MAY 1, 2019

Taxpayers first? Well, maybe. But payroll first? No.

It's a rare occurrence these days when a tax bill sails through the House of Representatives without partisan rancor. Rarer still is wholesale acceptance of that bill in the Senate, which is usually where tax bills from the House usually go to die ignominious deaths.

The Taxpayer First Act of 2019 (H.R. 1957), however, may be the exception to the rule.

TFA19 deals mostly with updating and modernizing the IRS. The bill would implement various IRS reforms, including establishing an Independent Office of Appeals, making changes aimed at improving taxpayer service, reforming rules related to enforcement, modernizing agency structure and technology and providing better cybersecurity and identity protection.

All of that's good, but several key payroll-related provisions may not be so easy to swallow.

There are some potential non-payroll hitches in the Senate, primarily involving the IRS' Free File program. In addition, some senators are looking at the bill as a vehicle for tax extenders, disaster relief and technical corrections to the Tax Cuts and Jobs Act. But Sens. Chuck Grassley (R. – Iowa) and Ron Wyden (D. – Ore.), who steer the Senate Finance Committee for their respective parties, think there's enough support for H.R. 1975 to pass in the Senate without addressing these issues.

Congress is on recess right now, but look for action on this bill as soon as it returns on April 29.

Payroll provisions

Way back in 1998, Congress set a goal for the IRS—80% of all tax returns were to be e-filed by 2007. Needless to say, that goal has never been met.

Glitch: E-filing Forms 941 and 940 is difficult for employers, since most must use third-party originators. Only the largest employers can e-file their payroll returns directly with the IRS.

TFA19 addresses this continued deficiency in e-filing by lowering the 250-form threshold for mandatory e-filing according to this schedule:

- In 2021, the threshold would drop to 100 or more returns
- In 2022, the threshold would drop to 10 or more returns.

But remember, it's not just e-filing your W-2s with the IRS and your 1099s with the Social Security Administration. Most states follow the IRS' e-filing rules and states may not be prepared to implement such drastically lower thresholds so quickly.

The bill would also require the IRS to develop a 1099 e-filing platform that's similar to the SSA's W-2 Online app. So you'd be able to complete, file and provide payees with .pdf copies of their 1099s. The bill sets a deadline of

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Jan. 1, 2023, for the IRS.

Provisions for tax-exempt organizations

In an odd twist, only the largest and smallest tax-exempt organizations are now required to e-file their information returns. The smallest—generally, organizations with gross receipts of less than $50,000—may provide an abbreviated notice on Form 990-N, sometimes referred to as an e-postcard. The largest—generally, organizations with assets of $10 million or more and that file at least 250 returns during a calendar year—must e-file their Forms 990.

TFA19 would extend the e-file mandate to all tax-exempt organizations required to file the Form 990 series or Form 8872.

This provision would become effective for taxable years beginning after the date of enactment, with transition relief provided for certain organizations.

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