

Tax Roundtable January 2018

First, some key information about the tax law changes.

You can find the full text of the Tax Cuts and Jobs Act here:

<http://docs.house.gov/billsthisweek/20171218/CRPT-115HRPT-%20466.pdf> – all 1101 pages
which includes some explanations and details and code section references.

The pure law - <https://www.congress.gov/bill/115th-congress/house-bill/1> 185 pages

The Tax Extender Act of 2017 <https://www.congress.gov/115/bills/s2256/BILLS-115s2256is.pdf> 47 pages

Upcoming classes I am teaching:

CCH CPE Link: <http://www.cchcpelink.com/teamtaxmama>

Maximizing Home Office Deductions	Feb 13 2018	Eva Rosenberg	2	Basic
Tax Checklist for Knotty Divorces	Feb 14 2018	Eva Rosenberg Armand D'Alo	2	Intermediate

UTax:

NEW DATE ADDED! Tax Law & Important Industry Updates - 1:00 PM ET (English)

Start date : January 17, 2018 1:00 pm

End date : January 17, 2018 2:30 pm

Our most popular and important webinar topic each season, and especially this year due to the major tax law legislation recently passed by Congress. This 90-minute webinar will cover new tax laws and any pending or expiring key legislation and policies impacting our industry and provide an opportunity to ask questions. Both experienced and new preparers will find this webinar informative and insightful.

Register here - <https://attendee.gotowebinar.com/register/2495313439885818369>

Canopy Tax offers free CPE <https://opencourse.canopytax.com/>

I will be teaching courses for them this year.

Upcoming Schedule for 2017 exam Follow-up classes

Remember, these sessions are for YOU – they are customized for your benefit.

All classes meet at 4:00 pm Pacific

Thursday, January 11, 2018

Tuesday, January 16, 2018

Thursday, February 8, 2018

Tuesday, February 13, 2018

PLEASE remember to send me

- the questions you need clarified
- or the Exam Part you're studying
- And in that part – the topics you want to review

Please send all questions by the morning of **the day before** the follow-up session so I have enough time to prepare a good session for you.

Shelli asked:

I'm curious to know your take on the elimination of entertainment expenses for 2018.

Does it include the elimination of client dinners/meals or just "entertainment"?

TaxMama Replies:

All entertainment is eliminated – or "suspended."

Meals are still deductible, and still need to meet the *direct business* or *associated with business* tests.

John asked:

I have been trying to get my ERO status but have run into some simple snags:

1. I received my login to begin my application just prior to the IRS switching over to a different format and I couldn't use it.

2. Reapplied for the capability again and was able to fill out the appropriate info but it appears to be all at the FIRM level, which is me. I receive errors that I have not filled out suitability questions on myself. I cannot for the life of me navigate to an area that allows me to fill out my personal suitability questions. The help line is about 1.5 hour wait time, who'd a thunk. I may have to bite the bullet and sit on line unless you have clue of where to navigate to answer my personal "suitability questions". Maybe they should rescind my EA because I can't even get through the EFIN process easily.

3. Finally, if I am unable to obtain my own EFIN, which it looks like I will probably not be able to, do you recommend any other options like paying another ERO for this season?

TaxMama Replies:

CALL THEM! IMMEDIATELY

1-866-255-0654

e-help Desk Toll Free Number. 1-866-255-0654. Note: Callers who are outside of the 50 U.S. States and/or U.S. Territories should use the International phone number: 1-512-

416-7750. Taxpayers who file their returns electronically using a tax preparer or online software should not be referred to the e-help Desk.

IRS stakeholder liaison

<https://www.irs.gov/businesses/small-businesses-self-employed/stakeholder-liaison-local-contacts-1>

Linda asked two questions:

1. I have a client who is an S Corp and they took 15K from the business account and transferred to the personal to pay the credit card debt which was incurred for the start of the business. I saw the personal credit cards which the debt was incurred (in 2014), but there is nothing on the tax return reflecting it. Do I need to reflect this on this years' return or treat it as a reimbursement of expenses and do nothing with it? or do I need to amend the returns from 2014 and on?

TaxMama Replies:

Your client is a cash-basis taxpayer.
So, whatever happens, happens this year.

You have two choices:

a) Find out if the S corp ever took a deduction for the things she paid for in 2014. If the S corp never deducted (or capitalized) those costs – do it now. Have her submit an expense report to the S corp and enter the expenses or assets on the books in 2017.

Debit – the various expenses
Credit – Cash

b) if they did take the deductions back then, they should have booked a loan from officer for 2014. If the loan is not on the books, have your client write up a simple note:

- date of loan,
- amount,
- interest rate – look up the [AFRs](#) for that date (2014 will be on the second page)
- repayment terms – something like, repay within 5 years

Then make a journal entry to book the loan.

Debit – Officer Capital account
Credit – Officer Loan Payable

2. Second questions is in regards to another client who is also an S corp and the corporate officers are two sons. 1 son has 75% and the other 25% shareholders. The son with the 25% wants out of the business and the cook in the restaurant is interested in the share. What is the proper way to proceed to put him on the books in 2018.

The EASIEST way is, have the cook buy the exiting son's stock, effective January 1, 2018.

This can be handled a number of ways. Here are two ways:

- 1) Have the S corp buy back the son's stock and sell it to the cook.
- 2) The cook can buy the stock directly from the son. Then the issue is off the S corp books and between the cook and the son.
- 3) The cook can borrow the money to buy the stock.

Either way, the cook can either pay in full up front, or he can pay over time. Use the AFRs to determine the interest rate.

However, you cannot report the sale of stock as an installment sale. It needs to be reported in the year of the sale.

Catherine asks a couple of related questions:

1) Question. Taxpayer was diagnosed with stage 4 cancer and did not have a filing requirement after tax year 2014. Taxpayer died in January 2016. Do we need to file a FINAL TAX RETURN?

TaxMama Replies:

I would. In fact, I would file all the open years – just to establish an audit statute of limitations.

Personally, for someone like that, I would prepare them for free.

2) Follow up question: Taxpayer owns 50% share in Rental Property (Purchase price: \$408910) Also small retirement account that was fully reported to the US annually - so now a personal savings account.

Spouse is NRA so Marital Deduction does not apply. Gifts to non-US Citizen spouse is limited to \$148,000 for 2016. Their 2 children are US citizens. Do we need Form 706?

TaxMama Replies:

Yes, you need to file a Form 706, based on the terms of the will. It doesn't appear that he has more than \$5.49 million, so there won't be an estate tax. You don't need to worry about the Marital Exclusion since the estate is smaller than the lifetime exclusion. (But good that you looked that up).

<https://www.irs.gov/individuals/international-taxpayers/some-nonresidents-with-us-assets-must-file-estate-tax-returns>

<https://www.nolo.com/legal-encyclopedia/estate-planning-when-you-re-married-noncitizen.html>

3) What becomes of her share of rental property?

TaxMama Replies:

Wife will own the rental property – have someone in the US file the updated deeds. I don't know if the state will insist on a probate. But if there is a will this should not be a problem.

Good news: The property gets a stepped-up basis and depreciation starts all over again.

Cheryl's questions

Several items to review please:

1. What things do I need to look out for when a client sold part of their business, including assets, goodwill and is still paying out a loan on the original investment? I have a list of the assets which were sold and the price that was paid in general for the business (almost all assets were fully depreciated in prior years). Goodwill still has many years left to amortize. And of course the interest on the loan. How do I organize it? I might be making it more complicated than it is . . .

Form 4797 - <https://www.irs.gov/pub/irs-pdf/f4797.pdf>

Form 8594 - <https://www.irs.gov/pub/irs-pdf/f8594.pdf>

2. Daughter of a client has daughter who received 1099-SSA because dad got approved for disability after trying for several years. Benefits paid in 2017 were \$25,143. Of that, \$4959 were for 2014 and \$13440 for 2015. Don't understand why no mention of 2016 on the form **but** my question is this: is there a way around reporting the entire amount in 2017 as it was not the daughter's fault it took years for approval? In 2017 she will be over the \$25k threshold where she will be taxed at 50%. Her mom and stepdad claim her on their return. I was hoping there would be a way of filing a back tax return with an explanation on it and then taking that amount off in the 2017 return with an explanation?

<https://www.irs.gov/faqs/social-security-income/back-payments/back-payments>

3. I have a client who has a niche market. He is an historical roofing consultant. He wants to write an e-book and use a ghost writer. Currently he has the consultant company as an S Corp. Should the book, expenses, etc go under a wholly other company or can it be another activity in the S Corp. I am leaning toward keeping it separate under himself personally. He is highly regarded in the industry and his knowledge is sought. Thoughts?

Own the copyright and assign it to S corp via contract with S corp

Print on Demand

4. Cryptocurrency. Ok, I read the notice from 2014. For right now let's just keep it simple - not dealing with purchasing groceries or a slice of pizza or services. Dealing with trading within the various currency platforms such as Bitcoin, Ethereum, Bitcoin Cash, Bitcoin wallet, etc. It is my understanding that every transaction from one of these platforms to another would be a sale and purchase. Is that correct as they each have their own pricing at any given second? Or would they be a like kind of exchange?

Today a client called me and told me he started cloud mining of cryptocurrencies - he explained it to me but I got stuck on blockchain (not really but there are so many pieces and nuances!) So, after tax season I think I'm going to become an expert on this subject and teach classes to EAs and CPAs on it. In the meantime, any data, resources, and advice?

<https://www.forbes.com/sites/kellyphillipserb/2018/01/09/what-you-need-to-know-about-taxes-cryptocurrency>

<https://www.irs.gov/newsroom/irs-virtual-currency-guidance>

<https://www.npr.org/sections/money/2018/01/05/576087864/episode-816-bitcoin-losers>

Larry Tacker – awarded an out-of-court settlement for back wages

1099Misc with all the income.

The W-2 they got for the back wages caused their SS Income to be taxed because they are collecting SSI before age 66.

SSA-131 <https://www.ssa.gov/forms/ssa-131.pdf>