Tax Roundtable February 15, 2017

NOTE:
02/15/17 <https://www.irs.gov/tax-professionals/aca-information-center-for-tax-professionals>

The instruction for individual taxpayers involving the Affordable Care Act has been to indicate on their Form 1040 filing whether they had health insurance, an exemption from coverage or made a shared responsibility payment. In recent years, tax returns silent in that regard were still processed. This year, the IRS put in place system changes that would reject tax returns during processing in instances where the taxpayer didn’t provide that information.

The recent executive order directed federal agencies to exercise authority and discretion available to them to reduce potential burden.‎ Consistent with that, the IRS has decided to make changes that would continue to allow electronic and paper returns to be accepted for processing in instances where a taxpayer doesn’t indicate their coverage status.

However, legislative provisions of the ACA law are still in force until changed by the Congress, and taxpayers remain required to follow the law and pay what they may owe‎.

Processing silent returns means that taxpayer returns are not systemically rejected, allowing them to be processed and minimizing burden on taxpayers, including those expecting a refund. When the IRS has questions about a tax return, taxpayers may receive follow-up questions and correspondence at a future date, after the filing process is completed‎. This is similar to how we handled this in previous years, and this reflects the normal IRS post-filing compliance procedures that we follow.

**Cheryl asked:**

I have a question regarding [Form 8938](https://www.irs.gov/pub/irs-pdf/f8938.pdf) for Specified Foreign Financial Assets.  I have a client that has made a loan to a privately held company in the UK for approximately $250K.  She has been receiving interest on the loan over the past two years.  Would this be something we need to report on the 8938?  And, if so and we did not report it last year, what is the best way to address that problem!

Eva – She should be reporting the interest income on Schedule B.
Honestly, don’t know if this is considered an asset in a foreign country.
But, to be safe, you could report it?
Let’s discuss it.

Also I have a question regarding money received after the death of a parent.  Prior accountant had prepared the final tax return for the mother in 2015.  In 2016 taxpayer received a 1099R from the Mom's IRA and the Estate received a 1099-B for sale of the stock which all went to taxpayer in 2016.   The Estate is well under the IRS threshold for filing an Estate return.  Does the taxpayer include the income from the 1099-B on their tax return?  The tax ID number looks like an Estate ID was gotten for it.

Eva – The estate is closed. The taxpayer got the money. Report it all.

**Debi asked:**

When a parent inherits a teachers retirement account belonging to a child who passed away.  Can the parent roll it over into an account in the parents name?
I was thinking NO but their retirement representative told them yes.

Eva – The IRS doesn’t discuss the rollover issue of a qualified plan – just the periodic payments. Which MAY continue.
<https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-beneficiary>

But if there is a cash-out option, I would follow the same rules as for IRAs.

“**Inherited from someone other than spouse**. If the inherited traditional IRA is from anyone other than a deceased spouse, the beneficiary cannot treat it as his or her own. This means that the beneficiary cannot make any contributions to the IRA or roll over any amounts into or out of the inherited IRA. However, the beneficiary can make a trustee-to-trustee transfer as long as the IRA into which amounts are being moved is set up and maintained in the name of the deceased IRA owner for the benefit of the beneficiary.”

**Larry asked:**

Situation;

Husband and wife separated Aug **2015**. Wife has 2 dependents and qualifies as HOH.

For tax year 2016, they are still not divorced and there is no formal separation papers.

Husband has paid nothing to wife for home or children.

Wife would like to take 100% of all Itemization since she paid 100% in 2016.

She would also like to take both children as dependents as she supplied 100% support and she was the custodial parent.

Questions;

Do you see any problem with her taking both children as dependents?

Property tax bill and 1098 still have husbands name on them. Can she take 100% of itemization since she paid 100% or will there be an issues since his name is also on documents.

When filing MFS and the spouse that qualifies as HOH Itemizes, does the other spouse that is filing MFS need to also itemize as if both were filing MFS and one did not qualify as HOH?

Eva:

No problem for the wife to claim all the expenses – as long as they have not lived together for at least 6 months.

Have her be sure to keep all the proofs of all payments, since SHE paid them.

The husband, must file MFS – and no, he doesn’t have to itemize, since the wife is filing HOH.
To avoid problems, make sure he knows she is claiming the children and the itemized deductions, since he provided no support and hasn’t paid for anything.

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