



Washington Tax Brief

June 5, 2019

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About the Washington Tax Brief

Webcast series to update you on:

- The regulatory and political environment for tax issues
- AICPA's advocacy efforts to:
 - protect your professional interests
 - support sound tax policy
 - promote effective tax administration
- Open to all AICPA members
- Open to all state society staff and committee members



Today's Presenters



Eileen Sherr, CPA, CGMA, MT
Senior Manager
AICPA Tax Policy & Advocacy



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Senior Manager
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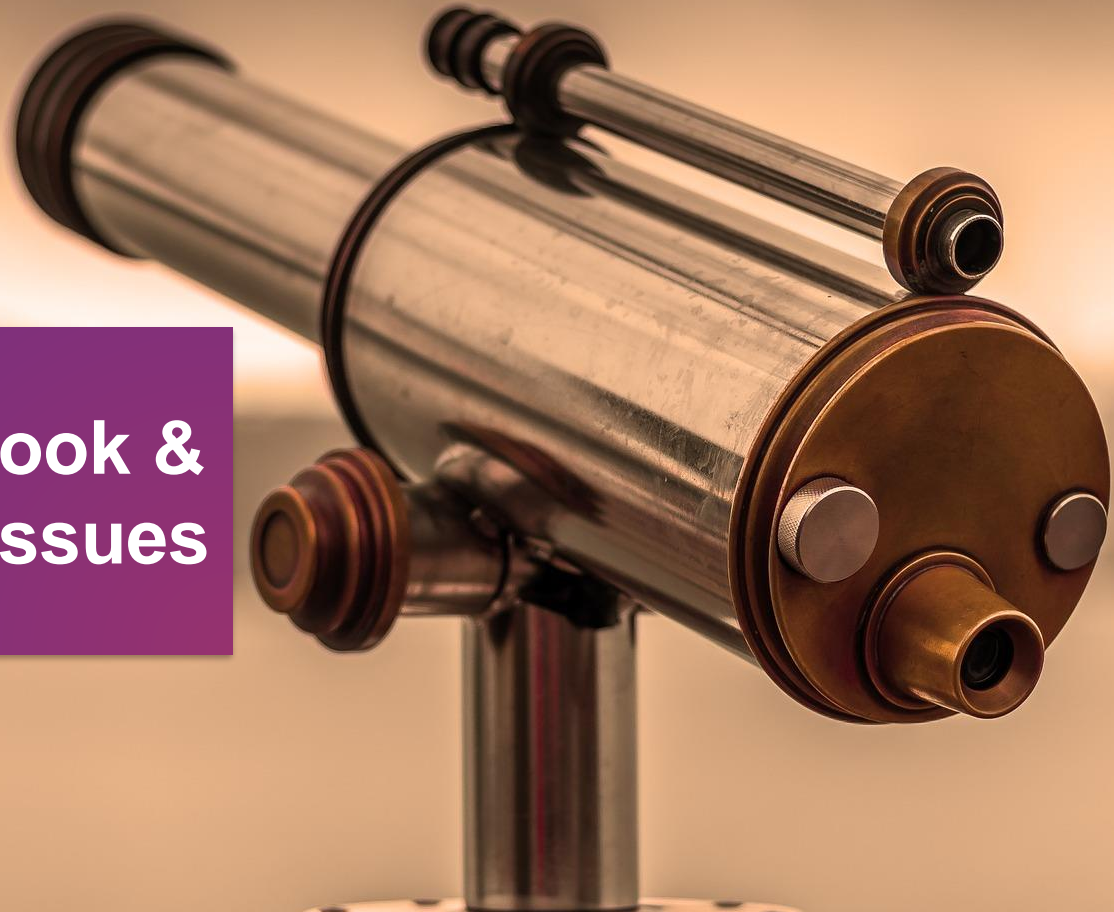


Rachel Dresen
Director
Congressional & Political Affairs

Today's Agenda

- 1** Legislative update and outlook
- 2** AICPA Council legislative issues
- 3** Tax reform guidance
- 4** Other hot topics
- 5** Q & A

Legislative Outlook & AICPA Council Issues



Extenders

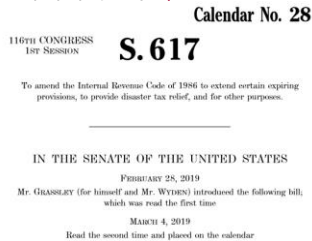
Bipartisan SFC leadership bill to retroactively extend through 2019 - 29 tax provisions that expired in 2018 and 2019.

Provisions Expired in 2018

- **Energy** - credit for nonbusiness energy property, credit for alternative fuel vehicle, biodiesel and renewable diesel incentives.
- **Residence** - exclusion from gross income of discharge of qualified principal residence indebtedness, mortgage insurance premiums treated as qualified residence interest.
- **Other** - Above-the-line deduction for qualified tuition and related expenses.

Provisions Expired in 2019

- Temporary reduction in **medical expense** deduction floor to 7.5%





January 2, 2019

Tax Technical and Clerical Corrections Act
Discussion Draft

**GENERAL EXPLANATION OF
PUBLIC LAW 115-97**

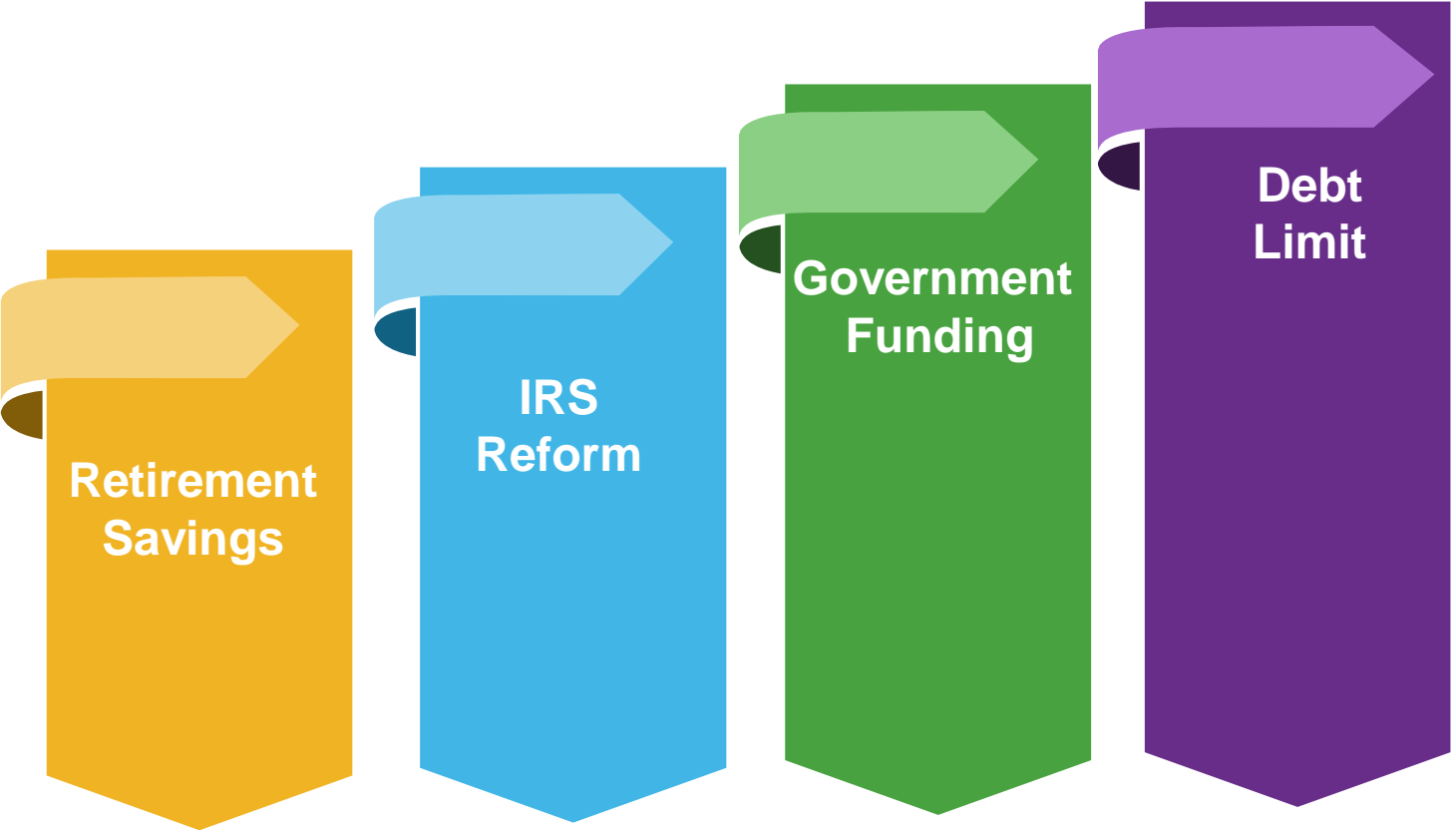
PREPARED BY THE STAFF
OF THE
JOINT COMMITTEE ON TAXATION

APPENDIX: TECHNICAL EXPLANATION OF MODIFICATION OF DEDUCTION FOR QUALIFIED BUSINESS INCOME OF A COOPERATIVE AND ITS PATRONS (ENACTED MARCH 23, 2018, PUB. L. NO. 115-141)

Technical Corrections

- Retail glitch - fix qualified improvement property (QIP) fix from 39 to 15 years.
- Fix prohibition on deducting legal fees by plaintiffs of sexual harassment claims.
- House Ways and Means Committee hearings possible.
- AICPA submitted recommendations for technical corrections.
- Brady discussion draft in House in prior Congress to fix 37 provisions.
- JCT - possible 70 provisions may need technical corrections.

Legislative Outlook - Other Possible Bills





AICPA COUNCIL ISSUES

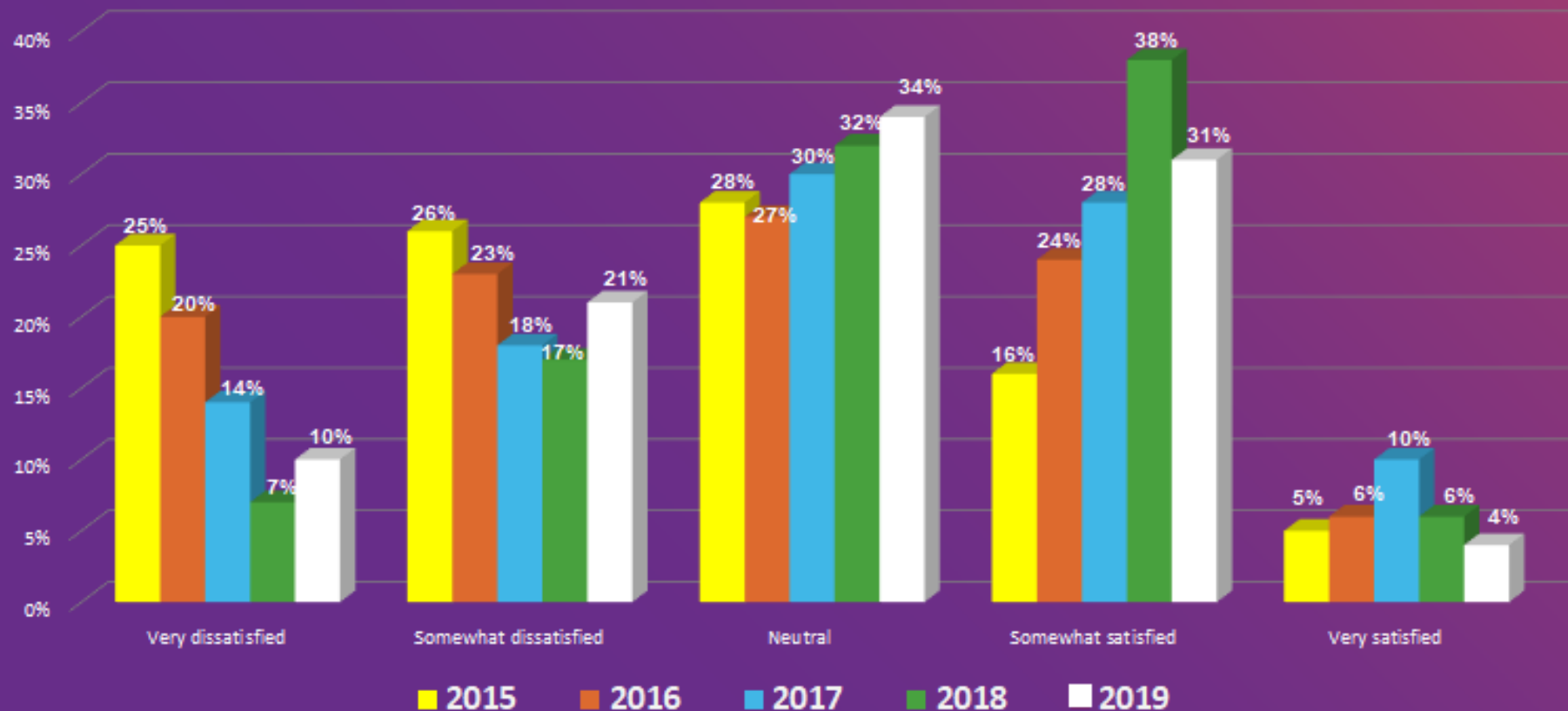
1. Modernizing the IRS with Practitioners Services Division
2. IRS Disaster Relief
3. Taxation of the Digital Economy

Practitioner Services Division

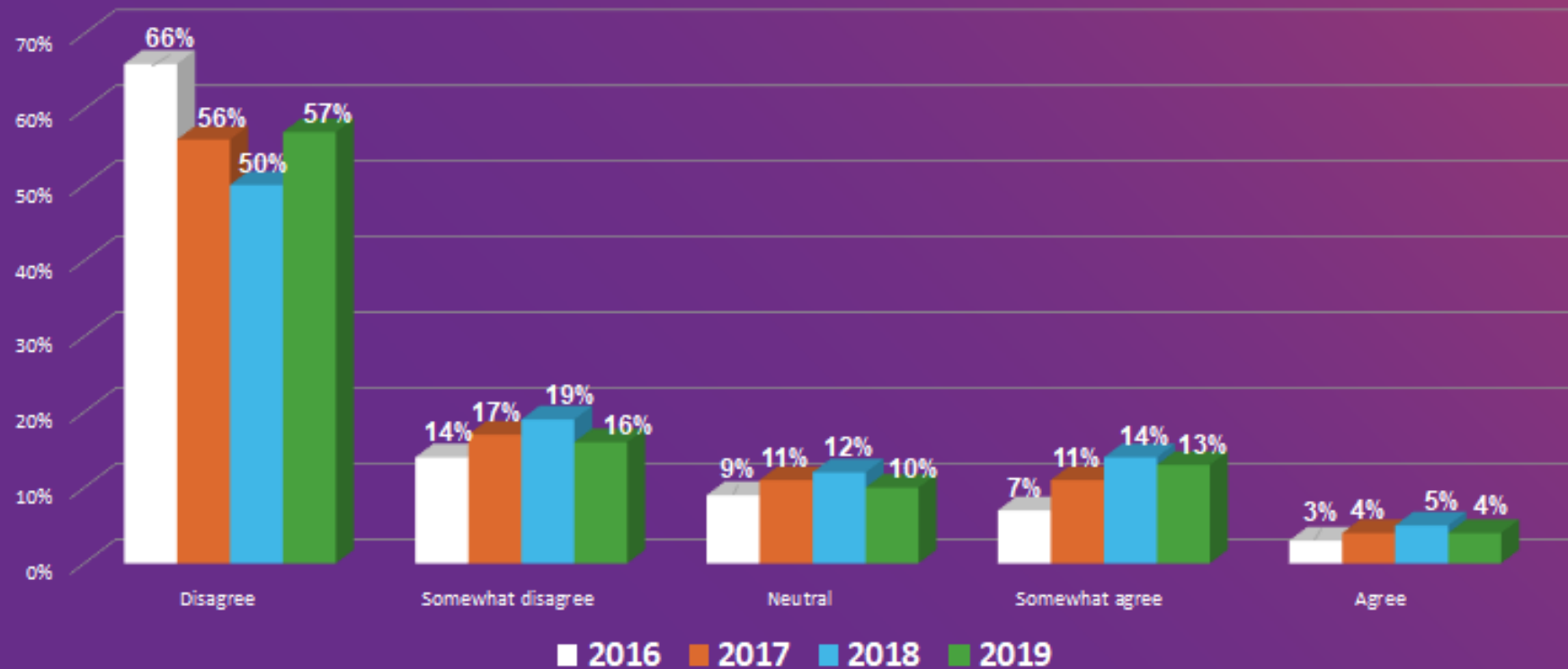
- Enhances and centrally manages the practitioner-impacting programs
- Provides a secure portal for tax practitioners to access all clients' information
- Increases the effectiveness of tax practitioner support lines
- Minimizes the duplication of services



Overall satisfaction with the quality of taxpayer services from the IRS



Is the IRS currently a “modern-functioning, evolutionary and respected federal agency for the 21st century”?





IRS Modernization Plan

- On April 18th, the IRS released its Integrated Modernization Business Plan
- The plan focuses on:
 - taxpayer experience and services
 - enforcement
 - modernized IRS operations
- Strategic goal to “collaborate with external partners proactively to improve tax administration”

IRS Disaster Relief

IRS Tax
Extensions



FEMA

Limited to
"Federally-
Declared"
Disasters



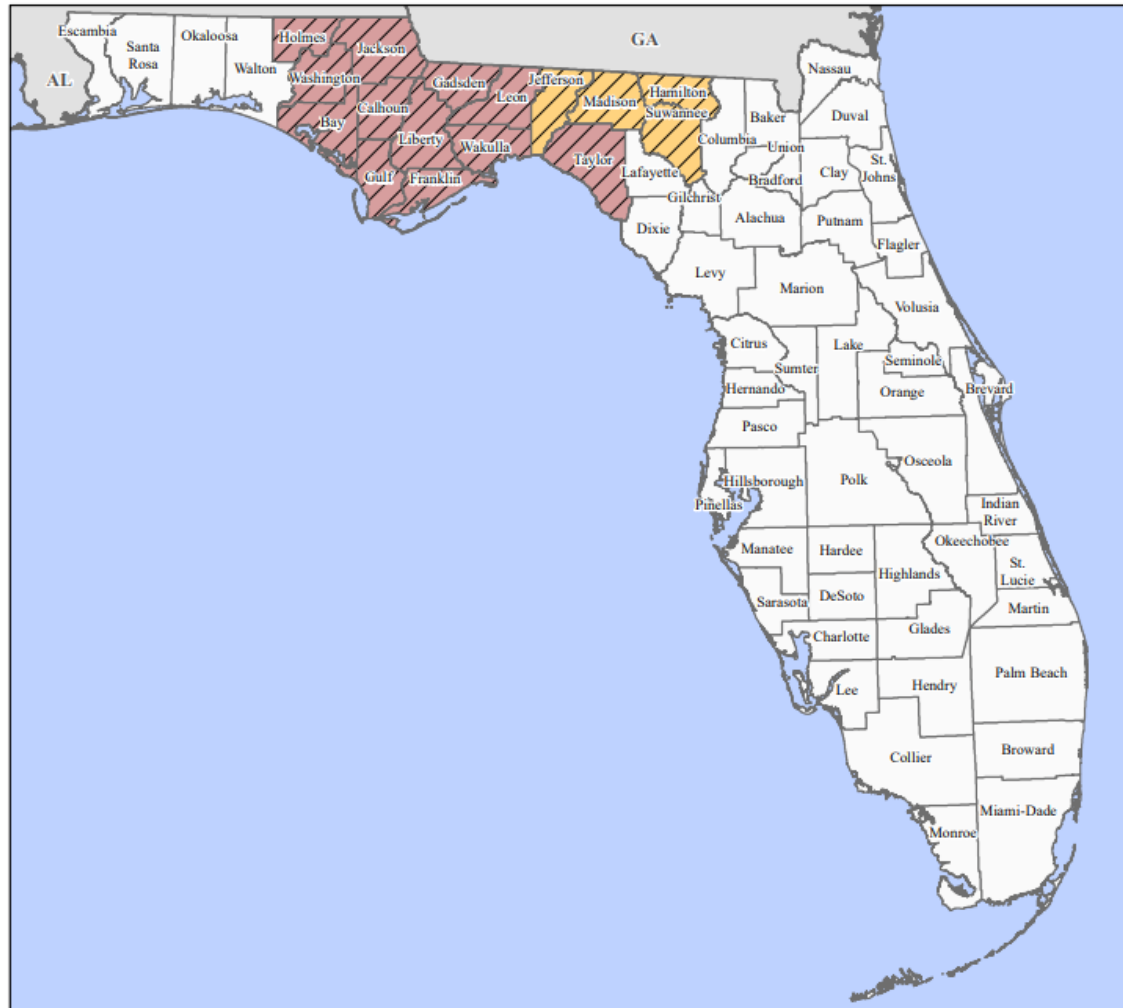
Penalties



FEMA-4399-DR, Florida Disaster Declaration as of 10/16/2018



FEMA



Data Layer/Map Description:
The types of assistance that have been designated for selected areas in the State of Florida.

All designated areas in the State of Florida are eligible to apply for assistance under the Hazard Mitigation Grant Program.

- Designated Counties**
- No Designation
 - Public Assistance (Categories A and B)
 - Individual Assistance and Public Assistance (Categories A and B)



Data Sources:
FEMA, ESRI;
Initial Declaration: 10/11/2018
Disaster Federal Registry Notice:
Amendment #3: 10/16/2018
Datum: North American 1983
Projection: Lambert Conformal Conic

Tax Disaster Relief

Filing Relief for Natural Disasters Act

H.R. 2976 – Judy Chu (D-CA) & John Katko (R-NY)

S. 1677 – David Purdue (R-GA) & Catherine Cortez Masto (D-NV)

Trigger: Official state
declared disaster declaration

Authority to issue tax deadline extensions





Current Environment

The Organisation for Economic Co-operation and Development (OECD) plans to develop a global consensus solution by 2020

AICPA is actively engaged

Taxation of the Digitalized Economy

Association Comments on OECD Public Consultation

Association concerns that unilateral, cross-border taxation actions can lead to:

- Double taxation.
- Business uncertainty and lengthy.
- Expensive controversy for businesses and governments.

Association recommendations:

- Clear, measurable, predictable, and applied consistently & neutrally across all industries, business models, and across all jurisdictions.
- Arm's-length standard flexible, limited exceptions for attributing profits/losses.
- All jurisdictions agree to adopt it and repeal prior unilateral actions.
- All jurisdictions include in treaties to resolve controversies.



Tax Reform
Guidance

UNITED STATES

Internal
Revenue
Service
Building

2019 Tax Return Filing Season

Filing Season Challenges

New record

New tax rules

New IRS forms and software

New withholding tables

New procedures

Continued concerns regarding
workload, IRS taxpayer service,
tax extenders, etc.



Tax Advocacy Success: Estimated Tax Penalty Relief

- Rules prior to relief
 - Estimated payments (withholding & payments) \geq **90%** of 2018 return tax; or 100% of 2017 tax (110% if AGI > \$150,000)
- AICPA supports Taxpayer Penalty Protection Act of 2019 (H.R. 1300)
- AICPA comments and discussions with IRS
- Notice 2019-11 and Notice 2019-25 additional relief
- Estimated payments (withholding & payments) \geq **80% of tax on 2018 return**

OMB No. 1545-0074

2018

Form **2210** Underpayment of Estimated Tax by Individuals, Estates, and Trusts

Department of the Treasury Internal Revenue Service

Go to www.irs.gov/Form2210 for instructions and the latest information.

Attach to Forms 1040, 1040NR, 1040NR-EZ, or 1041

Identifying number

Do You Have To File Form 2210?

Complete lines 1 through 7 below. Is line 7 less than \$1,000?
 No → Don't file Form 2210. You don't owe a penalty.
 Yes → You don't owe a penalty. Don't file Form 2210. But if box E in Part II applies, you must file page 1 of Form 2210.

Complete lines 8 and 9 below. Is line 8 equal to or more than line 9?
 No → You may owe a penalty. Does any box in Part II below apply?
 Yes → You must file Form 2210. Does box B, C, or D in Part II apply?
 No → You aren't required to figure your penalty because the IRS will figure it and send you a bill for any unpaid amount. If you want to figure it, you may use Part III or Part IV as a worksheet and enter your penalty amount on your tax return, but don't file Form 2210.
 Yes → You must figure your penalty.

Don't file Form 2210. You aren't required to figure your penalty because the IRS will figure it and send you a bill for any unpaid amount. If you want to figure it, you may use Part III or Part IV as a worksheet and enter your penalty amount on your tax return, but don't file Form 2210.

You aren't required to figure your penalty because the IRS will figure it and send you a bill for any unpaid amount. If you want to figure it, you may use Part III or Part IV as a worksheet and enter your penalty amount on your tax return, but file only page 1 of Form 2210.

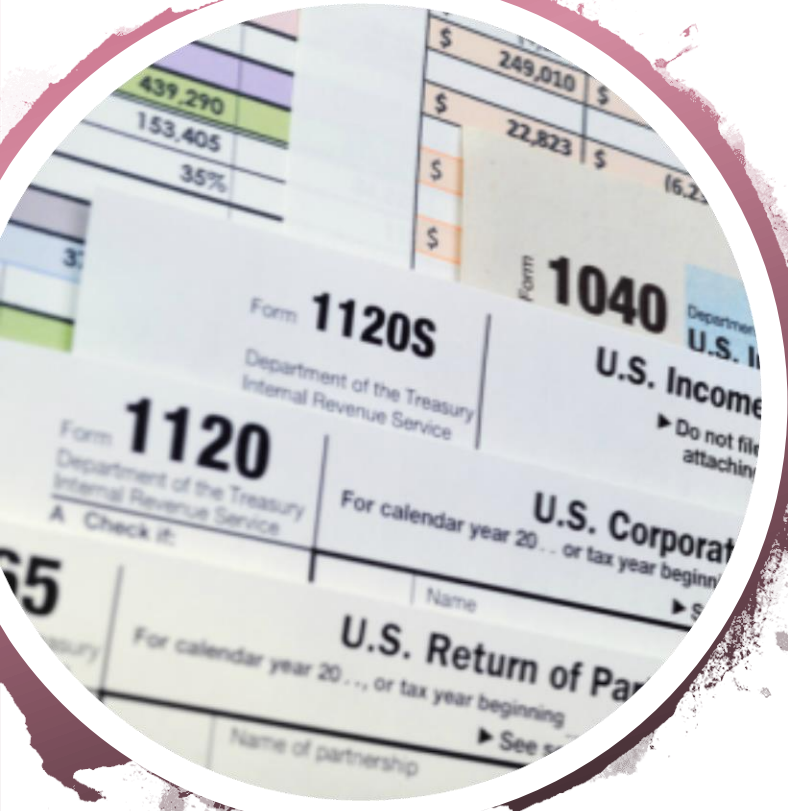
Part I Required Annual Payment

1. Enter your 2018 tax after credits from Form 1040, line 13 (see instructions if not filing Form 1040)	1	
2. Other taxes, including self-employment tax and, if applicable, Additional Medicare Tax and/or Net Investment Income Tax (see instructions)	2	
3. Refundable credits, including the premium tax credit (see instructions)	3	
4. Current year tax. Combine lines 1, 2, and 3. If less than \$1,000, stop; you don't owe a penalty.		

New Draft 2020 Form W-4

Form W-4		Employee's Withholding Allowance Certificate		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		<p>▶ Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay.</p> <p>▶ Give Form W-4 to your employer.</p> <p>▶ Your withholding is subject to review by the IRS.</p>			
				2020	
Step 1: Enter Personal Information	1a First name and middle initial	Last name		1b Social security number	
	Home address (number and street)				
	City or town, state, and ZIP code				
	1c <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly <input type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)				
<p>Complete Steps 2 through 4 if they apply to you; otherwise, skip to Step 5. See instructions on page 2.</p>					
Step 2: Account for Multiple Jobs	<p>Caution: The correct amount of withholding depends on income earned from all jobs in the household. If you:</p> <ul style="list-style-type: none"> • Hold more than one job at a time, or • Are married filing jointly and both you and your spouse work, account for this below or you may owe additional tax when filing your tax return. (If you and/or your spouse have income from self-employment, see page 2.) <p>2 Multiple jobs. Do only one of the following.</p> <ul style="list-style-type: none"> • Use the calculator at www.irs.gov/W4App for most accurate withholding; or • Use Worksheet 1 on page 3 and enter the result on line 4c below for roughly accurate withholding; or • If there are only two jobs in your household, you may check here. Do the same on Form W-4 for the other job. With this option, more tax than necessary may be withheld from your wages, but you generally won't have too little tax withheld ▶ <input type="checkbox"/> 				
<p>Complete lines 3 through 4b on Form W-4 for only one job in the household. (Your withholding will be most accurate if you do this on the Form W-4 for the highest paying job.)</p>					
Step 3: Claim Dependents	<p>3 Dependents. If your income will be \$200,000 or less (\$400,000 or less if married filing jointly) (see instructions):</p> <ul style="list-style-type: none"> • Multiply the number of qualifying children under age 17 by \$2,000 ▶ \$ _____ • Multiply the number of other dependents by \$500 ▶ \$ _____ <p>Add the amounts above and enter the total here ▶</p>			3	\$ _____

IRS TCJA Implementation Activities



- **72 of 119** TCJA impacted provisions need guidance
- **83** guidance items issued, 79 by filing season
 - 3 final & 17 prop. regs, 2 RR, 18 RP, **39** notices
 - 10 of 13 high priority areas (1 no guidance)
- **90** additional guidance items planned, additional guidance planned in 9 high priority areas
- **450** new or revised forms, instructions, & pubs.
- **100** formal and informal sets of guidance (Including proposed regulations, notices, revenue procedures, and FAQs)

AICPA Activities on Tax Reform Implementation

- Submitted over **60** comment letters on TCJA to IRS, Treasury & Congress after enactment
- Provided extensive recommendations
- Testified on important issues
- Held meetings and conversations with IRS and Treasury
- Built coalitions with similar organizations
- Partnered with state CPA societies



Traps for the Unwary: TCJA Changes

- Suspension of the 2% miscellaneous itemized deduction
- State and local taxes limited to \$10,000
- Hobby losses
- Individual alternative minimum tax (AMT)
- Moving expenses
- Entertainment expenses

Small Business in a Modern World



- Expand section 179 to also include intangible assets.
- Further simplify accounting method rules for small businesses.
- Increase the deduction thresholds under sections 195, 248 and 709 and adjust them for inflation.
- Simplify retirement plan options & rules for self-employed individuals.
- Modernize definition of “tax shelter.”

Section 199A Timeline

GOVERNMENT

- **Dec 22, 2017** – TCJA Signed into law.
- **Aug 16, 2018** – Proposed regulations published to Federal Register. (45 day comment period)
- **Feb 8, 2019** – Corrected final regulations & rental real estate safe harbor published to federal register. (60 day comment period)

AICPA

- **Feb 21, 2018** – Submitted recommendations and asked for immediate guidance.
- **March 19, 2018** – Joined 40 National Trade Associations asking for pass-through aggregation of business entities.
- **Oct 1, 2018** – Submitted comments on proposed regulations.
- **Oct 16, 2018** – Testified before IRS.
- **April 9, 2019** – Submitted comments on final regulations and safe harbor notice.



Tax Advocacy Success: Section 199A



- Provides a safe harbor for rental real estate.
- Allows aggregation of multiple trades or businesses at the Relevant Passthrough Entity (RPE) level.
- Removes the 50/80 recharacterization rules.
- Aligns effect of sections 351, 721, and 1031 on unadjusted basis immediately after acquisition (UBIA) of qualified property & depreciable period.
- Removes the incidental rule when a business has a small amount of specified service trade or business (SSTB) income.
- Provides ordering rules to address limitations within sections 465, 469, 704(d), and 1366(d).

Tax Advocacy Success: Tax Transcripts

On Aug. 22, 2018, the IRS announced a change in the format of tax transcripts

- Major redactions - as of September 2018
- End faxing - as of June 28, 2019
- Mail to taxpayer's last known address - as of July 1, 2019 – (ends third party mailing)

AICPA urged the IRS to offer tax preparers immediate access to clients' transcripts through e-Services - practitioners can obtain unmasked wage and income transcripts

- IRS adopted AICPA's approach - for e-services access - March 7, 2019
- [IR-2019-101](#) and [FAQs](#) - 6/4/19 - latest details



**Practitioners
Access to
IRS Tax
Returns and
Transcripts**

- CPAs** can obtain tax transcripts for tax preparation or representation:
- For **unmasked** Wage and Income Transcript:
 - **Call IRS Practitioner Priority Service line.**
 - If already authorization on file, use **e-Services' Transcript Delivery System online** to obtain **masked** or **unmasked** individual transcripts and business transcripts.
 - Obtain a **masked or unmasked** individual transcript or a business transcript by:
 - **Calling the IRS,**
 - **Faxing authorization** to the IRS assistor,
 - IRS assistor will place the document **in the tax practitioner's e-Services** secure mailbox.
 - Request IRS **mail** a transcript **to the taxpayer's** address of record.
-

Taxpayers' and Third Parties' Access to IRS Tax Returns and Transcripts

Individual **taxpayers** can obtain a tax transcript:

- Use IRS.gov or the IRS2Go app to access [Get Transcript Online](#); after verifying their identities, **taxpayers may immediately download** or print their transcript, or
- Use IRS.gov or the IRS2Go app to access [Get Transcript by Mail](#); IRS will **deliver it within 10 days** to the address of record, or
- Call 800-908-9946 for an **automated Get Transcript by Mail** feature,
- Submit **Form 4506-T or 4506T-EZ** to have a transcript **mailed** to address of record.

Third parties can access transcripts through [Income Verification Express Service](#) (IVES).

- Third parties can assign a **Customer File Number** that will populate on the transcript and help match it to the client/student.
-

Parking Fringe Benefits

UBTI is increased by any qualified transportation fringe (QTF) that is nondeductible under section 274(a)(4).

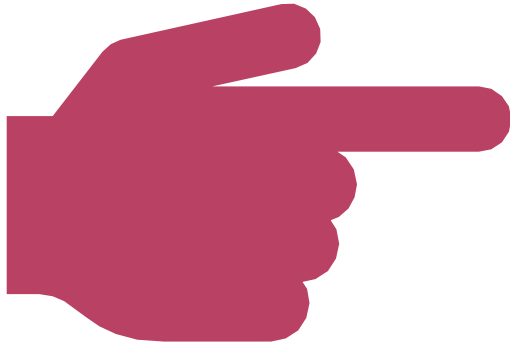
AICPA provided recommendations:

- Definitions for primary use and general public.
- Parking exclusively reserved for employee use.
- Taxpayer pays third party for employee parking.
- Other methods to determine use of parking and related expenses allocable to employee parking.

Limitations on Excess Business Losses of Noncorporate Taxpayers

Taxpayers need additional guidance on section 461(l), including:

- 1. Operating principles
- 2. Definitions related to business income
- 3. Definitions related to business deductions and losses
- 4. Treatment of gains and losses
- 5. Treatment of qualified plans
- 6. Treatment of industry specific issues
- 7. Application to trusts and estates



Estate and Gift Tax Exemption Increase

- IRS issued proposed regulations on the increased basic exclusion amount (BEA).
- AICPA recommends Treasury and IRS provide additional guidance.
- Clarify that the BEA described in section 2010(c)(4)(A) is the BEA at the time of the death of the predeceased spouse.
- Clarify that if the BEA is lower in future years, a taxpayer is allowed a deceased spousal unused exclusion (DSUE) that is not lower than the DSUE on the filed tax return of the first spouse to die (and not a lower BEA when the second spouse dies).



Beneficiary's Deduction of Excess Deductions

- **Notice 2018-61** requested comments on a beneficiary's ability to claim section 642(h) excess deductions on termination of trust or estate.
 - Interest, taxes, fiduciaries' commissions, attorneys' fees, and accountants' fees.
- **AICPA recommendations:**
 - Clarify **not miscellaneous itemized deductions** subject to section 67(g) and are **fully deductible** by beneficiaries.
 - If attributable to section 67(e)(1) expenses, deductible by the beneficiary **in determining the beneficiary's adjusted gross income.**
 - All other section 642(h)(2) excess deductions are deductible by the beneficiary **in determining the beneficiary's taxable income.**
 - Expenses paid in an estate's **fiscal tax year starting before 1/1/18 deductible** by estate as miscellaneous itemized deductions even if expenses paid in 2018.
- **Confusion** exists now.

SCHEDULE A (Form 1041) Itemized Deductions

Department of the Treasury Internal Revenue Service (IRS) OMB No. 1545-0047

Go to www.irs.gov/ScheduleA for instructions and the latest information. Attach to Form 1041.

Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.

2018

Attachment Sequence No. 07

Year social security number

Medical and Dental Expenses	1	2	3	4
Taxes You Paid	5a	5b	5c	5d
Interest You Paid	6	7	8a	

Other Hot Topics

Section 163(j)
Interest Expense
Deduction Limit

Virtual Currency

Partnership Audits

IRS Priority
Guidance Plan

Qualified
Opportunity
Zones

Section 4960 Excise
Tax for Exempt
Organizations



Statements on Standards for Tax Services (SSTS)

- Apply to AICPA members providing tax services.
 - Task force considering revisions regarding:
 - Data security,
 - Taxpayer privacy,
 - Tax consulting and controversy engagements,
 - Conflicts of interest, and
 - Transaction implementation.
-

Statements on Standards for Tax Services 1-7

- No. 1 Statement on Standards for Tax Services, *Tax Return Positions*
- No. 2 Statement on Standards for Tax Services, *Answers to Questions on Returns*
- No. 3 Statement on Standards for Tax Services, *Certain Procedural Aspects of Preparing Returns*
- No. 4 Statement on Standards for Tax Services, *Use of Estimates*
- No. 5 Statement on Standards for Tax Services, *Departure from a Position Previously Concluded in an Administrative Proceeding or Court Decision*
- No. 6 Decision Statement on Standards for Tax Services, *Knowledge of Error- Return Preparation and Administrative Proceedings*
- No. 7 Statement on Standards for Tax Services, *Form and Content of Advice to Taxpayers*

QUESTIONS



[AICPA Tax Policy and Advocacy - Website](#)

[AICPA Tax Advocacy Comment Letters - Website](#)

[AICPA Tax Practitioner LinkedIn Group](#)

AICPA Tax Policy & Advocacy Webpages

AICPA

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AICPA > AICPA Advocacy > Tax Advocacy

Tax Policy & Advocacy

- The CPA Advocate
- Washington Tax Brief
- Tax Reform
- TRPs & Committees

Quick Links

- Comment Letters
- Volunteer Central
- Tax Section

Tax Policy & Advocacy

The AICPA Tax Policy & Advocacy Team and volunteer members (through selected technical resource panels and committees) continually monitor and advocate on legislative, regulatory and administrative tax matters on behalf of our members.

[Tax Reform](#) [Letters & Testimony](#) [The CPA Advocate](#)

Spotlight

AICPA TV

Section 163(j) Business Interest Expense Limitation

AICPA Comments on Section 163(j) Proposed Regs

[More on AICPA TV](#)

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AICPA > AICPA Advocacy > Tax Advocacy > 2019 Tax Advocacy Comment Letters

2019 Tax Advocacy Comment Letters

January 8, 2019
Modified: May 14, 2019

[f](#) [t](#) [in](#) [e](#) [s](#)

May 23, 2019 - AICPA Comments on the United States Senate Approval of Pending Income Tax Treaties and Protocols

The AICPA urges the Senate to approve the bilateral income tax treaties and protocols currently pending before them. The AICPA believes income tax treaties are vital to United States economic growth as well as U.S. trade and tax policy. Tax treaties are also important tools used to promote a competitive environment to attract foreign investment into the U.S. In order to serve their intended purpose, tax treaties must be kept up to date with developments in the global economy.

May 14, 2019 - AICPA Comment Letter On Notice 2018-99 - Parking Expenses for Qualified Transportation Fringes

The AICPA has provided comments and recommendations on the changes to section 274(a)(4) and the enactment of section 512(a)(7) in response to Notice 2018-99- Parking Expenses for Qualified Transportation Fringes. This letter is in response to the request by the IRS and Treasury for comments on the rules described in the Notice.

May 8, 2019 - AICPA Comments on Rev. Proc. 2018-31, List of Automatic Accounting Method Changes

The AICPA has submitted recommendations with respect to Rev. Proc. 2018-31, which provides a list of accounting

www.aicpa.org/advocacy/tax/2019taxadvocacycommentletters.html

AICPA Washington Tax Brief

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October 16, 2019



Thank you