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Today's Topic:

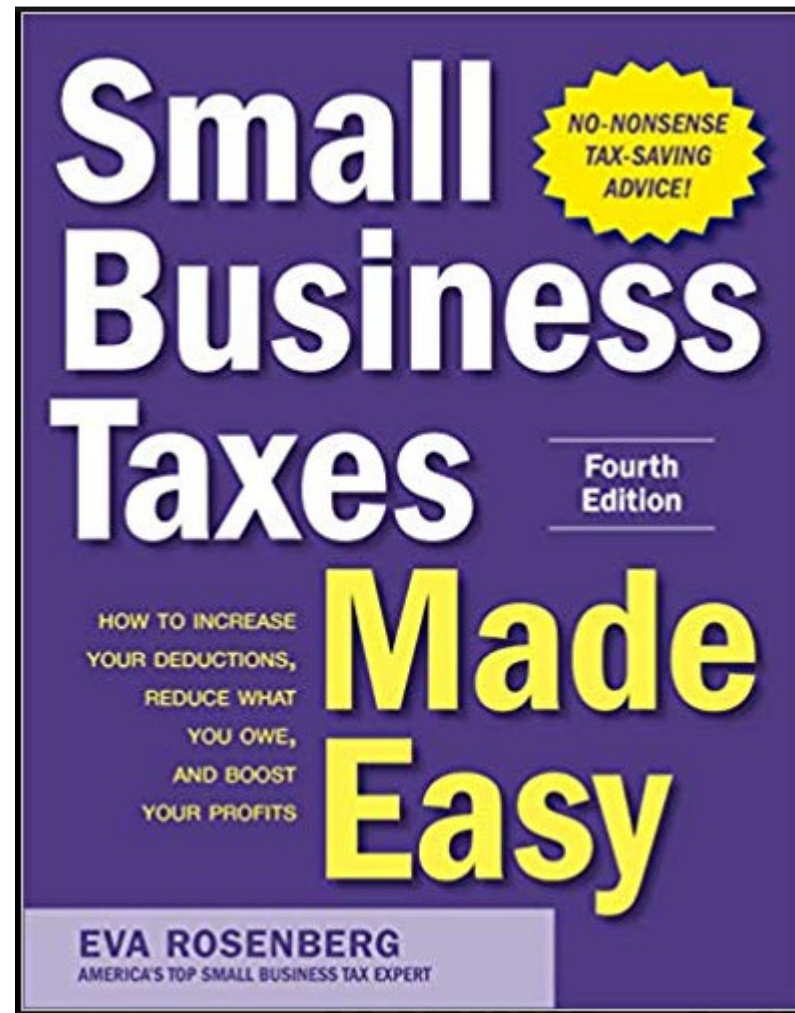
**May 2020
Tax Roundtable**

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

For autographed copies including shipping:

1 Book - \$25

5 Books - \$85



- <https://www.irs.gov/newsroom/irs-operations-during-covid-19-mission-critical-functions-continue>

Updated May 11, 2020

The Internal Revenue Service reminds taxpayers and tax professionals to use electronic options to support social distancing and speed the processing of tax returns, refunds and payments.

To protect the public and employees, and in compliance with orders of local health authorities around the country, certain IRS services such as live assistance on telephones, processing paper tax returns and responding to correspondence are extremely limited or suspended until further notice. All Taxpayer Assistance Centers remain temporarily closed as are many volunteer tax preparation sites until further notice. This will not affect the IRS's ability to deliver Economic Impact Payments, which taxpayers will begin receiving next week.

Although the tax filing deadline has been extended to July 15, 2020, from April 15, the IRS continues to process electronic tax returns, issue direct deposit refunds and accept electronic payments. As of April 3, the IRS received over 97.4 million tax returns and issued over \$213 billion in refunds.

IRS operational status and alternatives

Paper Tax Returns: All taxpayers should file electronically through their tax preparer, tax software provider or IRS Free File if possible. The IRS is not currently able to process individual paper tax returns. If you already have filed via paper but it has not yet been processed, do not file a second tax return or write to the IRS to inquire about the status of your return or your economic impact payment. Paper returns will be processed once processing centers are able to reopen. This year, more than 90% of taxpayers have filed electronically.

Ordering Forms: The IRS's National Distribution Center is closed until further notice. We are not able to take any orders for forms or publications to be mailed during this time. Most forms and publications are available for download electronically at [IRS.gov/forms](https://www.irs.gov/forms).

Web Options: IRS.gov remains the best source for tax law questions, checks on refund status and tax payments. All IRS updates on the Economic Impact Payments and other Covid-19 related issues also will be posted immediately on [IRS.gov/coronavirus](https://www.irs.gov/coronavirus). Taxpayers can check their refund status at [Where's My Refund?](https://www.irs.gov/wheresmyrefund) or obtain a tax transcript at [Get Transcript Online](https://www.irs.gov/wheresmyrefund). Tax transcripts are only available online at this time.

Taxpayers also can make tax payments through [Direct Pay](https://www.irs.gov/directpay). Taxes due must be paid by July 15. The [Interactive Tax Assistant](https://www.irs.gov/interactive-tax-assistant) can help answer tax law questions. There currently are no email options that will generate answers to questions posed by taxpayers. [Publication 5136, IRS Services Guide \(PDF\)](https://www.irs.gov/pub/irs-soi/195136), is a good source of information.

- <https://www.irs.gov/newsroom/irs-operations-during-covid-19-mission-critical-functions-continue>

Other IRS operations

Compliance activity. The IRS is continuing to assess the impact of COVID-19 on a range of compliance activity across the agency.

Statute of limitations issues. The IRS will continue working cases where a statute of limitation is pending. In some of these situations, the IRS will work with the taxpayer or their representative to obtain an extension of the statute.

Office of Chief Counsel. The Office of Chief Counsel continues to work to resolve cases in litigation, including those on calendars in various cities through July 3, 2020, that were recently cancelled by the U.S. Tax Court. [Notice 2020-23 \(PDF\)](#), issued on April 9, 2020, postponed the due dates of petitions in the U.S. Tax Court to July 15, 2020. Counsel continues to work on cases in litigation generally and to support and advise the IRS operating divisions on their enforcement and examination activities. Although Counsel is not meeting with taxpayers or their representatives in face-to-face meetings, or taking depositions, taxpayers should know that our attorneys are available to discuss their cases by telephone.

Independent Office of Appeals. At this time, Appeals employees will continue to work their cases. Although Appeals is not currently holding in-person conferences with taxpayers, conferences may be held over the telephone or by videoconference. To the extent they can, taxpayers are encouraged to promptly respond to any outstanding requests for information for all cases in the Independent Office of Appeals.

Taxpayer Advocate Service. Currently, TAS remains open to receive phone calls at the local phone numbers but has suspended walk-in services in their offices and their toll-free centralized number is unavailable until further notice. Please visit taxpayeradvocate.irs.gov to locate your local office phone number.

Tax-exempt Sector Determinations, Rulings and Closing Agreements. The IRS continues to process applications for recognition of tax exemption for exempt organizations and continues to work rulings and determinations for employees plans and closing agreements for municipal issuers. Due to processing center closures, paper applications for tax exemption and paper filed information returns (e.g., Form 990 series) submitted after March 26, 2020 are not being processed and, therefore, are not available for viewing on the [Tax Exempt Organization Search](#) tool on IRS.gov.

- <https://www.irs.gov/newsroom/irs-operations-during-covid-19-mission-critical-functions-continue>

Telephone Options: Automated phone lines: which handle most taxpayer calls - also will remain available during this period. Some tax compliance lines also remain available. IRS phone lines supported by customer service representatives for both taxpayers and tax professionals are not staffed at this time. To check on regular tax refund status via automated phone, call 800-829-1954. (This line has no information on Economic Impact Payments.)

Practitioner Priority Service (PPS): Due to staff limitations the Practitioner Priority Service line is temporarily closed until further notice. The IRS is unable to process Centralized Authorization File (CAF) requests at this time.

IRS.gov remains the first option for answers to questions. Practitioners with e-Services accounts and with client authorization can access the Transcript Delivery System to obtain prior-year transcripts. Taxpayers should use Where's My Refund? and Get Transcript, both common requests. However, the Get Transcript by Mail option should not be used since the offices that print and mail the transcripts are closed.

Taxpayer correspondence: While the IRS is receiving and storing mail, our mail processing functions have been scaled back to comply with social distancing recommendations. Currently, we have reduced responses to paper correspondence. Our primary concern is serving taxpayers as indicated in the [People First Initiative](#), which includes numerous actions to alleviate taxpayer burden during this time.

Taxpayers who mail correspondence to the IRS during this period should expect to wait longer than usual for a response. Once normal operations resume it will take the IRS time to work through any correspondence backlog. Correspondence sent to IRS offices may be returned to the taxpayer if that office is closed and no one is available to accept them.

U.S. Residency Certification: The Philadelphia Accounts Management Campus is currently closed. Processing of the US Residency Certification Program is temporarily suspended. Normal operations will resume as soon as possible.

Taxpayer Protection Program: If you received correspondence (Letters 5071C, 5447C or 5747C) from the IRS asking if you filed a suspicious tax return, you may use the online [Identity Verification Service](#) to validate your identity. If you received a Letter 4883C, follow its instructions. Please note: phone assistance is limited and wait times are lengthy. **(updated May 11, 2020)**

Taxpayer is divorced 4/13/18

Taxpayer receives alimony and reports it, also receives child support which is kept current.

Taxpayer filed single for 2019. Did not claim children (3 of them) but will in 2020 and will not claim Head of Household

During the marriage they purchased 3 houses with 10 acres for \$150,000.

During the marriage they sold one of the houses and that sale was on their joint return.

I'm waiting on that return to see what basis they used for the sale.

In the divorce taxpayer got the 2 houses and spouse got the land.

Taxpayer received rental income and had expenses for the properties which were on the tax return.

After the divorce ex-spouse sells his land and that would have been reported on his return.

I'm waiting to see what basis he used for this sale.

In February 2020 taxpayer sells the two houses for \$99,000.

Linda has 3 questions; we will take them one at a time

First question is how do we calculate the basis? Is it just whatever is left over from the previous sales? So, if that's the case if all of the \$150,000 has been used, taxpayer is left with \$99,000 taxable sale?

A – Look at the tax returns to see what basis was used for depreciation for the rental houses.

Hopefully, that basis takes into account the basis used on the sale of the first house and the land?

If not, are they prepared to sort this out, or will this be contentious?

Second I'm thinking she has to pay capital gains taxes on the sale price minus basis and has to recapture of all depreciation. Is that correct and am I missing anything?

A. Were either of these houses her personal residence?

If they were both rental properties – yes, she reports the sale on Form 4797, page 2 and picks up the depreciation.

Looking at the profit from the sale, the amount that was depreciation will be ordinary income (report on Schedule 1). The rest of it will be capital gains.

Unless she used straight line 40 year life for the depreciation.

Third, she had zero tax in 2019 so does she have to pay estimated taxes by July 15th or can she wait until April 15, 2021?

A. Good question. To avoid the estimated tax penalty – she can, in fact, pay ZERO.

Just have her make sure she sets the money aside (in a CD or something stable) so she has it in April 2021

I have been working on a new client's return (s) 2017-2019 and have questions concerning Foreign Income reporting and FinGen/FATCA.

I have never done a 2555 before but have filed FATCA etc.

- He's a professor who has been teaching in Indonesia for the past 3 yrs. His income doc's are a compilation of total yearly income in Rupias (approx 14000 per \$1.) with itemizations of housing food allowances etc. I have all his dates and due to the time off between semesters when he came back to the US he did not get 330 days each calendar yr but according to the rules - it seems vacation are allowed so? does that mean it's OK to have under 330.

A. NO! If he is a bona fide resident of the country, that would not matter. But if he is there under the physical presence test, then he MUST be outside the US for 330 days out of a consecutive 365 days.

So he probably doesn't qualify for ANY income exclusion at all. No need for Form 2555

<https://www.irs.gov/forms-pubs/about-form-2555>

Q – My question – did he pay taxes to Indonesia?

- He has moved back here as of Jan 2020 so had over \$10K in his foreign bank at the end of 2019 after selling all he had getting ready leave Indon. Now all funds are here in B of A. Did not think he owed money since his income was between 18- 19K in wages but total with allowances about 30-35K.

A. He is married? Does his wife have an ITIN or SSN? – if not, get before October 15th! Married filing jointly he would have a \$24,400 standard deduction. Otherwise, it's only \$12,200 if he files without her.

a) If single or MFS, he has taxable income for 2019

b) He cannot deduct his travel expenses if he was an employee.

BUT, if he was self-employed, he can file a Schedule C and deduct his travel expenses (actual cost of housing and perhaps per diem for food and airfare to/from Indonesia). Profits, of course, subject to SE Tax.

c) What does allowances mean, in this case?? Did they give him money, or give him housing and food?

d) You mentioned that he sold everything – are there capital gains from that? What did he sell?

- He is a US Citizen and a minister and university prof. 2016 TY filed with very little income - under 2K! from teaching in AZ where he lived. Now trying to establish his ability to bring his new wife over here from Indonesia. So he needs to give more info to immigration - so he wants the 1040's filed so he can give them to immigration asap.

A. a) If he can file a married filing joint return – he must report HER world-wide income on that 1040. Does she have income? The standard deduction would wipe out the income.

b) If he cannot report her worldwide income and files MFS (or S) since she is a non-resident alien – perhaps he paid taxes to Indonesia on his earnings there? Then he can use the foreign tax credit – Form 1116 to reduce US taxes.

- I know I have to learn how to make a question concise and yet complete - must do this in order to send questions to the board. ..will do that - but can't not send this asap.

A. How to ask this question so you can get a usable answer:

Provide details, age, marital status, (status of spouse), employee vs freelancer, taxes paid locally,



#TAXBUZZCHAT RECAP

TOPIC:
Tax & Accounting Pros on the
Frontline of the Economic Recovery

WHEN:
Wed, May 6th @ 10am PT

#TaxBuzzChat

There were 11 interesting questions in this month's Tax Buzz Chat

<https://www.taxbuzz.com/blog/taxbuzzchat-may2020-tax-accounting-pros-frontlines-economic-recovery>

They are summarized on the website, with the comments and answers from key Twitter tax professionals. (next meeting June 3, 2020 at 10:00 am Pacific)

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

QUESTIONS?