

Tax Roundtable – July 2018

I have been asked to teach a 4-hour mini-seminar at the Los Angeles Chapter of CSEA on November 13th 3:00 pm – 9:00 pm

<http://www.lacsea.org/lacsea-events/upcoming-events>

The topics will be two of these (probably the first two)

- Tax Breaks Tips and Update
- Tax Checklist Divorces
- Marijuana

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Jami Barkley provides this resource

About the 199A deduction:

S corp wants to pay as little salary as possible while steering clear of the IRS' new S corp task force.

I found this resource that could benefit everyone.

<http://www.scorporationexplained.com/settingScorpsalaries.htm>



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Chapter 1, "How S Corporations Save Payroll Taxes," goes over the basics of the payroll tax savings an S corporation creates.

Chapter 2, "Reviewing the Law," discusses the relevant statute, the two on-point revenue rulings, and then the key treasury regulation. Chapter 2 also discusses very briefly a handful of the "old standard" court cases.

Chapter 3, "Common Subchapter S Salary Practices," presents the available IRS S corporation salary data, reviews the last Treasury Inspector General Reports, and then discusses some common rules of thumb we all hear both fellow practitioners and S corporation owners use.

Chapter 4, "Single Shareholder Situations," discusses whether a single-shareholder, single-employee S corporation works.

Chapter 5, "The Sec. 199A Deduction Complication," describes how the S corporation tax savings gambit works in light of the new Sec. 199A deduction.

Chapter 6, "Avoiding Unreasonable Distributions," shoots off on a tangent and discusses minimizing shareholder distributions to minimize risks.

Chapter 7, "Developing Reasonable Compensation," walks the reader through an eight-step process for developing a low "reasonable compensation" amount that safely complies with the law.

Chapter 8, "Practitioner Case Studies," reviews half a dozen common situations and then applies the general approach described in this monograph to each.

Chapter 9, “Risky Practices and Danger Zones,” briefly discusses a handful of shortcuts and hacks that many tax accountants will want to watch out for—and probably avoid.

Chapter 10, “Winning the Reasonable Compensation Audit,” discusses why S corporations get audited, and then what to do if in an audit the revenue agent raises the issue of shareholder-employee reasonable compensation.

This monograph also includes five appendices:

Appendix A provides a copy of Revenue Ruling 59-221 because it’s often rather difficult to track down unless you’ve got a good tax library.

Appendix B provides a copy of Revenue Ruling 74-44 for the same reason.

Appendix C provides the relevant portions of H.R. 4213, a piece of legislation that nearly passed in 2010 and would have closed the S corporation “loophole” for many businesses.

Finally, Appendixes D and E provide boilerplate texts for year-end letters or emails that tax accountants may want to send their clients.

Note: I picked up the current version of Tax Tools in order to do some 199A computations.

Haven’t done it yet – but will start playing with it next month.

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Dan wants to know

Q. Which tax resolution software do you personally prefer?

A. Personally, I generally reach for **IRSSolutions.com**

why? I know what I am doing.

And I don’t have many resolution clients, so I don’t need it often.

You can reach out to them directly when I have a problem or am bogged down in the software.

(the company is small enough to reach the EA/officers).

<https://www.irssolutions.com/> Discount code - TaxMama30 – give you \$30 off the monthly fee

But if I didn’t have this experience and was just starting out, I would pick **PitBull Software**.

Why? It provides more guidance and prompts about how to interview the taxpayer, and what to advise the taxpayer at each stage of discovery.

Also, they have a one-case option, rather than paying monthly, for folks who are just getting their feet

wet.

Again, the company is small enough that you can reach the key people and get help when you need it.

<https://www.pitbulltax.com/> To get discounts, please tell them TaxMama® sent you.

If I were working a lot of cases, I might explore CanopyTax.

Why? The software is direct, like IRSSolutions.

But they have an excellent client management system that will send out automated reminders to clients about missing information. (My least favorite task – the constant “pulling teeth” scenarios.) The practice management component is an additional cost, but it’s worth it to track your cases.

www.canopytax.com To get a longer trial period, tell them TaxMama® sent you.

All of these companies offer cloud-based storage for the client data, so you can work anywhere. And clients can upload their documents directly.

TaxHelpSoftware was primarily created to pull and explain transcripts. Roger Nemeth is now offering additional services – like being able to alert you if your client’s return for a specific year is being considered for an audit. They also have a system to pinpoint exactly when it’s safe to file Tax Bankruptcy for a client based on all the different dates, timelines and CSEDs (collections statute expiration dates).

<https://www.taxhelpsoftware.com/> To get discounts, please tell them TaxMama® sent you.

They each offer transcript services – Canopy does it for free.

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What do YOU think about the new Form 1040?

<http://taxmama.com/tax-quips/taxmamas-taxquips-filing-the-irs-postcard-2018/>