

Center for Agricultural Law & Taxation

The Scoop

June 7, 2017



Agenda

- PTIN System Down – Court Case
- Data Retrieval Tool Back Online
- Letter rulings and other documents – pay electronically
- ID Theft Fight
- Trump's Budget
- Charitable contributions letter to clients
- Letter 5747C
- Unbanked taxpayers
- Non-Master File problems
- Minnesota Tax Bill and Online sales tax
- Proposed legislation

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PTIN System Down

- On June 1, 2017, the United States District Court for the District of Columbia upheld the Internal Revenue Service's authority to require the use of a Preparer Tax Identification Number (PTIN) BUT
- Enjoined the IRS from charging a user fee for the issuance and renewal of PTINs
- As a result of this order, PTIN registration and renewal is currently suspended
- The IRS, working with the Department of Justice, is considering how to proceed

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PTIN

- If someone tries to access the PTIN system or call the PTIN helpline, they will also receive this message

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Data Retrieval Tool Back Online Income Driven Repayment plans Only

- The U.S. Department of Education announced the IRS Data Retrieval Tool is now available for borrowers applying for an income-driven repayment plan
- New encryption protections have been added to the Data Retrieval Tool to further protect taxpayer information
- The IRS Data Retrieval Tool will return Oct. 1, 2017, on the online 2018-19 Free Application for Federal Student Aid (FAFSA®) form
- The IRS suspended use of the Data Retrieval Tool in March 2017 due to privacy and security concerns
- To address those concerns, the tax return information that will now be transferred will be encrypted and hidden from view on the IRS Data Retrieval Tool web page and on the online income-driven repayment plan application

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Letter Rulings and Similar Requests: Electronic Payment of User Fees Starts June 15; Replaces Paying by Check

- IR-2017-102, June 1, 2017
 - Beginning June 15, taxpayers requesting letter rulings, closing agreements and certain other rulings from the Internal Revenue Service will need to make user fee payments electronically using the federal government's Pay.gov system
 - In the past, ruling requesters could only make required user fee payments by check or money order
 - During a two-month transition period, June 15 to Aug. 15, requesters can choose to make user fee payments either through Pay.gov or by check or money order

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Letter Rulings and Similar Requests: Electronic Payment of User Fees Starts June 15; Replaces Paying by Check

- After Aug. 15, 2017, Pay.gov will become the only permissible payment method
- This includes private letter rulings, closing agreements, and rulings using Form 1128, 2553, 3115 or 8716
- Determination letters are not affected because they are sent to other offices

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SBSE-04-0517-0030
Interim Guidance on Use of Frequently Asked Questions (FAQs) and Other Items Posted to IRS.gov

- Guidance such as FAQ and other information that have not been published in the Internal Revenue Bulletin are not legal authority
- The FAQs and other items should not be used to sustain a position unless the items (e.g., FAQs) explicitly indicate otherwise or the IRS indicates otherwise by press release or by notice or announcement published in the Bulletin

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ID Theft Fight –Recent Statistic

- In a speech the current IRS Commissioner gave to the Council for Electronic Revenue Communications Enhancement
- The number of people who reported to the IRS that they were victims of identity theft declined from 698,700 in Calendar Year 2015 to 376,500 in 2016 – a drop of 46 percent
- This illustrates how IRS was able to improve their ability to stop criminals from filing false returns using someone else's personal information

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Trump Budget

- Repeal and Replace Obamacare
- Reform Medicaid- reform Medicaid by giving States the choice between a per capita cap and a block grant
- The Budget also follows through on a campaign promise and prohibits any funding in the Labor HHS appropriations bill for certain entities that provide abortions, including Planned Parenthood
 - This prohibition applies to all funds in the bill, including Medicaid

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Trump Budget

- Provide a Path Toward Welfare Reform - encouraging able individuals to return to the workforce and includes a number of reforms to tighten welfare eligibility to those most in need
- This includes SNAP reforms and proposals that strengthen child support and limit the Earned Income Tax Credit and the Child Tax Credit to those authorized to work in the United States
- Reduce Improper Payments Throughout the Government

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Trump Budget

- Redirect Foreign Aid Spending
- Reduce Non-Defense Spending by \$54 billion and Redefine the Proper Role of the Federal Government
- Simplify the Tax Code and Provide Tax Relief
- Reform Immigration Policy - The Budget supports commonsense immigration standards that protect American workers, and reduce burdens on taxpayers and public resources

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Trump Budget

- Reform Student Loans - The Budget streamlines student loan repayment by consolidating multiple Income Driven Repayment (IDR) plans into a single plan that caps monthly payments at 12.5 percent of discretionary income and forgives any balance for undergraduate borrowers after 15 years
- The Budget also supports Year-Round Pell to incentivize students to complete their degrees faster, helping them reduce their loan debt and enter the workforce sooner

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Trump Budget

- Support Families and Children - The Budget proposes a fully paid-for proposal to provide six weeks of paid family leave to new mothers and fathers, including adoptive parents, so all families can afford to take time to recover from childbirth and bond with a new child without worrying about paying their bills
- Building on the Unemployment Insurance System as a base, the Budget proposes to allow States to establish paid parental leave programs that are most
- appropriate for their workforce and economy

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Trump Budget

- Support \$1 Trillion in Infrastructure Investments
- Increase Border Security and Investments in Public Safety

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Charitable Contributions - Important - Please Read

- Dear Valued Client:
- You are receiving this letter due to the fact that you deducted Charitable Contributions on previous tax returns
- Recent court cases have denied charitable contributions deductions to taxpayers who failed to substantiate their contributions
- In different cases, the charitable organization's receipt/written acknowledgement did not contain the correct information such as the language regarding "no goods or services were provided in exchange for your contribution"

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Charitable Contributions - Important - Please Read

- ALL deductions of any amount must have a receipt
- Any single contribution over \$250.00 must also have an acknowledgment letter from the charity, and the letter must be dated by the date your tax return is filed
- The letter should show the date and amount of any individual contribution over \$250.00, and also state that no goods or services were received in return for the contribution
- One acknowledgment, such as an annual summary, may be used to substantiate several single contributions of \$250.00 or more

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Charitable Contributions - Important - Please Read

- Enclosed please find an informative brochure on Charitable Contributions.
- (I usually enclose IRS Publication 1771)(You can order online from irs.gov)
- Thank you for your time and attentiveness on this issue and call my office with any questions.

• Sincerely,

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Letter 5747C

IRS Department of the Treasury
Federal Revenue Service
3651 S IH 35, STOP 6579 AISC
AUSTIN TX 75-501

In reply refer to: 1483911111
May 03, 2017 LTR 5747C 80
201612 30
00046428
BODC: WI



058827

Social security number: #
Tax year: 2016

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Letter 5747C

We received a federal income tax return, Form 1040EZ, for the tax year above with your name and social security number. To protect you from identity theft, we need to verify your identity before we process the return, issue a refund, or apply the overpayment to next year's estimated tax. Unfortunately, we can't verify your identity online or by phone. You must visit a Taxpayer Assistance Center (TAC).

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Letter 5747C

WHAT YOU NEED TO DO

Call our Taxpayer Assistance line at 1-844-545-5640 within 30 days from the date of this letter to schedule an appointment at your local TAC.

You **MUST** bring a copy of the following with you:

- This letter
- Your current tax return (if you filed one), including schedules and information returns used in filing the return (W-2s, 1099s, etc.)
- Your prior year tax return (if you filed one), including schedules and information returns used in filing the return (W-2s, 1099s, etc.)

You **MUST** bring the following to validate your identity:

- A valid U.S. federal or state government-issued picture identification, such as:
 - Driver's license
 - State identification card
 - Passport

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Letter 5747C

AND at least one of the following forms of identification:

- U.S. social security card
- Mortgage statement with current address
- Lease agreement for a house or apartment with current address
- Car title
- Voter registration card (not the voter registration application)
- Utility bill with current address
- Birth certificate (The IRS no longer accepts Puerto Rican birth

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Letter 5747C

- certificates issued before July 1, 2010)
- Current school records

If you're a minor under the age of 14, you MUST bring at least two of the following forms of identification:

- U.S. social security card
- Birth certificate (The IRS no longer accepts Puerto Rican birth certificates issued before July 1, 2010)
- Current school records

Again, we won't be able to process this return, issue a refund, or apply the overpayment to next year's estimated tax from this , tax return until we hear from you and verify your identity.

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Letter 5747C

IF YOU DIDN'T FILE

If you didn't file a tax return for the tax year listed above, you should still call us to confirm if you may be a victim of identity theft. We'll assist you when you complete the identity verification process. You can call us at 1-800-830-5084 between 7 a.m. and 7 p.m., local time.

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Control #: SBSE-04-0615-0045 Affected IRM: 20.1.4
Expiration Date: June 9, 2016

- Interim Guidance on the Failure to Deposit Penalty under § 6656 for Taxpayers Unable to get a Bank Account
- For unbanked taxpayers who are timely in meeting their tax deposit obligations, the Service will not impose or will abate the failure to deposit penalty if a taxpayer can show they made reasonable efforts but were unable to get a bank account during the period at issue.

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Control #: SBSE-04-0615-0045 Affected IRM: 20.1.4
Expiration Date: June 9, 2016

- To request penalty relief under this guidance, the unbanked taxpayer must include a signed statement that explains the taxpayer's attempt to get a bank account and must include any corroborating documentation (denied account applications, correspondence from banks, etc.)
- The signed statement does not have to be in a particular format
- This guidance does not apply to situations in which the taxpayer can obtain a bank account, but chooses not to maintain a bank account. Such cases will continue to be handled on a case by case basis

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History

- Prior to 1962, the Internal Revenue Service (IRS) maintained all individual and business taxpayer accounts on manual ledger cards
- The creation of the Master File in 1962 enabled the IRS to automate individual and business taxpayer account processing
- Although the Master File was an improvement over the manual system, Master File system limitations prevent the IRS from processing all taxpayer accounts on the Master File

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History

- For example, the Master File cannot process Forms 1040, U.S. Individual Income Tax Return, in which the taxpayer's balance due, i.e., amount owed the IRS, is \$1 billion or more
- The Master File also has a file size limitation and for those accounts with tax transactional activity that exceeds this file size, the Master File is no longer able to post transactions to the account
- Accounts that exceed this file limitation are referred to as overflow accounts and must be processed manually

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History

- As such, the IRS continued to maintain some tax accounts on ledger cards until 1991
- The IRS refers to these accounts as Non-Master File (NMF) accounts.
- In 1991, the IRS automated the processing and monitoring of NMF accounts -ANMF
- The ANMF is an independent research database that acts as a system of accounting
- The ANMF provides information regarding individual and business taxpayers' outstanding tax liabilities as well as return and tax adjustment processing for taxpayer accounts that cannot be managed through the Master File

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Improvements are Needed to Ensure that Tax Accounts on the Automated Non-Master File are Accurately Processed TIGTA 2017-40-037

- The amount of unpaid tax, penalties, and interest associated with Automated Non-Master File accounts is significant
- The Automated Non-Master File provides information regarding individual and business taxpayer accounts that, because of system limitations, cannot be managed through the Master File
- As of September 29, 2015, the Automated Non-Master File contained 9,145 open accounts with unpaid tax, penalties, and interest totaling more than \$4.5 billion

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What TIGTA Found

- Calculation errors on Automated Non-Master File accounts resulted in the incorrect assessment of penalties
- Specifically, the IRS did not assess Failure to File penalties totaling more than \$1.7 million on 85 open accounts
- The IRS also over-assessed Failure to Pay penalties totaling \$88,576 on 153 accounts and underassessed Failure to Pay penalties totaling \$354,153 on 227 accounts

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State News



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Minnesota Governor Signs Omnibus Tax Bill

- On May 30, 2017, Minnesota Governor Mark Dayton signed an omnibus tax bill
- The new law makes changes to:
 - The state's personal income tax
 - Corporate franchise tax
 - Estate tax
 - Sales and use tax
 - Property tax
 - Tax on fuel
 - Alcoholic beverage taxes
 - Hospital provider tax and
 - Cigarette and tobacco tax

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Minnesota Governor Signs Omnibus Tax Bill

- Phase out income taxation on Social Security income
- Create a credit for contributions to 529 college savings programs
- Create a subtraction for contributions to first-time homebuyer accounts
- Create a subtraction for college graduates paying off student loans
- Increase the dependent care tax credit and
- Extend the working family tax credit

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Minnesota Online Sales Tax

- Sales and use tax collection duties on marketplace providers including Amazon Inc., eBay Inc. and Etsy Inc
- Such online retailers provide their platforms to millions of other sellers
- Expands the definition of a “retailer maintaining a place of business in the state” to include retailers with third-party affiliates operating in the state under the retailer’s authority to facilitate or process sales

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Minnesota Online Sales Tax

- Retailers would be obligated to collect and remit taxes to the state revenue department for all facilitated sales unless they fall under an exemption
- Retailers with in-state taxable retail sales less than \$10,000 annually are exempt if they maintain a place of business solely through sales on marketplace platforms

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Iowa W-2's for 2017

- For 2017 tax year filed in 2018, Iowa requires all Iowa W-2s to be filed whether or not there was IA tax withheld
- For tax year 2016, if you did not have any Iowa withholding there would be no need to file with Iowa
- <https://tax.iowa.gov/sites/files/idr/documents/FAQsAdd.pdf>

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Ohio

- Effective June 6, 2017, the Ohio Department of Taxation began sending Failure to File notices by regular mail to taxpayers who:
- Have not filed an Ohio School District Income Tax Return Form SD 100 for 2013, 2014 and/or 2015; and
- Appear to have lived in a taxing school district based on the school district number and/or mailing address reported on the taxpayer's Ohio Individual Income Tax Return (Ohio Form IT-1040) filed for 2013, 2014 and/or 2015

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Proposed Legislation



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AHCA Senate Alternative

- Mitch McConnell (R-KY) has formed a 13-member working group that will “craft a plan to pass legislation to repeal and replace” the Affordable Care Act (ACA, or Obamacare)

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H.R. 2372, the “Veterans Equal Treatment Ensures Relief and Access Now Act” (VETERAN Act)

- To amend the Internal Revenue Code of 1986 to clarify the rules relating to veteran health insurance and eligibility for the premium tax credit
- Codify the rule that an individual isn’t considered eligible for coverage under a designated Veterans Affairs health program unless enrolled in the program

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H.R. 2579, the “Broader Options for Americans Act”

- Amends the Code to allow the premium tax credit with respect to unsubsidized COBRA continuation coverage

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H.R. 2581, the “Verify First Act”

- Amends the Internal Revenue Code of 1986 to require the provision of social security numbers as a condition of receiving the health insurance premium tax credit

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The Scoop – Upcoming Dates

- June 21
- July 5
- July 19
- August 16
- August 30
- Held at 8:00 am and 12:00 pm Central time

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Up Coming Webinars

<http://www.calt.iastate.edu/calendar-node-field-seminar-date/month>

- Webinar: Part 1 - Form 3115 (Comprehensive Overview) June 8
- Form 4797 - Sale of a Business Asset, June 13
- Part 2 - Form 3115 (Correcting Depreciation §481(a) Adjustment) June 15
- My Client Dies, What's Next?, June 20
- Webinar: The Fundamentals of Trusts - June 22
- Payment of Wages with Commodities and Gifting Grain - June 27
- Handling Tax Returns for Religious Groups – Amish and Mennonite June 29
- Net Operating Loss Basics July 6 and 7th
- Form 1099 Preparation July 13
- Tax Basis for Farmers July 24

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Iowa Taxpayer Advocate

- June 7, 2017, Problem Resolution Day - Iowa Taxpayer Advocate Service, Cedar Rapids, Iowa
- Online Free Webinar: 4th Annual Taxpayer Advocate Town Hall Meeting - June 28, 2017

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Upcoming Seminars – Mark Your Calendar – Final Dates

- S Corporation – July 20-21, 2017, Live and Webinar
- September 21, 2017 Ag Law Seminar, Live and Webinar
- September 22, 2017 Farm and Estate Tax Review, Live and Webinar
- Retirement and Social Security Issues(Webinar) = October 10-11, 2017

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The Schedule is Finalized for the 44th Annual Federal Income Tax Schools

- November 2-3, 2017 – Maquoketa, Iowa – Centerstone Inn and Suites
- November 6-7, 2017 – Le Mars, Iowa – Le Mars Convention Center
- November 8-9, 2017 – Atlantic, Iowa – Cass County Community Center
- November 9-10, 2017 – Mason City, Iowa – North Iowa Area Community College
- November 16-17, 2017 – Ottumwa, Iowa – Indian Hills Community College
- November 20-21, 2017 – Waterloo, Iowa – Hawkeye Community College
- December 11-12, 2017 – Ames, Iowa and Live Webinar – Quality Inn and Suites

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