

Center for Agricultural Law & Taxation

The Scoop

November 1, 2017



Agenda

- Letter 6018 – CAF Scam
- Preparer Tax Identification Number (PTIN) Renewal Season is Open
- Stabilizing Obamacare Not Going to Happen
- Judge Rejects Bid by State Attorney Generals to Revive Obamacare Subsidies
- Tax Reform – Democrats Plan
- 401(k) Changes and Additional Bracket for Tax Plan Dismissed – Long Shot
- 2017 Security Summit Meeting

2

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Agenda

- Letters 6002
- Refundable Credit Educational Compliance Letters 5025, 5025-A, 5025-B, 5025-E, 5025-H
- Family Farmer Bankruptcy Clarification Act of 2017
- E-Services
- Medicare Cards without Social Security Numbers Coming in 2018

3

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Fraudsters are Using Stolen CAF Numbers – New Scam

- Fraudsters are using stolen CAF numbers to:
- File phony disclosure authorization forms (8821/2848), and then
- Request transcripts from IRS - Scammers are trying to get the transcript to file a false return that they hope will pass our identity theft filters
- The IRS is aware that scammers are trying to file phony Forms 8821 and Form 2848
- Beginning Tuesday, October 17, 2017, IRS will issue approximately 11,000 letters (Letter 6018) to a random selection of taxpayers requesting verification of the third party identified on Form 2848 and/or 8821

4

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Fraudsters are Using Stolen CAF Numbers – New Scam

- IRS is contacting the taxpayers because they want to be sure that only people they have authorized have access to their tax account
- If your client gets Letter 6018, does that mean their CAF number was stolen?
 - No. Letter 6018 is a random review of current third party authorizations and it does not mean that there is a problem
 - It is just one of the ways we are validating third-party access

5

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Fraudsters are Using Stolen CAF Numbers – New Scam

- What should my client do if they get Letter 6018?
- Stress the importance for your client to respond as instructed by the letter
- If they don't reply, IRS will put a refund hold on their account
- Visit www.irs.gov/ltr6018 (THIS LINK IS NOT ACTIVE YET but I hope it will be soon)

6

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Letter 6018

- Text of Letter 6018
- Why you're receiving this letter
- We're contacting you because we want to be sure that only people you authorize, whether tax professionals or family members, are accessing your tax account
- Our records show that we have an authorization (Form [number, title]) on file from the following third party: [Third Party business name or representative name based on Form 8821 or 2848 filed]

7

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Letter 6018

- [Third Party business name or representative name based on Form 8821 or 2848 filed] currently has authority to access your tax account based on the submission of Form [number, title] to the IRS
- Please know that this is a random review of current third-party authorizations
- This does not mean that there is a problem
- This letter is one of the ways to verify the authorization of third-party access

8

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Letter 6018

- What you need to do
- Check the appropriate box below and return this letter to the IRS address above within 30 days (or, if you prefer, you can fax it to the number above within 30 days) from the date of this letter, so we can complete our third-party verification process
- I did authorize the third party listed above to have access to my account
- I did not authorize the third party listed above access to my account

9

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Letter 6018

- If you checked the “I did not authorize....” box
- Please be aware that the third party listed may be affiliated with the entity or individual that you authorized to access your account information
- We will contact you and let you know if you need to take any additional action
- Please review the links under the “Additional Information” section below

10

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Letter 6018

- If you don't respond
- We'll place all actions (including refunds) on hold until you respond and we complete the third-party verification
- Additional information
 - Visit www.irs.gov/ltr6018
 - Visit www.irs.gov/thirdpartyauthorizations for more information
- We recognize that keeping your information confidential is a critical priority. We're working hard to protect your tax information and prevent unauthorized disclosures
- We apologize for any inconvenience and thank you for your cooperation

11

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Signature on Letter 6018

- Sincerely,
- Fred Banks, Program Mgr W&I Service Center, AM

12

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Preparer Tax Identification Number (PTIN) Renewal Season is Open

- All PTINs expire on Dec. 31 and must be renewed for the 2018 filing season
- Tax professionals must have a valid PTIN if they plan to prepare any federal tax returns for compensation or they are an enrolled agent
- There is no fee for a 2018 PTIN

13

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Health Care Reform: Stabilizing Obamacare Not Going to Happen

- ACA subsidies to private health insurers for coverage of low-income individuals (i.e., cost-sharing reduction payments) would continue and states would get more flexibility to offer a wider variety of health insurance plans
- The fact that health insurers must still offer the discounts on deductibles, co-pays and other out-of-pocket costs, even if the cost-sharing reduction payments end, has led to confusion over what kind of health insurance will be available to consumers, and at what price, when enrollment for 2018 begins in one week

14

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Health Care Reform: Stabilizing Obamacare Not Going to Happen

- Insurers have proposed higher prices on monthly premiums in 2018 to recoup the money
- In all but a handful of states, insurers have submitted two sets of premium rates—a lower rate to use if the subsidies remained, and a higher rate to use if the funding was cut
- Thomson Reuters/Tax & Accounting - reporting

15

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Judge Rejects Bid by State Attorney Generals to Revive Obamacare Subsidies

- As reported by Reuters, on Wednesday (Oct. 25, 2017), U.S. District Judge Vince Chhabria refused to block President Trump's decision to end subsidies under Obamacare (the Affordable Care Act or ACA) to health insurers for coverage of low-income individuals—i.e., cost-sharing reduction (CSR) payments
- Attorney generals from 18 states and the District of Columbia had asked for an immediate order halting the Trump Administration's termination of these subsidies while the case is being litigated

16

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Judge Rejects Bid by State Attorney Generals to Revive Obamacare Subsidies

- The judge said that such an emergency order was unnecessary as most state regulators have devised responses that give millions of lower-income people better health coverage options than they would otherwise have had
- In May of 2016, the District Court for the District of Columbia had found that the subsidies were unconstitutional because the ACA impermissibly usurped Congress' authority to appropriated money

17

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Judge Rejects Bid by State Attorney Generals to Revive Obamacare Subsidies

- In August of 2017, the Court of Appeals for the District of Columbia granted a motion filed by the state attorneys general allowing them to defend the subsidies
- The attorney generals had maintained that there was reason to believe that the Trump Administration wouldn't adequately protect the states' interests in an appeal of the District Court's decision
- In October of 2017, the Trump Administration announced that it was immediately ending the insurance subsidies, and the attorney generals who had been granted the right to intervene sought a court order to have the subsidies continue until the appeal in the case was decided

18

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Tax Reform – Democrats Plan

- Expanding eligibility for the earned income tax credit and how it applies to childless workers
- Expanding the child tax credit
- Helping with the costs of dependent family members and the care of elderly parents
- Expanding and simplifying the American Opportunity Tax Credit and providing additional tax incentives for education at vocational and professional schools
- Providing a new tax credit to train and hire new workers through apprenticeship programs and partnerships with community colleges and technical schools

19

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Tax Reform – Democrats Plan

- Creating automatic IRAs or 401(k) plans and expanding the Saver's Credit
- Making permanent Build America Bonds
- Expanding tax-exempt bond financing for infrastructure projects;
- Making permanent the New Markets Tax Credit
- Enhancing the low-income housing tax credit
- Enhancing the rehabilitation investment credit
- Enhancing the research credit
- Increasing the domestic production activities deduction; and
- Eliminating tax provisions that encourage companies to move jobs overseas

20

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401(k) Changes and Additional Bracket for Tax Plan Dismissed – Long Shot

- On Monday (Oct. 23, 2017), as reported by Reuters, President Trump dismissed the possibility of limiting popular 401(k) retirement savings plans to help pay for Republicans' sweeping tax plan and expressed doubts about adding another top bracket targeting high earners
- Republican lawmakers have been considering imposing a \$2,400 cap on pre-tax contributions to § 401(k) plans in order to generate more revenue
- The limit on the exclusion for such elective deferrals is currently \$18,000 for 2017 (slated to rise to \$18,500 for 2018); individuals aged 50 and older can make an additional elective deferral of \$6,000 for 2017 (and 2018)

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2017 Security Summit Meeting

- The latest IRS data continues to show significant improvements as fewer identity theft returns entered the tax system, fewer fraudulent refunds were issued and fewer taxpayers were reporting themselves as victims of identity theft
- Identity theft-related tax returns has fallen by about two-thirds since 2015
- The tax industry shares dozens of important data points from returns that help the IRS and states identify potential identity theft fraud
- Password protocols for both individual and tax professional software have been enhanced
- States have worked with financial institutions to create their own program to help identify suspect refunds
- The IRS continues to pilot a Form W-2 Verification Code that helps verify income information and employers

22

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2017 Security Summit Meeting

- The Summit partners also are putting an increased emphasis on identity theft protections for business returns in the Form 1120 and 1041 series
- The IRS will be asking tax professionals to gather more information on their business clients
- The data being collected assists the IRS in authenticating that the tax return being submitted is actually a legitimate return filing and not an identity theft return

23

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2017 Security Summit Meeting

- Some of the new questions people may be asked to provide when filing their business, trust or estate client returns include:
 - The name and Social Security number of the company individual authorized to sign the business return
 - Is the person signing the return authorized to do so?
- Payment history – Were estimated tax payments made?
 - If yes, when were they made, how were they made, and how much was paid?
- Parent company information – Is there a parent company? If yes, who?
 - Additional information based on deductions claimed.
 - Filing history – Has the business filed Form(s) 940, 941 or other business-related tax forms?

24

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Letters 6002

- In September, the IRS mailed Letter 6002 to taxpayers who filed tax year 2014 and/or 2015 returns that did not report healthcare coverage
- These taxpayers were also silent in tax year 2016
- Letter 6002 asked the taxpayer to file an amended return to either report full-year coverage, claim a coverage exemption, or report a shared responsibility payment.

25

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Letters 6002

- The IRS inadvertently mailed Letter 6002 to a group of about 130,000 taxpayers who did, in fact, properly report an exemption in Part 1 of Form 8965 (used, for example, by members of certain religious sects, including the Amish)
- If you are contacted by constituents who received a Letter 6002 and did file Form 8965 with their tax return to claim an exemption from the shared responsibility payment, advise them to disregard the notice?

26

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Letters 6002

- Individuals who may have received an erroneous Letter 6002 include those claiming an exemption granted by the Marketplace in the following categories:
 - Members of certain religious sects
 - Ineligible for Medicaid based on a state's decision not to expand Medicaid coverage
 - General hardship
 - Coverage considered unaffordable based on projected income
 - Unable to renew existing coverage

27

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Letters 6002

- Certain Medicaid programs that are not minimum essential coverage
 - The Marketplace determined that you were (1) enrolled in Medicaid coverage provided to a pregnant woman that is not recognized as minimum essential coverage
 - (2) enrolled in Medicaid coverage provided to a medically needy individual (also known as Spenddown Medicaid or Share-of-Cost Medicaid) that is not recognized as minimum essential coverage or
 - (3) enrolled in Medicaid coverage provided to a medically needy individual and were without coverage for other months because the spend-down had not been met

28

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Refundable Credit Educational Compliance Letters 5025, 5025-A, 5025-B, 5025-E, 5025-H

- IRS is sending due diligence letters to paid tax preparers who may be noncompliant in meeting their due diligence requirements
- Return Preparers who completed highly questionable refundable credit claims may receive one of the following letters:
 - Letter 5025, You may not have met your EITC due diligence requirements on returns with questionable qualifying children and self-employment income
 - Letter 5025-A, You may not have met your due diligence requirement on returns claiming the American Opportunity Tax Credit

29

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Refundable Credit Educational Compliance Letters 5025, 5025-A, 5025-B, 5025-E, 5025-H

- Letter 5025-B, You may not have met your due diligence requirements on returns claiming Child Tax Credit and Additional Child Tax Credit
- Letter 5025-E, You may not have met your EITC due diligence requirements on a high number of returns claiming EITC
- Letter 5025-H – You may not have met your EITC due diligence requirements on returns reporting income received as a household employee

30

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Family Farmer Bankruptcy Clarification Act of 2017

- The Family Farmer Bankruptcy Clarification Act clarifies that bankrupt family farmers reorganizing their debts are able to treat capital gains taxes owed to a governmental unit, arising from the sale of farm assets during a bankruptcy, as general unsecured claims
- It also removes the Internal Revenue Service's veto power over a bankruptcy reorganization plan's confirmation, giving the family farmer a chance to reorganize successfully
- Chapter 12 recognizes the unique situation that family farmers face when reorganizing through bankruptcy proceedings

31

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Family Farmer Bankruptcy Clarification Act of 2017

- It was made permanent in 2005 after nearly 10 years of congressional debate to fine-tune the bankruptcy laws
- Chapter 12 allows family farmers to sell portions of their farms to reorganize without capital gains taxes jeopardizing the reorganization
- Before the permanent law was in place, the IRS was able to collect any tax liabilities generated during a family farmer bankruptcy reorganization
- Too often, when the IRS took its cut through the capital gains taxes, there was no money to pay the other creditors, like the local feed store or local bank
- The farmer had to sell the rest of his land and still lost the family farm
- Thomson Reuters/Tax & Accounting

32

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E-Services

- Still down

33

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1099R Issue

- Still awaiting word from IRS on the widespread federal income tax issue on Form 1099R
- CP 2000 have been sent concerning an adjustment for federal withholding present on the 1099 R
- IRS does not show the withholding
- One tax professional was told the 1099R were not received – unlikely
- These are large investment and retirement firms and banks

34

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Minister's Housing Allowance Again Declared Unconstitutional

- The minister's housing allowance provided by § 107(2) has again been declared unconstitutional by the United States District Court for the Western District of Wisconsin
- And this time it is likely that the United States Court of Appeals for the Seventh Circuit will rule on the merits of the challenge to this provision, rather than dismiss the case for lack of standing
- The case is *Gaylor v. Mnuchin*, No. 16-cv-215-bbc (W.D. Wisc. Oct. 6, 2017)
- For now, ministers may continue to claim the housing allowance

35

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Medicare Cards without Social Security Numbers Coming in 2018

- A new Medicare card that will not display a cardholder's Social Security number (SSN)
- The Centers for Medicare & Medicaid Services (CMS) recently announced it is preparing to issue Medicare cards that will use new unique numbers in place of cardholder SSNs
- CMS said it would begin mailing new cards to beneficiaries in April 2018

36

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New Temporary IRS Commissioner

- President Trump on Oct. 26 announced he intends to designate David Kautter, assistant Treasury secretary for tax policy, as acting commissioner of IRS effective Nov. 12
- On that date, the term of IRS Commissioner John Koskinen will expire
- Kautter has been in the tax policy position since August
- According to Treasury Secretary Steven Mnuchin, Kautter will remain at the helm of IRS “while we wait to confirm a permanent commissioner”
- Two current deputy commissioners will continue to run day-to-day operations at IRS and report to Kautter

37

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Year End Webinar

- IRS and the Social Security Administration have announced that they will jointly conduct webinars titled “Racing Towards Year End: Employment Tax Reminders” on Nov. 2 and Dec. 7
- e-News for Tax Professionals 2017-43
- As described by IRS, the two-hour webinars will cover the following topics:
 - Filing Forms W-2 by paper
 - AccuWage; and
 - The Social Security Number Verification Service

38

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Webinar Topics

- The W-2 verification pilot program
- Data protections and steps to take when experiencing a data breach
- Identify theft and data security breach scams and schemes
- Navigating the IRS website to find information needed by payroll professionals
- Business Services Online
- Business Services Online registration
- W-2 Online
- Filing Forms W-2 Electronically

39

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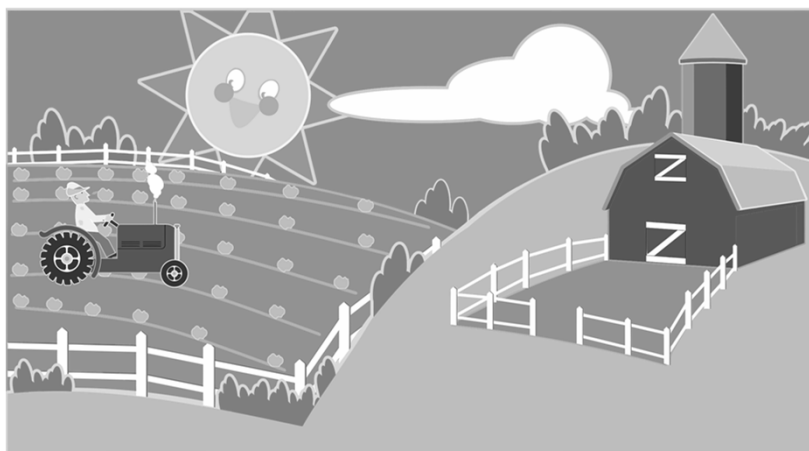
Webinar Topics

- To register for the Nov. 2 webinar, go to:
<https://www.webcaster4.com/Webcast/Page/1148/22961>
- To register for the Dec. 7 event, go to:
<https://www.webcaster4.com/Webcast/Page/1148/22962>

40

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Questions



41

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The Scoop – Upcoming Dates

- December 13, 2017
- Held at 8:00 am and 12:00 pm Central time

42

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Up Coming Ethics Classes

- Ethics Part 1 and Part 2 (November 13)
- Ethics Part 1 and Part 2 (November 14)
- Ethics Part 1 and Part 2 (December 15)
- Ethics Part 1 and Part 2 (December 18)
- Ethics Part 1 and Part 2 (December 19)

43

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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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