

A tax periodical for the non-profit community

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Electronic Filing Threshold for Information Returns Significantly Changes in 2024

The Internal Revenue Service (“IRS”) released final regulations that significantly expand the electronic filing (“e-file”) requirements for tax-exempt organizations. Effective January 1, 2024, organizations must electronically file information returns (*i.e. Form 1099 series, W2, etc...*) if the organization prepares more than 10 information returns in a year. This is a significant decline from the prior 250 return threshold. This new requirement applies to 2023 information returns due in 2024 and forward.

The reduced threshold applies to all information returns in the **aggregate**, not just to certain types of information returns. For example, previously, if a tax-exempt organization was filing 249 or less 1099-MISC returns and 249 or less 1099-NEC returns, they were under the required threshold to e-file and could paper file those returns. This is no longer the case. Starting in 2024, if an organization is required to file 10 or more information returns of any kind, in total, e-filing of all information returns is required.

Penalties for Paper Filing where E-file Is Required

Filing paper returns when e-filing is required is generally considered a failure to file the information return, which comes with a maximum penalty of \$310 (*indexed for inflation for 2024*) for each information return over 10 that was not e-filed. If the tax-exempt organization corrects the failure to e-file within 30 days of the original filing deadline, the penalty shall be reduced to \$60 (*2024*) per information return. Please note that the IRS will charge applicable interest on the penalty amount assessed as well.

Complying with the New Rules

There are various options available to organizations with respect to compliance with the e-file requirement. Organization’s may utilize online third-party software platforms to prepare and e-file information returns for both federal and state purposes for a relatively minimal fee or contact their payroll providers in some cases.

In addition, organizations may utilize the Internal Revenue Service’s (“IRS”) free Information Returns Intake System (“IRIS”) to meet the new requirements. To utilize the IRIS system, organizations are required to obtain a Transmittal Control Code (“TCC”). A TCC may be applied for via the IRS website at <https://www.irs.gov/tax-professionals/iris-application-for-tcc>. In addition, IRS Publication 5717 provides step by step guidance on the information required to obtain a TCC.

Please do not hesitate to contact a member of the COMD tax team if you require further assistance.

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Meet the COMD Tax Team

Alexander Lazzaruolo, CPA, Esq, Partner alazzaruolo@comdcpa.com
Meyer Reichman, Senior Director mever@comdcpa.com
Kirkland Gordon, Supervisor kgordon@comdcpa.com
Glenny Ramos, Supervisor gramos@comdcpa.com
Gio Alotta, Supervisor galotta@comdcpa.com

Jane Leav, CPA, MBA, Manager jleav@comdcpa.com
Alma Lashaj-Hoxha, Tax Associate alashaj@comdcpa.com
Sarah Debrosse, Tax Associate sdebrosse@comdcpa.com
Danielle Cazzola, Tax Administrator dcazzola@comdcpa.com