



Washington Tax Brief

October 31, 2018

More Helpful Hints



Adjust your volume

- Be sure your computer's sound is turned on.
- Click this blue button. Slide the control to the left or right to fit your needs.



Ask your questions

- Feel free to submit content-related questions to the speaker by clicking this red button.
- Someone is available to assist with your technology and CPE-related questions.



Download your materials

- Access today's slides and learning materials by clicking this green 'Resources' button at any time during this presentation.
- If you need help accessing these materials, send a message through the Q&A application.



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



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Today's Agenda

- 01 **New IRS Commissioner**
- 02 **Key Tax Reform Issues**
- 03 **Disaster Relief**
- 04 **IRS Service Issues**
- 05 **Legislative Outlook**
- 06 **Other Hot Topics**
- 07 **Q & A**

Charles P. Rettig IRS Commissioner

Sworn into office October 1, 2018





Key Tax Reform Issues

Section 199A Qualified Business Income

- AICPA testified on key issues from our October 1st comment letter on the proposed regulations, including:
 - Qualification of Rental Real Estate
 - Aggregation Rules
 - Definition of QBI



– Recharacterization Rules

- Two anti-abuse rules in the prop. regs. are designed to prevent the splitting of revenue, between related businesses, to qualify some of the group's income for the deduction.
- We recommend removing the 80% threshold cliff rule and allow the pro-ration rule to cover these transactions.

– SSTB & Non- SSTB Lines of Business

- We recommend allowing businesses to separate their net income between qualified and SSTB activities.
- We also recommended applying the section 199 Small Business Simplified Overall Method.

International Tax Provisions

- Section 965 Transition Tax
 - IRS quickly issued several notices, a set of FAQs and several sample statements and worksheets
 - On August 9th, proposed regulations were issued
 - AICPA advocacy included 9 comment letters, meetings and numerous discussions



International Tax Provisions

- Global Intangible Low-Taxed Income (a/k/a GILTI)
- Proposed regulations released October 10th
- Mostly computational in nature
- Key issues including allocation of expenses and FTCs still to come
- AICPA drafting comments in response to proposed regulations



Client-Related Business Meals Under § 274

Notice 2018-76

- Client-related business meals with no element of entertainment involved
 - Remain 50% deductible
- Client-related business meals associated with an entertainment event
 - Remain 50% deductible if expense for food is separately stated



State Tax Issues

- Tax Reform
 - State filing relief for corporations
 - Federal deduction for state taxes \$10,000 cap
 - State pass-through entity-level tax whitepaper
- Disaster relief tracking
- Wayfair decision updates



Additional IRS Guidance Released

- Bonus Depreciation – Section 168(k)
- State and Local Tax Credits for Charitable Contributions
- Small Business Accounting Methods
- Section 162(m) – Executive Compensation
- Moving Expense Reimbursements
- Employer Credit for Paid Family and Medical Leave
- Qualifying Relative – Dependent Tax Credit/HOH status

INTERNATIONAL
REVENUE
SERVICE

Anticipated Additional IRS Guidance

- SHORT-TERM (Next 6 to 8 Weeks)
 - Section 163(j) Interest Expense Limitation
 - Base Erosion and Anti-Abuse Tax (BEAT)
 - Foreign Tax Credits
 - Anti-Hybrid Rules

INTERNAL
REVENUE
SERVICE

Anticipated Additional IRS Guidance

- BEFORE YEAR-END (Hopefully!)
 - Dividend Received Deductions
 - Previously Taxed Income Ordering Rules
 - Gift Tax Exemption
 - Excess Business Loss Limitations
 - Transportation Fringe Benefits
 - Unrelated Business Taxable Income – Silo Rules
 - Carried Interest
 - Withholding on Sales of Partnership Interests

INTERNAL
REVENUE
SERVICE

IRS Tax Reform Information Center

www.irs.gov/tax-reform

The screenshot shows the IRS Tax Reform Information Center website. At the top, there is the IRS logo, a search bar, and navigation links for Help, News, Language, Charities & Nonprofits, and Tax Pros. Below this is a main navigation bar with links for File, Pay, Refunds, Credits & Deductions, and Forms & Instructions. The page title is "Tax Reform".

On the left side, there is a vertical menu with the following items: What's Hot, News Releases, Multimedia Center, Tax Relief in Disaster Situations, **Tax Reform** (highlighted), News, Guidance, Forms and Instructions, Resources, Radio PSAs, Tax Scams/Consumer Alerts, The Tax Gap, Fact Sheets, IRS Tax Tips, e-News Subscriptions, IRS Guidance, Media Contacts, and IRS Statements and Announcements.

The main content area features a "What's Hot" section with a prominent blue box titled "New 20 percent deduction for passthrough businesses". This box contains an information icon, the title, and a sub-headline: "Many owners of sole proprietorships, partnerships, trusts and S corporations can deduct up to 20 percent of their qualified business income." Below this box, a paragraph states: "The IRS is working on implementing the [Tax Cuts and Jobs Act \(TCJA\)](#). This major tax legislation will affect individuals, businesses, tax exempt and government entities."

Below the "What's Hot" section is an "Information for..." section with three columns:

- Individuals**: From estimated taxes to withholding, tax reform has a significant effect on your taxes. Includes links for [Psychic Chadwick](#), [SALT - State and Local Income Tax](#), and [Child Tax Credit](#). A blue "Other Topics" button is at the bottom.
- Businesses**: Whether you are a small or large business, tax reform may affect your company. Includes links for [Qualified Business Income Deduction](#), [Meals and Entertainment Deduction](#), and [International Businesses](#). A blue "Other Topics" button is at the bottom.
- Tax Exempt Entities**: Tax reform affects retirement plans, tax exempt organizations and governments. Includes links for [Retirement Plan Loan Offset](#), [Unrelated Business Taxable Income](#), and [Tax Credit - Direct-Pay Bond](#). A blue "Other Topics" button is at the bottom.

At the bottom of the page, there is a footer with the IRS logo, social media icons for Facebook, Twitter, LinkedIn, YouTube, and Instagram, and a "Page Last Reviewed or Updated: 04-Oct-2018" notice. There are also "Share" and "Print" buttons.

IRS Draft Tax Forms and Instructions

IRS [Help](#) | [News](#) | [Language](#) ▾ | [Charities & Nonprofits](#) | [Tax Pros](#)

File | **Pay** | **Refunds** | **Credits & Deductions** | **Forms & Instructions**

[Home](#) > [IRS Static Files Directory](#)

Contents of Directory irs-dft

[Parent Directory](#)

Name	Date▾	Size	Description
i1118--dft.pdf	2018-10-15 23:00:04	357.97 KB	1218 Inst 1118 (PDF)
f2106--dft.pdf	2018-10-15 23:00:03	121.66 KB	2018 Form 2106 (PDF)
f990t--dft.pdf	2018-10-12 23:00:04	209.01 KB	2018 Form 990-T (PDF)
i6251--dft.pdf	2018-10-12 23:00:03	329.08 KB	2018 Inst 6251 (PDF)
fw4--dft.pdf	2018-10-12 23:00:03	133.75 KB	2019 Form W-4 (PDF)
i5695--dft.pdf	2018-10-11 23:00:04	201.12 KB	2018 Inst 5695 (PDF)

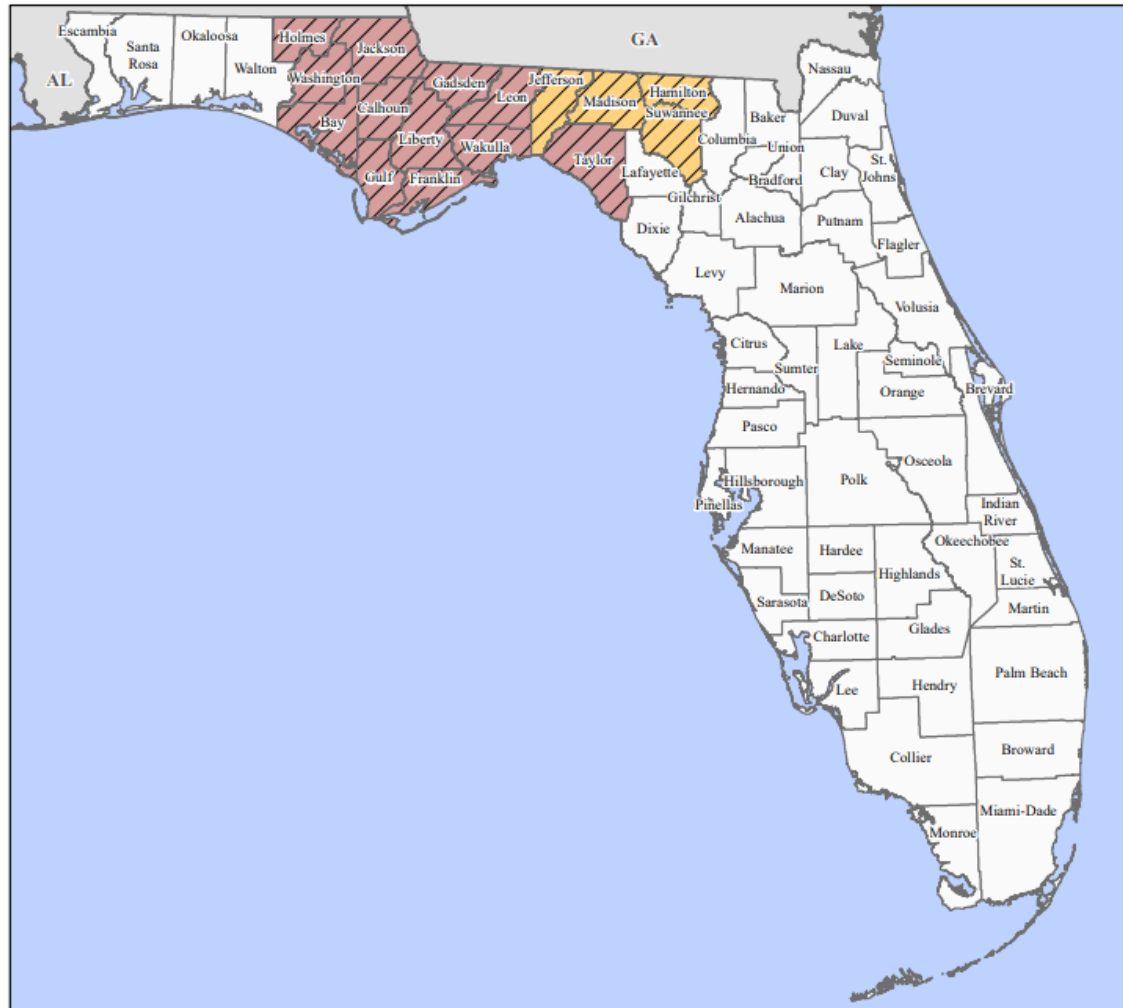
Disaster Relief



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



FEMA

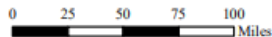


Data Layer/Map Description:
The types of assistance that have been designated for selected areas in the State of Florida.

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

A photograph of the IRS Service Building sign. The sign is black with white text. The top part of the sign says "UNITED STATES" and the bottom part says "Internal Revenue Service Building". The sign is set against a background of a blue sky, bare tree branches, and a portion of the building's facade with columns. An American flag is visible in the upper left. A purple rectangular box is overlaid on the left side of the image, containing the text "IRS Service Issues".

IRS Service Issues

UNITED STATES

Internal
Revenue
Service
Building

Transcript Delivery Changes

- Intended to better protect taxpayer's Personally Identifiable Information (“PII”)
- Already implemented: Redaction of PII on all Individual taxpayer series transcripts
 - This includes third party data on Wage and Income Transcripts
- Mid- December: IRS will stop faxing transcripts
- Late April/Early May: IRS will only mail transcripts to taxpayer's “Last Known Address”

Transcript Delivery Changes

- Changes implemented without input from practitioner community
- AICPA and others are engaged with IRS to find ways to modify changes and reduce negative impact on practitioners and taxpayers
- Manner of implementation is a symptom of broader issue with IRS services

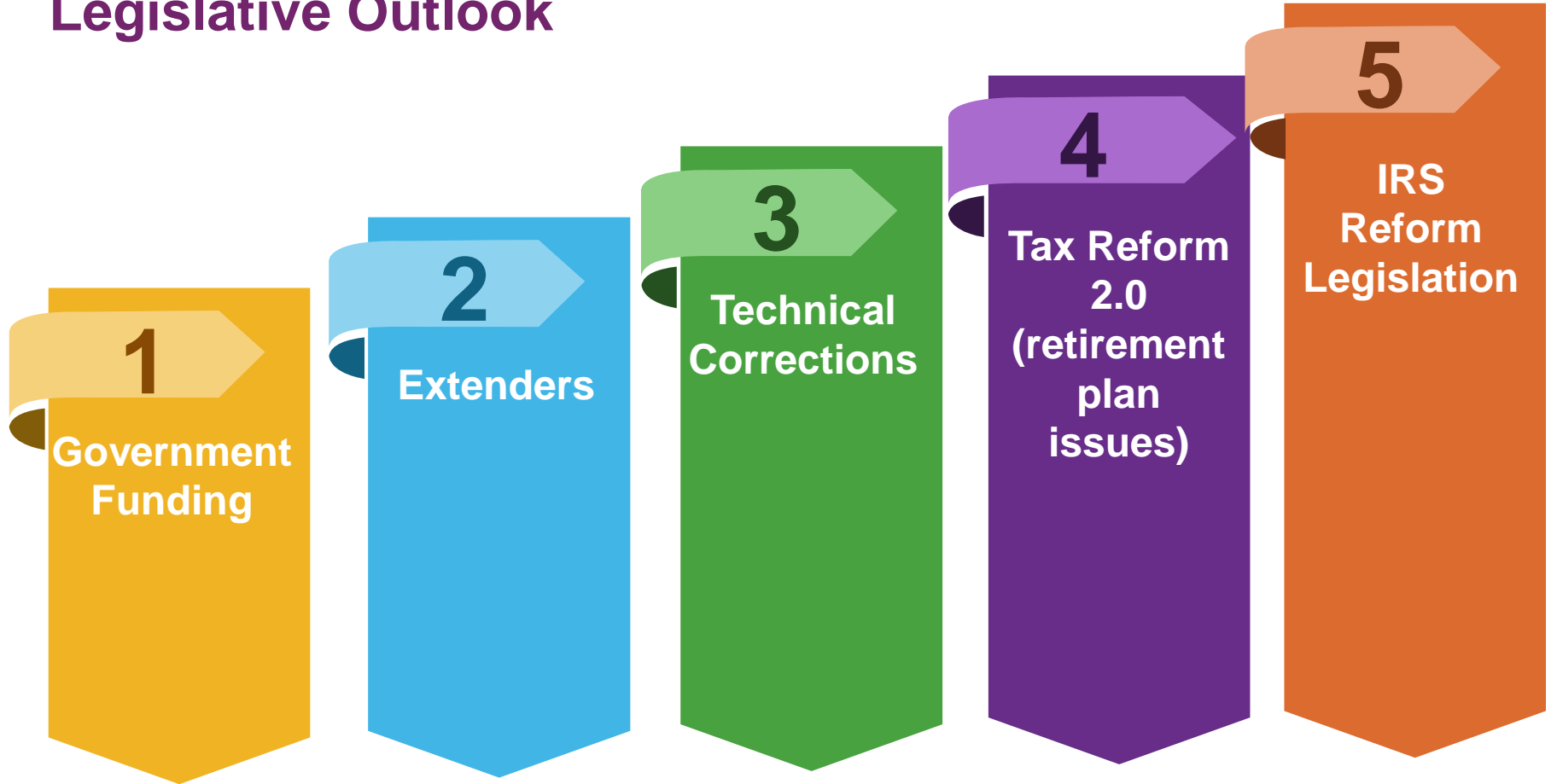
Practitioner's Service Division

- AICPA proposal – working with other affected stakeholders
- Full Service Unit within the IRS
 - Engage with the Tax Professional Community
 - Liaise with All Major IRS Operating Divisions
 - Offer Robust Practitioner Hotlines
 - Create an Online Tax Professional Account
 - Establish a Learning Consortium

Legislative Outlook



Legislative Outlook



Other Hot Topics

Small Business Method Changes

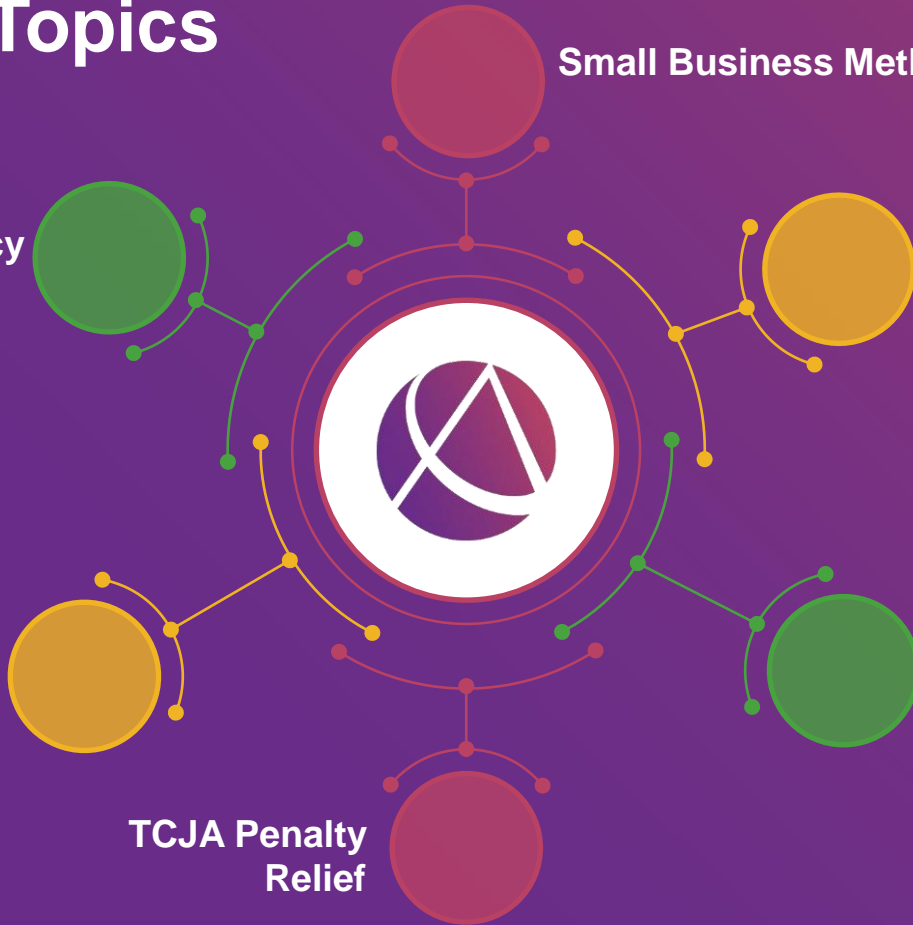
Partnership Audit Regulations

Exempt Organization Issues

TCJA Penalty Relief

Digital Tax Issues

Virtual Currency



QUESTIONS



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

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

[AICPA Tax Practitioner LinkedIn Group](#)



Tax reform is here. So are we.

The latest news, resources, FAQs, advocacy, videos and learning in one place.

aicpa.org/taxreform

Tax Reform Resource Center

The AICPA Tax Reform Resource Center is your home for comprehensive coverage on tax reform. This page is your go-to for news, resources, videos, podcasts, learning, and AICPA advocacy positions. Bookmark this page and visit often for updates.

Thought Leadership



AICPA Identifies Areas Requiring Guidance

The AICPA requested immediate guidance on the Sec. 199A deduction for qualified business income and recommended that Congress address technical corrections on various provisions.

Resource



New Resources Available for Download

Download the **Sec. 199A Flowchart** to help with the qualified business income deduction. Also, check out other resources available: **Tax Reform Changes for Individuals and Businesses**, **Tax Reform Snapshot for clients**, and **presentations for Individuals and Businesses**.

Events



Exclusive Tax Reform Webcasts

Get up to speed on trending tax reform issues in **individual tax planning**, **corporations and pass-throughs**, the **Sec. 199A deduction**, **entity selection**, **tax planning with clients and international business**.

Recent Videos

Tax Reform FAQs

IRS Guidance

Resources

News

Tax Policy & Advocacy

Learning & Events

Stay up to date with the latest developments in tax reform by listening to our featured video. Learn what is going on in Washington that may impact you and your clients, and what to expect with potential tax law changes. We will update our featured video frequently so you'll have the latest insight at your fingertips.




Tax season 2019



**It's go time for all things
tax reform.**

Get started at [AICPAStore.com/tax](https://www.aicpa.org/Store/Products/Books/Books/Pages/Books.aspx?Category=Tax).

aicpastore.com

A scenic photograph of a white lighthouse with a black top, situated on a rocky island. The sky is a vibrant mix of orange, yellow, and blue, suggesting a sunset or sunrise. The foreground is dominated by large, dark, jagged rocks. The ocean is visible in the background, with a soft, blurred horizon line.

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Nov 12 -13, 2018 Washington DC

AICPA Washington Tax Brief

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January 24, 2019



Thank you