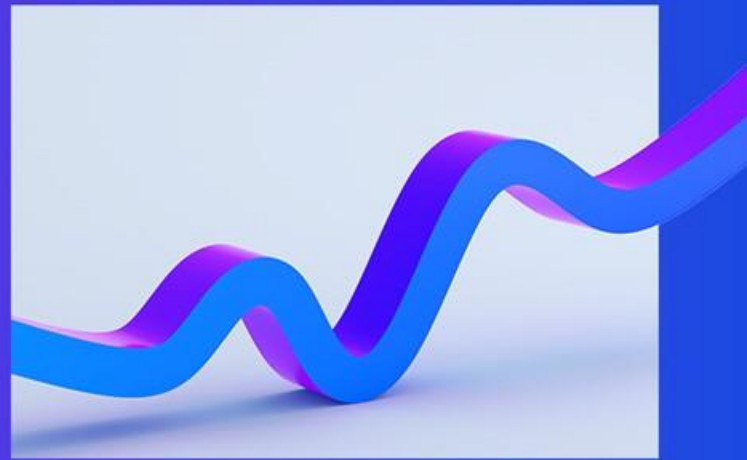




# Tax IRW Ops Insights Quick Tips & Updates

KPMG Information Reporting & Withholding  
Tax Services



## New Year, Changing IRW Requirements

By Kelli Wooten

It is a new year, and there are a lot of changes in the information reporting and withholding space which will impact tax year 2023 filings. As explained below, your organization should act now to ensure it is prepared for electronic filing requirement threshold changes, the new requirement to electronically file Form 1042, and the need to ensure you have an updated Transmitter Control Code (TCC) to complete Form 1099 filings.

Happy New Year! For those of us in the Information Reporting & Withholding space, as soon as the crystal ball drops in Times Square and champagne toasts are made, it is time to turn to the late nights of tax reporting season. Here are some significant changes you should ensure you are prepared for:

- Is your organization still filing Forms 1099 and 1042-S via paper? If so, note that the threshold for paper filing has decreased from 250 forms to ten forms. If your organization is filing more than ten information returns (e.g., Forms 1099, 1042-S, W-2, etc.) in aggregate, it must file these electronically for tax year 2023. For example, if your organization is filing nine Forms 1099-NEC and two Forms 1099-MISC, this would exceed the ten-form threshold and require electronic filing. If your organization fails to file electronically, each individual form over the threshold will be subject to a \$310 penalty.
- If your organization is filing Forms 1099 via Filing Information Returns Electronically (FIRE), have you updated your Transmitter Control Code (TCC) number? FIRE TCC holders who received their TCC prior to September 26, 2021, were required to register and update their TCC prior to August 1, 2023. With the exception of non-US filers, as of September 1, any FIRE TCC that did not have a completed IR-TCC application has been canceled and will not be available for e-file. For existing non-US filers, Form 1099 TCCs will remain available for filing, and no further action is required for them to continue using their current TCCs.
- Form 1042 electronic filing is now required for financial institutions (e.g., those entities using a chapter 4 status code of 01), partnerships with greater than one hundred partners (regardless of number of information returns being filed), as well as any entity filing more than ten information returns in aggregate.

Essentially, this means most entities will be required to electronically file their Forms 1042. The watchout here is that currently only three software providers, S&P Global, Sovos, and Thomson Reuters, have been cleared by the IRS for filing Forms 1042 electronically (which would then include providers utilizing these solutions – e.g., KPMG utilizes Thomson Reuters for filings).

This means your organization will quickly need to confirm whether it will be required to file electronically, and if so, validate that it has access to a solution that will enable it to do so. It is critical to do this as soon as possible to ensure you are prepared to meet the March 15 deadline (which can be extended via Form 7004 to September 15).

It is a new year, and there are many changes! We will be publishing lots of tips for a smooth information reporting busy season over the coming weeks, so stay tuned.

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