



**WTB**

**AICPA**<sup>®</sup>

**WASHINGTON TAX BRIEF**

January 20, 2016

# Administrative Notes



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## Ask your questions

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

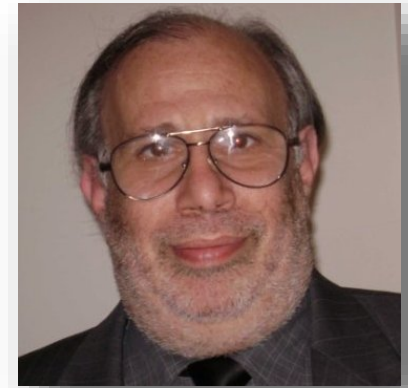
# Today's Presenters



**Eileen Sherr, CPA, MT**  
Senior Technical Manager  
Tax Advocacy



**Kristin Esposito, CPA, MST**  
Senior Technical Manager  
Tax Advocacy



**Jonathan Horn, CPA**  
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Tax 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

- **Repair Regs**
- **Tax Extenders**
- **Tax Return Due Dates Legislation**
- **Corrected/Late Forms 1099**
- **Affordable Care Act**
- **Identity Theft**
- **Estate Basis Reporting**
- **Partnership Audits**
- **IRS Taxpayer Services**
- **Other Hot Issues**



# Tangible Property (a/k/a Repair) Regulations



- **February 13, 2015 – IRS issues Rev. Proc. 2015-20**
  - [AICPA letter](#) October 8, 2014 – request small business relief
  - “Simplified Filing Procedure for Small Business”
  - Eliminates needless preparation of Form 3115 for most taxpayers
- **November 24, 2015 – IRS issues Notice 2015-82**
  - [AICPA letter](#) to IRS April 21, 2015 – request \$2,500
  - AICPA testifies before [House](#) and [Senate](#) on July 22, 2015
  - IRS raises the de minimis safe harbor from \$500 to \$2,500
  - Applies to taxpayers without an Applicable Financial Statement

# Tax Extenders – A Surprising Success

## ■ AICPA letter to Congress on extenders

- [October 1, 2015](#)
- Need certainty, planning, policy reasons, and compliance (filing season start on time)

## ■ H.R. 2029

- Protecting Americans from Tax Hikes (PATH) Act of 2015
- Consolidated Appropriations Act, 2016 (government funded)
- Signed into law December 18, 2015

## ■ Cost:

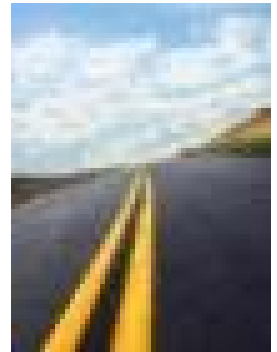
- Extenders cost \$622 billion after revenue offsets
- \$560 billion permanent provisions
- \$680 billion added to deficit over 10 years with Omnibus provisions



# Tax Extenders – A Surprising Success

## Permanent Extensions of 22 Provisions including:

- Research & Development Credit
- Increased Section 179 Expensing
- Tax-Free Charitable Contributions from IRAs
- State & Local Sales Tax Deduction
- Classroom Expenses
- Enhanced EITC and Child Tax Credits
- American Opportunity Tax Credit
- Parity for Mass Transit & Parking Fringe Benefit
- Reduced 5 year holding period for S Corp built-in gains
- 100% Gain Exclusion on certain Small Business Stock
- 11 additional targeted (mostly business) provisions





# Tax Extenders – A Surprising Success

## 5 Year Extensions (through 2019) – 4 provisions

- Bonus Depreciation (with phase outs for 2018 and 2019)
  - 50 percent for 2015-2017
  - 40 percent in 2018
  - 30 percent in 2019
- Work Opportunity Tax Credit (modified and enhanced)
- New Markets Tax Credit
- Section 954(c)(6) Look-through Treatment for certain CFC-related payments



# Tax Extenders – A Surprising Success

## ■ 2 Year Extensions (for 2015 and 2016) for remainder

- “Above the line” Deduction for Qualified Tuition
- Exclusion for Debt Forgiveness on Principal Residence
- Mortgage Insurance Premium Deduction
- Numerous Energy Provisions

## ■ 1 Year Extension on the Internet Tax Freedom Act

- Ban on state and local taxes on internet access
- Until 10/1/16

## ■ Complete List of all extenders available at

- <http://www.journalofaccountancy.com/news/2015/dec/tax-extender-legislation-introduced-in-congress-201513571.html>
- JCT [technical explanation](#) of the tax provisions



# New Rules for 2017 Filing Season: Due Dates

- New due dates go into effect for the 2017 Tax Filing Season – (2016 tax returns - tax years ending after 12/31/2015)
- C Corporation due dates have special transition rules through 2026
- [Summary Chart of Changes at AICPA.org](#)



# New Rules for 2017 Filing Season: Due Dates

Return Type	Due Dates Under Prior Law	New Law: Original and Extended Due Dates (Dates changed by law in bold)		Comments
Partnership (calendar year) Form 1065	April 15 Sept. 15	<b>March 15</b> Sept. 15		Under the new law, for fiscal year partnerships, returns will be due on the 15th day of the 3rd month after the year-end. A six-month extension is allowed from that date
S Corporation (calendar year) Form 1120S	March 15 Sept. 15	March 15 Sept. 15		No change
Trust and Estate Form 1041	April 15 Sept. 15	April 15 <b>Sept. 30</b>		
C Corporation (calendar year) Form 1120	March 15 Sept. 15	Before Jan. 1, 2026 <b>April 15</b> Sept. 15	After Dec. 31, 2025 <b>April 15</b> <b>Oct. 15</b>	Starting with 2016 tax returns, all other C corps besides Dec. 31 and June 30 year-ends (including those with other fiscal year-ends) will be due on the 15th of the <b>4th month</b> after the year-end. A six-month extension is allowed from that date.

# New Rules for 2017 Filing Season: Due Dates

Return Type	Due Dates Under Prior Law	New Law: Original and Extended Due Dates (Dates changed by law in bold)		Comments
C Corporation Fiscal Year End (other than Dec. 31 or June 30)	15th day of 3rd month after year-end 15th day of 9th month after year-end	15th day of <b>4th month</b> after year-end 15th day of <b>10th month</b> after year-end		
C Corporation June 30 Fiscal Year Form 1120	Sept. 15 March 15	Before Jan. 1, 2026	After Dec. 31, 2025	Special rule for C Corporations with fiscal years ending on June 30 — the new due date rules will go into effect for returns with taxable years beginning after Dec. 31, 2025 (2027 Filing Season).
Individual Form 1040	April 15 Oct. 15		April 15 Oct. 15	No change
Exempt Organizations Forms 990	May 15 Aug. 15 Nov. 15		May 15 <b>Nov. 15</b>	New extension will be a single, automatic 6-month extension, eliminating the need to process the current first 90-day extension.

# New Rules for 2017 Filing Season: Information Returns (i.e., W-2 and 1099s)

## ■ Due Date Changes Enacted

## ■ AICPA Supported - [September 2015 Letter](#)

## ■ Prior Law

- Employer/Payor Filing to IRS & SSA –
  - February 28 and March 31 (if filed electronically)
- Recipient/Payee Receipt – by generally January 31, except Forms 1099-B and Composite Forms 1099 by February 15

## ■ 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)



# New Rules for 2017 Filing Season: Information Returns (i.e., W-2 and 1099s)

## ■ Corrected/Late Information Returns

## ■ De Minimis Errors Safe Harbor – Reporting Waived

- AICPA supported – [Dec. 2014 letter](#)
- PATH bill – enacted.
- Effective for 2017 Filing season - 2016 Tax Year
- Information returns issued after 12/31/16
- No need to issue corrected/late Forms 1099 for corrections up to
  - **\$100 of income**
  - **\$25 of tax withholding**
  - **UNLESS** requested by the recipient
- Recipient not required to amend tax return

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 <b>2016</b>
		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%) gain





# Identity Theft – AICPA Continues to Push

## ■ IP PIN

- Beginning Jan. 2016 IP PINs required for all SSNs with an IP PIN associated with the return
- Required on Form 1040, Form 2441, Schedule EIC

## ■ Internet Platform



# Affordable Care Act Update

## ■ Health Reimbursement Arrangements

- Notice 2015-17 transition relief expired on June 30, 2015 for small employers
- The Small Business and Healthcare Relief Act

## ■ Information Reporting Requirements

- [Notice 2016-04](#) delays effective date

## ■ Cadillac Tax

- Effective date delayed until after Dec. 31, 2019

## ■ Medical Device Tax

- Effective date delayed, does not apply to sales during 2016 or 2017

# New Estate Basis Reporting Requirements

## ■ New requirement for estate executors

- Highway trust fund extension bill



## ■ Form 8971 – estate tax basis reporting statement

- [Draft form](#) and [draft instructions](#)
- Estate tax returns due starting 8/1/2015 (delayed until 2/29/16)
- Executors required to
  - File statement with IRS, and
  - Provide statement to beneficiaries within 30 days of the estate tax return due date

# New Estate Basis Reporting Requirements

## ■ IRS Notice 2015-57 delays implementation

- Due date postponed until 2/29/2016
  - Applies to any statement that would have been required to be provided before 2/29/2016
- IRS will finalize the form and instructions soon
- IRS plans to issue additional guidance
- AICPA working on comments, issues, suggestions

Form **8971**  
(January 2016)  
Department of the Treasury  
Internal Revenue Service

## Information Regarding Beneficiaries Acquiring Property from a Decedent

► Information about Form 8971 and its separate instructions is at [www.irs.gov/form8971](http://www.irs.gov/form8971).

Check box if this is a supplemental filing

### Part I Decedent and Executor Information

1 Decedent's name	2 Decedent's date of death	3 D
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# Partnership Audit Changes

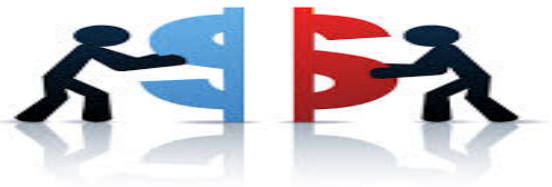


## ■ Bipartisan Budget Act of 2015

- Repeals TEFRA
- **EFFECTIVE FOR TAX YEARS Beginning After 12/31/17**
- Establishes Partnership level audits as default
  - Small partnership opt-out
- No more “partner/partnership” item distinction
- Creates “reviewed” and “adjustment” years

## ■ Provides 3 different procedures for assessment and collection

- Default: Partnership pays in “adjustment” year
- Alternate # 1: Selected partners file amended returns to reduce partnership level liability
- Alternate #2: Partnership passes adjustment through to partners from “reviewed” year as an “adjustment” year item



# Partnership Audit Changes

- **Replaces TMP with Partnership Representative**
  - Single point of contact for IRS
  - All partners bound by their actions
  - Need not be a partner
- **Partner returns MUST be consistent with Form 1065**
  - Retains ability to notify Secretary of inconsistent treatment
- **Eliminates Amended Partnership Returns**
  - May file a request for Administrative Adjustment under rules similar to new audit process
- **Final “joint and several liability” provision – a win for AICPA**
- **Technical corrections included in year-end Extenders/Omnibus bill**

# IRS Taxpayer Services



## ■ Practitioner Priority Hotline

- 43.9% Level of Service during busy season (2015)
- After busy season, limited support during limited hours

## ■ Taxpayer Assistance Centers

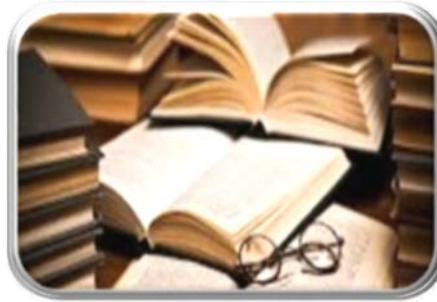
- Many are unstaffed after busy season
- Each center status is determined individually

**AICPA Priority at the Highest Level!!!!**

# Other Hot Issues



**Mobile  
Workforce**



**Closing letters**



**Determination  
Letters**



**Tax Reform**



**Disaster  
Relief**



**BEPS**



# Questions



[AICPA Tax Advocacy Webpage](#)

## Upcoming Events

- [\*\*Tax Practice Monthly: Asking Clients for Referrals This Tax Season\*\*](#), Jan. 21 (1 pm ET)
- [\*\*Tax Extenders: Impacts on 2015 Client Returns\*\*](#), Jan. 22 (1 pm ET)
- [\*\*Tax-Related Identity Theft Experiences: Prevention and Repair\*\*](#), Jan. 26 (1 pm ET)
- [\*\*Tax Practice Monthly: Terminating Tax Clients\*\*](#), Feb. 18 (1 pm ET)



[Washington Tax Brief Webpage](#)