

Welcome to TaxMama's® Place - Home of the

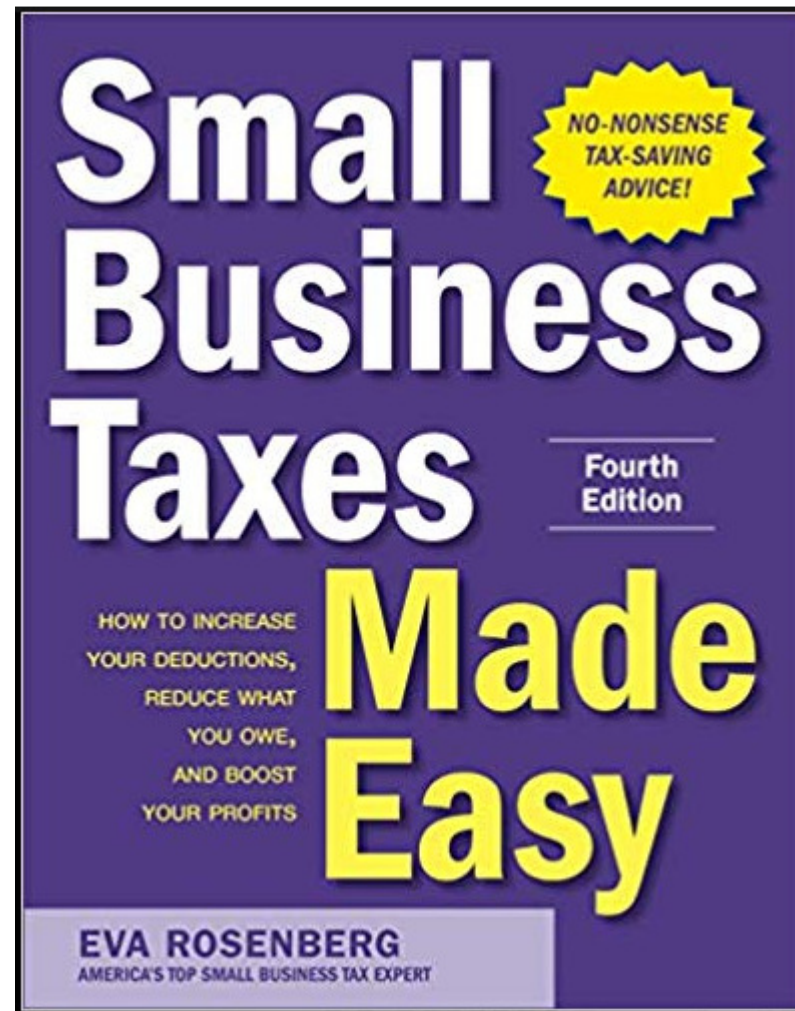


Today's Topic:

**January 2020
Tax Roundtable**

- Whew a new year – AND a new law!
 - You all know about the new law – we'll be talking about it later.
- The IRS will open efilings on January 27th
- Some IRS forms have been updated for the new law
 - See Schedule 1 <https://www.irs.gov/pub/irs-pdf/f1040s1.pdf>
 - Tuition and Fees have been added
 - Not Schedule A <https://www.irs.gov/pub/irs-pdf/f1040sa.pdf>
 - Still showing 10% medical and no PMI (line 8 d – Reserved)

- <https://www.amazon.com/Small-Business-Taxes-Made-Fourth/dp/1260468186/>
- Will contain the SECURE Act changes
- Due out in March



- 2553 late s-Corp election Rev. Proc 2013-30 faxed on Feb 10, 2019 for tax year 2018 - no response received .
- No extension for S-Corp filed. (Huge mistake)
- 1120-S filed 8/14/19 with 2553
- Letter received denying S-corp election unless proof of timely submission of a 2553 can be presented.
- The questions is: Since the 2553 most likely would have been accepted under Rev. Proc. 2013-30 in February, is there any chance that the I.R.S. will grant relief once informed that the form was faxed before the dead line for the tax return and that the reason the client faxed instead of mailing the 2553 is that he works abroad?
- At this point, a \$1,000 penalty for late filing would be the least of the problems.

That's a toughie

1) 2553 late s-Corp election Rev. Proc 2013-30 faxed on Feb 10, 2019 for tax year 2018 - no response received .

- a) Is there any proof that this was faxed to the IRS?
- b) Did you prepare the Form 2553 for the client and did you give him instructions to sign and fax it?
- c) Do you have a copy of that? And is it dated?

**Your attestation about this is important.
The IRS will believe you.**

- No extension for S-Corp filed. (Huge mistake)
- 1120-S filed 8/14/19 with 2553

If possible, always file an extension for your clients with pass-through entities.

You might be able to get first time abatement for this.

<https://www.irs.gov/businesses/small-businesses-self-employed/penalty-relief-due-to-first-time-penalty-abatement-or-other-administrative-waiver>

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The IRS might be willing - <https://www.irs.gov/businesses/small-businesses-self-employed/late-election-relief>

Rev. Proc. 2013-30 relief is only for late elections that would otherwise be valid.

<https://www.irs.gov/businesses/small-businesses-self-employed/late-election-relief>

<https://www.irs.gov/pub/irs-drop/rp-13-30.pdf>

Attach a reasonable cause statement to the election.

The following requirements must be met to qualify for late S corporation election relief by a corporation or entity classified as a corporation:

- The entity intended to be classified as an S corporation, is an eligible entity, and failed to qualify as an S corporation solely because the election was not timely;
- The entity has reasonable cause for its failure to make the election timely;
- The entity and all shareholders reported their income consistent with an S corporation election in effect for the year the election should have been made and all subsequent years; and
- Less than 3 years and 75 days have passed since the effective date of the election (See the *Exception to the 3 Years and 75 Day Rule* section below).

In addition, if the electing entity is requesting a late corporate classification election to be effective on the same date that the S corporation election was intended to be effective, the requesting entity must also meet the following additional requirements:

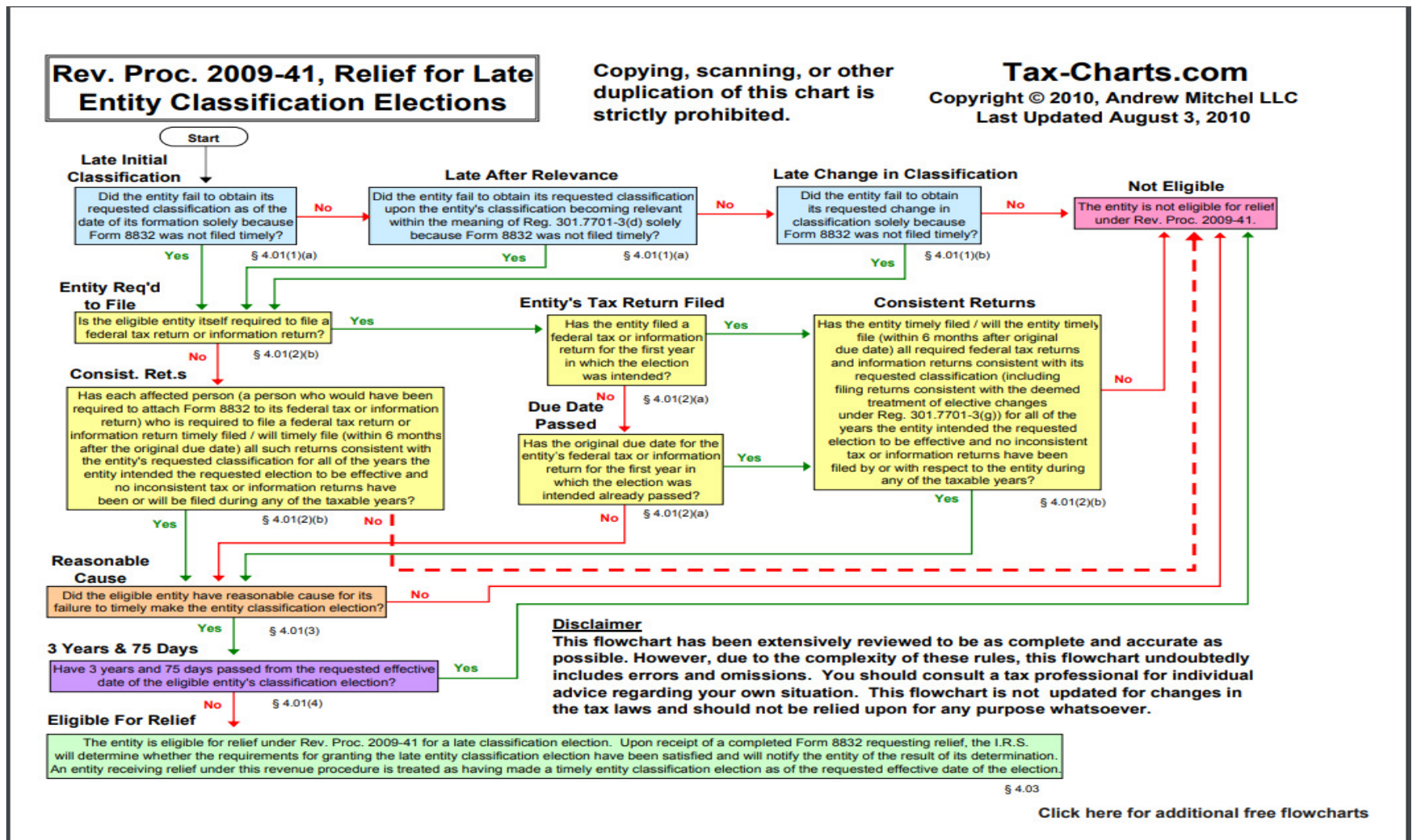
- The entity is an eligible entity as defined in Treas. Reg. § 301.7701-3(a);
- The entity failed to qualify as a corporation solely because Form 8832 was not timely filed; and
- The entity timely filed all required federal tax returns consistent with its requested classification as an S corporation.

If the entity qualifies and files timely in accordance with Rev. Proc. 2013-30, the **Campus** can grant late election relief. If the entity does not qualify under the provisions of the Revenue Procedure, its only recourse is to request a private letter ruling.

<https://www.irs.gov/pub/irs-drop/rp-09-41.pdf>

Flow chart - https://www.tax-charts.com/charts/rev_proc_2009_41.pdf

<https://www.journalofaccountancy.com/news/2009/sep/20092115.html>



An LLC Client was filing as an S-corp (1120S) for 3 years. Problem was he got an IRS notice showing NO record of Form 2553 or 8832 filed. IRS asked for proof of any of these forms filed. Of course, the client had no clue if this was filed or not. His prior tax preparer was unresponsive.

We filed both the 8832 and 2553 late election BEFORE the 3 years & 75 days and **IRS accepted it**. We did not have to go back and amend the tax returns Yay!

SUCCESS!!

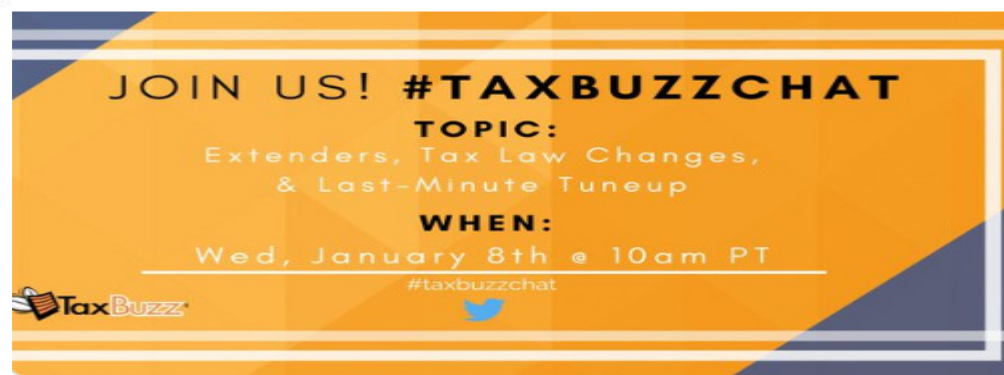
If you could go over some points on the Further Consolidated Appropriations Act that was signed on 12/20/2019 that would be greatly appreciated.

- There were 715 pages <https://www.congress.gov/bill/116th-congress/house-bill/1865/text> Actually pages
 - 604-649 - DIVISION Q—REVENUE PROVISIONS
 - and 693-714 - DIVISION O—SETTING EVERY COMMUNITY UP FOR RETIREMENT ENHANCEMENT

I am teaching 4 classes about this next week and the week after
<https://www.cchcpelink.com/teamtaxmama>

Live Webinar

Title	Date	Instructor	Credit
Tax Breaks, Tips, and Updates: Part 1	Jan 14 2020	Eva Rosenberg	2
Tax Breaks, Tips, and Updates: Part 2	Jan 15 2020	Eva Rosenberg	2
California Tax Update: Part 1	Jan 22 2020	Eva Rosenberg	3
California Tax Update: Part 2	Jan 29 2020	Eva Rosenberg	2



There were 12 interesting questions in yesterday's Tax Buzz Chat

https://twitter.com/search?q=%23TaxBuzzChat&src=recent_search_click&f=live

They are summarized on the website, with the comments and answers from key Twitter tax professionals. (next meeting February 5, 2019 at 10:00 am Pacific)

<https://www.taxbuzz.com/blog/taxbuzzchat-january2020-changes-affecting-2019-tax-returns>

@taxmama , @taxgirl , @PKubeyEA , @danherronruns
@KeithJonesCPA , @BrettNealCPA , @SylviaDionCPA
@CariWestonCPA , @justinmilleresq , @NayoCarterGray
@J_Stephens_CPA , @MissTaxCat , @MelindaNCPA
@CPA_Trendlines

Key TCDTRA Extenders *Division Q" – affecting 2018 to 2020:

- Mortgage Insurance Premiums (PMI) are deductible
- Medical expenses are reduced by 7.5% instead of 10%
- Principal residence debt cancellation is not taxable.
- \$4,000 tuition and fees deduction is restored
- \$500 lifetime non-business energy credit is back.
- Qualified Fuel Cell Motor Vehicles Credit is restored
- 2-Wheeled plug-in electric vehicle credit is back.
- Employer tax credit for paid family leave gets an extra year

Remember, you can amend your 2018 return if these changes make a significant difference for you. But if the affect is minor, don't. Expect these amended returns to take many months to process, since the IRS will be flooded.

- New \$500 employer tax credit for setting up a retirement plan (or adding to current plan) for employees, where they are automatically enrolled – employees must opt out of these plans. (This is in addition to the tax credit for new retirement plans)
- Part-time employees may qualify for 401(k) participation
- Certain fellowships and stipend payments are considered earned income to allow recipients to make IRA contributions.
- Payments to home healthcare workers, which are excluded from income qualify to allow them to make IRA contributions
- The IRA contribution age limit of 70.5 has been removed – you can contribute as long as you have earned income
- The age for required minimum distributions (RMDs) from IRAs and retirement plans has risen from 70.5 to age 72
- Money drawn from IRAs and retirement plans for adoptions will avoid the 10% early withdrawal penalty.
- Funds may be withdrawn from Section 529 plans to cover up to \$10,000 of student loan principal and interest – once in a lifetime
- Inherited IRAs and qualified plans must now be distributed over 10 years, instead of the actuarial of the beneficiary or the deceased (except for spouses)
- Kiddie tax rates are back at the parents' rate instead of the higher trust rates (optional) – this is effective for 2018, in case you want to amend

- You can find today's handout in the Board after the session

<http://irsexams.com/board/index.php?/topic/956-taxmamas-tax-roundtables/>

- And at the TaxMama site
<http://taxmama.com/tax-quiips/taxmamas-tax-roundtables-2018/>

QUESTIONS?