



Association of International
Certified Professional Accountants

AICPA®

CIMA

WASHINGTON TAX BRIEF

January 25, 2017



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



Jonathan Horn, CPA, CGMA
Senior Manager
Tax Policy & Advocacy



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



Rachel Dresen
Director
Congressional & Political Affairs

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

- ▶ **Election outcome**
- ▶ **Tax reform outlook**
- ▶ **AICPA compendium of tax legislative proposals**
- ▶ **Family limited partnership valuation discounts**
- ▶ **Same-sex marriage estate tax guidance**
- ▶ **Identity theft/ IRS Security Summit**
- ▶ **New HRA rules & ACA update**
- ▶ **Key filing season changes**
- ▶ **Partnership audits**
- ▶ **Other hot topics**



The White House



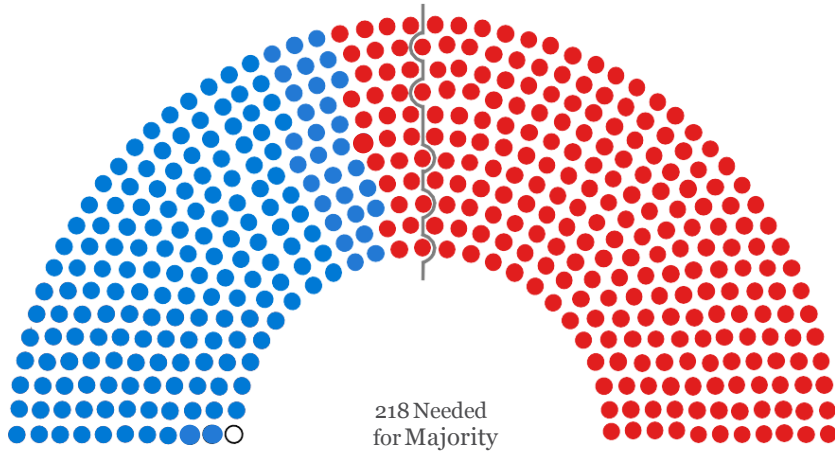
Donald Trump
President



Mike Pence
Vice-President

REPUBLICANS MAINTAIN CONTROL OF THE HOUSE

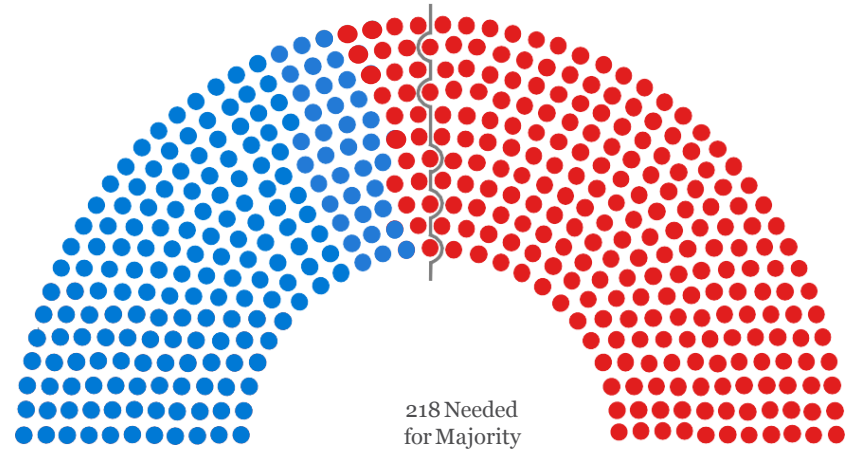
Control of the 114th House (2014-2016)



187-247

Republican House Majority

Control of the 115th House (2016-2018)



194-241

Republican House Majority

■ Democrats ■ Republicans ■ Independents Vacant

House Leadership

Speaker



**Rep. Paul Ryan
(R-WI)**

Minority Leader



**Rep. Nancy Pelosi
(D-CA)**

House Ways and Means Committee

Chairman



**Rep. Kevin Brady
(R-TX)**

Ranking Member



**Rep. Richard Neal
(D-MA)**

RE-ELECTED CPAS IN THE HOUSE



Rep.
Mike
Conaway
(R-TX)



Rep.
Brad
Sherman
(D-CA)



Rep.
Bill
Flores
(R-TX)



Rep.
Lynn
Jenkins
(R-KS)



Rep.
Steve
Palazzo
(R-MS)



Rep.
Collin
Peterson
(D-MN)



Rep.
Tom
Rice
(R-SC)



Rep.
Jim
Renacci
(R-OH)

New CPAs in Congress



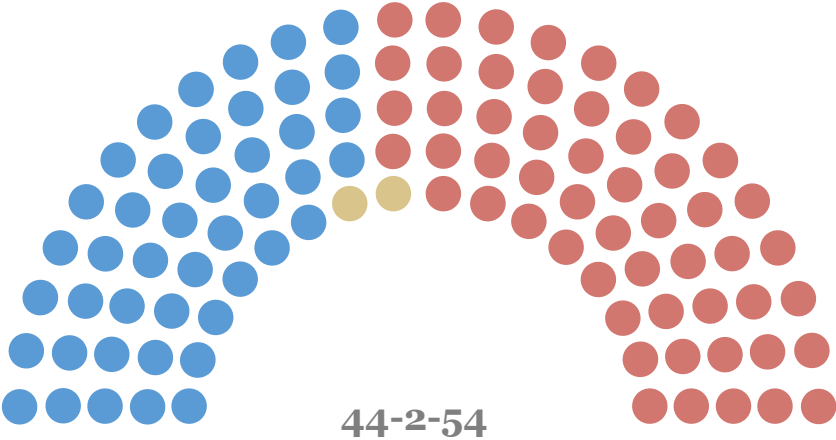
**Tom Suozzi
(D-NY)**



**Brian Fitzpatrick
(R-PA)**

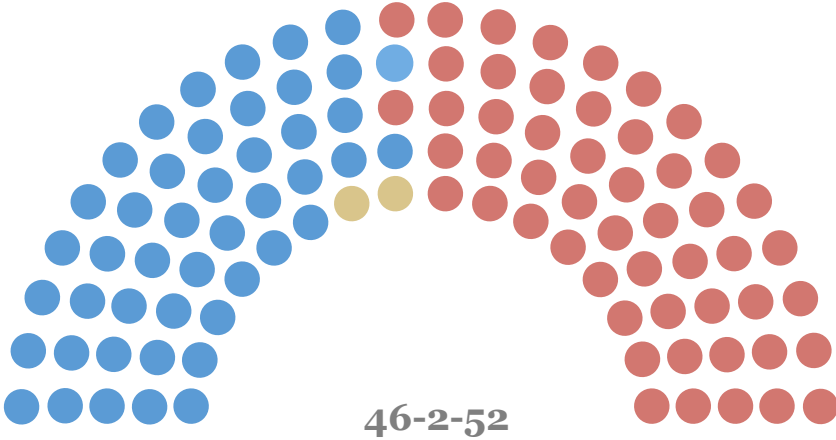
REPUBLICANS RETAIN CONTROL OF SENATE

Control of the 114th Senate (2014-2016)



Republican Senate Majority

Control of the 115th Senate (2016-2018)



Republican Senate Majority

■ Democrats ■ Republicans ■ Independents

Senate Leadership

Majority Leader



**Sen. Mitch McConnell
(R-KY)**

Minority Leader



**Sen. Chuck Schumer
(D-NY)**

Senate Finance Committee

Chairman



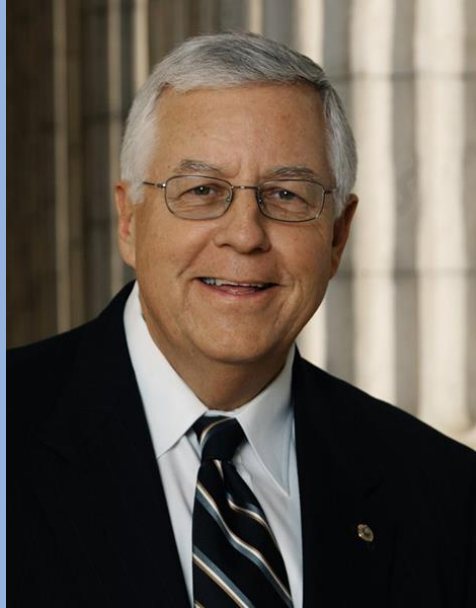
**Sen. Orrin Hatch
(R-UT)**

Ranking Member

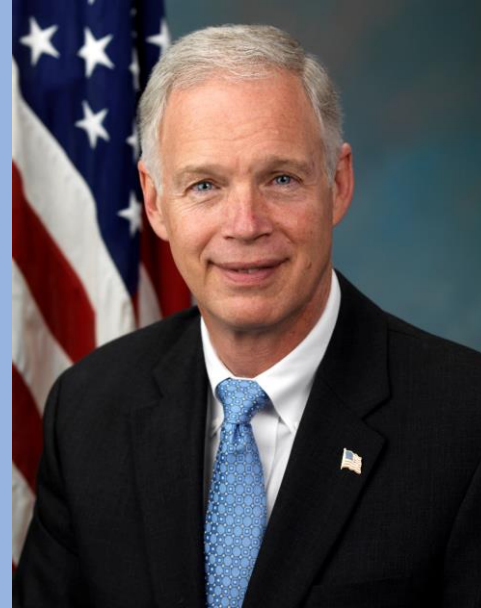


**Sen. Ron Wyden
(D-OR)**

Accountants in the Senate



Sen. Mike Enzi
(R-WY)



Sen. Ron Johnson
(R-WI)

TAX REFORM

▶ Guiding Principles of Good Tax Policy

- [Tax Policy Concept Statement 1](#) – Updated January 2017

▶ AICPA advocates for you

- Retain cash method basis of accounting
- Simplify income tax rate structure
- Consolidate education tax incentives
- Eliminate temporary provisions and uncertainty
- Simplify tax compliance for small businesses



GUIDING PRINCIPLES OF GOOD TAX POLICY

- ▶ **Equity and Fairness**
 - ▶ **Certainty**
 - ▶ **Convenience of Payment**
 - ▶ **Effective Tax Administration**
 - ▶ **Information Security**
 - ▶ **Simplicity**
 - ▶ **Neutrality**
 - ▶ **Economic Growth and Efficiency**
 - ▶ **Transparency and Visibility**
 - ▶ **Minimum Tax Gap**
 - ▶ **Accountability to Taxpayers**
 - ▶ **Appropriate Government Revenues**
-

GUIDING PRINCIPLES OF GOOD TAX POLICY

▶ **Information Security**

- Tax administration must protect taxpayer information from all forms of unintended and improper disclosure.

▶ **Accountability to Taxpayers**

- Accessibility and visibility of information on tax laws and their development, modification and purpose are necessary for taxpayers.





DONALD J. TRUMP'S VISION

**Reduce taxes
across-the-board**

**Make business tax
rates more
competitive**

**Deduct the cost of
childcare**

**Ensure the rich will
pay their fair share**

HOUSE GOP BLUEPRINT

- ▶ Simplify and lower tax rates for individuals
- ▶ Progressive rates on investment income
- ▶ Reduce complexity and compliance burdens
- ▶ Largest corporate tax rate cut in U.S. history
- ▶ Lowest tax rates in decades for pass-through businesses
- ▶ Full-expensing of business investments
- ▶ Territorial system with border-adjustability feature
- ▶ Streamline IRS taxpayer services
- ▶ [AICPA comments](#) submitted on Dec. 21



INDIVIDUAL INCOME TAX PROVISIONS

| Provision | Trump Plan | House GOP Plan |
|-----------------------------|---|---|
| Tax rates | Three Brackets: 12%, 25% & 33% | Three Brackets: 12%, 25% & 33% |
| Investment income | Same as current | At half of tax bracket rate, includes interest income |
| Deduction/exemptions | Standard deduction of \$15K single/ \$30K joint, no exemptions | Standard deduction of \$12K single/ \$18K single with child/ \$24K joint, exemption for children only - \$1,500 |
| Itemized deductions | Capped at \$100K single/ \$200K joint | Eliminated except for mortgage interest and charitable contributions |
| AMT | Repeal | Repeal |
| Estate tax | Repeal, tax gains of appreciated assets subject to \$10 million exemption | Repeal, repeal GST |

BUSINESS TAX PROVISIONS

| Provision | Trump Plan | House GOP Plan |
|-----------------------------------|---|---|
| Corporate rate | 15% | 20% |
| Pass-through rate | 15% on profits retained in business | 25% on active business income, “require” reasonable compensation |
| Capital expenditures | Election for full expensing available to U.S. manufacturers | Full expensing except for land |
| Interest expense deduction | Unavailable if electing full expensing provision | Unavailable for net interest expense |
| AMT | Repeal | Repeal |
| Repatriation | 10% on deferred foreign income | 8.75% on cash and cash equivalents, 3.5% on non-cash assets |
| International system | Worldwide with no deferral | Territorial, border adjustment regime affecting imports and exports |



AICPA COMPENDIUM OF TAX LEGISLATIVE PROPOSALS

- ▶ Simplification and technical changes to the tax code
- ▶ Submitted at start of new Congressional session
- ▶ [Latest submission](#) contains 45 proposals

FAMILY LIMITED PARTNERSHIP VALUATION DISCOUNTS

▶ Section 2704

- Proposed regulations published August 4, 2016
 - Address minority interest and lack of marketability discounts
 - Valuation of discounts
 - On transfers of interests
 - In family controlled entities
 - For estate, gift, & generation-skipping transfer (GST) tax
 - Legislation – H.R. 308, S. 47, coalitions, letters
 - AICPA testified at IRS Hearing on Dec. 1
 - AICPA comments to Treasury and IRS – Jan. 13, 2017
-

SAME-SEX MARRIAGE ESTATE TAX GUIDANCE

▶ **IRS guidance**

- **Notice 2017-15** issued January 17, 2017
 - Provides guidance and procedures for amending returns
 - Applies to same-sex couples' transfers, gifts, bequests
 - Allows recalculation of remaining applicable exclusion of amount and remaining GST exemption
 - Provides for the use of the lifetime exemption for gifts to same-sex spouses
 - AICPA **identified** many issues to IRS on October 30, 2013
-

IDENTITY THEFT/ IRS SECURITY SUMMIT

▶ **IRS Security Summit**

- Partnership - IRS, states, tax software providers and tax professionals

▶ **E-services account re-authentication of identity if sent IRS letter**

- Register on Get Transcripts Online or call E-services helpdesk with code

▶ **New for 2017 – “Protect Your Client, Protect Yourself”**

- IRS Campaign directed at tax professional community
- Provides tips to help prevent and resolve client ID theft problems



NEW HRA RULES & ACA UPDATE

▶ H.R. 34, 21st Century Cures Act

- Signed by President Obama on December 13, 2016
- Restores ability for small businesses to offer HRA accounts
 - Covers health insurance premiums and medical expenses
- Extends relief under IRS Notice 2015-17
 - Relief had expired 6/30/15, allowed through 12/31/16
 - Protects against “foot-faults” with old HRA accounts



NEW HRA RULES & ACA UPDATE

- ▶ **ACA “Repeal and Replace” top Republican priority**
 - Repeal likely using budget reconciliation
 - FY17 budget resolution instructs committees to write legislation by January 27
 - Replacement plan is expected to be a multi-year transition
 - No agreement on details of replacement plan
-

KEY FILING SEASON CHANGES

▶ Tax return due dates legislation

- New due dates effective 2017 tax filing season
 - 2016 tax returns - tax years ending after 12/31/2015
- C Corporation due dates special transition rules through 2026
 - IRS expected to allow 6 month extension
- FinCEN Form 114 (FBAR) aligns with Form 1040
 - FinCEN provided all taxpayers an automatic extension until October 15 for filing FBARs



KEY FILING SEASON CHANGES

▶ **Information returns (i.e., W-2 and 1099s)**

- **Prior law**
 - **Employer/payer filing to IRS & SSA – February 28 and March 31 (if filed electronically)**

 - **New law – 2017 filing season**
 - **Employer/payer filing to IRS & SSA – January 31, 2017**
 - **Form 1099-MISC filing to IRS – January 31, 2017 (when reporting nonemployee compensation payments in box 7)**
-

KEY FILING SEASON CHANGES

▶ Information returns (i.e., W-2 and 1099s)

- De minimis errors safe harbor – reporting waived
- Effective for 2017 filing season - 2016 tax year
- No need to issue corrected Forms 1099 for changes up to
 - \$100 of income
 - \$25 of tax withholding
 - **UNLESS** requested by the recipient
- Recipient not required to amend tax return
- IRS released Notice 2017-09 on January 4

| 1099-DIV | | VOID | CORRECTED |
|---|-----------------------------------|------------------------------|---------------------------|
| PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. | | 1a Total ordinary dividends | OMB No. 1545-0110 |
| | | \$ | 2016 |
| | | 1b Qualified dividends | |
| | | \$ | Form 1099-DIV |
| | | 2a Total capital gain distr. | 2b Unrecap. Sec. 1250 g |
| | | \$ | \$ |
| PAYER'S federal identification number | RECIPIENT'S identification number | 2c Section 1202 gain | 2d Collectibles (28%) gai |
| | | | |

KEY FILING SEASON CHANGES

▶ **PATH Act - ITIN renewals**

- All ITINs issued before 1/1/13 require renewal starting this year
- First ITINs affected have middle digits of 78 or 79 (i.e., 9XX-78-XXXX)
- All ITINS expire after three consecutive years of non-use

▶ **ITIN process for taxpayers living overseas**

- Law prohibits use of Certified Acceptance Agents (CAA)
 - Must mail original documents to IRS in Texas
 - Technical corrections bill to restore ability to use CAAs overseas
-

PARTNERSHIP AUDITS

▶ Regulatory activity

- IRS issued proposed regulations last week
- AICPA submitted letter with recommendations on October 7, 2016

▶ Legislative activity

- Technical corrections bill introduced late in prior Congress
- Expected to be reintroduced and passed this year
- Includes recommendations from AICPA letter submitted on November 17, 2016



PARTNERSHIP AUDITS

▶ State level activity

- AICPA working with ABA, COST, TEI and others
 - Multi-state Tax Commission Partnership Tax Uniformity Project
- Developing policy papers for use by state societies
 - Partnership audits
 - Model Revenue Agent Report (RAR) statute
- State action
 - Arizona enacted legislation
 - Montana introduced bill in January



OTHER HOT TOPICS



IRS Taxpayer Services



Mobile Workforce



Tax Extenders



Disaster Relief



**Crowdfunding/
Sharing Economy**



Estate Tax Issues

QUESTIONS



[AICPA tax advocacy webpage](#)



Association of International
Certified Professional Accountants

AICPA®

CIMA

THANK YOU

[Washington Tax Brief Webpage](#)

