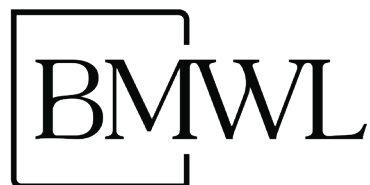


IRS REDUCES THRESHOLD FOR MANDATORY E-FILING OF CERTAIN EMPLOYMENT AND INFORMATION RETURNS

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By Jessica Hebb, CPA; Kaylyn Varnum, CPA; & Michele Wales, CPA

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On February 23, 2023, the IRS issued Final Regulations to amend the rules related to the electronic filing of certain employment and information returns. The Final Regulations apply to returns that are filed on or after January 1, 2024.

The Final Regulations now require that any filer of 10 or more information returns of any type for a calendar year will need to file those returns electronically with the IRS. This represents a major change as compared to the previous threshold requiring electronic filing for filers with 250 or more returns in a given calendar year.

This threshold specifically applies to commonly filed IRS forms, including Forms W-2, Series 1099 forms, and Affordable Care Act forms such as Forms 1094 and 1095. The new e-filing threshold also applies to certain other forms not generally applicable to nonprofit organizations. Filers may request that the IRS waive the electronic filing requirement if the cost to comply with the rule would cause financial hardship.

The Regulations further address the reporting on Forms 1042-S for payments of income to foreign persons subject to withholding. Forms 1042-S and 1042 are included in the forms required to be filed electronically beginning in 2024 under the rules described above.

To facilitate the electronic filing of 1099 series forms, the IRS has established the Information Returns Intake System (IRIS). Currently, the IRIS accepts Forms 1099 for tax year 2022 and subsequent years. The Filing Information Returns

Electronically (FIRE) system remains available for bulk filing 1099 series forms and other information returns through at least the 2023 filing season. The FIRE system allows users to file information returns electronically. The IRIS will allow users to electronically prepare (create, edit, and view) and file Forms 1099. Users can enter data to create Forms 1099 by manually keying in the information, uploading CSV files, or using XML files.

The Final Regulations also provide guidance regarding the filing of corrected returns. The Regulations state that a corrected return should be filed in the same manner that was required for the originally filed information return. For example, if a filer is required to file original information returns electronically, that filer must file any corrected information returns electronically. Similarly, if a filer is permitted to and does file information returns on paper, that filer must file any corrected information returns on paper.

Failure to file a return in the required manner is generally considered by the IRS to either constitute a failure to timely file a return or a failure to include correct information on a return. IRS failure to file penalties vary but could be significant. For example, failure to file penalties for Forms W-2 and 1099 series forms can be up to \$310 per form for 2023 forms required to be filed in 2024.

Accordingly, we recommend that organizations proactively evaluate and address these electronic filing requirements for all forms filed in 2024. Organizations that file 1099 series forms may wish to enroll in the IRIS filing platform well in advance of the 2024 filing season.

There is also a brief video clip of the discussion of this topic at the 2023 BMWL National Nonprofit Conference available on our website.¹

BMWL Can Help

As always, if you would like assistance addressing the information described in this alert, we would be glad to help! Please email our team at Info@NonprofitCPA.com.

¹ Source: <https://nonprofitcpa.com/irs-reduces-threshold-for-mandatory-e-filing-of-certain-employment-and-information-returns/>

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