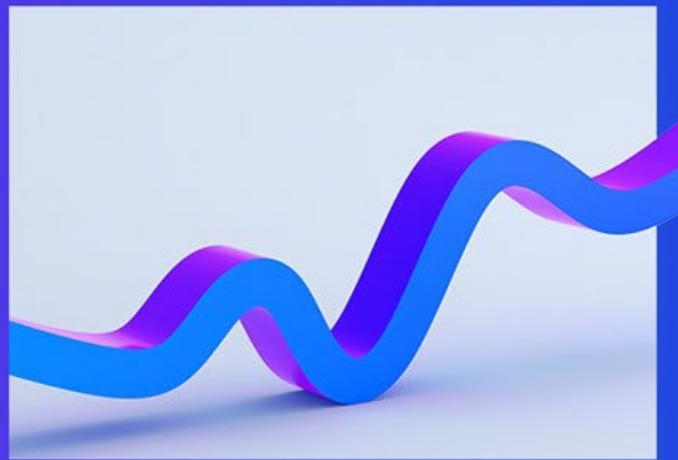


Tax IRW Ops Insights Quick Tips & Updates

KPMG Information Reporting & Withholding
Tax Services



Forms 1042 and 1042-S Reporting Updates

By Kelli Wooten

For those of us in the Information Reporting & Withholding space, Valentine's Day cards (and chocolate) were a refreshing change from the "love letters" that the IRS Foreign Payments Practice continues to send. To help guard against your organization receiving an unwanted "love letter," here are some practical tips for navigating this filing season.

- Is your organization still filing Forms 1042-S via paper? If so, note that the threshold for paper filing has decreased from 250 forms to 10 forms. If your organization is filing more than 10 information returns (e.g., Forms 1099, 1042-S, W-2, etc.) in aggregate, it must file these electronically for tax year 2023. If your organization fails to file electronically, each individual form over the threshold will be subject to a \$330 penalty.
- Form 1042 electronic filing is now required for U.S. entities which are financial institutions (e.g., those entities using a chapter 4 status code of 01), partnerships with greater than 100 partners (regardless of number of information returns being filed), or filing more than ten information returns in aggregate. Essentially, this means that virtually all U.S. entities will be required to electronically file Forms 1042.

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's 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).

- New electronic filing requirements mean that the IRS is going to be able to run more sophisticated diagnostics on data than ever before. Ensure you are paying particularly close attention to the following:

- Form 1042 Line 61 (No. of Forms 1042-S filed electronically and via paper) must tie out to the number of Forms 1042-S filed. Importantly, if Forms 1042-S are amended after the Form 1042 is filed, your organization must amend the Form 1042 to ensure it continues to tie to the Forms 1042-S that have been filed.
- Form 1042 Line 63a (Tax withheld by withholding agent) should tie to the total of Forms 1042-S box 7 (Federal tax withheld).
- Request a copy of the filing entity's Form 1042 transcript to validate that any carryover amounts and deposits have been appropriately credited to the account.

There are a lot of other watchouts to be aware of. Come join our [Forms 1042 and 1042-S Reporting Updates](#) webcast on March 3, 2025 at 2pm EST as Laurie Hatten-Boyd, Elis Prendergast, and I walk through all of these items and more!

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