



WTB



WASHINGTON TAX BRIEF

October 19, 2016

Administrative Notes



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 speakers by clicking this red button.
- Someone is available to assist with your technology 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.

Note: There is no CPE credit available for this webcast.

Today's Presenters



Eileen Sherr, CPA, MT
Senior Technical Manager
Tax Policy & Advocacy



Kristin Esposito, CPA, MST
Senior Technical Manager
Tax Policy & Advocacy



Amy Wang, CPA
Senior Technical Manager
Tax Policy & Advocacy

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 Topics

- **Section 385 Final & Temporary Regulations**
- **Mobile Workforce**
- **Tax Reform**
- **Estate Basis Reporting**
- **IRS Taxpayer Services**
- **Form 5500 Proposed Revisions**
- **Exempt Organizations**
- **International Tax**
- **Family Limited Partnership Valuation**
- **Identity Theft**
- **Partnership Audits**
- **2017 Tax Outlook**
- **Other Hot Topics**



Section 385 Final & Temporary Regulations

➤ Final & Temp Regs Issued 10/13/16

➤ Exemptions & Exceptions

- Cash pools
- Short term loans
- S-Corporations
- Debt issued by foreign corporations
- Partnership issued debt



➤ Loan Documentation

- Relaxed requirements
- Effective date extended to January 1, 2018

Mobile Workforce

➤ House Passes AICPA-Backed Bill

- H.R. 2315, the *Mobile Workforce State Income Tax Simplification Act of 2015*
- Passed by the House on September 21st

WHY WE NEED TO STANDARDIZE ★ *Tax Laws for* ★ NON-RESIDENT WORKERS?

.....

FAIRNESS: Nobody should be taxed in 2 states for 1 day or week of work.

LEARN MORE AT:
AICPA.ORG/WORKERTAX



Tax Reform

- Guiding Principles for Good Tax Policy
- **AICPA Advocates for You**
 - Retaining the cash method basis of accounting
 - Simplifying the income tax rate structure
 - Consolidating education tax incentives
 - Eliminating temporary provisions that cause tremendous uncertainty for taxpayers
 - Making the tax system (including retirement plan administration) friendlier for small businesses

Tax Reform - Retirement Enhancement

➤ Retirement Enhancement and Savings Act of 2016

- Tax credit for small businesses that use auto enrollment
- Increased tax incentive for small businesses that start a qualified plan for their employees
- Requirement to expand access to 401(k) and 403(b) plans to long-term part-time employees
- Health reimbursement arrangements back on the table

➤ Retirement Improvement and Savings Enhancements (RISE) Act of 2016

- Government provided matching contribution
- Repeal maximum age for contributions to traditional IRAs
- Increase Required Minimum Distribution age

Tax Reform - Corporate Integration

➤ Issue: Double Taxation of Dividends Paid

- Corporation
- Shareholder

➤ Senator Hatch Approach

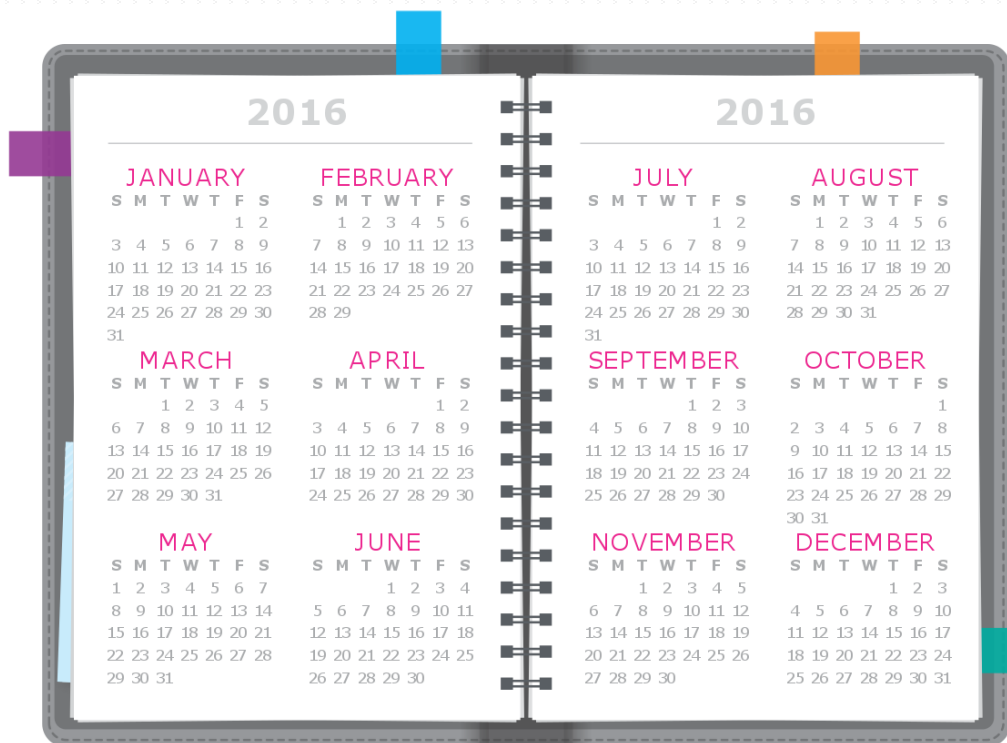
- Corporate dividends paid deduction
- 35% mandatory withholding on dividends paid



Estate Basis Reporting

➤ Modifying Deadline

- Current reporting due 30 days after estate tax return
- Change due date for reporting estate basis statements
- February 15th after year of distribution to a beneficiary



IRS Taxpayer Services

➤ Update on e-Services Account

- In late October, IRS to strengthen the protections for accounts by requiring a stronger ID verification
- Existing e-services users will be required to re-register and verify their identities

➤ IRS Tries to Improve Taxpayer Services (Future State)

- TIGTA report released
- Some improvements, however, many employees are still unfamiliar with how to use it
- New practitioner online services?

Form 5500 Proposed Revisions

- **DOL Released Major Proposal of Changes to Form 5500**
- **Significant Impact on Retirement Plan Sponsors**
- **New Reporting Requirements to cause up to 2 million additional plans (including small plans) to file Form 5500**
- **Targeted Effective Date is 2019 Plan Year Filing**

Exempt Organizations

- **2016 Forms 990 and the Related Instructions**
 - Recommendations for the 2016 Forms 990 and instructions
- **Unrelated Business Income Expense Allocation Methodologies for Dual Use Facilities**
 - Includes guidelines and examples addressing the allocation of expenses for dual use facilities for the purpose of reporting unrelated business income (UBI)



International Tax

➤ **PATH Act ITIN Renewals**

- Starting January 1, 2017, all ITINs issued prior to 1/1/13 will expire over next few years
- The first ITINs expiring under this schedule are those with the middle digits of 78 or 79 (example: 9XX-78-XXXX)



International Tax

➤ **Country-by-Country Reporting**

- Final regulations issued & include AICPA recommendations
- Form 8975, *Country-by-Country Report*
- Applies to FYs beginning on or after 6/30/16
- Voluntary reporting allowed for gap year (calendar year 2016)

➤ **Tax Filing Obligations for Americans Living Abroad**

- Request for simplification of tax compliance process for certain Americans residing abroad eliminating certain duplicative reporting requirements
- Relief would apply to foreign accounts established in their country of residence provided the US was already directly receiving info from the financial institutions under FATCA

Family Limited Partnership Valuation

➤ Section 2704

- [Proposed regulations](#) published August 4, 2016
- Valuation of discounts
 - on transfers of interests
 - in family controlled entities (corporations, S corporations, partnerships, LLCs, LLPs, FLPs)
 - for estate, gift, & generation-skipping transfer (GST) tax
- Address minority interest and lack of marketability discounts
- Legislation – [H.R. 6042](#), [H.R. 6100](#), [S. 3436](#), coalitions, letters
- IRS Hearing – Dec. 1

Identity Theft

- **IRS and Security Summit Partners Warn of Fake Tax Bill Emails**
 - IRS [issued](#) an alert to be on guard against fake emails purporting to contain an IRS tax bill related to the Affordable Care Act
 - IRS received numerous reports of scammers sending fraudulent versions of CP2000 notices for tax year 2015



Identity Theft

- **IRS Warns of New Cyberattacks**
 - Criminals allowed to remotely access practitioners' computers and file fraudulent tax returns, directing the resulting refunds into the criminals' own accounts



Partnership Audits

➤ Old Partnership Audit Regime

- Partners liable for payment of audit assessment
- Audit adjustment reflected on amended return for year under review

➤ New Partnership Audit Regime

- IRS can assess and collect audit assessment from the partnership.
- Audit adjustment reflected on return for year adjustment finalized.
- Small partnerships can opt out.
- Election to push-out payment of audit assessment to partners.
- Partnership representative replaces “tax matters partner”
- Effective for years beginning after December 31, 2017.

2017 Tax Outlook

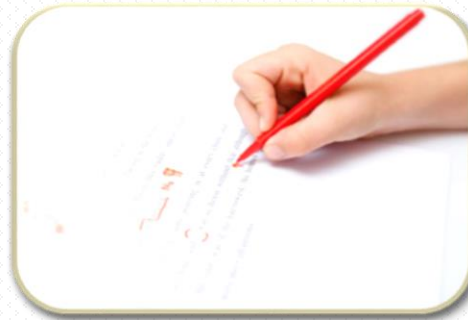
- **New President**
- **New Congress**
- **President's Budget Proposals**
- **Tax Reform?**



Other Hot Topics



Tax Extenders



**QTIP Portability
Rev. Proc.**



DOMA



Disaster Relief



**Section 199
Online Software**



CPEO Process

Questions



[AICPA Tax Advocacy Webpage](#)



[Washington Tax Brief Webpage](#)