

Welcome to TaxMama's® Place - Home of the



Today's Topic:

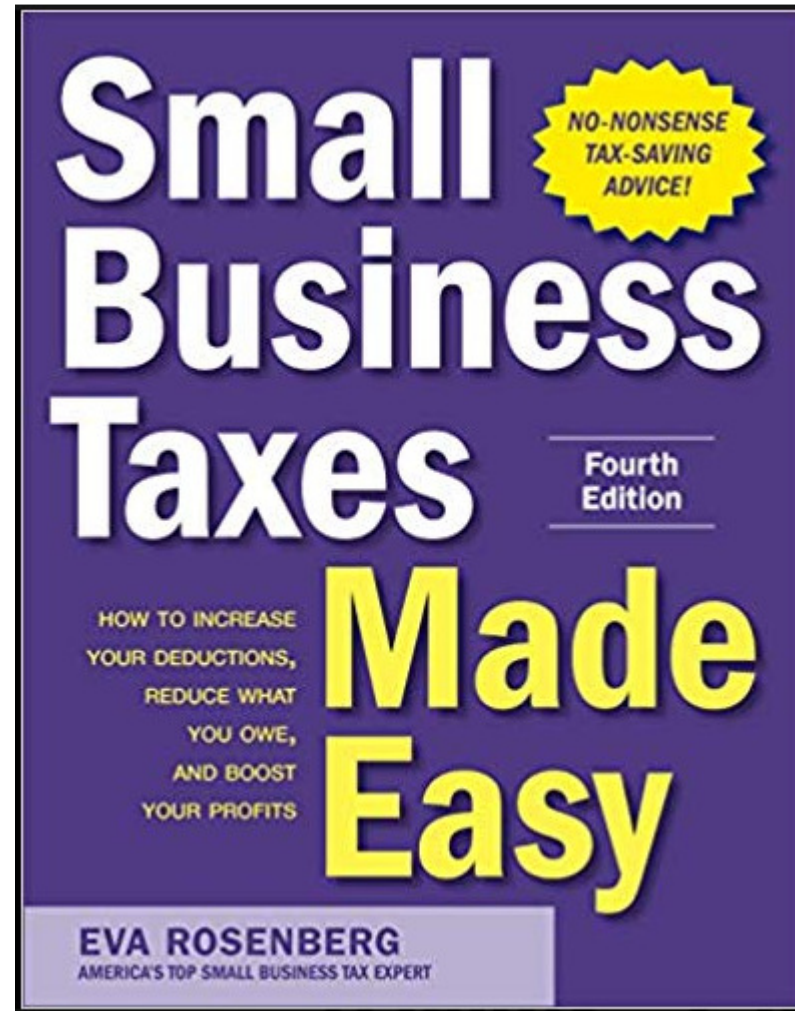
**July 2020
Tax Roundtable**

- <https://www.amazon.com/Small-Business-Taxes-Made-Fourth/dp/1260468186/>
- Contains the SECURE Act changes
- The Audible version is available

For autographed copies including shipping:

1 Book - \$25

5 Books - \$85



My report to the IRS: I brought up the flagging issue tonight - and EVERYONE said they were having that problem on the exam

Also someone said:

- Also, I did have a question that asked about sale of primary residence but did NOT include the date of purchase OR date of sale (which, as you know, is VITAL for determining the 2-of-5 year residency rule that allows/disallows the \$250K gain exclusion for a single person).
- I did not include this in the evaluation at the end of the exam (I was a little preoccupied with finding out my results lol).

IRS Reply - When we receive specific concerns regarding a question on the exam we go back and try to identify the question or potential questions. We also regularly review survey feedback from test candidates. We have gone through the process and we are very comfortable that if there is such a question (or questions) on the exam or a somewhat related question we have no concerns. Beyond that we can not provide you with specifics.

Regarding the **flagging issue** we are aware of it from reviewing survey comments and Prometric is working on a fix. You can inform your students that if they experience a problem with the flagging that they can reach out to the **Test Center Administrator** who can correct the problem on the spot.

Practitioner notes EA Candidates are having great difficulty scheduling the EA Exam due to COVID-19 social distancing restrictions, etc. (unless they are an “essential worker”). The practitioner also notes that for those very few lucky EA Candidates that were able to schedule to take the EA Exam, the Exams were canceled.

Practitioner’s suggestions to help relieve this problem:

- Extend the 3 year time frame for ***this year’s*** exam candidates. (Currently the 3 year timeframe is only for any examination parts that had not expired as of February 29, 2020. Only those candidates who passed a part of the examination February 29, 2020 or earlier, will now have three years from the date they passed a part of the examination to pass the remaining parts).

This is something we are already considering. We will make another announcement if we are able to implement it.

- IRS try and find a way to get the remote, ProProctor testing approved,
We have been working to do this for quite a while. We will make an announcement when it is launched.

- Due to COVID19, the IRS had put collections actions on hold until July 15th. But they are re-starting ALL collections activity.
- If you have a direct pay installment agreement it will automatically make payments on due after July 15th – otherwise, send in your payment
 - If you still cannot afford to pay, due to unemployment, hardship, etc. you can revise it online - <https://www.irs.gov/payments/online-payment-agreement-application> or call the number on your notice
- Pending Offer in Compromise (OIC) – if it was in process and your periodic payments were suspended until July 15th – start making them again, to keep your OIC in effect while the IRS continues to review your application
- Accepted OICs – if payments were not made recently – you **MUST catch them up by** July 15th - or call the number on your notice if you are unable to pay.
- Private Debt Collection – The IRS did not send any new cases to them – but will start again on July 16th .
- Taxpayers who owe but cannot pay – set up an online installment agreement or try to call the IRS to get yourself put in Currently Not Collectible Status – better yet, file an extension to get more time before they start collections activity.

- File electronically if at all possible!
 - 2019 IRS balance due and the state
 - 2019 IRA, Roth IRA and HSA or MSA contributions
 - 2020 1st quarter estimated tax payments – which include self-employment tax deposits
 - 2020 2nd quarter estimated tax payments – which include self-employment tax deposits
- If you pay all this by 07/15/20 – no penalties and no interest
- Get more last minutes tips from the IRS -
<https://www.irs.gov/newsroom/taxpayers-can-get-last-minute-filing-tips-on-irsgov>

- **For extensions of time to file:**
 - For both the 1040 series (Individual Income Tax Return) and the Form 709 (Gift and Generation Skipping Tax Return) – file Form 4868 by July 15th .
 - For pretty much all other eligible entities, file Form 7004 by July 15th .
- **For extension of time to PAY!!!**
- (Here is a form hardly anyone knows about!)
- Form 1127 – for additional time to PAY taxes without incurring penalties. use it in hardship situations – and this year certainly qualifies! <https://www.irs.gov/forms-pubs/about-form-1127>

Q. How many previous years can the IRS audit?

- Generally, the IRS has 3 years to audit once a tax return or amendment has been filed.
- But...there is also a 6 year audit statute – download this PPT

Overview of Statute of Limitations on the Assessment of Tax

https://www.irs.gov/pub/irs-utl/int_c_115r.pdf#page=14

Exception 6: Substantial Omission of Gross Income

Under IRC 6501(e)(1)(A)(i), if a taxpayer omits more than 25 percent of gross income from the tax return, the statute of limitations on assessment is six years. The computation of the percentage of the omission is the fraction:

$$\frac{\text{Gross Income Omitted from the Return}}{\text{Total Gross Income Reported on the Return}}$$

▪ IRC 6501

▪ IRM Exhibit 25.1.4-1

Q. If someone comes to do their taxes and never picks up their originals especially after several calls, text messages etc - how long are we required to keep originals?

Answer - If they have paid for the return – I would mail it to them.

If not, I would send them a CERTIFIED letter advising them that you have their documents and that they need to come pick them up or send you \$X to mail it to them.

You cannot insist that you get paid before you release their original documents. Those are their property.

But you can certainly ask – and offer to file the return if they pay you.

Q. Why is the IRS taking so long on ITIN renewals

Answer – there hasn't been anyone IN that unit to open the mail.

They just announced this week that they have started to go back to work and start processing the renewals and correspondence. Give them a while to get up to speed again.

Q. If the extension shows amount due, but you send the extension without any money, is there any problem with the extension without money?

Answer – excellent question.

As long as the extension shows a reasonable estimate of the potential tax liability, it's a valid extension.

However, if the extension shows -0- or some really small amount, and the balance due is significantly higher – no, it's not a valid extension and may result in late filing penalties.

When the taxpayer cannot pay it all, I advise that they send in some money, even a token amount –

- that way the CLIENT is responsible for sending it in
- You can prove that the client knew about the balance due if an issue comes up later

Q. Client invested in ATM's with company about 13 years ago. Client collected about 60% of their investment in first 6 years, bought more. About 6 years ago found that Company got in trouble for RICO charges. Selling more machines than they had. 2019 received 2 settlements. How to report the cost, to offset the settlement. They actually have a loss when I calculate adjusted basis.

Answer, as I was trying to explain – it really is straightforward.

- Start out with the original basis
- Deduct distributions that were return of investment (not dividends)
- Add the additional basis for the purchases
- Deduct the first settlement
- Deduct the second settlement

At each step of the way, you have the basis at that point in time.

And if they never recoup their entire investment, you have a capital loss


QUESTIONS



#TAXBUZZCHAT RECAP

TOPIC:
How Are You COVID-ing?

WHEN:
Wed, June 3rd @ 10am PT

  #TaxBuzzChat

We skipped that this month because of the 4th of July holiday – but it will be back next month!

Meanwhile, there's always something interesting going on

<https://www.taxbuzz.com/blog>

@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-quiips/taxmamas-tax-roundtables-2018/>

QUESTIONS