The Scoop
May 3, 2017

Agenda
- Basics of Trump’s tax Plan
- Filing Season stats
- Problem with CP 575 EIN Assignment Letter
- Information Reporting Program Advisory Committee
- Rev Proc 2017-30
- IRS Provides Tips on Determining If It’s Really The IRS At Your Door
- New Correspondence Audit On Its Way
- Practitioner Priority Service – what numbers to push
- American Health Care Act – overview and the proposed amendments
- Information from the Kaiser Family Foundation
- Arrests in ID Theft Rings
- Federal Trade Commission ID Theft Reporting

Trump Tax Plan – Key Components
- Reduce the number of tax brackets to three from seven
- Rates of 10 percent, 25 percent and 35 percent
- It would double the standard deduction for married couples to $24,000
- Keeping deductions for charitable giving and mortgage interest payments
- The administration plans to provide tax relief for families with child care expenses
<table>
<thead>
<tr>
<th>Trump Tax Plan – Key Components</th>
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<tr>
<td>• Trim other deductions utilized by wealthier Americans</td>
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<td>• Including deductions for state and local tax payments, a change that could alienate support from lawmakers in states such as California and New York with higher state taxes</td>
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<td>• Simplifying the tax code and helping middle class Americans</td>
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<td>• Eliminate alternative minimum tax, which takes an additional bite out of high-income taxpayers</td>
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<td>• Repeal the estate tax</td>
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<td>• Repeal the 3.8 percent tax on investment income</td>
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<td>• Corporate top marginal tax rate would fall from 35 percent to 15 percent</td>
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<td>• Small businesses that account for their owners' personal incomes would see their top tax rate go from 39.6 percent to the proposed corporate tax rate of 15 percent</td>
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<td>• Ensure wealthier Americans could not exploit the change to pay less than intentioned in taxes</td>
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<td>• A one-time repatriation tax/territorial tax</td>
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<td>• Allow companies to bring back money from overseas to the US with a slightly lower, one-time tax</td>
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<td>• 2017 Tax Reform for Economic Growth and American Jobs</td>
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<td>• One page summary on plan – no details</td>
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| • Trump's Treasury secretary said, "this plan would seek to simplify the tax code by allowing people to fill out their taxes on a "large postcard"
Filing Season

- Received 135.6 million returns this year following a late surge of filings the week ending with April 18 deadline
- During the week ending April 21, the IRS received more than 17 million tax returns
- The vast majority, 13.6 million returns, were filed through IRS e-file
- Taxpayers have filed 11.6 million extension forms this filing season, up 0.9 percent compared to the same time last year
- The vast majority of extensions were e-filed, 9.7 million, an increase of 11 percent from the same time last year

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<th>2017 FILING SEASON STATISTICS</th>
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<td>Cumulative statistics comparing 04/22/2016 and 04/21/2017</td>
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<td>Individual Income Tax Returns:</td>
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<td>Total Returns Received</td>
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<td>Total Returns Processed</td>
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E-filing Receipts:
- TOTAL | 122,548,000 | 122,634,000 | 0.3 |
- Tax Professionals | 70,846,000 | 70,411,000 | -0.3 |
- Self-prepared | 51,692,000 | 52,223,000 | 0.2 |

Web Usage:
- IRS.gov: 325,526,548 | 312,250,000 | -4.1 |

Total Refunds:
- Number | 61,221,000 | 61,646,000 | 0.7 |
- Amount | $203,107 Billion | $203,296 Billion | 0.1%
- Average refund | $2,741 | $2,763 | 0.8%

Direct Deposit Refunds:
- Number | 61,221,000 | 61,646,000 | 0.7 |
- Amount | $234,205 Billion | $235,410 Billion | 0.5%
- Average refund | $3,884 | $4,032 | 3.6%

Notice CP 575

- If you have recently applied for a Federal Identification Number, some of the return due dates are wrong on the assignment notice of the EIN the client will receive
- Due to a change in return due dates for Partnerships and certain Corporations, the CP575 notice may be incorrect for tax periods ending after 12/31/2015
- When you apply for a client or the client brings in the CP 575 please review for accuracy
IRS Seeks Applications for Information Reporting Program Advisory Committee

• The Internal Revenue Service is requesting membership nominations for the Information Reporting Program Advisory Committee (IRPAC)
• The committee provides recommendations to the IRS on various tax administration issues
• Members are appointed to three-year terms, but terms are staggered so that approximately one-third of the committee membership changes each year
• Nominations are currently being accepted for up to seven appointments that will begin in January 2018

IRS Seeks Applications for Information Reporting Program Advisory Committee

• The deadline for submitting applications is May 21, 2017
• Members represent the taxpaying public, tax professional community, small and large businesses, colleges and universities, state tax administrations, banks, insurance companies, foreign financial institutions, and the software and payroll industries
• IRPAC presents a report to the IRS Commissioner at a public meeting each fall that includes recommendations to improve the information reporting program
IRS Seeks Applications for Information Reporting Program Advisory Committee

- Anyone interested in becoming a member of IRPAC may self-nominate or be nominated by a professional organization
- All nominees must complete an application
- Questions about the nomination process may be sent to publicliaison@irs.gov
- Application:

Form 12339-B - Application

Form 13775 Tax Check Waiver
Rev Proc 2017-30

- IRS issues updated list of automatic accounting changes
- Under § 446(e), taxpayers must obtain IRS’s consent before changing a method of accounting for federal income tax purposes
- In most cases, a taxpayer that wishes to change its method of accounting must apply and secure the prior consent of IRS
- For some accounting method changes, IRS provides an automatic procedure for obtaining its consent to the change
- Automatic consent procedures are only available for certain kinds of changes
- In general, a taxpayer uses Form 3115 (Application for Change in Accounting Method) for an accounting method change

Form 3115 – Significant Changes

- The procedures relating to partial dispositions of tangible depreciable assets to which an IRS adjustment pertains are modified to provide that they do not apply to any partial disposition election specified in Reg. § 1.168(i)-4(d)(2)(i) that is not made pursuant to Reg. § 1.168(i)-8(d)(2)(ii)
- The procedures relating to start-up expenditures are modified to include a change in the amortization period of a start-up expenditure to 180 months
- The procedures relating to changes for tangible property are modified to provide that they do not apply to amounts paid or incurred for repair and maintenance costs that the taxpayer is changing from capitalizing to deducting and for which the taxpayer has received a payment for specified energy property in lieu of tax credits

Form 3115 – Significant Changes

- The procedures relating to impermissible methods of identification and valuation of inventory are modified to clarify that:
  - (i) a taxpayer can make a change under those procedures if the taxpayer is changing from an impermissible method of identifying or valuing inventories under § 471, and/or an impermissible method described in Reg. § 1.471-2(f)(1) through Reg. § 1.471-2(f)(5)
  - (ii) a taxpayer cannot make a change under those procedures to allocate costs to inventory under § 471 or § 263; and
  - (iii) a taxpayer cannot make a change under those procedures if the taxpayer is “currently deducting inventories”
Form 3115 – Significant Changes

- The procedures relating to permissible methods of identification and valuation of inventory are modified to clarify that a taxpayer cannot make a change under those procedures to allocate costs to inventory under § 471 or § 263A
- The procedures relating to a taxpayer changing its method of accounting from the mark-to-market method of accounting described in § 475 to a realization method of accounting are modified to clarify that a change under those procedures is not limited to a change required by § 475

IRS Provides Tips on Determining If It's Really The IRS At Your Door

- The Internal Revenue Service has created a special new page on IRS.gov to help taxpayers determine if a person visiting their home or place of business claiming to be from the IRS is legitimate or an imposter
- IRS employees do make official, sometimes unannounced, visits to taxpayers as part of their routine casework

Visits typically fall into three categories:

- IRS revenue officers will sometimes make unannounced visits to a taxpayer's home or place of business to discuss taxes owed or tax returns due
  - Revenue officers are IRS civil enforcement employees whose role involves education, investigation, and when necessary, appropriate enforcement
- IRS revenue agents will sometimes visit a taxpayer who is being audited
  - That taxpayer would have first been notified by mail about the audit and set an agreed-upon appointment time with the revenue agent
  - Also, after mailing an initial appointment letter to a taxpayer, an auditor may call to confirm and discuss items pertaining to the scheduled audit appointment
Final Category

- IRS criminal investigators may visit a taxpayer’s home or place of business unannounced while conducting an investigation
- However, these are federal law enforcement agents, and they will not demand any sort of payment
- Criminal investigators also carry law enforcement credentials, including a badge
- If an IRS representative visits the taxpayer, he or she will always provide two forms of official credentials called a pocket commission and a HSPD-12 card
- HSPD-12 is a government-wide standard for secure and reliable forms of identification for Federal employees and contractors
- Taxpayers have the right to see these credentials
- [https://www.irs.gov/uac/newsroom/how-to-know-it-s-really-the-irs-calling-or-knocking-on-your-door](https://www.irs.gov/uac/newsroom/how-to-know-it-s-really-the-irs-calling-or-knocking-on-your-door)

New Correspondence Audit On Its Way

- The Taxpayer Digital Communication Secure Messaging pilot program has started with SB/SE Schedule A examinations
- It will test the use of secure messaging to replace paper and phone correspondence between taxpayers and tax examiners beginning with Schedule A correspondence examinations and expanding to other issues going forward
- The pilot is being conducted out of the Philadelphia Correspondence Examination Operation
- This Secure Messaging pilot program is by invitation only
- Taxpayers and their POAs can participate only if the client receives a marketing insert saying they are eligible
- Details to participate will be found in the invitation
Practitioner Priority Service

- For general tax law questions, including filing a return or tax rules and regulations, press or say 1
- For questions about individual accounts that are not in collection or examination status, press or say 2
- For questions about business accounts that are not in collection or examination status, press or say 3
- If your client's account is in Automated Collection System status, ACS, press or say 4
- For questions about an Automated Under-Reporter Notice, AUR, that your client received, press or say 5
- If your client's account is under Correspondence Examination, press or say 6
- To hear these options again, press or say 9

American Health Care Act – In a Nutshell

- Dismantles the Obamacare
- Eliminates the individual and employer mandate penalties
- Prohibits health insurers from denying coverage or charging more money to patients based on pre-existing conditions
- Helps young adults access health insurance and stabilize the marketplace by allowing dependents to continue staying on their parents' plan until they are 26
- Establishes a Patient and State Stability Fund
- Modernizes and strengthens Medicaid
- Empowers individuals and families to spend their health care dollars the way they want and need
- Enhancing and expanding Health Savings Accounts (HSAs)
- Helps Americans access affordable, quality health care by providing a monthly tax credit—between $2,000 and $14,000 a year—for low- and middle-income individuals and families who don't receive insurance through work or a government program

American Health Care Act
American Health Care Act

- Repeal virtually all of the Affordable Care Act (ACA, or Obamacare) including the following tax provisions:
  - The individual mandate making the penalty amounts zero, effective for months beginning after Dec. 31, 2015
  - The employer mandate reducing the penalty amounts to zero, effective for months beginning after Dec. 31, 2015

- The premium tax credit/cost sharing subsidies would be repealed for coverage months that begin after Dec. 31, 2019
- Modify the premium tax credit for 2018-2019
  - (i) removing the repayment limits for excess advance payments effective for tax years beginning after Dec. 31, 2017
  - (ii) modifying the definition of a "qualified health plan" to include "catastrophic-only" plans and certain plans not offered through an Exchange
  - (iii) modifying the applicable percentage tables which determine a taxpayer’s eligibility for the premium tax credit
  - (iv) replace tax credits with tax subsidies
American Health Care Act

• Retain private market rules
  • Pre-existing condition retained
  • Prohibit discriminatory premiums
  • Dependent coverage to age 26
  • Annual enrollment periods
  • More power granted to states
  • Late enrollment penalty on individuals who do not stay covered
  • Encourage and raise limits on Health Savings Accounts

American Health Care Act

• Increased contribution limits for:
  • HSA effective for tax years beginning after Dec. 31, 2017
    • Currently $2,250 as adjusted for inflation ($3,400 for 2017) for self-only coverage and $4,500 as adjusted for inflation ($6,750 for 2017) for family coverage
    • Under AHCA, they would be at least $6,650 for self-only and $13,100 for family coverage beginning in 2018 – could be adjusted for inflation by then

American Health Care Act

• Catch-up contributions by both spouses
  • Amend the code to allow both spouses to make “catch-up contributions” to the same HSA, effective for tax years beginning after Dec. 31, 2017
  • Pre-HSA medical expenses
    • Amend to provide a special rule under which, if an HSA is established within 60 days of the date that certain medical expenses are incurred, it would be treated as having been in place for purposes of determining if the expense is a “qualifying medical expense”
  • Effective for coverage beginning after Dec. 31, 2017
American Health Care Act

- State option to require work as a condition of certain Medicaid recipient
- Additional creation of high risk pools

American Health Care Act

- The 3.8% net investment income tax (NIIT) effective for tax years beginning after Dec. 31, 2017 - repeal
- The 0.9% additional Medicare tax after, and tax years beginning after, Dec. 31, 2017 - repeal
- The higher floor for medical expense deductions repeal and replace with the 7.5% floor
- Extend the relief which delayed the 10% floor if the taxpayer or the taxpayer’s spouse is 65 before the end of the tax year, to apply to tax years beginning after Dec. 31, 2016

American Health Care Act

- The small employer health insurance credit effective for amounts paid or incurred in tax years after Dec. 31, 2019
  - For tax years beginning after Dec. 31, 2017 and up to the credit’s repeal, the credit would not be available with respect to a qualified health plan that provides coverage relating to elective abortions
- The limitation on health Flexible Spending Account (FSA) contributions, for tax years beginning after Dec. 31, 2017
American Health Care Act

- Repeal the “Cadillac” tax on high cost employer-sponsored health plans would not apply to any tax period beginning after Dec. 31, 2019 and before Jan. 1, 2025.
  - The Cadillac tax is currently scheduled to go into effect for tax years beginning after Dec. 31, 2019
  - The AHCA doesn’t repeal it, but instead further delays its effective date

American Health Care Act

- The exclusion from “qualified medical expenses” of over-the-counter medications for purposes of Health Savings Accounts, Archer Medical Savings Accounts, Health Flexible Spending Arrangements (Health FSAs) and Health Reimbursement Arrangements effective for amounts paid, and expenses incurred, with respect to tax years beginning after Dec. 31, 2017

American Health Care Act

- The ACA’s increase to the additional tax on HSAs and Archer MSAs for distributions not used for qualified medical expenses, effective for distributions made after Dec. 31, 2017
  - The percentages would be reduced from 20% to 10% and 15%, respectively
  - The 10% tanning tax effective for services performed after Dec. 31, 2017
As of January 2017, 32 states including the District of Columbia implemented the ACA Medicaid expansion to adults. This expansion extended Medicaid eligibility to many adults who were previously excluded from Medicaid. In 2015, about 14 million Medicaid enrollees were adults in the expansion group. This group includes those who were made newly eligible by the ACA Medicaid expansion as well as a smaller group of enrollees who were eligible for Medicaid through pre-ACA eligibility pathways. The expansion group accounts for 18% of all Medicaid enrollees. Since 2015, this number has likely grown as enrollment has continued to increase and additional states have expanded, including Louisiana and Montana.
Nearly four decades of experience with high-risk pools suggests they have the potential to provide health coverage to a substantial number of people with pre-existing conditions. State high-risk pools that existed prior to passage of the ACA covered over 200,000 people at their peak, and the temporary Pre-existing Condition Insurance Program (PCIP) pool created as part of the ACA covered over 100,000 individuals. These high-risk pools likely covered just a fraction of the number of people with pre-existing conditions who lacked insurance, due in part to design features that limited enrollment.

PCIP had fewer barriers to enrollment – charging standard premiums with no pre-existing condition exclusions – but it did restrict signups to people who had been uninsured for a least six months. Even with these limitations, the government subsidies required to cover losses in these high-risk pools were substantial – over $1 billion per year in the state pools and about $2 billion in the final year of PCIP. A high-risk pool with minimal barriers to enrollment could cost substantially more.
Arrests Made in IRS Phone Scam

- On April 8, 2017, police in Mumbai, India, arrested 24-year-old Sagar ‘Shaggy’ Thakker, who is alleged to be the mastermind behind Mumbai call centers that scammed millions from U.S. taxpayers.
- Charges included conspiracy to commit identity theft, impersonation of an officer of the United States, wire fraud, and money laundering.
- A Mumbai newspaper reported that Thakkar’s call centers were also involved with banking, pharmacy, grant, and other scams.
- Thakkar is alleged to have personally made over $155,000 a day, or over $1 million per week during the peak of the scam.
- The Department of Justice, the IRS, and the Department of Homeland Security has also announced the arrest of 20 individuals in the United States in connection with these phone scams.
- The U.S. said that it would be seeking extradition of individuals from India involved with the phone scams.

Additional Arrests Announced

- J. Russell George, Treasury Inspector General for Tax Administration (TIGTA), announced the arrests of eight individuals based upon indictments that charged eleven individuals who were allegedly involved in schemes to impersonate Internal Revenue Service (IRS) agents in order to obtain money from victims by falsely representing that the victims owed back taxes or other fees.
- Two of the eleven individuals were charged in an indictment for their fraudulent conduct last year.
- According to the court documents, the suspects are responsible for almost $8.8 million in schemes that defrauded more than 7,000 victims.

Additional Arrests Announced

- Over the past three years, this scam has resulted in reported taxpayer losses of more than $55 million,” the Inspector General said.
Additional Arrests Announced

- The eight individuals arrested are: Yosvany Padilla, Elio Carballo Cruz, Esequiel Bravo Diaz, Ricardo Fontanella Caballero, Alejandro Valdes, Angel Chapotin Carrillo, Alfredo Echevarria Rios, and Joel Leon Pando
- The criminal indictments were filed with the following courts: the U.S. District Court for the Eastern District of Arkansas on April 4, 2017; and on April 19, 2017, in the U.S. District Court for the Northern District of Mississippi (Joel Leon Pando)
- Two other individuals, Dennis Delgado Caballero and Jeniffer Valerino Nunez, were previously arrested in May of 2016 based upon Criminal Complaints that were filed in the Eastern District of Arkansas
- One suspect, Lazaro Hernandez Filetas, remains at large


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