



# SCWA Legislative Update

March 20, 2023



## SCWA Joins Small Business Groups Opposing Proposed Tax Increases

Chairman Arrington, Ranking Member Boyle, Chairman Smith, and Ranking Member Neal:

The budget released by the President continues the Biden administration's attack on individually- and family-owned businesses and should be strongly opposed by Congress. Its tax hikes target the businesses responsible for most of the jobs and growth in this country and come at a time when federal tax collections are at record levels.

The President claims his budget will only go after "super-wealthy" tax cheats, yet it targets over one million small and family-owned businesses. The taxes proposed in the President's budget would disproportionately impact these businesses, and adversely affect their ability to hire new employees, offer better benefits, and invest in new equipment and technology necessary to sustain their businesses and help them grow. While the President characterizes these tax proposals as "closing a loophole," America's small and family-owned businesses are *not* a loophole.

The huge deficits forecast in the President's budget are not the result of a revenue shortage. The Congressional Budget Office reports that federal tax collections were nearly \$5 trillion last year, a record high and a 47-percent increase from when the Tax Cuts and Jobs Act was enacted in 2017. The taxes paid by individuals and pass-through businesses reached a record \$2.6 trillion and represented their largest share of total taxes paid in any year since pre-TCJA.

Despite this, the President's budget would raise the top rates paid by pass-through businesses and corporations alike, expand the Net Investment Income Tax to cover the active business income of pass-through business owners, nearly double the tax rate on capital gains, and impose a new minimum tax on larger family businesses that appears to redefine how income is measured. The result would raise top tax rates on these businesses to close to 50 percent, both on their operating profits and on any gain when they sell the company.

However, the tax proposals contained in the President's budget should not be considered in a vacuum. When combined with other proposals from President Biden, as well as proposals supported by the Chairman of the Senate Finance Committee and Ranking Member of the House Ways and Means Committee, the top marginal tax rate for active small and family-owned businesses would increase from 29.6 percent to a staggering 57 percent, compared to the top tax rate for C corporations of 21 percent. When combined with taxes in states like California, some businesses would face rates of over 70 percent.

Furthermore, these businesses will see a massive tax increase when the small and family-owned business deduction, the lower individual rates, and other individual provisions expire beginning in 2026. The tax hikes proposed in today's budget release would come on top of these pending tax increases, adding to the uncertainty our members face.

Instead of seeking ever higher taxes from the pass-through business sector, the Administration should work with Congress to make the small and family-owned business deduction permanent and provide these business owners with a little certainty following three years of COVID, recession, high inflation, and supply-chain disruptions.

The undersigned trade groups, together with the millions of businesses and workers they represent, ask you to stand with Main Street and strongly oppose raising taxes on individually- and family-owned businesses.

Sincerely,



## **Taxpayers Can Now Upload More Documents to IRS; New Online Option for 9 Notices Can Help Resolve Issues Faster**

The Internal Revenue Service announced that taxpayers who receive certain notices requiring them to send information to the IRS now have the option of submitting their documentation online through IRS.gov.

This new secure step will allow taxpayers or their tax professional to electronically upload documents rather than mailing them in, helping reduce time and effort resolving tax issues.

In this stage of the ongoing effort, nine notices will be available for this feature. This potentially can help more than 500,000 taxpayers each year who receive these notices, which include military personnel serving in combat zone areas and recipients of important credits like the Earned Income Tax Credit and Child Tax Credit.

“This capability is another step forward by the IRS to help taxpayers and improve service,” said IRS Acting Commissioner Doug O’Donnell. “This provides immediate benefits to taxpayers, who have nearly instant confirmation that documents were received by the IRS. In turn, this will dramatically speed up the resolution of issues by removing a time-consuming step in the process. This means people can have their issues resolved much faster, including getting refunds to affected taxpayers faster. We will continue to look at improvements like this as we work to transform the IRS following passage of the Inflation Reduction Act last year.”

Initially, the online correspondence feature will be available to taxpayers who receive one of nine IRS notices. For the most part, the IRS sends these notices to individual tax filers claiming various tax benefits, such as the Earned Income Tax Credit for low- and moderate-income workers, the Child Tax Credit for families with dependents, the Premium Tax Credit for those who obtain health coverage through the Health Insurance Marketplace and members of the military claiming combat zone tax benefits.

Taxpayers receiving these notices can respond securely to IRS online, regardless of whether they have an IRS Online Account.

### **IRS created the Document Upload Tool**

IRS information technology specialists developed a prototype for the Document Upload Tool in 2021. Since then, the IRS has been testing this feature on a limited number of exam-related notices, and 38% of the responses to these notices have used the agency’s secure electronic communications rather than traditional mail.

### **How it works**

Language on the notice informs the taxpayer to, “Send us your documents using the Documentation Upload Tool within 30 days from the date of this notice.” It includes the link and a unique access code.

1. The taxpayer can open the link in any browser and then input their unique code, their first and last name and their Social Security, Individual Taxpayer Identification or Employee Identification number.
2. The taxpayer can then securely upload scans, photos or digital copies of documents (maximum of 15MB per file, up to 40 files).
3. The taxpayer receives a confirmation that the IRS received their documents, and the IRS employee assigned the case can manage the transmitted documents.

### **What notices qualify?**

Taxpayers who receive one of the following notices with the link and access code can choose to upload their documents:

1. CPO4, relating to combat zone status.

2. CP05A, information request related to a refund.
3. CP06 and CP06A, relating to the Premium Tax Credit.
4. CP08, relating to the Child Tax Credit.
5. CP09, relating to claiming the Earned Income Tax Credit.
6. CP75, relating to the EITC.
7. CP75a, relating to the EITC.
8. CP75d, relating to the EITC and other credits.

### **Future expansion planned**

In the coming months and years, the IRS plans to expand this capability to dozens of other notices. In addition, the IRS will offer digital correspondence on a variety of other taxpayer interactions. During live interactions such as phone calls with taxpayers, IRS employees will be able to grant upload access by providing the link and unique access code.

### **With secure digital correspondence, everybody wins**

For taxpayers and tax professionals working with the IRS, this new capability reduces the correspondence burden, ensures tax compliance and improves the customer experience. For IRS employees, this reduces paper correspondence, decreases processing time and speeds case resolution.

For more information, see the fact sheet [Resolving cases with secure digital correspondence for taxpayers on IRS.gov](#).



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