the individual refund amounts for 2020 to be $932 — that is, half of the refunds are more than $932 and half are less. This estimate does not include the Recovery Rebate Credit or other credits that may be applicable; the IRS has previously reminded those who may be entitled to the COVID-era Recovery Rebate Credit in 2020 that time is running out to file a tax return and claim their money.

"People faced extremely unusual situations during the pandemic, which may have led some people to forget about a potential refund on their 2020 tax returns," Werfel said. "People may have just overlooked these, including students, part-time workers and others. Some people may not realize they may be owed a refund. We encourage people to review their files and start gathering records now, so they don't run the risk of missing the May deadline."

By missing out on filing a tax return, people stand to lose more than just their refund of taxes withheld or paid during 2020. Many low- and moderate-income workers may be eligible for the Earned Income Tax Credit (EITC). For 2020, the EITC was worth as much as $6,660 for taxpayers with qualifying children. The EITC helps individuals and families whose incomes are below certain thresholds. The thresholds for 2020 were:

- $50,594 ($56,844 if married filing jointly) for those with three or more qualifying children:
- $47,440 ($53,330 if married filing jointly) for people with two qualifying children;
- $41,756 ($47,646 if married filing jointly) for those with one qualifying child, and;
- $15,820 ($21,710 if married filing jointly) for people without qualifying children.

The IRS reminds taxpayers seeking a 2020 tax refund that their funds may be held if they have not filed tax returns for 2021 and 2022. In addition, any refund amount for 2020 will be applied to amounts still owed to the IRS or a state tax agency and may be used to offset unpaid child support or other past due federal debts, such as student loans.

Current and prior year tax forms (such as the tax year 2020 Forms 1040 and 1040-SR) and instructions are available on the IRS.gov Forms and Publications page or by calling toll-free 800-TAX-FORM (800-829-3676).

High-income non-filers: IRS compliance letters coming The IRS also announced Feb. 29 a new effort focused on high-income taxpayers who have failed to file federal income tax returns in more than 125,000 instances since 2017 with taxes being owed in many of those cases.

The new initiative, made possible by Inflation Reduction Act funding, began with IRS compliance letters going out in February on more than 125,000 cases where tax returns haven't been filed since 2017. The mailings include more than 25,000 to those with more than $1 million in income, and over 100,000 to people with incomes between $400,000 and $1 million between tax years 2017 and 2021.

Need to file a 2020 tax return? Several options to get key documents Although it's been a few years since 2020, the IRS reminds taxpayers there are ways they can still gather the information they need to file this tax return. But people should start early to make sure they have enough time to file before the May deadline for 2020 refunds. Here are some options:

- **Request copies of key documents**: Taxpayers who are missing Forms W-2, 1098, 1099 or 5498 for the years, 2020, 2021 or 2022 can request copies from their employer, bank or other payers.

- **Use Get Transcript Online at IRS.gov.** Taxpayers who are unable to get those missing forms from their employer or other payers can order a free wage and income transcript at IRS.gov using the Get Transcript Online For many taxpayers, this is by far the quickest and easiest option.

- **Request a transcript.** Another option is for people to file Form 4506-T with the IRS to request a "wage and income transcript." A wage and income transcript shows data from information returns received by the IRS, such as Forms W-2, 1099, 1098, Form 5498 and IRA contribution information. Taxpayers can use the information from the transcript to file their tax return. But plan ahead – these written requests can take several weeks; people are strongly urged to try the other options first.

State-by-state estimates of individuals who may be due 2020 income tax refunds

Based on tax information currently available, the IRS estimated how many people in each state may be entitled to a tax refund. The actual refund amount will vary based on a household's tax situation.

State or District	Estimated Number of Individuals	Median Potential Refund	Total Potential Refunds*
Alabama	15,200	$926	$16,839,800
Alaska	3,700	$931	$4,335,300
Arizona	25,400	$871	$26,939,600
Arkansas	8,700	$923	$9,392,600
California	88,200	$835	$94,226,300
Colorado	18,500	$894	$20,109,900
Connecticut	9,800	$978	$11,343,600
Delaware	3,600	$945	$4,156,500
District of Columbia	2,900	$968	$3,503,800
Florida	53,200	$891	$58,210,500
Georgia	36,400	$900	$39,175,600
Hawaii	5,200	$979	$5,972,600
Idaho	4,500	$761	$4,369,600
Illinois	36,200	$956	$40,608,000
Indiana	19,200	$922	$20,893,000
Iowa	9,600	$953	$10,601,700
Kansas	8,700	$900	$9,285,600
Kentucky	10,600	$920	$11,236,300
Louisiana	15,100	$957	$17,357,300
Maine	3,800	$923	$4,030,200
Maryland	22,200	$991	$26,365,400
Massachusetts	21,800	$975	$25,071,800
Michigan	34,900	$976	$38,274,800

Minnesota	13,500	$818	$14,043,900
Mississippi	8,100	$861	$8,685,000
Missouri	19,500	$893	$20,803,400
Montana	3,400	$851	$3,632,100
Nebraska	4,700	$901	$5,007,300
Nevada	10,200	$890	$11,143,900
New Hampshire	4,200	$982	$4,923,100
New Jersey	24,400	$920	$27,408,300
New Mexico	6,500	$868	$7,032,700
New York	51,400	$1,029	$60,837,400
North Carolina	27,500	$895	$29,304,100
North Dakota	2,200	$953	$2,482,600
Ohio	31,400	$909	$32,939,900
Oklahoma	14,300	$902	$15,566,900
Oregon	15,300	$847	$15,857,800
Pennsylvania	38,600	$1,031	$43,412,900
Rhode Island	2,600	$986	$2,980,500
South Carolina	11,900	$840	$12,564,900
South Dakota	2,200	$892	$2,346,300
Tennessee	16,800	$909	$18,007,000
Texas	93,400	$960	$107,130,200
Utah	7,800	$836	$8,191,700
Vermont	1,700	$911	$1,818,600
Virginia	25,900	$914	$28,944,600
Washington	26,200	$976	$31,110,300
West Virginia	3,800	$950	$4,130,400
Wisconsin	11,800	$837	$12,139,400
Wyoming	2,100	$961	$2,416,300
Totals	938,800	$932	$1,037,161,300

* Excluding credits.

Social Security Administration

April is National Financial Capability Month, a time to raise awareness about the importance of financial literacy and education. Social Security is proud to once again support America Saves Week, taking place from April 8 through April 12. America Saves Week is an annual celebration, sponsored by the Consumer Federation of America, that encourages Americans to commit to planning for a secure financial future.

This year's theme is **Saving for What Matters Most**. Each day focuses on a critical area of financial wellness along with a call to action.

- **Saving Automatically** | Monday, April 8
- **Saving for the Unexpected** | Tuesday, April 9
- **Saving For Major Milestones** | Wednesday, April 10
- **Paying Down Debt is Saving** | Thursday, April 11
- **Saving At Any Age** | Friday, April 12

America Saves Week is a great time to review our online retirement planning tools. Social Security benefits are a critical part of retirement income but should not be the only source. Please help your clients take a closer look at other sources they will need for a secure retirement.

This is also a great time to remind your clients to open a personal *my* Social Security account, which is the best way for them to see their Social Security benefits grow over time. The *Statement* is one of the most effective tools a person can use to learn about their earnings and future Social Security benefits. Additionally, our Plan for Retirement tool, accessible through *my* Social Security, allows your clients to see how much they could receive each month from us based on the age they might want to start receiving benefits.

Social Security Announces Four Key Updates to Address Improper Payments Social Security Commissioner Martin O'Malley today announced he is taking four vital steps to immediately address overpayment issues customers and the agency have experienced. Commissioner O'Malley testified before the U.S. Senate Special Committee on Aging and the U.S. Senate Committee on Finance (excerpt):

"For 88 years, the hard-working employees of the Social Security Administration have strived to pay the right amount, to the right person, at the right time. And the agency has done this with a high degree of accuracy over a massive scale of beneficiaries. But despite our best efforts, we sometimes get it wrong and pay beneficiaries more than they are due, creating an overpayment.

When that happens, Congress requires that we make every effort to recover those overpaid benefits. But doing so without regard to the larger purpose of the program can result in grave injustices to individuals, as we see from the stories of people losing their homes or being put in dire financial straits when they suddenly see their benefits cut off to recover a decades-old overpayment, or disability beneficiaries attempting to work and finding their efforts rewarded with large overpayments. Innocent people can be badly hurt. And these injustices shock our shared sense of equity and good conscience as Americans.

We are continually improving how we serve the millions of people who depend on our programs, although we have room for improvement, as media reports last fall revealed. We have also embarked upon a deep dive into the extent of the overpayment problem at Social Security, the root causes of these administrative errors, and the steps we can take as an agency to address these individual injustices.

Our deeper understanding of the complexities of this problem has set us on the following course of action:

1. Starting next Monday, March 25, we will be ceasing the heavy-handed practice of intercepting 100 percent of an overpaid beneficiary's monthly Social Security benefit by default if they fail to respond to our demand for repayment. Moving forward, we will now use a much more reasonable default withholding rate of 10 percent of

monthly benefits — similar to the current rate in the Supplemental Security Income (SSI) program.

2. We will be reframing our guidance and procedures so that the burden of proof shifts away from the claimant in determining whether there is any evidence that the claimant was at fault in causing the overpayment.
3. For the vast majority of beneficiaries who request to work out a repayment plan, we recently changed our policy so that we will approve repayment plans of up to 60 months. To qualify, Social Security beneficiaries would only need to provide a verbal summary of their income, resources, and expenses, and recipients of the means-tested SSI program would not need to provide even this summary. This change extended this easier repayment option by an additional two years (from 36 to 60 months).
4. And finally, we will be making it much easier for overpaid beneficiaries to request a waiver of repayment, in the event they believe themselves to have been without any fault and/or without the ability to repay.

I look forward to working with Members to discuss ideas that could address the root causes of overpayments."

Social Security launched a comprehensive review in October 2023 of agency overpayment policies and procedures to address payment accuracy systematically. Learn about Overpayments and Our Process on our website. These changes are a direct result of the ongoing review. Additionally, the agency recently announced it is working to reduce wage-related improper payments by using its legal authority to establish information exchanges with payroll data providers that will significantly reduce the number of improper payments, once implemented. The agency will continue examining programmatic policy and making regulatory and sub-regulatory changes to improve the overpayment process. More details on these updates will be shared as they become available.

Department of Labor:

EEOC:

The Equal Employment Opportunity Commission (EEOC) will open the 2023 Information Report (EEO-1) Component 1 – data collection is schedule to begin April 30, 2024.

Federal Trade Commission

FTC Bans Noncompete Agreements The U.S. Federal Trade Commission (FTC) today approved a final rule banning most new noncompete clauses in employment contracts—a sweeping change affecting millions of workers.

The rule also makes all existing noncompete agreements except for those covering senior executives unenforceable and requires employers provide notice to current and former workers that their noncompete clauses are no longer in effect

The rule goes into effect 120 days following its publication in the *Federal Register*. Enforcement could be further delayed by likely legal challenges.

SHRM does not support the FTC's sweeping blanket ban on the use of noncompete agreements, saying that the rule is too broad. "SHRM has consistently advocated for allowing parties to consent to well-structured noncompete agreements versus a blanket ban on such agreements," said Emily M. Dickens, chief of staff and head of government affairs for SHRM. "Blanket bans on noncompete agreements pose significant challenges for HR professionals tasked with safeguarding their employers' intellectual property and preventing unfair competition."

Employer takeaway: Employers are advised to revisit their restrictive covenants to ensure compliance, consider whether business interests can be protected with properly tailored no solicitation or confidentiality clauses, and limit trade secret access only to those who need it

State Updates:

- **Georgia** lawmakers pass individual and business income tax cuts. The Georgia General Assembly is sending two more tax bills to Gov. Brian Kemp (R), one accelerating income tax cuts and another matching the income tax imposed on corporations with the individual's rate
- **Idaho** Governor Signs Law Revising Unclaimed, Abandoned Property Act. The Idaho Governor March 11 signed a law revising the unclaimed, abandoned property act, for corporate income tax purposes. The law includes measures: 1) defining terms including "administrator," "apparent owner," "confidential information," and "electronic;" 2) providing a presumption of abandonment for items including a tax-deferred retirement account, custodial accounts for minors, securities, and real property; 3) providing detailed guidelines for businesses to adhere to when reporting unclaimed property and clear protocols for identifying dormancy; 4) revising and streamlining the act to make it more user-friendly for businesses and constituents, and to align with current technology standards; and 5) repealing certain obsolete provisions. The law takes effect July 1.
- **Puerto Rico Unemployment Insurance Rates Rising Slightly in 2024** Puerto Rico's unemployment insurance tax rates are slightly increasing for 2024, according to a federal Labor Department publication. Unemployment tax rates range from 2.5% to 5.4%. The unemployment-taxable wage base for 2024 is $7,000
- **Washington –** The temporary expansion in 2021 of Washington's voluntary contribution program is now permanent, under a bill that will take effect 90 days after the state legislative session adjourns.