

Welcome to TaxMama's® Place - Home of the



Today's Topic:

**February 2020
Tax Roundtable**

- Whew a new year – AND a new law!
 - You all know about the new law – we did a summary last month.
- The IRS has opened efilings
- Many IRS forms are now updated.
- Some things are still not quite ready for prime time

- <https://www.webcaster4.com/Webcast/Page/1148/32995> = 1 CE

Understanding the Gig Economy

Thursday, February 20, 2020

2:00 p.m. Eastern, 1:00 p.m. Central, 12:00 p.m. Mountain, 11:00 a.m. Pacific, 10:00 a.m. Alaska, 9:00 a.m. Hawaii

(60 minutes including Q & A)

This webinar will provide an overview of the following:

- What is the Gig Economy?
- How does a gig worker know if they are an employee or self-employed?
- Business expenses and recordkeeping for gig workers
- Rules for home rentals
- Tax payment options for gig workers
- Plus, a live Q & A

Offered with closed captioning. Closed captioning displays the words that describe the audio portion of the program for viewers who are deaf or hard of hearing. Captions are available in English.



[IRS, Treasury issue proposed regulations updating income tax withholding rules](#)

IR-2020-28, February 11, 2020 — The U.S. Department of the Treasury and the IRS today issued proposed regulations updating the federal income tax withholding rules to reflect changes made by the Tax Cuts and Jobs Act (TCJA) and other legislation.

[IRS launches Identity Theft Central](#)

IR-2020-27, February 3, 2020 — The IRS today launched Identity Theft Central, designed to improve online access to information on identity theft and data security protection for taxpayers, tax professionals and businesses.

[IRS takes next step on abusive micro-captive transactions; nearly 80 percent accept settlement, 12 new audit teams established](#)

IR-2020-26, January 31, 2020 — The Internal Revenue Service announced today the overwhelming acceptance of a time-limited settlement offer made to certain taxpayers under audit who participated in abusive micro-captive insurance transactions.

[IRS revises Form 1023 for applying for tax-exempt status](#)

IR-2020-25, January 31, 2020 — As part of an ongoing effort to improve service for the tax-exempt community, the Internal Revenue Service has revised Form 1023 to allow electronic filing for the first time starting later this month.

[New Form 1040-SR, alternative filing option available for seniors](#)

IR-2020-24, January 30, 2020 — The Internal Revenue Service wants seniors to know about the availability of a new tax form, Form 1040-SR, featuring larger print and a standard deduction chart with a goal of making it easier for older Americans to read and use.

[IRS outlines new tax law effect on tax exempt organizations](#)

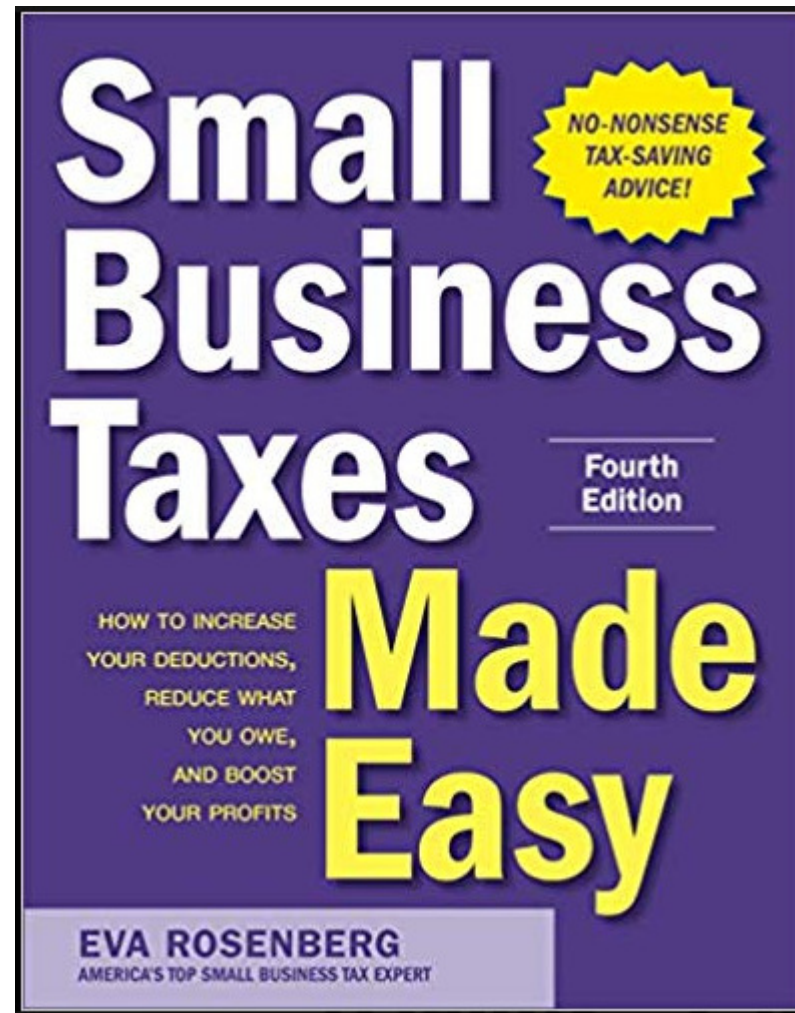
IR-2020-23, January 28, 2020 — The Internal Revenue Service wants tax-exempt organizations to know about recent tax law changes that might affect them.

- IRS Solutions - <https://www.irssolutions.com/>

They have asked me to join their team to help conduct their monthly webinars on IRS collections and representation issues

- One hour with CPE for EAs, CPAs and AFSPs,
- On the 4th Thursday of each month at 10:00 am Pacific
- You can ask questions.
- There will be a fee (I am not sure how much)
- Details will be posted on TaxMama.com and on [irssolutions.com/](https://www.irssolutions.com/)

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



- Had a long time client go just over the limit for sch L and M2. Where can I get training on how to do these forms.
- Not a lot of entries but I am stuck.
- I either need to get more training in this area or hire someone to do it for me for now and get more training this summer.
-

That's not so tough.

Your problem is, you probably don't have a Balance Sheet, just a profit and loss statement or summary of income and expenses.

The easiest way to do this is – just ask the client for their Balance Sheet

- for 12/31/2018 and
- for 12/31/2019

Don't have that? OK...

To create the balance sheet, take these steps

1. Reconcile the bank account so you know the ending cash
2. Check for assets –
 - did they buy any new assets during the year?
 - If they are already written off on the P&L remove them
 - You will ultimately put them on your balance sheet on line 10a (ultimately, this will go in column d)
 - You will depreciate them – Form 4562 and ultimately put them on line 10b, column d
 - You will add the 2019 purchases to the 2018 assets if any – total to column d
 - Did they have assets in the previous year that they were depreciating
 - If not, keep it simple and put -0- on line 10a column a
3. Skip accounts receivable and accounts payable – they should be on cash basis (hopefully)
4. Do they have any loans receivable or other assets – enter those on line 6
5. Did the shareholders lend the corp any money...

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4. Do they have

- Basically, you are going to go, line by line to reconstruct their current year assets
- And last year's asset balances for those assets
- For the bottom – you won't show liabilities EXCEPT
 - Payroll and sales taxes that were unpaid at the end of the year.
- Did they pay for their stock?
 - Enter what they paid for the stock that was issued.
 - If they never paid, enter -0-
- For retained earnings in the beginning of the year (column a), just enter the reconciling number.
- For column d – start with the 12/31/18 amount (column a), add the current year's profit or loss, subtract any distributions – and that should equal the same line in column (d)
 - You do this calculation in Schedule M-2

- TaxSlayer has an interesting summary
<https://support.taxslayerpro.com/hc/en-us/articles/360025902514-Form-1120S-Schedule-L-Balance-Sheet-per-Books>
- The TaxBook has an S Corporation sample in Tab 19 – starting on page 16 <https://thetaxbook.net/thetaxbook-federal-2019/page-19-16>



column. From the result, subtract the sum of the amounts on lines 11 through 120 and 14p . . . 16

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash				
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts	()		()	
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach statement)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach statement)				
10a	Buildings and other depreciable assets				
b	Less accumulated depreciation	()		()	
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()		()	
14	Other assets (attach statement)				
15	Total assets				
Liabilities and Shareholders' Equity					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach statement)				
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach statement)				
22	Capital stock				
23	Additional paid-in capital				
24	Retained earnings				
25	Adjustments to shareholders' equity (attach statement)				
26	Less cost of treasury stock		()		()
27	Total liabilities and shareholders' equity				

Form 1120-S (2019)

Form 1120-S (2019)

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Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

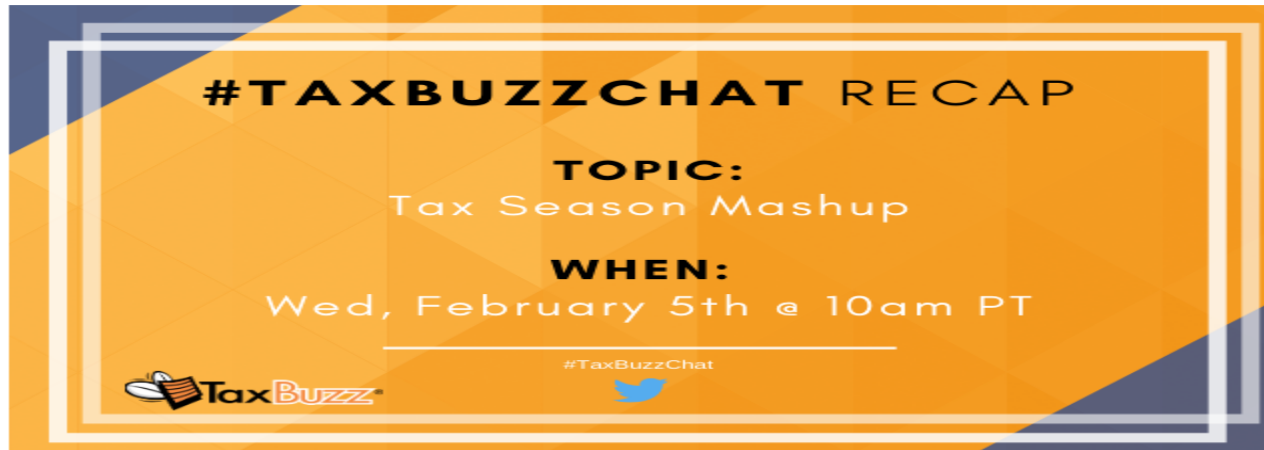
Note: The corporation may be required to file Schedule M-3. See instructions.

1	Net income (loss) per books		5	Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):
2	Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize)		a	Tax-exempt interest \$
3	Expenses recorded on books this year not included on Schedule K, lines 1 through 12 and 14p (itemize):		6	Deductions included on Schedule K, lines 1 through 12 and 14p, not charged against book income this year (itemize):
a	Depreciation \$		a	Depreciation \$
b	Travel and entertainment \$		7	Add lines 5 and 6
4	Add lines 1 through 3		8	Income (loss) (Schedule K, line 18). Subtract line 7 from line 4

Schedule M-2 Analysis of Accumulated Adjustments Account, Shareholders' Undistributed Taxable Income Previously Taxed, Accumulated Earnings and Profits, and Other Adjustments Account
(see instructions)

	(a) Accumulated adjustments account	(b) Shareholders' undistributed taxable income previously taxed	(c) Accumulated earnings and profits	(d) Other adjustments account
1 Balance at beginning of tax year				
2 Ordinary income from page 1, line 21				
3 Other additions				
4 Loss from page 1, line 21	()			
5 Other reductions	()			()
6 Combine lines 1 through 5				
7 Distributions				
8 Balance at end of tax year. Subtract line 7 from line 6				

Form **1120-S** (2019)



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

<https://www.taxbuzz.com/blog/taxbuzzchat-february2020-tax-season-mashup>

They are summarized on the website, with the comments and answers from key Twitter tax professionals. (next meeting March 6, 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

- 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-quijs/taxmamas-tax-roundtables-2018/](http://taxmama.com/tax-quips/taxmamas-tax-roundtables-2018/)

<https://www.cstcsociety.org/2020-summer-symposium-save-the-date->

Meet me in Reno – I am buying dinner on Monday evening



Save the Date for the 2020 Summer Symposium
June 7-10, 2020
Silver Legacy Resort & Casino
Reno, Nevada

QUESTIONS?