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Today's Topic:

**April 2019
Tax Roundtable**

Congress passed a bill Taxpayer First Act of 2019

<https://www.congress.gov/bill/116th-congress/house-bill/1957>

It hasn't passed the Senate

And no, there's no Extender Bill yet.

Shown Here:

Introduced in House (03/28/2019)

Taxpayer First Act of 2019

This bill modifies requirements for the Internal Revenue Service (IRS) regarding its organizational structure, customer service, enforcement procedures, management of information technology, and use of electronic systems.

The bill includes provisions that

- establish the IRS Independent Office of Appeals to resolve federal tax controversies without litigation;
- require the IRS to develop a comprehensive customer service strategy;
- continue the IRS Free File Program;
- exempt certain low-income taxpayers from payments required to submit an offer-in-compromise;
- modify tax enforcement procedures that address issues such as the seizure of property, issuing a summons, joint liability, referral for private debt collection, and contacting third parties;
- establish requirements for responding to Taxpayer Advocate Directives;
- permanently authorize the Volunteer Income Tax Assistance Matching Grant Program;
- modify procedures for whistle-blowers;
- establish requirements for cybersecurity and identify protection;
- prohibit the rehiring of certain IRS employees who were removed for misconduct;
- allow the IRS to require additional taxpayers to file returns electronically; and
- increase the penalty for failing to file a return.

The bill requires the IRS Commissioner to appoint a Chief Information Officer, modifies the requirements for managing information technology, and authorizes streamlined critical pay authority for certain IRS information technology positions.

The bill also requires the IRS to implement

- an Internet platform for Form 1099 filings,
- a fully automated program for disclosing taxpayer information for third-party income verification using the Internet, and
- uniform standards and procedures for the acceptance of electronic signatures.

Recently I've been posting information and surveys about eliminating the requirement to file Form 4868 and Form 7004

- Let me tell you the status of that IRS project...

Last month I got this invitation to a resource that lets you convert PDFs to Excel files – and other resources – see what I did with it!

<https://www.investintech.com/pdf-to-excel/>

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Able2Extract Professional 14 Full License This is the full use, lifetime, single-user license. Supports scanned PDF documents.	\$149.95
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Do you know when to renew your enrollment?

SSN Ending	Renewal Cycle	Renewal Application Period		Renewal Cycle Expiration	
		EA	ERPA	EA	ERPA
7, 8, 9 & No SSN	2018-2021	November 1, 2020 through January 31, 2021	April 1, 2021 through June 30, 2022	March 31, 2021	September 30, 2021
0, 1, 2, 3	2019-2022	November 1, 2021 through January 31, 2022	April 1, 2022 through June 30, 2022	March 31, 2022	September 30, 2022
4, 5, 6	2020-2023	November 1, 2022 through January 31, 2023	April 1, 2023 through June 30, 2023	March 31, 2023	September 30, 2023

Continuing Education (CE) Requirements for New Enrollees

The CE requirement is slightly different for newly enrolled EAs and ERPAs applying for their first renewal.

Generally, newly enrolled EAs will not need 72 hours of CE because they will not have been enrolled for all three years of the cycle. The 16 hour yearly minimum may not apply to them for at least one of the three years of the cycle.

Two hours of Ethics or Professional Conduct are required for each enrollment year during the enrollment cycle regardless of when enrollment began. The 2 hours of Ethics are included in the annual CE requirements in the chart below.

Circular 230 page 12, §10.6 (e)(2)(iii)(A)

"...an individual who received initial enrollment during an enrollment cycle must complete two hours of qualifying continuing education credit for each month enrolled during the enrollment cycle. Enrollment for any part of a month is considered enrollment for the entire month."

CE Requirements for an Enrollee's First Renewal Cycle

SSN Ending	Year of Enrollment	Calendar Month Enrollment Granted												Renewal Cycle
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
7, 8, 9 & No SSN	2018	72	70	68	66	64	62	60	58	56	54	52	50	2018-2021
	2019	48	46	44	42	40	38	36	34	32	30	28	26	
	2020	24	22	20	18	16	14	12	10	8	6	4	2	
0, 1, 2, 3	2019	72	70	68	66	64	62	60	58	56	54	52	50	2019-2022
	2020	48	46	44	42	40	38	36	34	32	30	28	26	
	2021	24	22	20	18	16	14	12	10	8	6	4	2	
4, 5, 6	2020	72	70	68	66	64	62	60	58	56	54	52	50	2020-2023
	2021	48	46	44	42	40	38	36	34	32	30	28	26	
	2022	24	22	20	18	16	14	12	10	8	6	4	2	

- Taxpayer L, a single individual, lives in WV. The employer is located in MI. L has worked for this company for 15 years and always had WV state taxes withheld (but no local).
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- Someone changed L's state withholding from WV to MI for the last pay period of 2018. The employer uses a national company to prepare their payroll. Until last week, nobody identified who made the unauthorized change. L found out that it was someone in the company's HR department who, thankfully, no longer works there. Several other employees also had payroll issues because of this person.
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- The error was corrected in January, but the payroll preparer had already mailed W2s. L has been trying to get an amended W2 since January. The employer says that the hold-up is on the preparer's side.
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- Oddly, the amount of MI withholding equals the WV tax that pay period. Looking at the MI tables and comparing them to the state wages shown on the W2, the withholding should be zero. It makes me wonder how they came up with the withholding amount they used.
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- L is worried about filing an extension since their return has always been filed in March.
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- My concern is that if L files a nonresident MI return, a resident WV return, and the federal and local returns, the preparer will finally issue an amended W2 and cause more of a mess.
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- What is your advice? What responsibility does the employer have? What are the repercussions to the federal return if a new W2 is issued? So many questions!

TaxMama Suggests

The employer is involved and willing to fix this.

The easiest thing to do is - File an extension – calm the client down.

Wait for the new W-2 and have the client pull his third-party transcripts for 2018 to make sure this has been recorded, after he gets this amended W-2

<https://www.irs.gov/individuals/get-transcript>

Or pull them for him – which means you will have to charge him for the service.

Here are two more options:

1) OR – file the IRS return.

And the WV return – include a Substitute W-2 for WV with the total correct withholding.

Put MI on extension – because they received withholding money

- 2) OR – file the IRS return.

Don't file WV or MI – put them on extension.

Then, once you get the W-2 – get the transcripts and file the WV return.

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I have a client who's a SMLLC and made the S Corp tax election as of 1/1/19. She's wanting to contribute \$5500 to her traditional IRA for 2018 and wonders, if she uses the company bank account, will this cause any problems?

- Hi Kendra,

The SMLLC did not exist in 2018. So if she wants to make 2018 contribution, it should not come from the S Corp's bank account. If she takes it from there, the money is one of these – wages or dividends or a loan.

Answers to Kenneth's questions are placed after the questions – but re-organized:

1. Can medicare be used as deductible: \$6000 /year?
3. Kaiser Advantage plus (extra insurance purchased for Kaiser) is deductible? \$240/year
4. Copays and prescription drugs are deductible. \$338.32/year
8. Acupuncturist or Oriental medicine doctor visit deductible?

If you're itemizing, sure – all of these are deductible medical expense – the first two as health insurance, the next one as drugs and the last as other medical – clinics and such.

However, you need more than \$12,000 (\$24,000) MFJ to itemize, and then to reduce your medical expenses by 7.5% of AGI.

Rent income is \$36,000/ year

2. Only rental property insurance is deductible not my home insurance?
7. HOA of the rental property deductible?

You are reporting the rental income on Schedule E.
Deduct the rental insurance on that schedule.
There is nowhere to deduct your own home insurance.

HOA costs are deductible.

All costs you pay out of pocket on that rental are deductible – mortgage interest, maintenance, supplies – even mileage to/from the property.

Don't forget depreciation

5. Home not rental garage door repairs. \$320

If this is for your own home – not a deduction. Just save the receipts in a permanent file to track basis.

6. Utilities home primary residence such as LA DWP or SoCalGas deductible?

Not deductible anywhere



