

Center for Agricultural Law & Taxation

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## The Scoop

June 21, 2017




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## Agenda

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- PTIN
- Iowa's First Time Homebuyer Reporting Requirements Announced
- Tax Reform and Debt Limit
- E-Services Platform Change Delayed
- Treasury Department's Tax Division, "Highlighted Six Areas of Enforcement Priorities"
- IRS Continues to Expand Taxpayer Services
- IRS Issues Simplified Procedure for Making a Late Portability Election

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## PTIN

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- § 6109 clearly states that IRS had authority to specify identifying number to be used on tax returns but
- Not to charge fees for same - but PTINs weren't "service or thing of value" under 31 USC 9701(b)'s provision for charging fees and were interconnected with regs which had tried to regulate preparers and had previously been struck down. (Steele, et al. v. U.S., DC Dist Col, 119 AFTR 2d ¶2017-818 )

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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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### Iowa First Time Homebuyers Savings Accounts Created

- Iowans saving for their first home have a new opportunity
- The Legislature created Iowa First-Time Homebuyer Savings Accounts that give tax advantages for saving towards a first home
- Homebuyers can save up to \$2,000 individually or \$4,000 for a married couple that can then be subtracted from the taxpayers net individual income for tax purposes
- These amounts are increased annually based on inflation

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### Iowa First Time Homebuyers Savings Accounts Created

- Accounts can be opened with any financial institution
- Funds must be used within 10 years for a qualifying home purchase
- An account may be opened in the name of the first-time homebuyer, similar to a college savings account
- Accounts must be open at least 90 days before being used for a qualified home purchase.
- A qualifying first-time homebuyer is any resident of Iowa that does not own a single-family or multifamily residence and has not owned such a residence for three years prior
- **Account holders must submit an annual report to the Department of Revenue with the account holder's Iowan income tax return**
- **The forms will be produced by the Department of Revenue**

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2017 Tax Reform Update  
Will We Get a Tax Cut, Debt Limit Issues

- In anticipation of a tax cut, many wealthy Americans and businesses deferred income and thus tax in hopes of a tax cut from the Trump Administration
- The debt continues to rise and there may be a quicker deadline Congress will face on the debt limit

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White House and Congress Republicans  
Nearing Tax Reform Aspects

- September may be the timeline for a bill to be introduced – after August recess
  - Cut taxes
  - Simplify the code
  - Eliminate tax breaks
  - End taxation of U.S. corporate overseas profits
  - Repatriate an estimated \$2.6 trillion in corporate profits held overseas
- Details – few

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E-Services Platform Change Delayed

- The planned move of IRS e-Services to a different platform has been pushed to later this summer
- This delay changes previous announcements to e-Services users.
  1. The planned e-Services outage for June 15-19 has been cancelled
  2. State users will be able to submit new or update existing state e-file coordinator applications and TDS applications until the upgrade begins later this summer
- IRS will communicate the schedule for the e-Services platform upgrade and provide updates on user impact well in advance of any changes

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Treasury Department's Tax Division, "Highlighted Six Areas of Enforcement Priorities"

- Abusive tax shelters
- Abusive promotions
- Offshore tax evasion
- Employment tax enforcement
- Stolen identity refund fraud
- Tax Defliers

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IRS Continues to Expand Taxpayer Services; Adds New Features to Taxpayers Online Account

- Several new features to the online account tool were introduced late last year as part of the IRS's commitment to improve and expand taxpayer services
- When it first launched in December 2016, the tool assisted taxpayers with basic account inquiries
- Balance due
- Access to the various IRS payment options

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IRS Continues to Expand Taxpayer Services; Adds New Features to Taxpayers Online Account

- The IRS has added new features allowing taxpayers to:
- View up to 18 months of tax payment history
- View payoff amounts and tax balance due for each tax year
- Obtain online transcripts of various Form 1040-series through Get Transcript
- Give feedback on their experience with their online account and make suggestions for improvements

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IRS Continues to Expand Taxpayer Services; Adds New Features to Taxpayers Online Account

- Before accessing the tool, taxpayers must authenticate their identities through the rigorous Secure Access process
- This is a two-step authentication process, which means returning users must have their credentials (username and password) plus a security code sent as a text to their mobile phones

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IRS Continues to Expand Taxpayer Services; Adds New Features to Taxpayers Online Account

- Taxpayers who have registered using Secure Access for Get Transcript Online or Get an IP PIN may use their same username and password
- To register for the first time, taxpayers must have their personal and financial information including:
  - Social Security number
  - Specific financial information, such as a credit card number or loan numbers
  - Email address and a text-enabled mobile phone in the user's name

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IRS Continues to Expand Taxpayer Services; Adds New Features to Taxpayers Online Account

- Taxpayers may review the Secure Access process prior to starting registration
- As part of the security process to authenticate taxpayers, the IRS will send verification, activation or security codes via email and text
- The IRS warns taxpayers that it will not initiate contact via text or email asking for log-in information or personal data
- The IRS texts and emails will only contain one-time codes

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### IRS Issues Simplified Procedure for Making a Late Portability Election

- IRS has just made it easier and much less costly to file a late Form 706 to elect portability
- Effective June 9, 2017, Rev. Proc. 2017-34, creates a simplified method for making a late portability election, as long as the estate was only required to file Form 706 for the purpose of electing portability
- This is a great benefit to the many executors (and their practitioners) who may miss this deadline

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### Background

- Decedent's dying in 2017 can transfer (during their lifetime and/or at death) up to \$5.49 million without federal estate or gift tax liability
- This is called the "basic exclusion" amount
- The American Taxpayer Relief Act of 2012 made permanent a "portability election," which allows the estate of a decedent survived by a spouse to elect to transfer the deceased spouse's unused exclusion amount (DSUE) to the surviving spouse

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### Background

- If the estate elects portability, the estate of the surviving spouse (at his or her death) can apply the DSUE of the surviving spouse's last deceased spouse to the surviving spouse's transfers
- In other words, portability ensures that a married couple can take full advantage of each spouse's basic exclusion amount, without the requirement of special trusts or other estate planning techniques

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Rev. Proc. 2017-34

- The difficulty is that portability must be elected on a timely filed Form 706 (Estate Tax Return)
- This means that the Form 706 must be filed within 9 months after the decedent's death or by the last day of the period covered by a timely-filed extension request
- This doesn't always happen
- In 2014, IRS granted a simplified procedure for requesting an extension to elect portability by issuing Rev. Proc. 2014-18

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Rev. Proc. 2017-34

- This temporary relief, however, expired at the end of 2014
- Since then, the only option for relief available to an executor who missed the portability election deadline was to seek a private letter ruling
- Although IRS seemed to freely grant many extensions requested via private letter ruling, the estate had the burden and significant expense of the PLR procedure, and the IRS had the burden of processing all of the requests

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Rev. Proc. 2017-34

- Enter Rev. Proc. 2017-34
- Under this new procedure, IRS will grant automatic relief under Treas. Reg. § 301.9100-3 and extend the time to elect portability for certain qualified returns

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**The Relief Applies Where:**

- The decedent was a citizen of the U.S. at death, was survived by a spouse, and died after December 31, 2010
- The executor is not required to file an estate tax return under IRC § 6018(a) (based upon value of gross estate)(i.e. executor is only filing the Form 706 to elect portability) AND
- The executor did not file a timely Form 706

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**Rev. Proc. 2017-34**

- If these requirements, are met, the executor must file the complete and properly prepared Form 706 on or before the later of
- (1) January 2, 2018, OR
- (2) the second anniversary of the decedent's date of death
- The Form 706 must state at the top that the return is "FILED PURSUANT TO REV. PROC. 2017-34 TO ELECT PORTABILITY UNDER § 2010(c)(5)(A)"
- If the executor satisfies the above requirements, the Rev. Proc. 2017-34 states that the Form 706 filed by the estate will be considered to have been timely filed under Treas. Reg. § 20.2010-2(a)(1)

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**RPO to Inactivate/Terminate Enrolled Agents Who Haven't Renewed**

- Beginning in June 2017, the Return Preparer Office (RPO) will send letters to enrolled agents whose enrollment status is being inactivated or terminated because of failure to renew

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### June 15, 2017, H.R. 2372

- The House passes two bills dealing with tax credits to purchase health insurance
- H.R. 2372, the "Veterans Equal Treatment Ensures Relief and Access Now Act" (VETERAN Act), amends the premium tax credit under present law to 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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### June 15, 2017, H.R. 2579

- The "Broader Options for Americans Act," amends the definition of a "qualified health plan" under the AHCA provisions relating to the new health insurance coverage credit to include unsubsidized COBRA continuation coverage

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### Senate Progress

- May keep some Obamacare taxes in healthcare overhaul
- Working on consensus to keep some of the ACA's taxes long criticized
- Sense of urgency has increased as Republicans draft a replacement bill to Obamacare before Congress goes on recess on June 30
- One issue that could remain in the Senate bill is the 3.8% net investment income tax on capital gains, dividends and interest
- Let the 40% tax on high cost employer-sponsored health coverage (i.e., the Cadillac tax) and the 2.3 % medical device tax be repealed

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### Remember the House Bill Main Issues

- The individual mandate would be repealed
- The premium tax credit would be repealed, but not until 2020
- The employer mandate would be repealed
- The 3.8% tax on net investment income would be repealed, as well as the 0.09% Medicare tax on wages
- The medical deduction haircut would be reduced from 10% of AGI back to 7.5%
- The \$2,500 cap on flexible spending accounts would be eliminated

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### New Phone Scam

- The Internal Revenue Service today warned people to beware of a new scam linked to the Electronic Federal Tax Payment System (EFTPS), where fraudsters call to demand an immediate tax payment through a prepaid debit card
- This scam is being reported across the country, so taxpayers should be alert to the details

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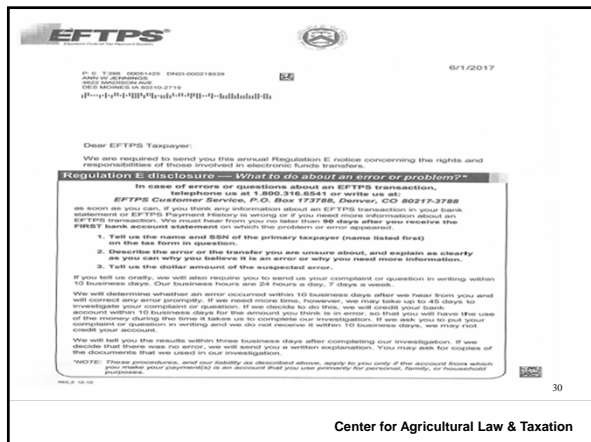
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**EFTPS**  
Electronic Federal Tax Payment System

P.O. Box 8001425, 8002-0001-1000  
4515 MacArthur Ave.  
Cincinnati, OH 45210-2713  
1-800-316-5544

6/1/2017

Dear EFTPS Taxpayer:

We are required to send you this annual Regulation E notice concerning the rights and responsibilities of those involved in electronic funds transfers.

**Regulation E Disclosure: What to do in case of error or problem?**

In case of errors or questions about an EFTPS transaction, telephone us at 1-800-316-5544 or write us at EFTPS Customer Service, P.O. Box 175786, Denver, CO 80217-3786 as soon as you can, if you think any information about an EFTPS transaction in your bank account or EFTPS statement is wrong or if you need more information about an EFTPS transaction. We must hear from you no later than 60 days after you receive the FIRST bank account statement on which the problem or error appeared.

1. Tell us the name and title of the primary taxpayer (name listed first) on the EFTPS in question.
2. Describe the error or the transfer you are unsure about, and explain as clearly as you can why you believe it is an error or why you need more information.
3. Tell us the dollar amount of the suspected error.

If you tell us orally, we will also require you to send us your complaint or question in writing within 10 business days. Our business hours are 24 hours a day, 7 days a week.

We will determine whether an error occurred within 10 business days after we hear from you and will correct any error promptly. If we need more time, we may have to be able to investigate your complaint or question. If we decide to do this, we will credit your bank account within 10 business days for the amount you think is in error, so that you will have the use of the money during the time it takes us to complete our investigation. If we ask you to put your complaint or question in writing and we do not receive it within 10 business days, we may find your account in writing and we do not receive it within 10 business days, we may find your account in writing.

We will tell you the results within three business days after completing our investigation. If we decide that there was no error, we will send you a written explanation. You may ask for copies of the documents that we used in our investigation.

**NOTE:** These procedures, and our liability as described above, apply to you only if the account from which you make your payment(s) is an account that you use primarily for personal, family, or household purposes.

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**Scam**

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0180917 Mail

Tax Notification #5693889

U.S. Tax Court <qcjgqp@adelacastillo.com>

Thu 6/15/2017 8:39 PM

To: .....

U.S. Tax Court evi5693889

We inform you that you are a suspect of violating of the Federal law under "Title 26 USC § 7201 - Attempt to evade or defeat tax".

The case hearing will happen on 06/17 at 1:30PM in courtroom 6B, Case number is 238-157646.

In case you or your representative are not able to attend to the court on the mentioned day, please inform us by sending a respond to current email with the specified reason. The response has to be sent not later than 10 workdays before the day of hearing.

List of documents to provide and further information can be found in an attached file.

[Download Notification](#)

Andrew Michalek,  
Chief Secretary, Prosecutor,  
405 Second Street, N.W., Washington, DC 20017

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**Child and Dependent Care Credit**

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- Expenses may be taken as a credit under § 21 only in the tax year the services are performed or the tax year the expenses are paid, whichever is later (Reg. §1.21-1(a)(3))
- Thus, a taxpayer who had work-related expenses in the preceding tax year that he or she paid in the current tax year may be able to increase the credit on their current year return
- The taxpayer should attach a statement to their current-year return showing how he or she figured the additional amount from the preceding year

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**Child and Dependent Care Credit**

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- Then enter "CPYE" (Credit for Prior Year Expenses) and the amount of the credit on the dotted line next to line 9 on Form 2441
- The taxpayer should also enter the name and taxpayer identification number of the person for whom the taxpayer paid the prior year's expenses
- The taxpayer should then add this credit to the amount on line 9, and replace the amount on line 9 with the total

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**Sample Statement  
From Parker Tax Pro Library**

- Statement Regarding Child Care Credit for Prior Year Expenses
- Name: [Name of taxpayer]
- Taxpayer identification number: [TIN]

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**Sample Statement  
From Parker Tax Pro Library**

- On my return for the tax year ending [last day of current tax year], I am claiming a tax credit of [amount of credit] under § 21 for expenses I paid during that tax year for the care my[child/dependent] to enable me to [work/look for work]
- The claimed credit is attributable in part to amounts I incurred in the tax year ending [last day of prior tax year] and paid in the tax year ending [last day of current tax year]
- Of the total credit amount, [amount] is attributable to work-related expenses I incurred and paid in the tax year ending [last day of current tax year]; [amount] is attributable to work-related expenses I incurred in the tax year ending [last day of prior tax year] and paid in the tax year ending [last day of current tax year]
- These amounts were computed as follows: [computation of amount attributable to current-year and prior-year expenses]

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**The Scoop – Upcoming Dates**

- July 5
- July 19
- August 2
- August 16
- August 30
- September 13
- October 4
- October 18
- November 1
- 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: 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 7<sup>th</sup>
- Form 1099 Preparation July 13
- Tax Basis for Farmers July 24
- Reconstructing Records for Tax Compliance August 17
- Uber/Lyft Drivers and Business Expenses August 22
- Tax Reform and New Law Update October 17
- New Partnership Audit Rules October 19

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**Iowa Taxpayer Advocate**

- 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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