Welcome to TaxMama's® Place - Home of the

Today's Topic:

August 2019 Tax Roundtable

Handout

- 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-quips/taxmamas-tax-roundtables-2018/

Jamie Asks

1) Is there a good resource that discusses audit/liability-proofing the tax practice?

2) The CTC program cost is out of my range. What is another good resource to optimize tax **planning** in my practice? I'm sitting for the CFP exam in November and tax will most likely be my main service offering.

TaxMama Responds

1) Is there a good resource that discusses audit/liability-proofing the tax practice?

Not really. The best way to do that?
a) screen your new clients carefully – reject anyone that feels slimy and wants you to bend the rules – your rules, IRS rules, etc.
And folks that aggressively want to negotiate your fees – stay away.

b) Do your due diligence on everything before taking a position on the tax return.

c) If you don't understand something, research it, consult a colleague for advice (paid, if needed), bring in a consultant, or refer the client out.

d) NEVER let the client push you into doing something you don't believe is right.

TaxMama Responds to
Jamie's second question

2) The CTC program cost is out of my range. What is another good resource to optimize tax **planning** in my practice? I'm sitting for the CFP exam in November and tax will most likely be my main service offering.

The CFP training should be quite valuable. But that's primarily concerned with, what, investments and growth of assets, not tax reduction strategies, right?

Well, I used to recommend this program when it was the Tax Coach System http://www.taxcoachsystem.com/ and it was affordable – a monthly fee of about $100/mo and they had some really terrific planning software.

It evolved into something else. I don't know what it is now. But they no longer post prices or give you access to the system for a trial basis.

https://www.taxmasternetwork.com/ That suggests they raised their prices dramatically.

IRS Exams
More than a Review Course
www.irsexams.school

TaxMama's Response continues - CCH

- CCH CPE Link has some courses on tax planning – do a search for https://www.cchcpelink.com/search/?keyword=tax+planning
- It actually came back with 515 results.
  You can contact them and put together a package of classes to learn different types of things for your client base. Pick one area at a time – like Estate Planning, or Planning for Partnerships, or Planning with the TCJA, etc.
- Pick up one of the ALL YOU CAN USE -type packages for a flat fee – and open your mind. https://www.cchcpelink.com/subscriptions/
- If you call them and have them help you design the course of study you want before you order, tell them TaxMama sent you and you will get a 10% discount on your order.

  Understand something – when it comes to real tax planning, you are not going to get any of the high-end strategies in generally courses at a college or college-like course setting. Nor will you get the software. You will learn how to do a variety of things and the concepts. You will have a starting point to get your planning practice rolling.
- You will still have to find the right software to do the computations on the planning you need for each discipline.

TaxMama's Response continues - TaxTools

- TaxTools.com has some tools – but if you don't explore the software and look at everything it can do, it's not that helpful. You must actually explore it and use it and practice with it. This isn't all that expensive – and if you call them to place the order and tell them TaxMama sent you, you will get 50% off. https://www.taxtools.com/

TaxMama's Response continues – TaxTools & CalTax

- TaxTools.com has some tools – but if you don't explore the software and look at everything it can do, it's not that helpful. You must actually explore it and use it and practice with it. This isn't all that expensive – and if you call them to place the order and tell them TaxMama sent you, you will get 50% off. https://www.taxtools.com/
- www.Caltax.com - Spidell Publishing has an excellent series on estate planning. They have courses on several other types of tax planning as well. Their books, that come with the courses are wonderful reference materials with templates for forms to use with your clients – but no software.

TaxMama's Response continues – Overview

- In short, you can spend years learning, course by course, how to do a variety of different things – which you actually should do. (I have spent my life constantly learning new things.) But to learn some solid, use-today, high-end strategies that you can go sell to a client immediately and save them $100,000 right now – and get paid 10% or 20% of that on the spot? You're only going to get it by going through a program like Dominque's.

  There are other programs like that out there – none of them are cheap. They know they are teaching you to make an extra quarter of a million dollars a year – and giving you the tools. They are smart enough not to just give it away for $500.

Debi Asks

I have been doing research for a client who lives abroad and have some questions. Some I think I have the right answer but wanted confirmation

She is a US citizen and has lived in Belgium for 3 years with her spouse who is a Belgium citizen. When they lived in US they filed joint but he turned in his green card when they moved to Belgium

TaxMama's Response

Let me preface this by suggesting that you bring the first two questions to the TaxMama® Forum, where Jean Mammen, EA – who literally wrote the book on this – will answer your questions about the filing status
http://iTaxMama.com/AskQuestion

Debi Q1

1. I think since he does not have a green card or ITIN they must file separately am I correct?

TaxMama® Answers

Most likely yes. She will report her world-wide income.
I am not certain if her filing status is single or married filing separately.
I believe it would be single, since she is married to a non-resident alien.

Or they can file jointly, since he still has his Social Security number. If they file together, they must include his world-wide income.

Debi Q2

2. She has a son from a previous marriage who lives with her. The boy's dad has nothing to do with them no support or custody. I know she would claim him as a dependent but if the current spouse earns more and they file separate would he claim the boy since he has more income even though he is not the biological father? I think it doesn't matter since you can't use EIC if MFS. Am I missing something?

TaxMama® Answers

Note: She cannot use the EIC by filng MFS. But including her husband's income, she won't be able to use it either.

If she is married to a non-resident alien, it's possible that she could use a head of household filing status and claim her son.

I don't understand the question about her current spouse claiming the child?
He won't be filing US tax returns, will he? Did I miss something?
He can do whatever he wants in Belgium, based on their tax laws. I don't know Belgium's tax laws.

Note: Make SURE the boy's father isn't going to step in and claim him – that will result in a tax war with the IRS in the middle and lot of correspondence going back and forth.

Debi Q3

3. She is on a bank account in Belgium that has a balance over 10K. So it is my understanding that she needs to do FBAR income reporting. Since she didn't know this I think her best option is to do a streamlined offshore procedure. I haven't done one before but would like to learn. Any suggestions would be appreciated.

TaxMama® Answers

Absolutely YES! She must file.

Someone was just explaining about that at a recent meeting. And yes, the streamlined offshore procedure will cut through a lot of the penalties. She will have to file the FBAR for all open years.

BUT…before doing so, make absolutely sure that she reports any earnings on those accounts on her tax returns for each of those years. By not reporting, or having reported the earnings each year – she could find herself liable for the penalties.

Debi Q4

4. . Can you explain the difference between FBAR and FATCA. Does she need to do both?

TaxMama® Answers

Possibly. The FBAR is filed with the US Treasury, directly online. And it only involves bank accounts with $10,000 or more during the year. Deadline is now October 15th, since the April 15th due date is automatically extended.

The FATCA goes with the person's 1040, and due at the same time as the 1040.

For folks living outside the US, they have to report, if:

Specified individuals living outside the US:

Unmarried individual **(or married filing separately**): Total value of assets was more than **$200,000 on the last day of the tax year, or more than $300,000 at any time** during the year.

Married individual filing jointly: Total value of assets was more than $400,000 on the last day of the tax year, or more than $600,000 at any time during the year.

Here is a comparison of the two
https://www.irs.gov/businesses/comparison-of-form-8938-and-fbar-requirements

IRS Exams
More than a Review Course
www.irsexams.school

Debi Q5

5. Her son (age 16) is a US citizen he was injured and had permanent damage and won a medical malpractice lawsuit case. That money is invested in the US in a trust. The investment account is set up in care of his mom. He received a little over $4,000 in dividends and $9,000 in cap gains from exchanges made within the account. She wants to claim his income on her taxes. Since it is over $10,500 I think he has to file his own return and since it is unearned income it cannot be excluded. Does the fact it is in a trust have any bearing on this issue.

TaxMama® Answers

To answer the last question first – no. It must be reported.
The trust can file its own tax return and pay the taxes – at trust rates – which rise to the top rate at $12,500. https://www.irs.gov/pub/irs-pdf/i8615.pdf

2018 Estate and Trust Income Tax Rates	
IF your taxable income is...	**THEN your tax is...**
not over $2,550	10% of taxable income.
over $2,550 but not over $9,150	$255 plus 24% of the excess over $2,550.
over $9,150 but not over $12,500	$1,839 plus 35% of the excess over $9,150.
over $12,500	$3,011.50 plus 37% of the excess over $12,500.

Mom can report the income on Form 8814 - https://www.irs.gov/pub/irs-pdf/f8814.pdf
taxes will be paid at her tax rate. I wouldn't advise it.

Probably, the best strategy is, the boy should be reporting the income. It will be reduced by his standard deduction. The capital gains will be subject to the special rates for qualified dividends and capital gains (could even be 0% in his case). But any taxable income he has will be paid at trust tax rates.

Debi Q6

6. She makes under 40k a year and only has 1 w2 for her income based on all this information including needing to do 2555 her son's return for 2017 and 2018 plus the streamlined offshore procedure Any suggestions for a fair fee?

TaxMama® Answers

She has primarily W-2 income – that will qualify for the Foreign Earned Income Exclusion – probably as a bona fide resident – and she won't owe any tax on that. She must report all the interest on the bank accounts. And if she owns anything else with her husband that produces income, be sure to report EVERYTHING, otherwise the streamlined procedure will backfire.

Fees, I cannot ethically recommend fees. What do you charge for research time, for all the various forms, etc. This is not your simple tax return? (I don't really know your normal hourly billing rate.) This requires high-level expertise. It should not be charged by time devoted, but by the level of expertise. Also, bear in mind, if you can help her avoid two year's worth of $10,000 penalties, you have saved her a fortune.

Other Questions?