



President Signs Into Law the Taxpayer First Act Reforming the IRS

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On July 1, 2019, President Trump signed the Taxpayer First Act, H.R. 3151, into law. The Act makes organizational changes to the Internal Revenue Service (the "IRS") and implements reforms aimed at improving customer service, aiding victims of identity theft, bolstering taxpayer rights during enforcement proceedings, and modernizing the agency's information technology.

The law establishes the IRS Independent Office of Appeals to resolve federal tax controversies without litigation headed by a new Chief of Appeals reporting directly to the IRS commissioner. The resolution process will be generally available to all taxpayers, and the IRS must provide written notice explaining any denial of taxpayer requests to resolve a notice of deficiency through the new office.

The law enhances requirements for cybersecurity and identity protection, including collaboration with the public and private sectors to combat identity theft refund fraud. The law significantly raises penalties for the disclosure by return preparers of taxpayer information in connection with taxpayer identity theft (to \$1,000 from \$250 for individual cases, and an annual maximum increase to \$50,000 from \$10,000). In addition, the law requires the IRS to create a single point of contact for tax-related identity theft victims, expansion of the use of identity protection personal identification numbers, and notification to taxpayers of suspected identity theft.

The law also revises tax enforcement procedures and requirements. Property seizures in structuring transactions are limited to sources of illegal activity or the concealment of such activity, and property owners may contest the confiscation in a post-seizure hearing. Taxpayers substantially all of whose income is from disability benefits or whose income does not exceed 200% of the applicable poverty level are now excluded from assignment to private debt collection.

The Act requires the appointment of a Chief Information Officer to develop and implement a multiyear strategic plan addressing the IRS's information technology needs, to be updated annually.

Also of note, the Act:

- Requires the IRS to develop plans for improved customer service, including updated training and guidance for its customer service employees within two years;
- Exempts low-income taxpayers (within 250% of the applicable poverty level) from user fee payments when submitting offers-in-compromise;
- Increases failure to file penalties to \$330 from \$205 for returns required to be filed after December 31, 2019;

- Creates a Community Volunteer Income Tax Assistance Matching Grant Program to expand qualified return preparation programs for applicable taxpayers and underserved populations;
- Expands electronic filing of tax returns;
- Requires published guidance on the use and acceptance of electronic signatures;
- Mandates e-filing for tax-exempt organizations and requires the IRS to notify exempt organizations before revocation of their status for failure to file;
- Requires the IRS to develop an online platform for Form 1099 filings, as well as an automated platform for disclosing taxpayer information for third-party income verification;
- Requires public notice of the closure of taxpayer assistance centers
- Updates whistleblower protections and procedures; and
- Adds requirements for timely responses to Taxpayer Advocate Directives

The final version of the bill omitted a provision codifying the IRS Free File Program, a partnership between the IRS and private tax preparation companies providing free filing software for taxpayers whose income is less than \$66,000. Several lawmakers had concerns that current program agreements with tax software providers could prevent the IRS from developing its own proprietary filing system in the future.

We will continue to monitor the implementation of the law and other changes at the IRS. Please contact Kyle Wingfield if you have any questions regarding the law's impact on you or any matters you have before the IRS.

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