



GLO Report – April 2024

Internal Revenue Service

Free File provides quick, easy way to file an extension WASHINGTON — As the end of tax season draws near, the Internal Revenue Service reminds taxpayers there's an easy way to get a tax filing extension through the Free File program.

A tax filing extension guarantees the taxpayer six additional months to file – with an extended deadline of Oct. 15, 2024. The IRS [Free File program](#) is one of the easiest ways to get an extension.

Although an extension grants extra time to file, it does not extend the obligation to pay taxes due on April 15, 2024. To avoid penalties and late fees, taxpayers who owe should pay either their full tax bill or at least what they can afford to pay by the April 15 deadline. Taxpayers in Maine and Massachusetts have until April 17 to file and pay taxes due this year. This is because these states observe the Patriots' Day holiday on April 15 this year and April 16 is the Emancipation Day holiday in the District of Columbia.

Free File makes filing an extension easier An easy way to file an extension is through [IRS Free File](#) on IRS.gov. All individual filers can use the program software to request an extension on [Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return](#), regardless of income. Taxpayers must estimate their tax liability and file by the deadline to receive the extension.

Free File also is one of the options available to help taxpayers file their taxes. Now in its 22nd filing season, taxpayers across the nation can access free software products provided by IRS Free File trusted partners by visiting IRS.gov. Through this public-private partnership, tax preparation and filing software providers make their online products available to eligible taxpayers. Eight private-sector Free File partners provide online guided tax software products this year to any taxpayer with an Adjusted Gross Income (AGI) of \$79,000 or less in 2023. Free access to online products is only available by starting from [IRS Free File](#).

Make a payment, get an extension Other quick and efficient ways to get an extension are through the [Electronic Federal Tax Payment System \(EFTPS\)](#), paying with a [credit, debit card or digital wallet](#), and [IRS Direct Pay](#). The IRS will automatically grant an extension when a taxpayer makes an electronic payment and indicates it's for an extension. In that case, there is no need for that taxpayer to file Form 4868.

Extensions are automatic for some taxpayers Some taxpayers will automatically get extra time to file their tax return, even if they do not request an extension:

- Members of the military on duty outside the United States and Puerto Rico receive an automatic two-month extension to file. This year they have until June 17 to file. However, tax payments are still due April 15 or interest will be charged. Details are available in [Publication 3, Armed Forces' Tax Guide](#).
- Those serving in [combat zones](#) have up to 180 days after they leave the combat zone to file returns and pay any taxes due.
- [U.S. citizens and resident aliens](#) who live and work outside of the United States and Puerto Rico get an [automatic two-month](#) extension to file their tax returns. This year they have until June 17 to file. However, tax payments are still due April 15 or interest will be charged.
- When the U.S. president declares a disaster in an area, the IRS can postpone certain taxpayer deadlines for residents and businesses in the affected area. Taxpayers in certain disaster areas are not required to submit an extension electronically or on paper. Information on the most recent tax relief for [disaster situations](#) is available on the [IRS website](#).

Keep in mind Taxpayers should be aware that payments are still due by the original April 15 deadline, unless in Maine or Massachusetts, regardless of whether they request an extension of time to file a tax return. Taxpayers should file an extension even if they cannot pay the full amount owed. By filing either a return on time or requesting an extension by the April 15 filing deadline, taxpayers can avoid the late-filing penalty.

Taxpayers reduce the overall amount of tax subject to interest and penalty charges by paying as much as they can by the due date. The interest rate for an individual's unpaid taxes is currently 8%, compounded daily. The late-filing penalty is generally 5% per month and the late-payment penalty is normally 0.5% per month, both of which max out at 25%.

The IRS will work with taxpayers who cannot pay the full amount of tax they owe. Other options to pay, such as getting a loan or paying by credit card, may help resolve a tax debt. Most people can set up a [payment plan](#) on IRS.gov to pay off their balance over time.

National Small Business Week 2024 begins; IRS offers tax resources, information to nation's entrepreneurs

WASHINGTON – The Internal Revenue Service today offered helpful information to entrepreneurs in anticipation of the upcoming kick-off of National Small Business Week, celebrating and recognizing the crucial contributions America's small businesses make to the nation's economy.

Each year, the [U.S. Small Business Administration](#) spearheads National Small Business Week, helping entrepreneurs with resources, benefits and other important business

startup information that small business owners can use to launch their enterprises. This year's celebration — *Building on America's Small Business Boom* — runs from April 28 through May 4.

The Internal Revenue Service is a partner in the National Small Business Week celebration, and this year the IRS will be showcasing numerous resources to help small business entrepreneurs learn and understand their tax responsibilities and benefits. Throughout the week, IRS will be publishing helpful information in its popular [Tax Tips](#) e-News publications, as well as on IRS social media platforms including [Facebook](#), [X](#) (formerly Twitter), [LinkedIn](#) and [Instagram](#).

Next week, the IRS will share several important tax topics to help small business entrepreneurs prosper and grow:

- **Monday, April 29.** *Best practices for small businesses* — The IRS strongly encourages small business entrepreneurs to take advantage of the numerous resources available on [gov](#). Knowing how to start a business and understanding best practices are essential for the success of small businesses.
- **Tuesday, April 30.** *What to know when starting a business* — Gain insights into key factors to consider when launching a new business venture. Access the [Starting a business](#) webpage to ensure a strong foundation for an entrepreneurial journey.
- **Wednesday, May 1.** *Beware of scams* — The IRS "Dirty Dozen" and more. Most cyberattacks are aimed at small businesses with fewer than 100 employees. Small business owners must implement data protection safeguards and always be on the lookout for tax-related scams.
- **Thursday, May 2.** *Tips for tax pros who support small businesses* — Stay informed with the latest IRS updates and access resources tailored for tax professionals.
- **Friday, May 3.** *Expect the unexpected* — The IRS can help small businesses after a disaster. A critical focus of the IRS is to relieve the federal tax burden of taxpayers who have been impacted by federally declared disasters. The IRS works with various agencies to provide assistance and coordinate disaster relief.

Seeking to start a small business involves several important considerations related to tax issues:

How to get an Employer Identification Number

Most business owners need an [Employer Identification Number \(EIN\)](#), a permanent form of identification that, in many cases, must be used for filing a tax return and can be used for various business needs such as opening bank accounts. Businesses can get an EIN online immediately at [IRS.gov](#), and it's free.

Choosing a business structure Small business owners, as taxpayers, must decide on what the most appropriate business structure should be for their enterprise when they [start their new business](#). The business structure they choose dictates the type of income tax return form that the business owner will file each year. Some common business structures include:

- **[Sole proprietorship](#)**. Individuals who own unincorporated businesses exclusively, by and for themselves are sole proprietors.
- **[Partnerships](#)**. A partnership is the relationship between two or more people to conduct trade or business, with each person contributing money, property, labor or skill and sharing in the profits and losses of the business.
- **[Corporations](#)**. In a corporation, prospective shareholders exchange money, property or both in order to acquire the corporation's capital stock.
- **[S corporations](#)**. An S corporation is a corporation that elects to pass corporate income, losses, deductions and credits to its shareholders for federal tax purposes.
- **[Limited liability company \(LLC\)](#)**. An LLC may be treated as a corporation, a partnership or as part of the owner's tax return (e.g., sole proprietorship), depending on elections made by the LLC and its members. LLCs may also be subject to state regulations, which vary from state to state.

Understanding business taxes Federal law requires all individuals, including small business owners, to pay taxes on all income earned. This typically involves making quarterly estimated tax payments for [small business owners and self-employed individuals](#). How business taxes are paid depends on the business structure that an entrepreneur has chosen. The following are the four generally recognized business tax types:

- **Income tax**. With the exception of partnerships, all businesses must file an annual federal income tax return; partnerships must file an information return.
- **Self-employment tax**. A Social Security and Medicare tax primarily for individuals who work for themselves. Tax payments contribute to the individual's Social Security system coverage.
- **Employment tax**. Small businesses with employees have certain employment tax responsibilities that must be paid, along with specific forms that must be filed.
- **Excise tax**. Imposed on various goods, services and activities, excise taxes may be imposed on a manufacturer, retailer or consumer, depending on the specific tax.

Choosing a “tax year” A "tax year" is an accounting period for reporting income and expenses. Small businesses can choose which tax year works best for their operational needs:

- **Calendar year.** Twelve consecutive months beginning January 1 and ending December 31.
- **Fiscal year.** Twelve consecutive months ending on the last day of any month except December. A 52- to 53-week tax year is a fiscal tax year that varies from 52 to 53 weeks but does not have to end on the last day of a month.

Be a responsible recordkeeper [Maintaining well-organized business records](#) not only helps in tax return preparation, but also assists small business owners in preparing financial statements, identifying income sources, tracking deductible expenses and monitoring their business progress. Small business owners should retain their business records for at least three years.

More small business information

- [Small Business and Self-Employed Tax Center](#)
- [10 Steps to Start Your Business](#)
- [Hobby or Business? IRS Offers Tips to Decide](#)
- [Industries, Professions and Business Tax Centers](#)

Finally, for more information on a broader range of topics and answers to small business tax questions, visit the IRS website at [IRS.gov](#).

Direct File pilot officially closes after more than 140,000 taxpayers successfully use direct e-filing system in 12 states, including integration with 4 state tax systems WASHINGTON – The Internal Revenue Service announced the closure of the Direct File pilot with several hundred thousand taxpayers across 12 states signing up for Direct File accounts, and 140,803 taxpayers filing their federal tax returns using the new service.

By design, the Direct File Pilot started out small, and in mid-March the IRS incrementally ramped up availability of the option. During the final days and weeks of the filing season, there was steadily increasing interest from taxpayers in pilot states using the new tool. By the final week of the filing season, Direct File processed more than 5,000 accepted returns each day, bringing the total number of returns filed to more than 140,000.

Overall, for the pilot, leading states with accepted returns included California (33,328), Texas (29,099), Florida (20,840), New York (14,144) and Washington (13,954). Across the 12 pilot states, taxpayers using Direct File claimed more than \$90 million in tax refunds and reported \$35 million in tax balances due.

The IRS saw strong interest in the Direct File option from taxpayers throughout the country. Millions of people – including many from outside of Direct File’s 12 pilot states – visited the Direct File website to learn more about the new system. Over the course of the pilot, more than 3.3 million taxpayers started the eligibility checker, 423,450 taxpayers logged into Direct File and 140,803 taxpayers submitted accepted returns. In cases where a user’s tax situation was out of scope of the pilot, they were directed to other options to complete their tax returns, including the separate Free File program that provides free software from the private sector. Overall, usage exceeded IRS expectations for the limited pilot and far exceeded what was necessary to provide sufficient data for the agency to evaluate.

“From the very beginning of the Direct File pilot, we wanted to test new ways to give taxpayers an easy, accurate and free way to file their taxes online directly with the IRS,” said IRS Commissioner Danny Werfel. “We saw a strong response from the pilot, and Direct File’s users generally found it fast and easy to use. This is an important part of our effort to meet taxpayers where they are, give them options to interact with the IRS in ways that work for them and help them meet their tax obligations as easily and quickly as possible. We will be reviewing the results of the pilot and gathering feedback to help us determine our future course involving Direct File. We anticipate making an announcement about future plans later this spring.”

The Direct File pilot was designed to test the feasibility of building a system to allow taxpayers to file their federal income tax returns directly with the IRS for free. As part of this, the IRS needed to understand how Direct File would complement existing tax filing options, strengthen the tax filing ecosystem and fulfill transformation objectives from the Inflation Reduction Act reflected in the IRS’s Strategic Operating Plan.

The agency’s approach to the Direct File pilot revolved around three themes:

- **Get it right from the start** – A goal of Direct File was to help every taxpayer file an accurate return and get all of the tax benefits to which they are entitled.
- **Taxes are the product** – Direct File was designed to improve the tax filing experience.
- **One option among many** – While Direct File provided an additional free filing option, the IRS recognizes how taxpayers file their taxes is a personal choice.

The Direct File pilot offered customer support via a live chat feature, where users communicated with IRS employees in both English and Spanish. The innovative live chat feature allowed customer support to be integrated directly into the product and didn’t require taxpayers to leave Direct File to get assistance through another channel, such as the phone. Direct File customer support agents worked alongside the product team to ensure a joined-up taxpayer experience. Lessons learned and technology developed by Direct File are being shared across the IRS.

User Feedback A General Services Administration Touchpoints survey of more than 11,000 Direct File users found that 90% of respondents ranked their experience with Direct File as “Excellent” or “Above Average.” When asked what they particularly liked, respondents most commonly cited Direct File’s ease of use, trustworthiness and that it was free. Additionally, 86% of respondents

said that their experience with Direct File increased their trust in the IRS, and 90% of survey respondents who used customer support responded that their experience was “Excellent” or “Above Average.” Additionally, user feedback received throughout the pilot informed product updates and enhancements.

“Direct File provided important lessons for us,” Werfel said. “A team of experts from across government worked together – alongside private sector partners with critical expertise – to build and test Direct File. This team designed and built Direct File from the beginning with taxpayers’ help, and we worked with taxpayers to refine the system throughout the pilot. We will consult a wide variety of stakeholders to understand how lessons from Direct File can help us improve the entire tax system as well as assess next steps.”

“The IRS was also pleased that we saw increases in use for other free options for taxpayers this tax season, including Free File and returns prepared at our VITA and TCE sites,” Werfel added.

Pilot Costs Through the end of the pilot, the total amount spent by IRS was \$24.6 million, including the Report to Congress. Direct File’s operational costs – including customer service, cloud computing and user authentication – were just \$2.4 million. To build and run the pilot, the IRS also engaged the U.S. Digital Service (USDS). The IRS’s agreement with the U.S. Digital Service does not involve costs to IRS.

Pilot for Filing Season 2024 The IRS launched the Direct File pilot for the 2024 filing season. The Inflation Reduction Act mandated that the IRS study interest in and feasibility of creating a direct e-filing tool taxpayers could use to prepare and file their federal income tax return. The IRS commissioned an independent study, which indicated broad interest in such a system, which the IRS detailed in a [Direct File Report to Congress](#) in May 2023.

Shortly after that report, as directed by the Treasury Department, the IRS assembled a team of tax experts, technologists, engineers and strategists from across government to build the Direct File system. The IRS worked closely with the U.S. Digital Service and the General Services Administration’s technology office 18F to build and test Direct File.

Initial testing began in early February 2024 with a handful of federal and state government employees, followed by short open availability windows for more taxpayers to start their returns. After a round of final testing in early March, Direct File opened to all eligible taxpayers in pilot states.

Starting Small to Get It Right

The IRS purposefully designed the pilot to follow best practices for launching a new technology platform – start small, make sure it works then build from there. The pilot was purposefully limited to cover relatively straightforward tax situations such as W-2 wage income; the Earned Income Tax Credit, Child Tax Credit and the Credit for Other Dependents; the standard deduction

and deductions for educator expenses and student loan interest. Taxpayers had to live in the same state for the entire tax year 2023 to be eligible to use Direct File.

The 12 pilot states included Arizona, California, Florida, Massachusetts, Nevada, New Hampshire, New York, South Dakota, Tennessee, Texas, Washington State and Wyoming. After completing their federal returns, taxpayers in states with state-income tax – Arizona, California, Massachusetts and New York – were guided to a state-sponsored tool to complete their state filing.

What Comes Next Since the pilot began, the IRS has been collecting and analyzing data, which we will continue analyzing in the coming weeks. In the coming days, the agency plans to release a report about the pilot’s scope, technology and taxpayer experience, customer support, state integration and the costs and benefits. The report examines both the strengths of the pilot and areas that could be improved if Direct File goes forward.

No decision has been made about the future of Direct File at this time. Over the next several weeks, the IRS will meet with a wide variety of partners and stakeholders to learn more about how taxpayers interacted with Direct File and what they expect from a direct e-filing system, then carefully review data from the pilot and feedback from those discussions. Based on that data and feedback, the IRS expects to announce a decision about the future of Direct File later this spring.

“We will consult a wide variety of stakeholders to understand how lessons from Direct File can help us improve the entire tax system as well as assess next steps,” Werfel said.

IRS warns about spear phishing attacks to get client information While the term phishing may be familiar to some, the IRS’s [Dirty Dozen article](#) regarding spear phishing further explains the invasiveness of this scheme. Spear phishing targets specific individuals, organizations or businesses, typically using malicious emails. Learn about new client scams, [resources to report scams](#) and how to protect data.

New webpage addresses common errors to correct employment tax The IRS has a [new landing page for correcting employment taxes](#) which provides information about common errors and a helpful chart to figure out which corrected form an employer needs to file based on the original return

Equal Employment Opportunity Commission

Comprehensive Workplace Compliance Workshop. April 18, 2024 1:00 p.m. to 5.15 p.m. CST. Designed for HR Professionals, attorneys, managers, and supervisors, this workshop delves into the intricacies of workplace compliance. Gain expertise in anti-discrimination training, stay abreast of legal updates and develop proficiency in handling EEOC investigations. Equip yourself

with the knowledge and strategies essentials for navigating the complex landscape of workplace regulations and fostering an inclusive organizational culture. Approved for SHRM, HRCI, & CLEs in AR, TN and MS credits. Contact Melissa Brown (melissa.brown@eoc.gov, 629-236-2252) for more information or click [here](#) to register.

Department of Labor

Final Rule restoring and extending overtime protections According to the DOL, the new rule will benefit millions of workers, including many who have been working more than 40 hours per week without any extra pay by ensuring they gain overtime protections or a raise in salary or compensation level.

- [Learn more about the overtime rule](#)
- [Blog: What the overtime rule means for workers](#)
- [Video: Restoring and extending overtime protections](#)

Free Webinar: Mondays with Marvis & Marina – April Edition April 29, 2024 11.30 a.m. to 12.30 p.m. CST. In-depth discussion on the Equal Pay Act. Space is limited. Click [here](#) to register.

State Updates:

- **California – Alameda** is scheduled to raise the minimum wage to \$17 per hour (currently \$16.52) effective July 1, 2024.
- **California – Fremont** is scheduled to raise the minimum wage to \$17.30 per hour (currently \$16.80) effective July 1, 2024.
- **California – San Francisco** is scheduled to raise the minimum wage to \$18.67 per hour (currently \$18.07) effective July 1, 2024.
- **Pennsylvania – Pittsburgh** School district sues for county wide tax reassessment. Pittsburgh Public Schools sued Allegheny County demanding a county-wide property reassessment because the current valuations are based on an assessment from 2012 and violate the state’s tax uniformity requirement.

