



1

# 2020 Useful Taxpayer Tips

Fed State Presentation



2

## Division Of Revenue – Mission



To serve Delaware by administering tax laws in a fair, secure, and efficient manner that creates the highest possible level of satisfaction for taxpayers and stakeholders to provide revenues that support quality public services.



3

## FRAUD & IDENTITY THEFT



- Fraud is becoming more prevalent.
- Due to the amount of fraud we have experienced in the past, we are verifying all the W-2 and 1099 forms. 1099R is an area of IDT theft Fraud that has been increasing.
- We encourage electronic filings of the W-2 and 1099 Forms.
- If the Annual Reconciliation Form and W-2 or 1099 Forms cannot be filed electronically, we require that a paper Annual Reconciliation Form along with paper copies of the W-2 or 1099 Forms be filed.
- Delaware follows the IRS rules on due dates for the W-3 Form with the W-2 Forms. The due date for the Annual Reconciliation Form for Delaware is January 31, 2021.
- The due dates for the submission of the 1099 Forms remain the same. February 28 for paper and March 31 for electronic submission.

4

## FRAUD & IDENTITY THEFT



- Unfortunately, we may not have all of the W-2 or 1099 Forms at the time that the taxpayer files their return.
- If your client receives correspondence from DOR requesting W-2s, 1099s or any other documents, we ask that you have your clients respond to us in a timely manner to complete the processing of the return. If your client gets this letter and has not filed a DE return this would be an indicator of potential IDT return filed. Please contact the Fraud Dept.
- To speed up the processing of your client’s return, we encourage a PDF attachment of W-2s, 1099s and/or Other State Tax returns if a tax credit is taken.

5

## FRAUD & IDENTITY THEFT



### FRAUDULENT RETURNS FILED WITH THE STATE OF DELAWARE

If you believe that you or your clients are a victim of a tax related identity theft and/or a fraudulent State of Delaware or federal tax return was filed using your social security number, please contact the following organizations:

- The Delaware Division of Revenue at 1-800-292-7826 or directly at 302-856-5358 to speak with a fraud auditor. Our business hours are Monday through Friday from 8:00 am until 4:30 pm.
- The IRS Identity Theft Department at 1-800-829-8374 or visit their website at [irs.gov](http://irs.gov)
- Contact and place a “fraud alert” on your credit records with the three major credits bureaus:
  - Equifax (800)525-6285
  - Experian (888)397-3742
  - TransUnion (800)680-7289

6

## Tax Preparer Regulations



- Requires tax preparers (persons preparing tax returns for taxpayers other than themselves) to include identifying number on returns.
- Allows DOR to impose a penalty of \$50 per return for failing to do so.
- Allows DOR to bring suit in the Court of Chancery to enjoin the preparer from taking certain actions.

7

## Electronic Tax Filing Requirements for Businesses



- **Beginning in January 2021**, the Delaware Division of Revenue (DOR) will require certain business tax returns, including most gross receipts tax, excise tax, and withholding tax forms, to be filed electronically.
- Payments for these taxes must also be made electronically. The list of affected business taxes has been included in DOR's latest Technical Information Memorandum, available at [de.gov/ModEFile](https://de.gov/ModEFile).

8

## 2021 HSCA RATE



- **Effective January 2021** businesses subject to the Hazardous Substance Cleanup Act (HSCA) will see a decrease in last year's rate from 1.0429% to 0.9067%.
- The new tax rate will go into effect on January 1, 2021, and will apply to taxable gross receipts from the sale of petroleum or petroleum products.
- The Division of Revenue will be updating the rate in their online system on or before the effective date of January 1, 2021.

9

## HB #229 AAB HA #1 (9/28/20)



AN ACT TO AMEND TITLE 30 OF THE DELAWARE CODE RELATING TO PERSONAL INCOME TAX

- This Act increases the non-refundable income tax credit from \$400 to \$500 for active members of Delaware volunteer fire, ambulance, or rescue service company or its auxiliary. This is effective for 2020 tax returns.

10

## Form 5403



### REAL ESTATE TAX RETURN DECLARATION OF ESTIMATED INCOME TAX

Common questions:

- Question 4
  - More than one transferor / seller, use separate forms
  - If transferor/seller are spouse enter the primary taxpayer name and social security number
  
- Question 5
  - If checking a box a box on question 5. No need to complete any other sections and no payment is due at closing.
  
- Question 6
  - Please refer to IRS.GOV
    - Publication 523 – Selling your home
    - Home Sale qualify for the Exclusion of Gain
    - Basis Adjustments—Details and Exceptions

11

## Public Service



Key tips when interacting with Public Service:

- Proper Identification
- Federal Identification # or Social Security #
- Tax type in question
- Copy of correspondence received, if applicable
- Document Locator Number(DLN #)
- Brief summary of issue
- Contact name of a previous DOR representative, if applicable
- Refund Status – Check the website (Convenient/Fast)
- You can set up an appointment
- Use the Email as well
  - <https://revenue.delaware.gov/contact-information/>

12

# Questions

---





1

Current System – Just a Reminder

The screenshot shows a terminal window titled "REVENUE ACCOUNTING SYSTEM" with the following text:

```

05/11/18          REVENUE ACCOUNTING SYSTEM          DORBSMP
14:00:49          TAXPAYER ACCOUNT REPORTING          DRMA0200

ENTER TAXPAYER ID:  |  -  _____          SUFFIX:  ____ (OPTIONAL)
OR DLN              :  -  -  -  -  -  -

IF TAXPAYER ID ENTERED THEN SELECT THE FOLLOWING IF REQUIRED -

TAX PERIOD :  START - 011960 (MMYYYY)
              END   - 122023 (MMYYYY)

REV CODE(S):  _____          BUS CODE:  ____

TAX TYPE   :  PIT _ CIT _ LIC _ W/H _

TRANSACTION TYPE  _____

FILE        :  _ POSTED _ UNPOSTED _ TRANSMITTAL
SORT BY TRANS DATE:  _ START - 011960 (MMYYYY)
                   _ END   - 122023 (MMYYYY)

Enter PF1 -- PF2 -- PF3 -- PF4 -- PF5 -- PF6 -- PF7 -- PF8 -- PF9 -- PF10 -- PF11 -- PF12 --
      HELP MENU BACK                                FL50 QUIT
  
```

The terminal window also shows a Windows taskbar at the bottom with various application icons and a system tray on the right.

2



## What is IRAS?



- IRAS is ...
  - A modernized, web-based, real-time processing system that is integrated to process all taxes
  - It includes registration, return processing, payment processing, taxpayer accounting, revenue accounting, audit, collections, and case management.
  - It also includes a **public facing portal**, that interfaces with other state agencies, and allows modernized e-file processing

3

3

## What to expect?



- Access to more information online through the public-facing portal
  - Online file and pay for all taxes
  - Account Balance & Transaction Information
  - Online Access to Correspondence (e.g., Bills, Requests, TANs)
  - Delegation to Tax Preparers
  - Service Requests
  - Reprint Licenses Immediately
  - Online Payment Plans



4

4

## When and what taxes are affected?



### IRAS & Portal Go Live Dates

- Internal IRAS Processing – November 2020
- Portal Registration – December 2020
  - Create a portal user id & password, and associate your tax accounts
  - Delegate to third parties (e.g., tax practitioners, internal A/R or A/P personnel, etc.)
- Portal File, Pay, and more – January 2021
  - Begin filing returns
  - Begin payment returns
  - Begin renewing licenses
  - Begin service requests (help tickets)
  - Begin viewing correspondence online

### Which Tax Types?

- Business Related Taxes
  - Business licenses
  - Gross receipts
  - Commodities Tax
- Trust Fund Taxes
  - Withholding Tax
  - Use Tax on Leases of Tangible Personal Property
  - Realty Transfer Tax
  - Public Accommodation Tax
  - Public Utilities Tax
  - E-911 Surcharge
  - Manufactured Home Trust Fund Payments

5

5

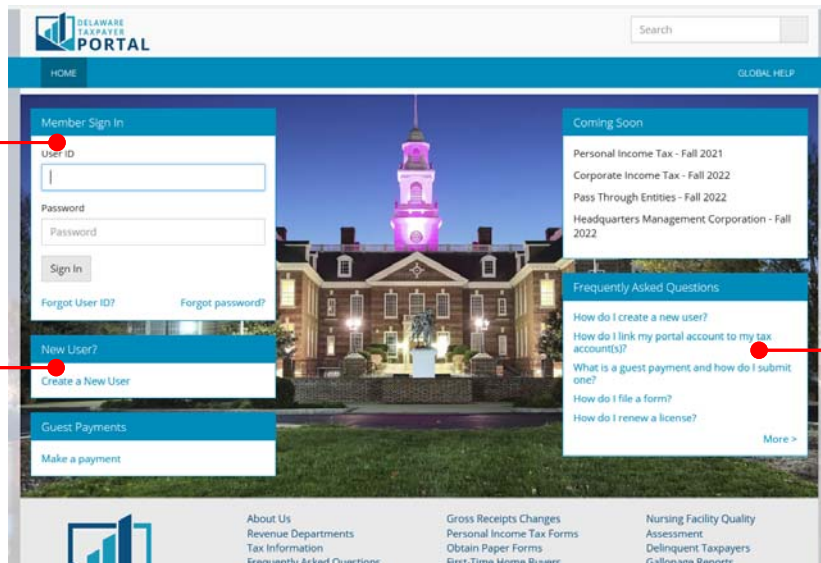
## Sneak Peak



**Member Sign In**  
sign into your account, reset password, or retrieve your forgotten user id

**Portal User Creation**  
click here to create a new portal user account and associate your tax accounts

**FAQ**  
click here to learn how to use the various features of the portal



6

6

### Sneak Peak



Menu use the menu to make payments, file returns, view notices, renew licenses, and more!

Tax Account Information click here to navigate to the financial information for each tax account

Account Summary review demographic information regarding the account

Account Functions take account for the account – file a return, make a payment, view notices

Taxpayer Information click here to toggle between your delegated taxpayer accounts

Filing Periods review list of filing periods

### Sneak Peak



Tax Return Instructions provides one-click access to instructions for filing the return

Form Details provides information about the form being filed and amount due

Line Items tabular structure provides easy section breakdown and line item entry

Realtime Options save and return later, calculate return real-time, and submit for processing.

Payment Details provides breakout of payment details and allows you to enter the information regarding amount and payment method

## More info...

---



### **Portal Help**

- Portal PIN Letters will include 'Getting Started' instructions
- Help guides will be available online under the FAQ for the new Portal
- Internal dedicated support team

9

9

## Updates

---



### **E-FILING MANDATE – TECHNICAL INFORMATION MEMO 2020-03**

- Applicable to most business taxes in the first release
  - Withholding returns filed 1/8<sup>th</sup> monthly and monthly (WTH-TAX)
  - Gross receipts tax returns filed monthly and quarterly
  - Public Utility tax returns filed monthly and quarterly (GRT-PUB)
  - Telecommunications returns filed monthly and quarterly (ERS-TEL, ERS-PPW)
  - Alcohol excise tax returns (ALC-MAN, ALC-TAX)
  - Other Tobacco Products excise tax returns (GRT-TPT)
  - Manufactured Home Trust Fund returns (MHR- TAX, MHF- DTR)
  - Nursing Facility Quality Assessment returns (NHF-TAX)
  - Business License Application (CRA-REG)
  - Business License Renewal (LIC REN)
  - Withholding Agent Application (CRA-REG)

10

10

## Updates



### E-FILING MANDATE – TECHNICAL INFORMATION MEMO 2020-03

- E-Filing Mandate does not apply to the following:
  - Withholding returns required to be filed quarterly (WTH-TAX)
  - Manufactured Home Trust Fund (MHR- TAX, MHR- DTR)
  - Annual Withholding Reconciliation Form (WTH-REC)
  - Amended Wholesalers Dealers Report of Other Tobacco Products (TPT-AMD)
  - Application for Reduction of Public Utilities Tax (PUT-EXM)
  - Affiliated Finance Company Business License Application/Renewal (LIC-AFF)
- We encourage all taxpayers to file online if at all possible

11

11

## What taxes are in Releases 2 & 3?



### **Release 2 – Fall 2021**

- Personal Income Tax
- Estate Tax

### **Release 3 – Fall 2022**

- Corporate Income Tax
- Pass-Through Entities
- Headquarters Management Corporations

12

12

Questions

---



**New Portal URL:**  
<https://tax.revenue.gov>

**Ongoing Project Information and Updates:**  
<https://revenue.delaware.gov/info/modernization/>





1



2



## **Conferee:**

a person, group, etc.,  
that confers or takes  
part in a conference

3



The Tax Conferee confers with taxpayers on tax Assessments that the taxpayer doesn't agree with.

In other words, the Tax Conferee handles taxpayer appeals.

The Conferee Unit is the first level of the tax appeals process.

4



## Why the Conferee



An Auditor will review a taxpayer's account and determine whether the taxpayer should be assessed additional tax, penalty, and/or interest, or the auditor may deny a refund.

Due Process dictates that the Division of Revenue give the taxpayer an option to appeal the Auditor's decision.

5

## Division of Revenue Mission



To collect 100% of the taxes and other revenues required by law, no more and no less, and to do so in a manner that creates the highest possible level of satisfaction on the part of the public with the competence, courtesy, effectiveness, and efficiency of the Division.



6

## The Process



### **§522 –**

Notice of proposed Assessment becomes final 60 days after the assessment is mailed to the taxpayer (30 days for Withholding). Within that time the taxpayer may appeal the proposed Assessment.

7

## The Proceedings



At the Conferee level, proceedings are relatively informal.

It is a chance for the taxpayer (or their representative) and the Conferee to discuss the issues and work together on a resolution.

The taxpayer has a right to request and be granted a hearing in which to discuss the issues.

8

## The Protest

---



### **§523 – The protest must:**

- Be in writing
- Be timely
- Identify what is being protested
- Set forth the grounds for the protest

9



The Conferee represents the Director of the Division of Revenue.

The Conferee serves as a Communication Bridge on behalf of the Director and between the auditor and the taxpayer

10

## The Process, continued



Once the protest is received, a case is created.

If the taxpayer requested a hearing, it is scheduled after an initial review of the case.

Next, the Conferee Unit will investigate and research the issues and send out a Notice of Determination.

11

## Appeals from the Conferee's Determination



If the taxpayer doesn't agree with the Conferee...

### **§544 states:**

"A determination by the Director on a taxpayer's protest pursuant to § 523 of this title shall be subject to review by the taxpayer's filing a petition with the Tax Appeal Board, in such form as the Tax Appeal Board may prescribe, within the time limits specified in § 525 or § 543 of this title, as the case may be. The determination of the Tax Appeal Board shall be subject to judicial review as provided in § 331 of this title."

12



The Tax Appeal Board, or TAB, is a more formal process which includes discovery and witnesses and is on the record.

TAB decisions are appealed to the Superior Court.

13

## QUESTIONS



14

## State of Delaware: IRS and Division of Revenue Annual Update

December 7, 2020

*Presented by:*

Valerie C. Middlebrooks, CPA (vmiddlebrooks@belfint.com)

Karly Laughlin, CPA (klaughlin@belfint.com)

*BLS*  
BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

1

---

**Visit our COVID-19 Resource Center**  
[belfint.com/resources/COVID-19](https://belfint.com/resources/COVID-19)

*BLS*  
BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

1

2

## Economic Impact Payments (Stimulus Checks)

- \$1,200/\$2,400 based on filing status, plus \$500 for dependents under age 17
- Initially based on 2018/2019 tax filing
- Payments are NOT taxable
- Reconciled when you file your 2020 tax return
  - Credit on 2020 return if determined you did not receive enough
  - Do not have to repay if determined that you were advanced too much
- Incarcerated individuals can receive these payments despite contrary position taken by IRS through their FAQ's. Overruled through courts. Important reminder that FAQ's lack substantial authority.

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

2

3

## Unemployment Compensation

- Taxable income for Federal purposes and is reported on a Form 1099-G
- You can elect withholding at 10%
- May still require estimated tax payments even with withholding



*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

3

4

## Waiver of 2020 Required Minimum Distributions

- Waiver of 2020 required minimum distributions (RMDs)
  - Includes RMD from inherited IRAs
  - Includes those turning 72 in 2020 that must take their RMD by 4/1/2021
  - Includes those that turned 70 ½ in 2019 that had to take their RMD by 4/1/2020
- Ability to re-contribute RMD back into IRA or retirement account
  - Rollover generally can only be done once every twelve months, but a “recontribution” does not count as a rollover for these purposes
  - 60-day rule applies but special waiver for repayments made by 8/31/2020
  - RMD’s required to be made through 4/1/2021 can be waived and rolled over to IRA
  - If there was withholding from RMD, that amount also needs to be returned
  - Required language needs to be in employer plan document to allow the waiver of the RMD

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

4

5

## COVID-19 Related Distributions from IRA and Retirement Plans

- Hardship distributions are not subject to the early withdrawal penalty for those under the age 59½
- Must have been impacted by Covid-19 and needed funds (but can use funds for any purpose)
- Aggregate distribution can be up to \$100,000 from each person’s respective retirement accounts
- Option to spread tax liability over 3 years OR repay distribution within 3 years and reclaim any taxes paid
  - EXAMPLE 1: Tom takes a COVID-19 related distribution of \$60,000 on May 1, 2020 and does not intend to repay it. Tom can report \$60,000 as income on his 2020 tax return, with the option of reporting \$20,000 in 2020, 2021, and 2022.
  - EXAMPLE 2: Same as above, except Tom is able to repay the \$60,000 by May 1, 2022. Assuming Tom was spreading the income over 3 years, he does not report the \$20,000 for 2022 and can amend his 2020 and 2021 tax returns to get a refund.
- Can choose to carry amounts forward if repaid in year 2 and potentially avoid amended return
  - EXAMPLE 3: Same as example 1, except Tom is able to repay the \$30,000 by May 1, 2021. Assuming Tom was spreading the income over 3 years, he does not report the \$20,000 for 2021 and can report \$10,000 for 2022

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

5

6



## Who Qualifies for a COVID-19 Hardship Withdrawal?

- Distribution must be made during 2020
- The Act is fairly broad as to who qualifies for a COVID related hardship distribution. To qualify,
  - You, your spouse, or a dependent must have been diagnosed with the COVID-19 or SARS-COV-2 disease, or
  - You must have experienced adverse financial consequences as a result of being quarantined, being furloughed or laid off, or having work hours reduced due to the virus, being unable to work or only able to work reduced hours due to the lack of childcare due to the virus



*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

6

7

## Loans From Employer Plans

- The CARES Act loosened restrictions for loans from employer plans such as 401(k) plans
- Loans are not permitted from IRAs
- COVID-19 related loans can be made up to \$100,000 (up from \$50,000) or 100% (previously 50%) of the present value of the non forfeitable accrued benefit
- Must be taken within 180 days of the effective date of the Act (mid-September)
- For any outstanding loans with repayments due March 27, 2020 through December 31, 2020, the due date is delayed for one year
- Eligible individuals have the same definition as those who could receive the COVID-19 hardship distribution

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

7

8

## Qualified Medical Expenses

- Expanded definition of “qualified medical expenses” for purposes of payment or reimbursement from an HSA/MSA/FSA/HRA
- Eliminates the requirement for “prescribed” medicine or drugs
- Expanded the definition of qualified medical expenses to include feminine care products
- A high deductible plan will not fail to be treated as an eligible plan for not requiring a deductible for telehealth services
- Notice 2020-15 provides a similar rule for COVID-19 testing



*BLS*  
 BELFINT • LYONS • SHUMAN  
 Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

8

9

## Charitable Contributions

- Changes made by the CARES Act
  - \$300 above the line charitable deduction
  - Modification to limitations on individual and corporate cash charitable contributions
    - Individuals changed from 60% AGI to 100% AGI
    - Corporations 10% to 25%
  - Increased limits on contributions of food inventory from a C Corporation
    - 25% of taxable income instead of 15%
- Definition of a “qualified contribution”



*BLS*  
 BELFINT • LYONS • SHUMAN  
 Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

9

10

## Provision for Losses

- Temporary repeal of taxable income limitation for NOLs
  - Previously was 80%, but is 100%
- Modification of rules relating to NOL carryback claims
  - Previously could not carryback losses, but can now carry back losses 5 years for losses incurred 2018-2020
- Modification of loss limitation rules for noncorporate taxpayers
  - Previously could not offset 250K (or 500K joint) of losses against nonbusiness income. The limitation was removed for 2018-2020

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

10

11

## Business Interest (163(J))

- Deductibility of interest expense temporarily increased for 2019 and 2020
- 30% limitation increased to 50% for 2019 and 2020
- Election to calculate 2020 limitation using 2019 adjusted taxable income
- Special rules for partners
  - Limitation increase does not apply to 2019
  - ½ of disallowed 2019 interest is moved to 2020 and will not subject to any limits
  - ½ of disallowed 2019 interest continues to be subject to 163(J) limits in future years, meaning it will be suspended until partnership allocates excess taxable income to partner

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

11

12

## Employee Retention Credits

- Refundable payroll credits for 50% of wages paid by **eligible employers** to **certain employees** during the COVID-19 crisis
- Credit can be claimed through payroll tax filings for wages paid after March 12, 2020 through December 31, 2020
- Who are eligible employers?
  - More than 50% reduction in quarterly receipts, measured on year-over-year basis
  - When receipts exceed 80% of comparable quarter in 2019, employer no longer qualifies
  - Not available to employers who receive PPP loans
  - Not available to self-employed individuals
- Which employee wages qualify?
  - 100 employees or less in 2019, any employee's wages count no matter what the status
  - More than 100 employees, only employees who were furloughed count
  - Can't double dip with other credits like Work Opportunity Credit or Sick Leave Credit
  - Capped at \$10,000 to each eligible employee

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

12

13

## Payroll Taxes – Employer

- Delay of payment of employer social security taxes
  - Includes self-employed taxpayers
  - Deferral period – March 27, 2020 to December 31, 2020
  - Applicable dates for delayed payments become – December 31, 2021 (50%) and December 31, 2022 (50%)
  - Can receive a PPP loan and delay payroll taxes



*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

13

14

## Payroll Taxes by Executive Order - Employee

- Postponement of withholding and remittance of employee payroll taxes
  - Presidential Memorandum issued August 8th
  - Employee's share of social security tax (6.2%) on wages paid from September 1, 2020 to December 31, 2020
  - Postponement of withholding and remittance will be caught up between January 1, 2021 and April 30, 2021
  - Wages of \$4,000 or less on a biweekly per pay period basis
  - Optional for the employer

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

14

15

## Bonus Depreciation Technical Correction for Qualified Improvement Property

- TCJA contained original provision, but did not get the job done
- Intent was for Qualified Improvement Property to be eligible for 100% bonus depreciation and 15-year life
- Cares Act fixes the drafting error and provides retroactive relief



*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

15

16

## Payroll Protection Program (PPP)

- Loans designed to provide direct government incentive for small business to keep workers on payroll.
- Designed to be forgiven if employee retention criteria are met and funds are used for “eligible expenses”
- Eligible expenses include – payroll costs, mortgages, rent and utilities
- If more than 40% is used for non-payroll costs, a portion of the loan may not be eligible for forgiveness
- Loans issued prior to June 5th have a 2-year maturity and after June 5th have a 5-year maturity
- Interest rate = 1%
- Tax treatment of forgiven loans – is excluded from gross income, however expenses paid with forgiven funds are not deductible
- SBA FAQ kills rent expense derived from self-rental as an eligible expense. Rent expense associated with subleased space also does not count.
- Devil is in the details and guidance on this program continues to evolve

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

16

17

## Hot off the Press – Revenue Ruling 2020-27 & Revenue Procedure 2020-51

- Revenue Ruling 2020-27
  - Issued in late November
  - If taxpayer
    - Knows the amount of eligible expenses that qualified for reimbursement
    - Has a reasonable expectation to seek loan forgiveness and receive it
  - Then cannot deduct PPP related expenses
  - Does not matter if loan is officially forgiven in 2021 or 2020
- Revenue Procedure 2020-51
  - Taxpayer reasonably expects to receive forgiveness
  - Taxpayer applied for forgiveness in 2020 or intends to apply in 2021
  - In 2021, bank notifies the taxpayer that forgiveness for part or all of the loan is denied or the taxpayer withdrawals application
  - Option 1- Taxpayer can then deduct expenses on 2020 originally filed or amended 2020 return.
  - Option 2 –Taxpayer can deduct those expenses on 2021 return

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

17

18

## Grants from Human Health Services for Medical Providers

- On April 10, 2020, the U.S Department of Health and Human Services (HHS) automatically began distributing relief funds to *“providers who billed Medicare-fee-for-service in 2019, be a known Medicaid and CHP or dental provider and provide after January 31, 2020 diagnoses, testing, or care for individuals with possible or actual cases of COVID-19 or prevented in the spread of COVID-19. HHS broadly views every patient as a possible case of COVID-19.”*
- Health Care Related Expenses Attributable to Coronavirus –
  - Use of funds can first be used by a provider that has incurred additional **“incremental costs”** attributable to the coronavirus.
  - Two qualifications when identifying expenses attributable to coronavirus.
    - 2020 overall expense account must have increased when compared to 2019.
    - The provider must be able to specifically identify the additional expenses that are related to the coronavirus.

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

18

19

## Grants from Human Health Services for Medical Providers Expenses Attributable to the Coronavirus

- Administrative Expenses – Only incremental increased expenses due to coronavirus
  - Mortgage/Rent
  - Insurance
  - Personnel
  - Fringe Benefits
  - Lease payments on equipment
  - Utilities
- Health Care Related Expenses Attributable to Coronavirus – Only incremental increased expenses due to the coronavirus
  - Supplies
  - Equipment
  - Information Technology
  - Facilities
  - Other Health Care Expenses

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

19

20

## Grants from Human Health Services for Medical Providers

- Patient Care Lost Revenues –
  - Lost revenue is defined as the difference between 2020 and 2019 revenue
  - Paycheck Protection Program Funds received is treated as 2020 revenue
- Important Resources
  - General and Targeted Distribution Port-Payment Notice of Reporting Requirements dated November 2, 2020
  - Cares Act Provider Relief Fund Frequently Asked Questions

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

20

21

## Delaware Relief Grants

- Joint effort between the State and New Castle County to assist Delaware small businesses and nonprofits impacted by the COVID-19 pandemic. The funds for the program come from the federal CARES Act.
- If you're a business, you must meet the U.S. Small Business Administration's definition of a small business for your industry. If you're a nonprofit, you must be a registered 501(c)(6), 501(c)(19) or 501(c)(3) in a "disproportionately impacted industry" organization.
- At least 51% of the business or nonprofit's operations must be physically located in the state of Delaware. Businesses and nonprofits whose sole connection to Delaware is that they are incorporated here, are not eligible.
- Businesses that have received previous grants or loans from the State (EDGE, HELP, DTIP, etc.) are eligible to apply for DE Relief Grants.

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

21

22



## Delaware Relief Grants Based on 2019 Revenue

- The amount a business or nonprofit can receive is based upon 2019 revenue and could be up to \$100,000.
- \$0-\$500,000 in revenue: Up to \$30,000 (6 percent of 2019 revenue)
- \$500,000-\$1 million: Up to \$50,000 (\$30,000 + 4 percent of 2019 revenue in excess of \$500,000)
- \$1 million-\$2.5 million: Up to \$72,500 (\$50,000 + 1.5% of 2019 revenue in excess of \$1 million)
- \$2.5+ million: Up to \$100,000 (\$72,500 plus 1 percent of 2019 revenue in excess of \$2.5 million)

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

22

23

## Delaware Relief Grants Eligible Expenses

- Generally, includes expenses paid during 4/1/20 and 12/21/20
  - Equipment purchased to make business suitable for COVID-19 safety (PPE, plexiglass, air purifiers, etc)
  - Refinancing of debt incurred due to COVID-19 (including State of Delaware HELP loans)
  - Technological enhancements undertaken in order to adapt business model for COVID-19
  - Advertising efforts undertaken as a result of COVID-19
  - Occupying expenses (e.g. rent, mortgage, utilities, insurance, etc.) – Only for disproportionately impacted businesses

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

23

24

## Delaware Relief Grants

- You must be able to show a 7.5% revenue decline (2020 vs. 2019), or you will have to pay back the grant with interest.
- **Unofficial** guidance from email conversations with DE
  - Problem #1
    - Revenue from other grants will increase 2020 revenue
  - Answer #1
    - State will focus on gross revenue line on tax return when comparing 2020 to 2019.
    - State would expect you to put other grants on other income lines
  - Problem #2
    - Loan agreement has some tough language in it, including the need to get audits on GAAP basis.
  - Answer #2
    - State has unofficially said they will not require this unless they suspect fraud. The client will need to sign these agreements at their own risk.

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

24

25

## Economic Injury Disaster Loans (EIDL)

- To meet financial obligations and operating expenses that could have been met had the disaster not occurred
- 3.75% for businesses (fixed)
- 2.75% for nonprofits (fixed)
- 30 years
- No pre-payment penalty or fees
- Working capital and normal operating expenses
- Example: Continuation of health care benefits, rent, utilities, fixed debt payments.

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

25

26

## EIDL Advance (no longer available but... important for PPP forgiveness purposes)

---

- EIDL Advance does not have to be repaid.
- Recipients did not have to be approved for an EIDL loan to receive the EIDL Advance.
- The amount of the loan advance was deducted from total loan eligibility.
- **Businesses who received an EIDL Advance in addition to the Paycheck Protection Program (PPP) loan will have the amount of the EIDL Advance subtracted from the forgiveness amount of their PPP loan.**

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

26

27

## SBA Debt Relief

---

- For loans made after March 27, 2020 and fully disbursed prior to September 27, 2020, SBA will begin making payments with the first payment due on the loan and will make six monthly payments.
- Prior Loans – SBA will pay 6 months of principal, interest, and any associated fees that borrowers owe for all current 7(a), 504, and Microloans in regular servicing status as well as new 7(a), 504, and Microloans disbursed prior to September 27, 2020.

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

27

28

## Don't forget good ole § 61

---

- ... “gross income means all income from whatever source derived...”
- Therefore, expect any governmental assistance to be taxable

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

28

29

## Disaster Loss Refunds – IRC 165(i)

---

- Tax rules allow businesses to claim certain losses attributable to a disaster on a prior-year tax return
- President Trump's COVID-19 disaster declaration designated all 50 states, DC and US territories as disaster areas
- Businesses could claim a COVID-19 related disaster loss occurring in 2020 on a 2019 amended return for a quicker refund
- Could apply to losses on inventory or supplies, closure of office, stores and plants

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

29

30

## State Tax Considerations

- State Tax Filing for COVID-19
  - AICPA tracking on State Tax Guidance Chart (<https://www.aicpa.org/advocacy/tax/covid-19.html>)
  - Over 500 pages of guidance
- This is a mess, lots of variation and uncertainty on many provisions, for example:
  - Telecommuting and establishing nexus and withholding requirements
  - Taxation of unemployment compensation
  - Follows TCJA and/or Cares Act Provisions
- Wayfair – still relevant and protections of Public Law 86-272 continue to be eroded
- Consistency of guidance/rules between corporations and pass-throughs

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

30

31

## Gambling Losses

- Chief Counsel Advice clarified that daily fantasy sports fee is considering a wagering transaction and therefore the deductions are limited to winnings
- Reminders:
  - Gambling losses are reported on Sch. A and cannot exceed gambling income
  - Professional gamblers who file a Schedule C are no longer able to deduct expenses incurred in their profession plus gambling losses in excess of gambling income



*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

31

32

## Estates/Trusts Excess Deduction on Termination

- Final Regulations issued to allow excess deduction on termination
- Deductions retain their character as they are passed out to beneficiaries
- IRS released 2020 Instructions for Schedule K-1 (Form 1041) that revised Box 11, code A to be “Excess deductions – Section 67( e) expenses and Box 11, code B to be “Excess deductions – Non-miscellaneous itemized deductions”
- May want to amend prior year tax filings that did not claim this deduction
  - Guidance issued how to report on 2018 and 2019



*BLS*  
 BELFINT • LYONS • SHUMAN  
 Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

32

33

## Estates/Trusts Excess Deduction on Termination

Example from IRS Final Regulations

Dividends	\$3,000
Interest	\$ 500
Rent	\$2,000
Capital Gain	\$1,000

*Determination of character:*

1. Apply rental expenses against rental income
2. Executor exercise discretion under § 1.652(b)-3(b) to allocate other expenses against remaining income

*Allocate remaining excess deductions among beneficiaries under § 1.642(h)-4*

Section 62(a)(4): rental real estate expenses	\$2,000
Section 67(e): Probate fees	\$ 1,500
Section 67(e): Estate tax prep fees	\$8,000
Section 67(e): Legal fees	\$2,500
Non-miscellaneous itemized: personal property taxes	\$3,500

*BLS*  
 BELFINT • LYONS • SHUMAN  
 Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

33

34

## Marijuana Industry Updates

- IRS issued FAQs
- My business is a marijuana dispensary that I operate in compliance with my state's laws. The federal government considers this an illegal activity. Do I have the same income and employment tax filing obligations as any other business?
- I operate a business that consists of selling marijuana. Can I claim deductions to determine my taxable income?
  - IRC 280E disallows deductions for amounts paid in carrying on any trade or business that consist of illegal trafficking
  - However, you are allowed to reduce gross receipts by cost of goods sold
  - Side note: No comments on how costs may be allocated to inventory

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

34

35

## Partnerships

- Capital Accounts on K-1s must be on tax basis
  - Do not include 754 step-ups
  - Draft instructions issued recently
- Electing out of BBA
- Amending Returns
- New Schedule B Question – foreign corporation acquisitions
- Codes no longer listed on Page 2
- Request for Section 754 Revocation – new Form 15254



*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

35

36

## Schedule K-2 and K-3

- IRS Proposal to add Schedule K-2 and K-3 for International partnerships
  - If partnership has items of international tax relevance (typically international activities or foreign partners)
  - For tax year 2021 (filing season 2022)
  - Standardized format to report international tax information
  - K-2 (20 pages) replaces portions of existing Schedule K, Lines 16(a) to 16(r)
  - K-3 (22 pages) replaces portions of existing Schedule K, Part II, Boxes 16 and 20
  - Similar revisions planned for Form 1120-S

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

36

37

## QBI Deduction and S Corporation Health Insurance

### S-Corporation Return

- Health insurance included as a deduction in the owner's wages.

### Individual Return

- Owner reports the wages on her tax return.
- Owner reports a separate deduction for health insurance.

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

37

38



## QBI Deduction and S Corporation Health Insurance

- **Q33.** Health insurance premiums paid by an S-Corporation for greater than 2% shareholders reduce qualified business income by reducing the ordinary income used to compute allocable QBI. If I employed health insurance deduction for these premiums on mine, I have to also include this deduction when calculating my QBI.
- **A33.** Generally, the self-employed health insurance deduction under section 162(l) is considered attributable to a trade or section 199A and will be a deduction in determining QBI. **This may be reduced at both the entity and the shareholder level.**

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

38

39

## Charitable Deduction as a Reduction of QBI

- **2019** Form 8995 instructions state that charitable contributions related to a trade or business reduce QBI, implying passthrough charitable deductions would reduce QBI.
- **2020** Draft instructions remove this language.

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

39

40

## Notice 2020-75 -Forthcoming Regulations Regarding the Deductibility of Payments by Partnerships and S Corporations for Certain State and Local Income Taxes

- *Certain jurisdictions described in section 164(b)(2) have enacted, or are contemplating the enactment of, tax laws that impose either a mandatory or elective entity-level income tax on partnerships and S corporations that do business in the jurisdiction or have income derived from or connected with sources within the jurisdiction. In certain instances, the jurisdiction's tax law provides a corresponding or offsetting, owner-level tax benefit, such as a full or partial credit, deduction, or exclusion. The Treasury Department and the IRS are aware that there is uncertainty as to whether entity-level payments made under these laws to jurisdictions described in section 164(b)(2) other than U.S. territories must be taken into account in applying the SALT deduction limitation at the owner level.*

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

40

41

## IRS Notice 2020-75 – November 9, 2020

- If a partnership or an S corporation makes a Specified Income Tax Payment during a taxable year, the partnership or S corporation is allowed a deduction for the Specified Income Tax Payment in computing its taxable income for the taxable year in which the payment is made.
- Specified Income Tax Payments will be reflected in a partner's or an S corporation shareholder's distributive or pro-rata share of nonseparately stated income or loss reported on a Schedule K-1 (or similar form).
- Any Specified Income Tax Payment made by a partnership or an S corporation is not taken into account in applying the SALT deduction limitation to any individual who is a partner in the partnership or a shareholder of the S corporation.
- Some retroactive application – payments made after 12/31/2017 and before 11/9/2020

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

41

42

## Notice 2018-99: Interim Guidance on Parking Expenses for Qualified Transportation Fringes

- No deduction is allowed for the expense of any QTF provided by the taxpayer to their employees
- Includes any transit pass and qualified parking
- When a taxpayer owns or leases all or a portion of a parking facility then two methods proposed to calculate the disallowed deduction
  - Until further guidance is issued, disallowance may be calculated using any reasonable method
  - Taxpayer may allocate 5% of following expenses to parking facility
    - Lease or rental agreement expenses
    - Property taxes
    - Interest Expense
    - Expenses for utilities & insurance
- Special rules for multi-tenant buildings

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

42

43

## Proposed and Final Regulations Issued on Meals and Entertainment from TCJA

- Three basic requirements for meals
  - The expense is not lavish or extravagant under the circumstances
  - The taxpayer, or an employee of the taxpayer, is present at the furnishing of such food or beverages
  - The food or beverages are provided to a business associate
- Travel Meals
  - 274(d) Substantiation Requirements
    - The amount of such expense or other item
    - The time and place of the travel or the date and description of the gift
    - The business purpose of the expense or other item
    - The business relationship to the taxpayer of the person receiving the benefit
  - Explicit rules on dependents or spouse who travel
    - Employment
    - Business purpose
    - Otherwise deductible by dependent or spouse

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

43

44

## Proposed and Final Regulations Issued on Meals and Entertainment from TCJA

- Employer can avoid 50% limitation for food or beverage provided to employee if value is included on tax return of employee (aka – include on the employee's W-2)
- 50% limitation does not apply to recreation, social, or similar activities primarily for the benefit of employees (holiday parties, annual picnics, summer outings)
  - Must be primarily for rank and file
  - Snacks in breakroom do not count as a “social activity”. Therefore, subject to 50% limitation. Question: What about your fridge or microwave in the breakroom?
  - Meals provided for the convenience of the employer subject to 50% limitation

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

44

45

## Proposed and Final Regulations Issued on Meals and Entertainment from TCJA

- Entertainment
  - Expenditures related to a facility used in connection with an entertainment activity (including dues or fees paid to any social, athletic or sporting club or organization)
  - Amounts paid or incurred for membership in any club organized for business pleasure, recreation or other social purpose.
- Deduction no longer available
- Meals must be on a separate invoice

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

45

46

## Qualified Opportunity Zones (QOZ) and Qualified Opportunity Zone Funds (QOF)

- 2017 Tax Cuts and Jobs act
- A QOZ is an economically distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment. Localities qualify as QOZs if they have been nominated for that designation by a state, the District of Columbia, or a U.S. territory and that nomination has been certified by the Secretary of the U.S. Treasury via his delegation of authority to the Internal Revenue Service.
- A QOF is an investment vehicle that files either a partnership or corporate federal income tax return and is organized for the purpose of investing in QOZ property.
- Only long-term capital gains (including 1231 gains) that would be recognized for federal income tax purposes before January 1, 2027.
- Generally, you have 180 days to invest an eligible gain in QOF. The first day of the 180-day period is the date the gain would be recognized for federal income tax purposes if you did not elect to defer the recognition of the gain.
- An investor must include the remaining deferred gain on the earlier of an inclusion event or December 31, 2026. The amount of deferred gain included in income depends on (i) the fair market value of your qualifying investment in the QOF on the date of the inclusion event and (ii) adjustments to the tax basis of that qualifying investment.

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

46

47

## Qualified Opportunity Zones (QOZ) and Qualified Opportunity Zone Funds (QOF)

- An inclusion event, in general, is an event that reduces or terminates your qualifying investment in a QOF.
- If you hold your investment in the QOF for at least 5 years, 10% of deferred gain is eliminated.
- If you hold your investment in the QOF for at least 7 years, an **additional** 5% of deferred gain is eliminated.
- If the investment stays within the QOF for ten years, any additional appreciation from investment is not subject to tax.

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

47

48

## Proposed Regulations Issued on Like Kind Exchanges under 1031 from TCJA

- Focus is on definition of real property now that is the only property eligible for like kind exchange treatment
- Many definitions of real property in the Code so needed clarity on this definition
- Defined as
  - Land;
  - Improvements to land;
  - Unsevered natural products of land; and
  - Water and airspace adjacent to land
- Interests include
  - Fee ownership;
  - Co-Ownership;
  - A leasehold;
  - An option to acquire real property;
  - An Easement; or
  - A similar interest

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

48

49

## Proposed Regulations Issued on Like Kind Exchanges under 1031 from TCJA

- Improvements to land
  - Inherently permanent structures
  - Structural components of Inherently permanent structures
- Inherently permanent structures – any building or structure that is a distinct asset that is permanently affixed to real property and will ordinarily remain affixed for an indefinite period of time.
  - Houses;
  - Apartments;
  - Hotels and motels;
  - Enclosed stadiums and arenas;
  - Enclosed shopping malls;
  - Factories and office buildings;
  - Warehouses;
  - Barns;
  - Enclosed garages;
  - Enclosed transportation stations and terminals; and
  - Stores

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

49

50

## Proposed Regulations Issued on Like Kind Exchanges under 1031 from TCJA

- Affixation
  - The manner in which the distinct asset to real property;
  - Whether the distinct asset is designed to be removed or to remain in place;
  - The damage that removal of the distinct asset would cause to the item itself or to the real property to which it is affixed;
  - Any circumstances that suggest the expected period of affixation is not indefinite; and
  - The time and expense required to move the distinct asset.

*BLS*  
 BELFINT • LYONS • SHUMAN  
 Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

50

51

## Proposed Regulations Issued on Like Kind Exchanges under 1031 from TCJA. Other Inherently Permanent Structures

In-ground swimming pools	Inherently permanent outdoor lighting facilities
Roads	Railroad tracks and signals
Bridges	Telephone poles
Tunnels	Power generation and transmission facilities
Paved parking areas	Permanently installed telecommunications cables
Parking facilities, and other pavements	Microwave transmission, cell, broadcasting and electric transmission towers
Special foundations	Oil and gas pipelines
Stationary wharves and docks	Offshore drilling platforms, derricks, oil and gas storage tanks
Fences	Grain storage bins and silos
Inherently permanent advertising displays for which on election under section 1033(g)(3) is in effect	Enclosed transportation stations and terminals

*BLS*  
 BELFINT • LYONS • SHUMAN  
 Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

51

52

### Proposed Regulations Issued on Like Kind Exchanges under 1031 from TCJA. Structural Components

Walls	Ceilings
Partitions	Permanent coverings of walls, floors, and ceilings
Doors	Insulation
Wiring	Chimneys
Plumbing systems	Fire suppression systems including sprinkler systems and fire alarms
Central air conditioning and heating systems	Fire escapes
Pipes and ducts	Security systems
Elevators and escalators	Humidity control systems
Floors	

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

52

53

### Calling all Tax Preparers

- PTIN User Fee
  - Required for tax preparers who receive compensation
  - Stopped charging in 2017
  - United States District Court for District of Columbia concluded Treasury lacked the authority to charge a fee
  - United States Court of Appeals reversed the decision
- Electronic Filing
  - 2019 Amended Returns can now be electronically filed
  - IRS receives 3 Million amended returns each year
- Digital Signatures

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

53

54



## Digital Signatures

- Form 706, U.S. Estate (and Generation-Skipping Transfer) Tax Return;
- Form 706-NA, U.S. Estate (and Generation-Skipping Transfer) Tax Return;
- Form 709, U.S. Gift (Generation-Skipping Transfer) Tax Return;
- Form 1120-ND, Return for Nuclear Decommissioning Funds and Certain Related Persons;
- Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts; and
- Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner
- Form 3115, Application for Change in Accounting Method;
- Form 8832, Entity Classification Election;
- Form 8802, Application for U.S. Residency Certification.

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

54

55

## More Digital Signatures

- Form 1066, U.S. Income Tax Return for Real Estate Mortgage Investment Conduit;
- Form 1120-RIC, U.S. Income Tax Return For Regulated Investment Companies;
- Form 1120-C, U.S. Income Tax Return for Cooperative Associations;
- Form 1120-REIT, U.S. Income Tax Return for Real Estate Investment Trusts;
- Form 1120-L, U.S. Life Insurance Company Income Tax Return;
- Form 1120-PC, U.S. Property and Casualty Insurance Company Income Tax Return; and
- Form 8453 series, Form 8878 series, and Form 8879 series regarding IRS e-file Signature Authorization Forms.

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

55

56

## Tax Planning Impact/Opportunities

- Lower income means lower tax liability
  - May be a good time for a Roth conversion
  - If other income causes you to be in a lower tax bracket, maybe take your RMD or additional distributions – the tax would be lower and you are reducing future RMDs
  - May be a good time to cash in capital gains to offset capital losses and utilize the lower 0%/15% bracket on net capital gains
  - Rental real estate losses up to \$25,000 can be claimed if AGI goes below \$100,000 (phased-out as AGI increases between \$100,000 and \$150,000)
  - Low income could lower Medicare Part B and D premiums in 2022
  - Increase retirement plan contributions and traditional IRA/Roth contributions if employer match has been reduced or eliminated

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

56

57

## Wealth-Transfer Strategies Brought on by COVID-19

- A low-interest environment and depressed asset values could provide opportunities using the following strategies:
  - Grantor Retained Annuity Trust (GRAT)
  - Intra-Family Loans or Sales to an Irrevocable Trust
  - Use of Swap Powers within an Irrevocable Grantor Trust (“Defective” Grantor Trust)

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

57

58

## Where are we going? President-elect Joe Biden's Tax Proposals


---

White House: Biden

House : Democrat control

Senate: ???

- Income Taxes – Individual
- Income Taxes – Corporate
- Payroll Taxes
- Estate Tax



*BLS*  
 BELFINT • LYONS • SHUMAN  
 Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A. 58

59

## Where are we going? President-elect Joe Biden's Tax Proposals

---

Income Taxes - Individual

- Taxpayers with income > \$400k
  - Increase top tax rate from 37% → 39.6%
  - Limits itemized deductions to 28% of value
  - Phase limitation on itemized deductions
  - Phase out of the QBI deduction
- Taxpayers with income > \$1 million
  - Capital gains and qualified dividends taxed at ordinary income tax rates
- Expand & Establish Credits
  - Child & Dependent Care: increase & make fully refundable
  - Child Tax Credit: increase & make fully refundable
  - First-Time Homebuyers
  - Low-income renter

*BLS*  
 BELFINT • LYONS • SHUMAN  
 Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A. 59

60

## Where are we going? President-elect Joe Biden's Tax Proposals

### Income Taxes - Corporate

- Increase corporate income tax rate from 21% → 28%
- 15% Minimum tax for corps with book income over \$100 million
  - Would still permit foreign tax credits and NOLs to be considered in calculation
- GILTI (global intangible low-tax income) rates doubled
  - Taxes on offshore earnings by U.S. parented business
  - Would be on a country-by-country basis
- Expand & Establish Credits
  - Manufacturing Communities Tax credits
  - New Market Tax credits
  - Small business Credits for retirement savings plans
  - Renewable energy related credits

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

60

61

## Where are we going? President-elect Joe Biden's Tax Proposals

### Payroll Taxes

- Additional 12.4% OASDI payroll tax on earned income > \$400k which would be paid half by employer and half by employee
  - Tax Policy Center estimates this would generate \$740 billion over 10 years

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

61

62

## Where are we going? President-elect Joe Biden's Tax Proposals

### Estate Taxes

- Reduce lifetime exemption amount to \$3.5 million (\$7 million for married couples)
- Increase top tax rate to 45%
- Tax unrealized capital gains at death

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.

62

63

## Thank You

Valerie C. Middlebrooks, CPA (vmiddlebrooks@belfint.com)

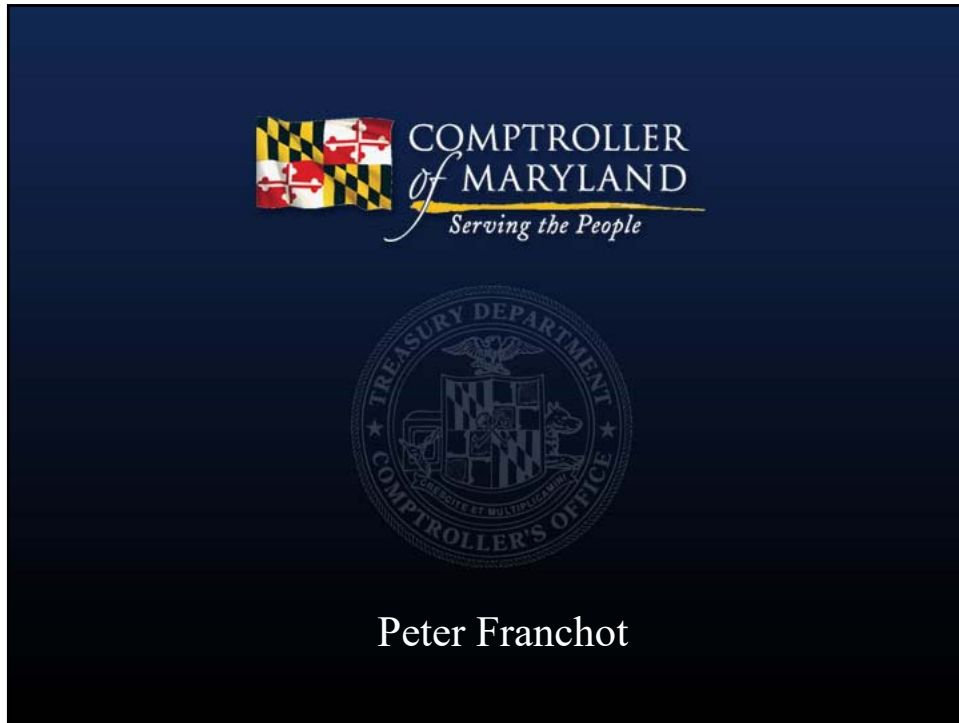
Karly Laughlin (klaughlin@belfint.com)

*BLS*

BELFINT • LYONS • SHUMAN  
Certified Public Accountants

Copyright © 2020 Belfint, Lyons & Shuman, P.A.


64



1




2



COMPTROLLER  
*of* MARYLAND  
*Serving the People*

# Legislative Updates & Forms Changes for 2020

3



COMPTROLLER  
*of* MARYLAND  
*Serving the People*

# Subtractions

4

## Legislative Update

---

- **House Bill 276 (Chapter 631, Acts of 2020) – Income Tax – Subtraction Modification – Maryland-National Capital Park Police and Washington Suburban Sanitary Commission Police Force**

–Modifies the definition of “law enforcement officers” to include members of the Maryland-National Capital Park Police or the Washington Suburban Sanitary Commission Police Force who live in a Maryland-Washington regional district with a crime rate higher than the state’s crime rate.

–Allows a \$5,000 subtraction modification to income for qualifying officers.

5

5

## Legislative Update

---

- **House Bill 1510 (Chapter 482, Acts of 2020) – Income Tax – Subtraction Modification – Rental Subsidy Under the Howard County “Live Where You Work” Program**

–Allows a subtraction modification the amount of a subsidy for rental expenses received by a Howard County resident under the “Live Where You Work” program of the Downtown Columbia Plan

– The program will offer rental subsidies for low and moderate-income families who want to live in downtown Columbia so they can be close to their workplace. Howard County General Hospital will be the first employer. The goal is to expand the program to other employers.

6

6





7

## Legislative Update

---

- **Senate Bill 523 (Chapter 641, Acts of 2020) – Income Tax – Pass-Through Entities and Corporations**
  - Pass-Through Entities
    - May elect to pay tax on resident members' pro rata or distributive shares of income (estimated payments on nonresident members' income is still mandatory)
    - Entity level tax – not considered to be paid on behalf of the member, like the nonresident tax
    - Tax on resident members' income is paid with the 510D.
    - Administrative Release # 6 has been revised to address this Act.
    - Law effective July 1, 2020 and applicable to tax years 2020 and forward.
    - Please see legislative materials and IRS Notice 2020-75 for additional resources
  - Corporations
    - Modifies the definition of worldwide headquartered company to include companies that are franchisors and part of a group of corporations that employed, at all times, between July 1, 2017 and June 30, 2020, at least 400 full time employees at the parent's headquarters in the state.

8

## Form 502CR - Income Tax Credits for Individuals

### Part CC- Line 7

- If you are a Maryland resident and you are the beneficiary of a trust or a Qualified Subchapter S Trust which elected to pay the tax imposed with respect to resident members' distributive or pro rata shares, you may be entitled to a credit for your share of that tax. Or,
- If you are a Maryland resident and member of a PTE (pass-through entity) which elected to pay the tax imposed with respect to resident members' distributive or pro rata shares, you may be entitled to a credit for your share of that tax paid.

MARYLAND FORM 502CR INCOME TAX CREDITS FOR INDIVIDUALS Attach to your tax return. 2020 Page 4

NAME \_\_\_\_\_ SSN \_\_\_\_\_

7. PTE Tax paid on Resident members' distributive or pro rata shares of income ..... 7. \_\_\_\_\_

9

9

## Legislative Update

### • Senate Bill 751 (Chapter 643, Acts of 2020) – Apprenticeship Start-Up Act of 2020

- Alters the definition of “eligible apprentice” for the purpose of claiming a tax credit for the employment of eligible apprentices.
- For the first five apprentices claimed, allows a credit of
  - \$1,000 for apprentices employed through a youth apprenticeship program
  - \$3,000 for eligible apprentices not employed through a youth apprenticeship program
- Allows a credit of \$1,000 for apprentices beyond the first five claimed
- Limited to a credit of \$15,000 for the taxable year per taxpayer.

10

10

## Legislative Update

---

- **House Bill 0862 (Chapter 633, Acts of 2020) – Historic Revitalization Tax Credit – Transferability (Historic Revitalization Tax Credit Improvement Act of 2020)**

- A separate Act expanded the tax credit to qualified condominiums or cooperative housing projects

- This Act expands the credit to make the credit transferable with respect to commercial rehabilitations

- Requires the Maryland Historical Trust to promulgate regulations to provide for transferability of this credit

11

11

## Legislative Update

---

- **House Bill 980 (Chapter 636, Acts of 2020) – Income Tax – Energy Storage Tax Credit – Alterations**

- Defines “taxpayer” as

- The owner of a residential property or commercial property who purchases and installs an energy storage system on the residential or commercial property

- An individual or corporation that owns or pays for the installation of an energy storage system that supplies electrical energy intended for use on the residential or commercial property on which the energy storage system is installed.

- Increases the limit of the tax credit allowed for energy storage systems installed on commercial property to \$150,000. The credit is the lesser of \$5000 for residential, \$150,000 for commercial, or 30% of the total installed costs.

12

12



13

## Legislative Update – Vetoed Bills

---

- **House Bill 932 – 21<sup>st</sup>-Century Economy Fairness Act:**
- This bill defines Digital Product and Digital Code and requires the Comptroller to distribute 100% of the tax revenues from the sale or use of a digital product or code to The Blueprint for Maryland’s Future Fund.
- This bill adds “digital product” to the definition of retail sale, defines Digital Product and Digital Code and requires the Comptroller to distribute 100% of the tax revenues from the sale or use of a digital product or code to The Blueprint for Maryland’s Future Fund. The practical effect is to add sales and use tax to digital products such as e-books, online newspaper subscriptions, sound files such as ring tones, and audiobooks. It exempts from tax retail sales that are subject to tax in accordance with any other provision, digital products used for consumption in research and development, as well as purchases of digital products for resale. The retail sale of a digital code or product is presumed to be made in the state in which the customer tax address is located.

14

## Legislative Update – Vetoed Bills

- **House Bill 732 – Taxation – Tobacco Tax, Sales and Use tax, and Digital Advertising Gross Revenues Tax**
- This bill clarifies the definition of “other tobacco products” and “electronic smoking device” and creates an additional category of taxation to be administered by the Comptroller.
- **Tobacco Tax**
- Other tobacco products are now defined as products “intended for human consumption or likely to be consumed, whether smoked, heated, chewed, absorbed, dissolved, inhaled, or ingested in any other manner, and that is made of or derived from, or contains tobacco or nicotine” or is a component or part used in such consumable product. It includes cigars, premium cigars, pipe tobacco, snuff, and snus as well as filters, rolling paper, pipes, and hookahs. It does not include cigarettes or electronic smoking devices. “Electronic smoking devices” no longer includes a battery or battery charger when sold separately.
- The bill sets the sales and use tax for vaping liquid sold in a container that contains 5 milliliters or less of vaping liquid at 60% of the taxable price. It also eliminates the tobacco tax on cigarettes for packages with fewer than 20 cigarettes and increases the tax rate on packages with 20 cigarettes or more. The tobacco tax rate for pipe tobacco is set to 30% of the wholesale price.
- **Digital Advertising Gross Revenues Tax**
- “The Digital Advertising Gross Revenues Tax” imposes a tax on the annual gross revenues of a person derived from digital advertising services in the state. The Comptroller is required to distribute quarterly the amount necessary to administer the Digital Advertising Gross Revenues tax laws in the previous quarter to an administrative cost account. After that distribution, the comptroller must distribute the remaining revenues to the Blueprint for Maryland’s Future Fund.
- Individuals with such revenues that exceed \$1,000,000 must complete and file a return with the Comptroller on or before April 15<sup>th</sup> of the following year. Each person that reasonably expects such annual gross revenues to exceed \$1,000,000 must complete and file a declaration of estimated tax on or before April 15<sup>th</sup> of that year. A person required to file a declaration of estimated tax must file a quarterly estimated tax return on or before June 15, September 15, and December 15. Such a person is required to pay at least 25% of the estimated tax with the declaration and each quarterly return in addition to any unpaid tax for the year not covered by the estimate. In the event a person fails to file the required return, the tax collector shall estimate gross revenues using the best information available and assess the tax due. A person who fails to file a required return is guilty of a misdemeanor and subject to a fine of \$5,000 and/or imprisonment not to exceed 5 years. The bill also requires the Comptroller to adopt regulations for the administration of the tax.

15

15



# Corporate Forms

16

## Forms 500 and 500X

- **Forms 500 & 500X** have been combined into one multipurpose form.
- **Direct Deposit of Refund** section (page 4) and its Instruction 22 were expanded for taxpayers to authorize the State of Maryland to disclose to their bank and to National Automated Clearing House Association (**NACHA**) any tax return information. A **Line 51d.** was added as part of a requirement to indicate the account holder's name.

MARYLAND FORM 500 CORPORATION INCOME TAX RETURN 2020

OR FISCAL YEAR BEGINNING \_\_\_\_\_ 2020, ENDING \_\_\_\_\_

Amended Return

**DIRECT DEPOSIT OF REFUND** (See Instructions.) Be sure the account information is correct. To comply with banking and NACHA (National Automated Clearing House Association) rules, if this refund will go to an account outside of the United States, place "Y" in this box  or if you authorize the State of Maryland to direct deposit your refund, check this box  and complete the following information clearly and legibly.

22a. Type of account:  Checking  Savings

22b. Routing Number (9-digits): ▶ \_\_\_\_\_

22c. Account number: ▶ \_\_\_\_\_

22d. Name as it appears on the bank account: ▶ \_\_\_\_\_

17

## Form 500CR - Business Income Tax Credits

- There are no new Tax Credits for 2020.

18

18

## Form 510 & 510D Pass-Through Entity

- **Forms 510 and 510D** (2020 & 2021) were modified to accommodate SB 523 which requires pass-through entities to pay the tax imposed on distributive or pro rata shares of nonresident and nonresident entity members, and gives pass-through entities the option to pay the tax imposed on distributive or pro rata shares of income of resident members.

19

19

## Form 510 & 510D Pass-Through Entity

**MARYLAND FORM 510** **PASS-THROUGH ENTITY INCOME TAX RETURN** **2020**  
OR FISCAL YEAR BEGINNING \_\_\_\_\_ 2020, ENDING \_\_\_\_\_

**TYPE OF ENTITY** - Check the applicable box. ▶  
 S Corporation  Partnership  Limited Liability Company  Business Trust

**CHECK HERE** - Check applicable box(es).  
 Name or address has changed  First filing of the entity  Inactive entity  Final Return  510C Filed  
 This tax year's beginning and ending dates are different from last year's due to an acquisition or consolidation.  
 **Check here if electing to remit tax on behalf of resident members.**


Amended Return

**MARYLAND FORM 510D** **PASS-THROUGH ENTITY DECLARATION OF ESTIMATED INCOME TAX** **2020**  
OR FISCAL YEAR BEGINNING \_\_\_\_\_ 2020, ENDING \_\_\_\_\_

Check here if you are a first time filer or your mailing address has changed.  
 Check here if electing to remit tax on behalf of resident members.

20

20



# Other Resident Instructions

21

## Resident Income Tax Return Instructions - Instruction 13

---

- **Pension Exclusion-**
  - The maximum allowable pension exclusion is **\$33,100.00.**

**PENSION EXCLUSION COMPUTATION WORKSHEET (13A)**

Review carefully the age and disability requirements in the instructions before completing this worksheet. Use the separate RETIRED CORRECTIONAL OFFICERS, LAW ENFORCEMENT OFFICER, OR FIRE, RESCUE, OR EMERGENCY SERVICES PERSONNEL PENSION EXCLUSION COMPUTATION WORKSHEET (13E) if applicable.

	You	Spouse
1. Qualifying pension and retirement annuity included in your federal adjusted gross income (Do not include Social Security or Railroad Retirement). . . . .		
2. Maximum allowable exclusion. . . . .	\$33,100	\$33,100
3. Total benefits you received from Social Security and/or Railroad Retirement (Tier I and Tier II)		
4. Tentative exclusion (Subtract line 3 from line 2.) (If less than 0, enter 0.) . . . . .		
5. Pension Exclusion (Enter the smaller of line 1 or 4 here and on line 10a, Form 502.) If you and your spouse both qualify for the pension exclusion, combine your allowable exclusions and enter the total amount on line 10a, Form 502. . . . .		

22



## Resident Income Tax Return Instructions - Instruction 22

- The annual interest rate is **10%** annually per month for any month or part of a month that a tax is paid after the original due date of the 2020 return but before January 1, 2022.

23

23

## Form 502 - Resident Income Tax Return

- Direct Deposit of Refund** section (page 4) and its Instruction 22 were expanded for taxpayers to authorize the State of Maryland to disclose to their bank and to National Automated Clearing House Association (**NACHA**) any tax return information. A **Line 51d.** was added as part of a requirement to indicate the account holder's name.

**DIRECT DEPOSIT OF REFUND** (See Instruction 22.) Be sure the account information is correct. **For Splitting Direct Deposit**, use Form 588. To comply with banking and **NACHA (National Automated Clearing House Association)** rules, if this refund will go to an account outside of the United States, place "Y" in this box  or if you authorize the State of Maryland to direct deposit your refund, check this box  and complete the following information clearly and legibly.

**51a.** Type of account:  Checking  Savings      **51b.** Routing Number (9-digits) ▶ \_\_\_\_\_

**51c.** Account Number ▶ \_\_\_\_\_

 **51d.** Name(s) as it appears on the bank account ▶ \_\_\_\_\_

24

24

## **Form 504 and 505 Direct Deposit Language**

---

- The direct deposit language added to the Form 502 has also been added to the Form 504 and Form 505.

25

25

## **Local Tax Rate Increase**

---

- There are no local tax rate increases for tax year 2021.

26

26

## Form 502,502X,505 and 505X

- Language has been included on the above forms to verify the taxpayers name on the return matches the name on their Social Security card. This ensures proper credit for their personal exemptions.

MARYLAND FORM 502 RESIDENT INCOME TAX RETURN 2020

OR FISCAL YEAR BEGINNING 2020, ENDING

Your Social Security Number Spouse's Social Security Number

Your First Name MI Your Last Name

Spouse's First Name MI Spouse's Last Name

Does your name match the name on your social security card? If not, to ensure you get credit for your personal exemptions, contact SSA at 1-800-772-1213 or visit [www.aaa.gov](http://www.aaa.gov).

27

27



# COVID-19 Response and CARES Act

28

## COVID-19 Response

---

- Comptroller website has dedicated page for COVID-19 and agency response : <https://www.marylandtaxes.gov/covid/>
- All FAQs, alerts, and other important information may be found here.
- Original due dates of filing and paying were extended to July 15, 2020. Extension filing remained October 15, 2020.
- Tax computations are being sent but are generally an account statement. An insert reminds them that this is not a collection activity and no payment is necessary.
- However, tax filers should be aware that interest will continue to accrue on any unpaid tax balance from the time the tax was due, including the period of suspended collection activities, until the liability is paid, as well as a penalty of 10 percent on the total amount due. Taxpayers who pay the amount due upon receiving notice can avoid future interest and penalties.

29

29

## CARES Act guidance

---

- See Maryland Tax Alert 7-24 for full guidance on the CARES Act.
- Maryland is decoupled for tax year 2020 but conforms to changes that affect 2018 and 2019.
- Business Interest Expense Deduction
  - If a taxpayer amends their federal 2018 or 2019 return to increase the business interest expense deduction, they may also amend their Maryland return based on the reduced federal adjusted gross income. No decoupling modification for business interest expense is required for amended returns for tax years 2018 or 2019. Any NOL generated in tax years 2018 or 2019 may be carried forward to tax year 2020.
  - Maryland is decoupled from IRC § 163 as amended by the CARES Act § 2306, as it applies to a tax year beginning in 2020. A decoupling modification is required. NOLs incurred in 2020 may not be carried back.
- Limitation of Excess Business Losses for Noncorporate Taxpayers
  - Prior to the CARES act, an individual, trust, or estate could offset up to \$250,000 (\$500,000 for individuals filing jointly) of nonbusiness income with business losses. Any loss beyond that could be carried forward as an NOL. Maryland conforms to this. No modification is necessary.
  - The CARES Act eliminated the limitation and allows them to use business losses to offset the full amount of nonbusiness income for 2018 – 2020. Any excess loss is considered an NOL.
  - Maryland conforms for 2018 and 2019. If a taxpayer amends their 2018 or 2019 federal returns to use business losses to offset the full amount of their nonbusiness income, they may also amend their Maryland return for those years. Any excess loss may be carried forward.
  - Maryland is decoupled for 2020. A decoupling modification would be required for 2020. NOLs incurred in 2020 may not be carried back.

30

30

## CARES Act guidance, cont.

---

- See Maryland Tax Alert 7-24 for full guidance on the CARES Act.
- Net Operating Losses (NOLS)
  - Maryland conforms to this provision as it applies to tax years 2018 and 2019. NOLs incurred in tax years 2018 and 2019 may be carried back for up to five years. If a taxpayer incurred a federal NOL in tax year 2018 or 2019, and they amend prior year federal returns to carry the NOL back, they may also amend their Maryland returns for each year a federal amended return was filed.
  - Taxpayers must file amended returns to claim the Maryland return.
  - Maryland is decoupled for 2020. Please see Alert for further guidance.
- Qualified Improvement Property and Bonus Depreciation
  - The CARES Act made a technical correction to TCJA regarding federal bonus depreciation
  - Maryland had previously decoupled via legislation.
  - Maryland conforms to the provision that classifies QIP as 15-year property as it applies to all tax years beginning after December 31, 2017. QIP placed in service in tax years 2018 and beyond is 15-year property and may be depreciated as such. Because Maryland has legislatively decoupled from federal bonus depreciation, non-manufacturers may not take bonus depreciation on QIP at the Maryland level, even though the property qualifies for federal bonus depreciation.

31

31



# SALES AND USE TAX

32

## Legislative Update

- **Senate Bill 397 (Chapter 640, Acts of 2020) – Sales and Use Tax and Personal Property Tax – Exemptions – Data Centers:**

–Exempts sale of qualified data center personal property for use at a qualified data center from sales and use tax

- An individual or corporation is eligible for the exemption if the individual or corporation owns a qualified data center

- Individual or corporation must have invested at least \$5.0 million in qualified data center personal property and filled at least 5 qualified positions, within 3 years after submitting an application for the exemption

- »The minimum investment only needs to total \$2.0 million in a Tier I area

–Authorizes local governments to reduce or eliminate the percentage of assessment at any data center personal property used in a qualified data center

33

33

## Legislative Update

- **CONTINUED Senate Bill 397 (Chapter 640, Acts of 2020) – Sales and Use Tax and Personal Property Tax – Exemptions – Data Centers:**

–Qualifications for Exemption:

- An individual or corporation must apply with Department of Commerce (DoC)

- DoC will review applications each year & provide the Comptroller with a list of those eligible

- Comptroller must issue certificates to those eligible within 30 days of receiving the list

- Those determined to be eligible must renew their application annually

- After a certificate expires, buyer must retain specific records for at least 3 years, which DoC may inspect

- DoC may revoke a certificate

- Revocations are appealable to DoC

- Following revocation, Comptroller may issue an assessment for sales and use tax not paid as a result of the exemption

34

34

## Legislative Update

- **Senate Bill 843 (Chapter 644, Acts of 2020) – Sales and Use Tax – Licensed Caterers - Exemptions:**

–Exempts sale of materials, equipment, or supplies to a licensed caterer from sales and use tax

- Materials, equipment, or supplies must be:

- (1) used by the caterer to perform a contract for catering services; AND
- (2) intended for resale by the caterer & to be used directly or predominantly by the caterer in performing a catering contract that includes food and beverages

–Exemption Only Applies to a “Licensed Caterer”

- A Licensed Caterer must hold a food service license issued by the Dept. of Health of Human Services
- A Licensed Caterer is not a business that is primarily engaged in sale of food to the general public
- Exemption Applies to Licensed Caterer with 50% of gross sales from sale of the sale of catered food

35

35



# Important Information

36

## Important Information

---

- Web site at **[www.marylandtaxes.gov](http://www.marylandtaxes.gov)**.
- Tax practitioner hotline: **410-260-7424**.
- Tax practitioner e-mail:  
**[taxprohelp@marylandtaxes.gov](mailto:taxprohelp@marylandtaxes.gov)**
- E-file tax practitioner hotline: **410-260-7753**.

37

37

## Important Information



---

- Our web site is **[www.marylandtaxes.gov](http://www.marylandtaxes.gov)**
- E-file tax practitioner e-mail:  
**[efil@marylandtaxes.gov](mailto:efil@marylandtaxes.gov)**
- Tax forms e-mail:  
**[taxforms@marylandtaxes.gov](mailto:taxforms@marylandtaxes.gov)**

38

38





Communications & Liaison  
STAKEHOLDER LIAISON



# Highlights of Tax Changes From a Tax Forms Perspective

Richard Furlong, Jr.  
Senior Stakeholder Liaison

44th Annual Delaware Federal & State Tax Institutes  
December 14, 2020

1

1





Objectives

- Knowledge of major income tax changes for tax year 2020
- Knowledge of major tax form changes from 2019 to 2020
- Knowledge of new tax forms for tax year 2020

2

2





## Info on Changes to Tax Forms

- Drafts of tax forms, instructions, and some publications (“tax products”) are posted at [IRS.gov/DraftForms](https://www.irs.gov/DraftForms) before the final release is posted at [IRS.gov/LatestForms](https://www.irs.gov/LatestForms)
- 500+ “Product pages” ([IRS.gov/Form1040](https://www.irs.gov/Form1040), [IRS.gov/W4](https://www.irs.gov/W4), [IRS.gov/ScheduleA](https://www.irs.gov/ScheduleA), etc.) provide links and show any changes that impacted the product after its initial final release; those changes are also at [IRS.gov/FormChanges](https://www.irs.gov/FormChanges)
- All revisions of all tax products are at [IRS.gov/AllForms](https://www.irs.gov/AllForms)

3

3





## Recent Tax Laws

- Further Consolidated Appropriations Act of 2020
- Families First Coronavirus Response Act (FFCRA)
- Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

4

4





## Further Consolidated Appropriations

- P.L. 116-94, Enacted 12/20/2019
- Setting Every Community Up for Retirement Enhancement (SECURE)
- Taxpayer Certainty and Disaster Tax Relief Act of 2019

5

5





## SECURE Act

- Small employer automatic enrollment credit—Form 8881, Credit for Small Employer Pension Plan Startup Costs and Auto-Enrollment
- Kiddie tax changes—Instructions for Form 8615, Tax for Certain Children Who Have Unearned Income, impacted for 2018, 2019 and 2020
- Retirement savings and pension changes
- Distribution changes

6

6





## Taxpayer Certainty and Disaster Tax Relief Act

- Individual Extenders
- Business and Energy Extenders
- Disaster Tax Relief

7

7





## Individual Extenders

- Exclusion for discharge of qualified principal residence indebtedness
- Mortgage insurance premiums
- Medical expense deduction floor
- Tuition and fees deduction

8

8





## Disaster Tax Relief

- Retirement fund withdrawals
- New employee retention credit—Form 5884-A, Employee Retention Credit
- New casualty loss rules—Form 4684, Casualties and Thefts

9

9





## Coronavirus Tax Changes

- Deferral of payment of employment taxes for employers and self-employed
- Sick and Family Leave credits
- Additional \$300 charitable contribution above-the-line deduction
- Recovery Rebate credit

10

10





## Deferral of Employment Taxes

- Payment of part of employer share of social security tax may be deferred.
- Generally, half due 12/31/21, half 12/31/22
- Figured on employment tax return or new Part on Schedule SE, Self-Employment Tax
- Reported on Schedule 3, line 12e

11

11





## Sick and Family Leave Credits

- Employers claim on employment tax return
- Self-Employed claim on new Form 7202, Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals
- Also applies to certain household employers

12

12





## New Form 7202

- Form 7202, Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals, calculates refundable credits for sick and family leave as a result of the coronavirus
- The sum of the sick leave credit and the family leave credit will be included on Schedule 3 (Form 1040), line 12b
- Each spouse may be eligible to file Form 7202

13

13




## Schedule SE (Form 1040)

- Short Schedule SE calculation removed
- Maximum deferral of part of self-employment tax figured in new Part III
- Each spouse may be eligible to defer tax on their Schedule SE

14

14




**Form 1040, U.S. Individual  
Income Tax Return**

- Removed Paid Preparer's 3rd Party Designee Checkbox
- Virtual currency question added
- Estimated tax payments line added
- New above-the-line deduction for charitable contributions
- Recovery rebate credit on new line 30

15

15



**Question: Form 1040-SR**



Can someone who is filing Form 1040-SR, U.S. Tax Return for Seniors, itemize deductions?

Yes or No?

16

16







## Form 1040-SR U.S. Tax Return for Seniors

- Remains identical to Form 1040--Same changes
- Form 1040-SR will be four pages for 2020 to preserve bigger entry spaces and fonts
- All lines and line numbers are exactly the same as Form 1040; the only differences are font size and entry space (and page count) are bigger and Form 1040-SR has a standard deduction chart

17

17



## Question: Recovery Rebate Credit

What was the last year there was a recovery rebate credit?



A: 2007

B: 2008

C: 2009

18

18





## Recovery Rebate Credit

- Similar to 2008, taxpayers who didn't get some or all of the Economic Impact Payment they were entitled to will be able to claim the difference as a recovery rebate credit
- Claimed on new line 30 of Forms 1040 and 1040-SR
- Worksheet in instructions to figure the credit

19

19




## Schedule 1 (Form 1040), Additional Income and Adjustments to Income

- Schedules 1, 2, and 3 (Form 1040) can now be filed with Form 1040-NR, in addition to being fileable with Forms 1040 and 1040-SR
- Virtual currency question removed from Schedule 1 to Forms 1040 and 1040-SR

20

20




**Schedule 3 (Form 1040), Additional Credits and Payments**

- Line for other credits on Schedule 3 expanded:
  - Line 12b added for qualified sick and family leave credits from Schedule H and new Form 7202;
  - Line 12e added for deferral of payment of taxes from Schedule H and Schedule SE.
- Estimated tax line removed from Schedule 3, added to Forms 1040 and 1040-SR (and 1040-NR)

21

21





**Form 1040-NR, U.S. Nonresident Alien Income Tax Return**

- Redesigned to have almost all the same line numbers as Forms 1040 and 1040-NR
- Will use Schedules 1, 2, and 3 (Form 1040)
- Will have 3 new, separate Schedules A, NEC, and OI (Form 1040-NR)
- Form 1040-NR-EZ, U.S. Income Tax Return for Certain Nonresident Aliens with No Dependents, obsolete for 2020

22

22





**Question: Schedule LEP**

Can Schedule LEP, Request for Change in Language Preference, be filed by itself, apart from being filed with the filer's 1040 series tax return?

Yes or No?

23

23





**Schedule LEP (Form 1040), Request for Change in Language Preference**

- Schedule LEP (Form 1040), Request for Change in Language Preference, is for Limited English Proficiency (LEP) filers
- Allows for individuals to indicate a preference for communications in a language other than English
- The IRS will only send communications (such as a notice) in the preferred language if the communication has been translated. A copy of the communication in English will also be provided

24

24





**Question: Form 1040-X**

Can Form 1040-X be efiled for a 2019 tax return if the original 2019 tax return was not efiled?

Yes or No?

25

25





**Efile for Form 1040-X, Amended U.S. Individual Income Tax Return**

- Form 1040-X now available to be efiled
- Filed as a refigured Form 1040 with Form 1040-X and an amended return indicator
- Form 1040-X can be efiled only for 2019 tax returns and subsequent years
- Original return must have been efiled

26

26



## New Products List

- Schedule LEP (Form 1040)
- Form 7202
- Form 8915 series (Disaster Retirement Plan Distribution and Repayments)
- Schedules A, NEC, and OI for Form 1040-NR
- Spanish products

27

27





## New Spanish Products

- Form 1040 will be available in Spanish for first time ever
- Form 1040-SR also
- Instructions for Forms 1040 and 1040-SR in Spanish
- Schedules 1, 2, and 3 will also be translated
- Other products will be translated into Spanish and other languages as resources allow

28

28





## Form 1099-NEC, Nonemployee Compensation

- Form 1099-NEC has been restored (previously issued 1979-1982)
- Removes reporting of nonemployee compensation from Form 1099-MISC
- Due January 31
- All Forms 1099-MISC now due February 28

29

29





## Additional Resources

- [IRS.gov/Coronavirus](https://www.irs.gov/Coronavirus), [IRS.gov/TaxReform](https://www.irs.gov/TaxReform)
- [IRS.gov/DraftForms](https://www.irs.gov/DraftForms), [IRS.gov/AllForms](https://www.irs.gov/AllForms), [IRS.gov/LatestForms](https://www.irs.gov/LatestForms)
- [IRS.gov/FormChanges](https://www.irs.gov/FormChanges), [IRS.gov/FormsUpdates](https://www.irs.gov/FormsUpdates)
- [IRS.gov/Form941](https://www.irs.gov/Form941), [IRS.gov/Form1040](https://www.irs.gov/Form1040), etc.
- FAQs (links at [IRS.gov/Form941](https://www.irs.gov/Form941) and [IRS.gov/Coronavirus](https://www.irs.gov/Coronavirus))
- Email [TaxForms@irs.gov](mailto:TaxForms@irs.gov) and include “NTF” in subject for questions about content of forms, instructions, or publications

30

30



Communications & Liaison  
STAKEHOLDER LIAISON



# *Employee Retention Credit*

Richard Furlong, Jr.  
Senior Stakeholder Liaison

**44th Annual Delaware Federal & State Tax Institutes  
December 14, 2020**

31

31




## **What is the Employee Retention Credit?**

A fully refundable tax credit for employers equal to 50 percent of qualified wages (including allocable qualified health plan expenses) that Eligible Employers pay their employees.

32

32





***Eligible Employer***

Carry on a trade or business in 2020 that either:

1. Was fully or partially suspended by government order due to COVID-19
2. Experiences a significant decline in gross receipts

Not eligible:

- Governmental employers
- Self-employed individuals for own services and earnings

---

33

33



**Operations fully or partially suspended**

Trade or business operations fully or partially suspended during any calendar quarter in 2020 due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19

34

34




**Significant Decline in gross receipts**

- 1st quarter in which gross receipts for a calendar quarter in 2020 are less than 50% of its gross receipts for the same calendar quarter in 2019
- Ends on the first day of the first calendar quarter following the calendar quarter in which gross receipts are more than of 80% of its gross receipts for the same calendar quarter in 2019.

35

35




**Qualified Wages**

- Paid to employees after March 12, 2020, and before January 1, 2021.
- Depends on the average number of full-time employees employed during 2019.
- Includes qualified health plan costs that are allocable to wages,

36

36



**Qualified Wages**

Wages based on the average number of a business's employees in 2019.

Employers with less than 100 FT employees:


- The credit is based on wages paid to *all* employees, regardless of whether they provided services.

Employers with more than 100 FT employees:

- The credit is allowed *only* for wages paid to employees for the time when they are not providing services .

37

37




**Calculate the Credit**

- Equal to 50% of qualified wages per employee
- Maximum amount of qualified wages per employee for all calendar quarters is \$10,000.
- Maximum credit per employee is \$5000

38

38




## Claiming the credit

- Report qualified wages and credits for each calendar quarter on federal employment tax returns.
- Tax credit may be claimed against the employer portion of certain employment taxes.
- If credit exceeds payroll deposit employer may apply for advance refund per Form 7200, Advance Payment of Employer Credits Due To COVID-19.

39

39



## Impact of other credit provisions

- Small Business Loan – Paycheck Protection Program (PPP)
- Paid Family and Sick Leave Credit – Families First
- Work Opportunity Credit
- Section 45S

40

40



**IRS New COVID-19 Employer Tax Credits**

**The Employee Retention Credit**

The Employee Retention Credit is designed to encourage employers to keep employees on their payroll. The refundable tax credit is 50% of up to \$10,000 in qualified wages paid to an employee by an eligible employer experiencing economic hardship related to COVID-19. This credit is for wages paid from 3/13/2020 through 12/31/2020.

The credit is generally available to all employers regardless of size, including tax-exempt organizations.

**2 EXCEPTIONS**

Businesses that receive a Small Business Interruption Loan under the Paycheck Protection Program are not eligible.

Eligible employers must fall into one of two categories:

- 1 The employer's business is fully or partially suspended by government order due to COVID-19 during the calendar quarter.
- 2 The employer has a significant decline in gross receipts. This begins with the first quarter in 2020 when an employer's gross receipts are below 50% of the same quarter in 2019.

Qualified wages paid by an eligible employer from 03/13/2020 through 12/31/2020 include related qualified health plan expenses and vary based on the average number of a business' employees in 2019.

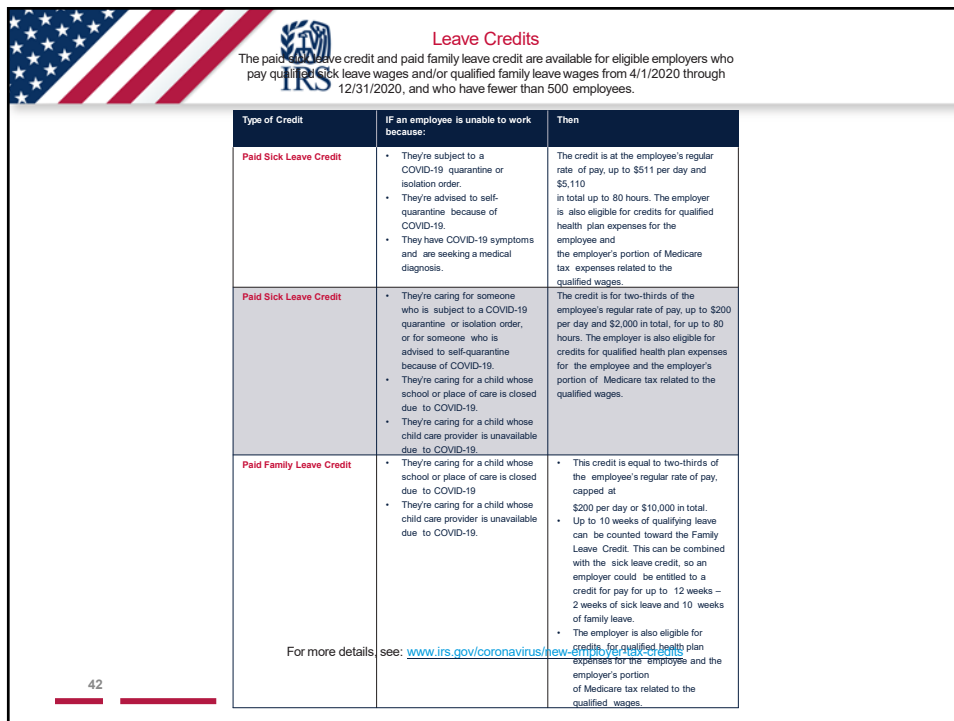
- 100 or fewer employees**  
If the employer averaged 100 or fewer full-time employees in 2019, the credit is based on qualified wages paid to all employees, whether they worked or not. Even if the employees worked full time and were paid for full-time work, the employer still receives the credit.
- More than 100 employees**  
If the employer averaged more than 100 full-time employees in 2019, then the credit is allowed only for qualified wages paid to employees for time they're not providing services during the calendar quarter.

An employer cannot use the same wages for the Employee Retention Credit and the credits for paid sick and family leave.

41

Publication 5419 (Rev. 6-2020) Catalog Number 74564L, Department of the Treasury Internal Revenue Service [www.irs.gov](http://www.irs.gov)

41



**Leave Credits**



The paid sick leave credit and paid family leave credit are available for eligible employers who pay qualified sick leave wages and/or qualified family leave wages from 4/1/2020 through 12/31/2020, and who have fewer than 500 employees.

Type of Credit	IF an employee is unable to work because:	Then
<b>Paid Sick Leave Credit</b>	<ul style="list-style-type: none"> <li>They're subject to a COVID-19 quarantine or isolation order.</li> <li>They're advised to self-quarantine because of COVID-19.</li> <li>They have COVID-19 symptoms and are seeking a medical diagnosis.</li> </ul>	The credit is at the employee's regular rate of pay, up to \$511 per day and \$5,110 in total up to 80 hours. The employer is also eligible for credits for qualified health plan expenses for the employee and the employer's portion of Medicare tax expenses related to the qualified wages.
<b>Paid Sick Leave Credit</b>	<ul style="list-style-type: none"> <li>They're caring for someone who is subject to a COVID-19 quarantine or isolation order, or for someone who is advised to self-quarantine because of COVID-19.</li> <li>They're caring for a child whose school or place of care is closed due to COVID-19.</li> <li>They're caring for a child whose child care provider is unavailable due to COVID-19.</li> </ul>	The credit is for two-thirds of the employee's regular rate of pay, up to \$200 per day and \$2,000 in total, for up to 80 hours. The employer is also eligible for credits for qualified health plan expenses for the employee and the employer's portion of Medicare tax related to the qualified wages.
<b>Paid Family Leave Credit</b>	<ul style="list-style-type: none"> <li>They're caring for a child whose school or place of care is closed due to COVID-19.</li> <li>They're caring for a child whose child care provider is unavailable due to COVID-19.</li> </ul>	<ul style="list-style-type: none"> <li>This credit is equal to two-thirds of the employee's regular rate of pay, capped at \$200 per day or \$10,000 in total.</li> <li>Up to 10 weeks of qualifying leave can be counted toward the Family Leave Credit. This can be combined with the sick leave credit, so an employer could be entitled to a credit for pay for up to 12 weeks – 2 weeks of sick leave and 10 weeks of family leave.</li> <li>The employer is also eligible for credits for qualified health plan expenses for the employee and the employer's portion of Medicare tax related to the qualified wages.</li> </ul>

For more details see: [www.irs.gov/coronavirus/new-employers-tax-credits](http://www.irs.gov/coronavirus/new-employers-tax-credits)

42

42





## Employment Tax Deferral

- Defer deposit and payment of the employer's share of Social Security taxes without penalty.
- Payroll tax deferral period:  
March 27, 2020 thru December 31, 2020.

43

43




## Who may defer employment tax deposits?

- All employers
- Self Employed Individuals.
- PPP loan recipients

44

44



## Coordination with other credits

- Employee Retention Credit
- Paid Leave Credit

45

45



## Applicable dates for deposits

- December 31, 2021, 50 % of the deferred amount;
- December 31, 2022, 50% of the remaining amount.

46

46



**Resources**

[FAQs: Employee Retention Credit under the CARES Act](#)

[IR-2020-62, March 31, 2020 IRS: Employee Retention Credit available for many businesses financially impacted by COVID-19](#)

[Form 7200, Advance Payment of Employer Credits Due to COVID-19](#)

[Relief from Penalty for Failure to Deposit Employment Taxes](#)

[Publication 5419](#)

47

47





**Communications & Liaison  
STAKEHOLDER LIAISON**

**Richard Furlong, Jr.**  
**Senior Stakeholder Liaison**  
**267-941-6343**  
**[richard.g.furlong@irs.gov](mailto:richard.g.furlong@irs.gov)**

48

48





Communications & Liaison  
STAKEHOLDER LIAISON

# ***Section 199A: Qualified Business Income Deduction (QBID)***

Richard Furlong, Jr.  
Senior Stakeholder Liaison

44th Annual Delaware Federal & State Tax Institutes  
December 14, 2020

1

1




Communications & Liaison  
STAKEHOLDER LIAISON

## **Acronyms**

**QBI – Qualified Business Income**  
**QBID – Qualified Business Income Deduction**  
**QTB – Qualified Trade or Business**  
**REIT – Real Estate Investment Trust**  
**PTP – Publicly Traded Partnership**  
**SSTB – Specified Service Trade or Business**  
**UBIA – Unadjusted Basis Immediately After Acquisition**

2




Communications & Liaison  
STAKEHOLDER LIAISON

**Who is Eligible for the QBID?**

- **Individuals**
- **Certain Trusts and Estates**

3

3





Communications & Liaison  
STAKEHOLDER LIAISON

**Who is not Eligible for the QBID?**

- **C Corporations**
- **Passthrough entities can not claim the deduction, but provide information to their owners, investors, or beneficiaries to use in calculating their QBID.**

4

4

**Communications & Liaison  
STAKEHOLDER LIAISON**

**How is the QBID Calculated**

**Lesser of:**  
**QBI Component\* plus REIT/PTP Component**  
**OR**  
**20% (Taxable income, before QBID, less net capital gain)**

**\*Patrons that receive qualified payments from a Specified Agricultural Cooperative must consider the (b)(7) patron reduction.**

5




**Communications & Liaison  
STAKEHOLDER LIAISON**



**What is QBI?**

**❖ Net amount of income, gain, deduction, and loss from any qualified trade or business.**

**• May be generated by:**

- Sole proprietorships,
- S corporations,
- Partnerships,
- Trusts, and
- Estates

6



Communications & Liaison  
STAKEHOLDER LIAISON


**What is QBI? – Cont'd**

❖ **Net amount of income, gain, deduction, and loss from any qualified trade or business.**

- **Includes, but is not limited to, the deductible portions of:**
  - S/E tax
  - S/E health insurance
  - Contributions to qualified retirement plans
  - Unreimbursed partnership expenses
  - Business interest allocable to S corporation or partnership

7

7



Communications & Liaison  
STAKEHOLDER LIAISON



**Rentals**

**Rentals may qualify for the QBID if:**

1. **The rental or licensing of property is to a commonly controlled trade or business operated by an individual or passthrough entity, sometimes referred to as a self-rental,**
2. **The rental real estate enterprise meets the requirements, and the taxpayer chooses use of, the safe harbor in Rev. Proc. 2019-38,**
3. **The rental rises to the level of a section 162 trade or business.**

8

8



Communications & Liaison  
STAKEHOLDER LIAISON



**What is Not QBI?**

❖ Exclusions include, but are not limited to:

- Capital gains or losses
- Interest income not allocable to a trade or business
- Wage income, reasonable compensation from an S corporation, or guaranteed payments from a partnership
- Items not effectively connected with the conduct of a business within the United States
- Items not includible in taxable income

9

9





Communications & Liaison  
STAKEHOLDER LIAISON

**Loss Netting**

- Negative QBI from a QTB must offset positive QBI from other QTBs in proportion to their net QBI.
- If overall combined QBI is less than zero, the QBI component for the year is zero and the negative amount carries over to offset future year's QBI.

10

10





Communications & Liaison  
STAKEHOLDER LIAISON

**Loss Netting – Cont'd**

- **W-2 wages and UBIA of qualified property from QTBs that produce negative QBI are not taken into account in the taxable year and are not carried over.**

11

11



Communications & Liaison  
STAKEHOLDER LIAISON

**Polling Question**

**Which of the following statement is true?**

- Negative QBI is never carried forward.**
- Negative QBI that is carried forward will offset positive QBI from other qualified trades or businesses in the subsequent year.**
- Negative QBI does not impact the QBID calculation.**
- Negative QBI is carried back for 2 years.**

12

12



**Communications & Liaison  
STAKEHOLDER LIAISON**


**Polling – Correct Response**

Which of the following statement is true?

- a. Negative QBI is never carried forward.
- b. Negative QBI that is carried forward will offset positive QBI from other qualified trades or businesses in the subsequent year.**
- c. Negative QBI does not impact the QBID calculation.
- d. Negative QBI is carried back for 2 years.

13

13



**Communications & Liaison  
STAKEHOLDER LIAISON**

**When do Limitations Apply?**


<b><u>2019</u></b>	<b><u>Phase-in Ranges</u></b>
<p><b><u>Taxable Income Thresholds</u></b></p> <p>Single - \$160,700</p> <p>Married Filing Separate - \$160,725</p> <p>Married Filing Joint - \$321,400</p>	<p>Married filing joint + 100,000</p> <p>All others + \$50,000</p>

**Limitations that are Applicable Above the Threshold:**

- Specified service trade or business limitation
- W-2 wage and UBIA of qualified property limitation

14

14



**Communications & Liaison  
STAKEHOLDER LIAISON**

**Specified Service Trade or Business**

**For those with taxable income above the threshold, QBI from an SSTB may be limited or excluded.**

15

15



**Communications & Liaison  
STAKEHOLDER LIAISON**

**Specified Service Trade or Business – Cont’d**

**SSTBs include trades or businesses involved in the performance of services in the fields of:**

- Health
- Law
- Accounting
- Actuarial science
- Performing arts
- Consulting
- Athletics
- Financial services
- Brokerage services
- Investment or investment management, trading, or dealing in securities, partnership interests, or commodities

- **Or a trade or business where the principal asset is the reputation or skill of one or more of its employees or owners**

16

16





Communications & Liaison  
STAKEHOLDER LIAISON

**De Minimis Rule**

A trade or business will not be treated as an SSTB if:



- Gross receipts are \$25 million or less, and
- Less than 10% of the gross receipts are from a specified services activity

**OR**

- Gross receipts are greater than \$25 million, and
- Less than 5% of the gross receipts are from a specified services activity.

17

17



Communications & Liaison  
STAKEHOLDER LIAISON


**Polling Question**

A domestic specified service trade or business (SSTB) may not be treated as a qualified trade or business when taxpayers' taxable income, before the QBID, is...

- a. at or below the threshold.
- b. over the threshold but within the phase-in range.
- c. over the threshold and phase-in range.
- d. both a and b.

18

18



**Communications & Liaison  
STAKEHOLDER LIAISON**


**Polling – Correct Response**

**A domestic specified service trade or business (SSTB) may not be treated as a qualified trade or business when taxpayers’ taxable income, before the QBID, is...**

- a. at or below the threshold.**
- b. over the threshold but within the phase-in range.**
- c. over the threshold and phase-in range.**
- d. both a and b.**

19

19



**Communications & Liaison  
STAKEHOLDER LIAISON**


**QBI Wage / UBIA of Qualified  
Property Limitation**

**For taxpayers with taxable income (before the QBID) above the threshold and phase-in range, the QBI for each QTB is limited to the lesser of:**

- 20% of QBI from the business or**
- The greater of:**
  - 50% of W-2 wages paid by the QTB, or**
  - 25% of W-2 wages plus 2.5% of the UBIA of qualified property used by the QTB.**

20

20




Communications & Liaison  
STAKEHOLDER LIAISON

**W-2 Wages**

- Means the amount paid with respect to a trade or business as W-2 wages to employees for services performed.
- Wages must be allocated among various trades or businesses if the taxpayer conducts more than one business.

21

21




Communications & Liaison  
STAKEHOLDER LIAISON

**W-2 Wages – Cont'd**

- Only wages properly allocable to QBI are includable.
- Rev. Proc. 2019-11 provides guidance on methods for determining W-2 wages for purposes of the section 199A W-2 wage limitations.

22

22



Communications & Liaison  
STAKEHOLDER LIAISON

**Unadjusted Basis Immediately After  
Acquisition of Qualified Property**

- **UBIA of qualified property is generally the asset's basis on the placed in-service date.**
- **Qualified property is tangible property subject to depreciation, held and used for the production of QBI by the QTB on the last day of the taxable year, for which the depreciable period has not ended.**

23

23



Communications & Liaison  
STAKEHOLDER LIAISON



**Unadjusted Basis Immediately After  
Acquisition of Qualified Property – Cont'd**

**The depreciable period ends on the later of:**

- **10 years after the property is placed in service, or**
- **the last day of the full year for the applicable recovery period under section 168.**

24

24



Communications & Liaison  
STAKEHOLDER LIAISON

**How is the QBID Calculated**



Lesser of:

QBI Component plus REIT/PTP Component

OR

20% (Taxable income, before QBID, less net capital gain)  
25

25



Communications & Liaison  
STAKEHOLDER LIAISON



**What are REIT Dividends and PTP Income?**

Qualified REIT Dividends:

- Dividends received from a REIT that are not capital gain dividends under section 857(b)(3) or qualified dividends under section 1(h)(11).
- Reported on Form 1099-DIV, box 5

26

26



Communications & Liaison  
STAKEHOLDER LIAISON



**What are REIT Dividends and PTP Income? – Cont'd**

**PTP Income:**

- Qualified items of income, gain, deduction, and loss from a PTP, plus any ordinary gain or loss recognized on the disposition of the PTP interest.
- SSTB limitation applies to PTP Income

27

27




Communications & Liaison  
STAKEHOLDER LIAISON

**Negative Combined REIT Dividends and PTP Income**

- Deductible losses from a PTP must offset qualified income from other PTPs and qualified REIT dividends.
- If overall qualified REIT dividends and qualified PTP income are less than zero, the negative amount carries over to offset a future year's qualified REIT dividends and qualified PTP income but does not offset QBI from a trade or business.

28

28



**Communications & Liaison  
STAKEHOLDER LIAISON**

**How is the QBID Calculated**

**Lesser of:**


**QBI Component plus REIT/PTP Component**

**OR**

**20% (Taxable income, before QBID, less net capital gain)**

29

29



**Communications & Liaison  
STAKEHOLDER LIAISON**



**Taxable Income Limitation**

**20% (Taxable income, before the QBID, less net capital gain)**

- **Taxable income is generally AGI less standard/itemized deductions**
- **Net capital gain is computed as follows:**
  - Net long-term capital gain *less*
  - Net short-term capital loss (not below zero), *plus*
  - Qualified dividends (IRC § 1(h)(11))

30

30



Communications & Liaison  
STAKEHOLDER LIAISON



**Polling Question**

**Net capital gain for section 199A includes which of the following amounts:**

- a. Qualified dividends
- b. REIT dividends
- c. Short term capital gains
- d. Long-term capital losses

31

31



Communications & Liaison  
STAKEHOLDER LIAISON

**Polling – Correct Response**


**Net capital gain for section 199A includes which of the following amounts:**

- a. **Qualified dividends**
- b. REIT dividends
- c. Short term capital gains
- d. Long-term capital losses

32

32






**Communications & Liaison  
STAKEHOLDER LIAISON**

**How is the Deduction Claimed?**

- **Form 8995, Qualified Business Income Deduction – Simplified Computation**
  - Taxable income at or below the threshold and not a patron of a specified cooperative.
- **Form 8995-A, Qualified Business Income Deduction**
  - Taxable income above the threshold or a patron of a specified cooperative.

33

33



**Communications & Liaison  
STAKEHOLDER LIAISON**



**How is the Deduction Claimed? – Cont'd**

**2019:**

- **Form 1040 filers claim the deduction on Line 10**
- **Form 1041 filers claim the deduction on Line 20**

34

34





**Communications & Liaison  
STAKEHOLDER LIAISON**

**Key Points**

- The W-2 Wage and UBIA of qualified property limitation and the SSTB limitation do not apply to taxpayer's whose taxable income is at or below the threshold
- There are three ways a rental may be qualified for purposes of section 199A:
  - Self-rental under Treas. Reg. 1.199A-1(b)(14)
  - Eligible for and relying on the safe harbor in Rev. Proc. 2019-38
  - Rising to the level of a section 162 trade or business

35

35



**Communications & Liaison  
STAKEHOLDER LIAISON**

**Key Points**

- The determination of whether a trade or business is an SSTB is based on the facts and circumstances specific to that trade or business.
- Multiple trades or businesses may be aggregated if they meet the rules for aggregation as outlined in Treas. Reg. 1.199A-4.
- Once aggregated, the aggregation must be consistently reported and applied, unless there is a significant change such that the aggregation requirements are no longer satisfied.

36



36



**Communications & Liaison  
STAKEHOLDER LIAISON**

**Richard Furlong, Jr.**  
**Senior Stakeholder Liaison**  
**267-941-6343**  
**[richard.g.furlong@irs.gov](mailto:richard.g.furlong@irs.gov)**

37



Communications & Liaison  
STAKEHOLDER LIAISON



# Tax Cuts and Jobs Act: *Opportunity Zones*

Richard Furlong, Jr.  
Senior Stakeholder Liaison

44th Annual Delaware Federal & State Tax Institutes  
December 14, 2020

1

1



Communications & Liaison  
STAKEHOLDER LIAISON


## OBJECTIVES

At the end of this presentation, you will be able to:

- Provide an overview of Opportunity Zones
- Discuss the tax benefits for investors
- Explain the investor reporting of elections
- Explain the investor annual reporting
- Discuss disaster relief information

2

2




Communications & Liaison  
STAKEHOLDER LIAISON

**ACRONYMS**

**QOF – Qualified Opportunity Fund**  
**QOZ – Qualified Opportunity Zone**  
**QOZB – Qualified Opportunity Zone Business**  
**QOZBP – Qualified Opportunity Zone Business Property**  
**QOZ Property – Qualified Opportunity Zone Property**  
**TCJA – Tax Cuts and Jobs Act**

3

3



Communications & Liaison  
STAKEHOLDER LIAISON

**Opportunity Zones Terms**

- **OZ:** Opportunity Zone - an eligible census tract certified and designated as a Qualified Opportunity Zone
- **QOF:** Qualified Opportunity Fund – an eligible entity that files as a partnership or corporation for federal tax purposes, organized for the purposes of investing in Qualified Opportunity Zone Property and maintains at least 90% of its assets in QOZ Property

4

4




Communications & Liaison  
STAKEHOLDER LIAISON

**Opportunity Zones Terms**

- **QOZ Property:** Property owned by a QOF that qualifies to be counted towards the 90% asset test
- **QOZ Stock:** Stock shares owned by a QOF that qualifies to be counted towards the 90% asset test
- **QOZ Partnership:** Partnership interest owned by a QOF that qualifies to be counted towards the 90% asset test

5

5



Communications & Liaison  
STAKEHOLDER LIAISON

**Opportunity Zones Terms**

- **QOZ Business:** A trade or business where “substantially all” tangible property owned/leased is QOZ business property
- **QOZ Business Property:** Tangible property used in a trade or business, purchased after 12/31/2017, Original use or substantially improved, and substantially all of the use of such property is in OZ

6

6




**Communications & Liaison  
STAKEHOLDER LIAISON**

**Opportunity Zones Overview**

- **Opportunity Zones - part of TCJA  
IRC 1400Z-1 – Designation**
- **Qualified Opportunity Zones**
- **IRC 1400Z-2 – Special Rules for  
capital gains**
- **Tax incentives for investors**

7

7




**Communications & Liaison  
STAKEHOLDER LIAISON**

**Opportunity Zones Overview**

**Opportunity Zones**

economic development tool to encourage long-term investment and job creation in designated distressed communities


investment encouraged by providing tax benefits to Investors that invest eligible gains into **Qualified Opportunity Funds**

**Qualified Opportunity Funds**

invest in tangible business property that qualifies as QOZBP and/or qualified opportunity zone businesses located in Qualified Opportunity Zones


8

8


**Communications & Liaison  
STAKEHOLDER LIAISON**


## Basic section 1400Z-2 structure

Taxpayers can defer and potentially reduce taxation on capital gains




by making timely investments in

Qualified Opportunity Funds



which invest in

QOZ Property



9

9


**Communications & Liaison  
STAKEHOLDER LIAISON**

## Qualified Opportunity Zones

- Population census tracts designated as Opportunity Zones based on:
  - nominations from the governor or chief executive of each state, district, or territory, and approved by the Secretary of Treasury.
- IRC §1400Z-1(b)(3)
  - all low-income census tracts in Puerto Rico are deemed designated as Qualified Opportunity Zones.

10

10





**Communications & Liaison  
STAKEHOLDER LIAISON**

**Qualified Opportunity Zones**

**IRS Notices 2018-48 and 2019-42**

8,764 designated Qualified Opportunity Zones

Qualified Opportunity Zones have been designated in all 50 states, including Alaska, Hawaii, District of Columbia and 5 US Territories.

11

11



**Communications & Liaison  
STAKEHOLDER LIAISON**

**Qualified Opportunity Fund**

**Qualification**

-To qualify as a QOF, an entity:

- files as a partnership or a corporation for Federal tax purposes
- is organized for investing in Qualified Opportunity Zone (QOZ) property,
- holds at least 90 percent of its assets in QOZ property, and
- cannot be a QOF investing in another QOF

12

12



Communications & Liaison  
STAKEHOLDER LIAISON

## Qualified Opportunity Fund

### Certification

For a qualified entity to be a QOF:

- An eligible corporation or partnership self-certifies that the entity is a QOF by filing Form 8996 with its federal tax return.
- The self-certification must be done annually.
- The return that the Form 8996 is attached to must be filed timely, taking extensions into account.

13

13



Communications & Liaison  
STAKEHOLDER LIAISON

## Opportunity Zone Investors

### Please Note:

This presentation is focused on the Federal Tax implications and reporting with respect to investments in a QOF.

Investors should consider investments in QOFs as they would any other investment.

Investors need to maintain records to support their investment similar to other investments they may have.

14

14



Communications & Liaison  
STAKEHOLDER LIAISON

## **Investors – Benefits**

### **Deferral of an Eligible Gain**

- In general, investors may elect to temporarily defer tax on an eligible gain if that gain is invested in a Qualified Opportunity Fund (QOF) within 180 days of realizing the gain.
- The temporary deferral ends when an inclusion event occurs.
- In general, that will be the earlier of the date on which the investment in a QOF is disposed or December 31, 2026.

15

15



Communications & Liaison  
STAKEHOLDER LIAISON

## **Investors – Benefits – Cont'd**

### **QOF Investment Held > 5/7 Years**

- Investment held at least 5 years:
  - the basis of such investment is increased by 10% of the amount of the deferred gain.
- Investment held for more than 7 years:
  - the basis of such investment is increased by an additional 5% of the amount of the deferred gain.

16

16



Communications & Liaison  
STAKEHOLDER LIAISON

## Investors – Benefits – Cont'd

**End of Deferral – Reportable Gain is computed as follows:**

Lesser of Deferred Gain or FMV of QOF Investment

Less: Basis in QOF Investment

Equals: **Reportable Deferred Gain**

17

17



Communications & Liaison  
STAKEHOLDER LIAISON


## Investors – Benefits – Cont'd

**Special Rule for Investments Held for at least 10 years:**

- If an investor holds a QOF investment for at least ten years, the investor may make an election to increase the basis of their QOF investment to the fair market value of such investment on the date that the investment is sold or exchanged.
- If the QOF is a partnership, the bases of the QOF's assets are also increased to their fair market value on the date the investment is sold or exchanged.

18

18




**Communications & Liaison  
STAKEHOLDER LIAISON**

## Investors – Benefits – Cont’d

**Eligible gain amounts an investor timely reinvests in a Qualified Opportunity Fund may result in:**

- Deferral of the investor’s tax on gains amounts of which are invested until as late as December 31, 2026.
- Basis step-ups based on the length of time the investment is held that reduce the amount of deferred gain included in gross income when the deferral ends.
- If held at least 10 years, the ability to elect a basis step-up equal to FMV of the investment on the date it is sold or exchanged.

19



**Communications & Liaison  
STAKEHOLDER LIAISON**

## Investors – Form 8949

**Reporting election to temporarily defer eligible gains invested in QOFs**


(C) Short-term transactions not reported to you on Form 1099-B

1	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed of (Mo., day, yr.)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis. See the Note below and see Column (e) in the separate instructions	Adjustment, if any, to gain or loss. If you enter an amount in column (g), enter a code in column (f). <b>See the separate instructions.</b>		(h) Gain or (loss). Subtract column (e) from column (d) and combine the result with column (g)
						(f) Code(s) from instructions	(g) Amount of adjustment	
	XX-3333333	8/1/2019				Z	(200,000)	(200,000)

(F) Long-term transactions not reported to you on Form 1099-B

1	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed of (Mo., day, yr.)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis. See the Note below and see Column (e) in the separate instructions	Adjustment, if any, to gain or loss. If you enter an amount in column (g), enter a code in column (f). <b>See the separate instructions.</b>		(h) Gain or (loss). Subtract column (e) from column (d) and combine the result with column (g)
						(f) Code(s) from instructions	(g) Amount of adjustment	
	00-XXXXXXX	6/5/2020				Z	(75,000)	(75,000)

20



**Communications & Liaison  
STAKEHOLDER LIAISON**

## Investors – Form 8949 – Cont’d


End of elected deferral due to inclusion event, where QOF equity is reduced, in whole, or in part, in proportion to the disposition.

(F) Long-term transactions not reported to you on Form 1099-B

1	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed of (Mo., day, yr.)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis. See the <b>Note</b> below and see <b>Column (e)</b> in the separate instructions	Adjustment, if any, to gain or loss. If you enter an amount in column (g), enter a code in column (f). See the separate instructions.		(h) Gain or (loss). Subtract column (e) from column (c) and combine the result with column (g)
						(f) Code(s) from instructions	(g) Amount of adjustment	
	Finch QOF Partnership - 20% Int sold	10/1/2018	11/2/2019	600,000	500,000			100,000
	XX-1111111	10/1/2018	11/2/2019			Y	500,000	500,000

21

21



**Communications & Liaison  
STAKEHOLDER LIAISON**

## Investors – Form 8997 – Part I



### Annual reporting of QOF investment

**Part I** Total QOF investment holdings at beginning of tax year  
If different from last year's ending QOF investment holdings, attach explanation.

(a) Qualified Opportunity Fund (QOF) EN	(b) Date QOF investment acquired (MM/DD/YYYY)	(c) Description of QOF investment (For example, 100 shares or 25% interest)	Deferred gain held in QOF	
			(d) Amount of short-term deferred gain remaining in QOF	(e) Amount of long-term deferred gain remaining in QOF
XX-1111111	10/1/2018	Finch QOF Partnership - 60% Equity interest		1,500,000
XX-2222222	2/28/2019	Swan QOF Corporation - 100 Shares		500,000
Enter the totals, if any, from continuation sheet . . . . .			▶	
Enter the totals from columns (d) and (e) . . . . .			▶	0      2,000,000

22

22

**Communications & Liaison  
STAKEHOLDER LIAISON**



## Investors – Form 8997 – Part II

### Annual reporting of QOF investment – Cont'd

<b>Part II</b> Current tax year capital gains deferred by investing in QOF				
(a) Qualified Opportunity Fund (QOF) EIN	(b) Date QOF investment acquired (MM/DD/YYYY)	(c) Description of interest acquired (For example, 100 shares or 25% interest)	Deferred gain invested in QOF	
			(d) Amount of short-term deferred gain remaining in QOF	(e) Amount of long-term deferred gain remaining in QOF
XX-3333333	8/1/2019	Pelican QOF Partnership - 25% Equity Interest	200,000	
00-XXXXXXX	6/5/2020	ELM Corporation - 75 Shares		75,000
Enter the totals, if any, from continuation sheet . . . . . ▶				
Enter the totals from columns (d) and (e). See instructions for reporting on Form 8949 . . . ▶			200,000	75,000

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 37821R Form 8997 (2019)

23

**Communications & Liaison  
STAKEHOLDER LIAISON**

## Investors – Form 8997 – Part III

### Annual reporting of QOF investment – Cont'd 1

<b>Part III</b> QOF investments disposed of during current tax year				
(a) Qualified Opportunity Fund (QOF) EIN	(b) Date QOF sold or disposed (MM/DD/YYYY)	(c) Description of interest disposed (For example, 100 shares or 25% interest)	Deferred gain included due to disposition of QOF interest	
			(d) Amount of previously deferred short-term gain now included in taxable income	(e) Amount of previously deferred long-term gain now included in taxable income
XX-1111111	11/1/2019	Finch QOF Partnership - 20% Partnership Interest		500,000
Enter the totals, if any, from continuation sheet . . . . . ▶				
Enter the totals from columns (d) and (e). See instructions for reporting on Form 8949 . . . ▶			0	500,000

Check this box if you disposed of any investment(s) and didn't receive a Form 1099-B reporting the disposition from the qualified opportunity fund or other third party. See the Instructions for Form 8949 for reporting requirements of any gain or loss.

24

**Communications & Liaison  
STAKEHOLDER LIAISON**

## Investors – Form 8997 – Part IV

### Annual reporting of QOF investment – Cont'd 2

<b>Part IV</b> Total QOF investment holdings at year end due to deferrals (see instructions)				
(a) Qualified Opportunity Fund (QOF) EIN	(b) Date QOF investment acquired (MM/YY/YYYY)	(c) Description of interest acquired (For example, 100 shares or 25% interest)	Deferred gain invested in QOF investment	
			(d) Amount of short-term deferred gain invested in QOF	(e) Amount of long-term deferred gain invested in QOF
XX-1111111	10/1/2018	Finch QOF Partnership - 40% Equity interest		1,000,000
XX-2222222	2/28/2019	Swan QOF Corporation - 100 Shares		500,000
XX-3333333	8/1/2019	Pelican QOF Partnership - 25% Equity interest	200,000	
00-XXXXXXX	6/5/2020	ELM Corporation - 75 Shares		75,000
Enter the totals, if any, from continuation sheet . . . . . ▶				
Enter the totals from columns (d) and (e) . . . . . ▶			200,000	1,575,000

Form 8997 (2019)

25

**Communications & Liaison  
STAKEHOLDER LIAISON**

## Disaster Relief

### Relief provided by Notice 2020-39

- Investors - 180-day investment period ends April 1, 2020 through December 30, 2020
- QOF 90% investment standard testing
- QOF 30-month substantial improvement period

26






**Communications & Liaison  
STAKEHOLDER LIAISON**

**Disaster Relief – Cont’d**

**Relief to QOZ businesses as provided by final regulations:**



- QOZ businesses with a qualifying working capital assets plan.

**Relief to QOFs as provided by final regulations:**

- QOF with a plan to reinvest disposition of QOZ property proceeds.

27

27


**Communications & Liaison  
STAKEHOLDER LIAISON**

**Resources**

- Opportunity Zones FAQs
- Opportunity Zones Resources available at CDFIFund.Gov
- Opportunityzones.gov
- Notice 2018-48, list of QOZ
- Notice 2019-42, 2 more QOZ

28

28



**Communications & Liaison  
STAKEHOLDER LIAISON**

**Resources – Cont’d**

- Proposed Regulation 115420-18
- Rev. Rule. 2018-29, Original Use
- Proposed Regulation 120186-18
- TD 9889 – Final Regulations
- Notice 2020-39, COVID Relief
- Rev. Proc. 2018-16-QOZ selection

29

29





**Communications & Liaison  
STAKEHOLDER LIAISON**

**Richard Furlong, Jr.**  
**Senior Stakeholder Liaison**  
**267-941-6343**  
**[richard.g.furlong@irs.gov](mailto:richard.g.furlong@irs.gov)**

30

30



Communications & Liaison  
STAKEHOLDER LIAISON



# *IRS Updates*

Veronica Tubman  
Yvette Brooks-Williams  
Stephen Connor  
Richard Furlong, Jr.

**44th Annual Delaware Federal & State Tax Institutes  
December 14, 2020**

1

1




## Topics

- Economic Impact Payments
- New Voluntary “Opt-In” IPPIN Program
- Security Tips to Avoid Phishing e-mails and Texts
- Advising Clients on Accurate Tax Withholding
- Understand Tax Issues for Gig Workers
- Cybersecurity Best Practices for Tax Professionals
- Tax Transcripts
- IRS Information Sources for Tax Professionals

2

2




Communications & Liaison  
STAKEHOLDER LIAISON

# ***CARES Act*** ***Economic Impact Payments***

44th Annual Delaware Federal & State Tax Institutes  
December 14, 2020

3

3



Economic Impact Payments

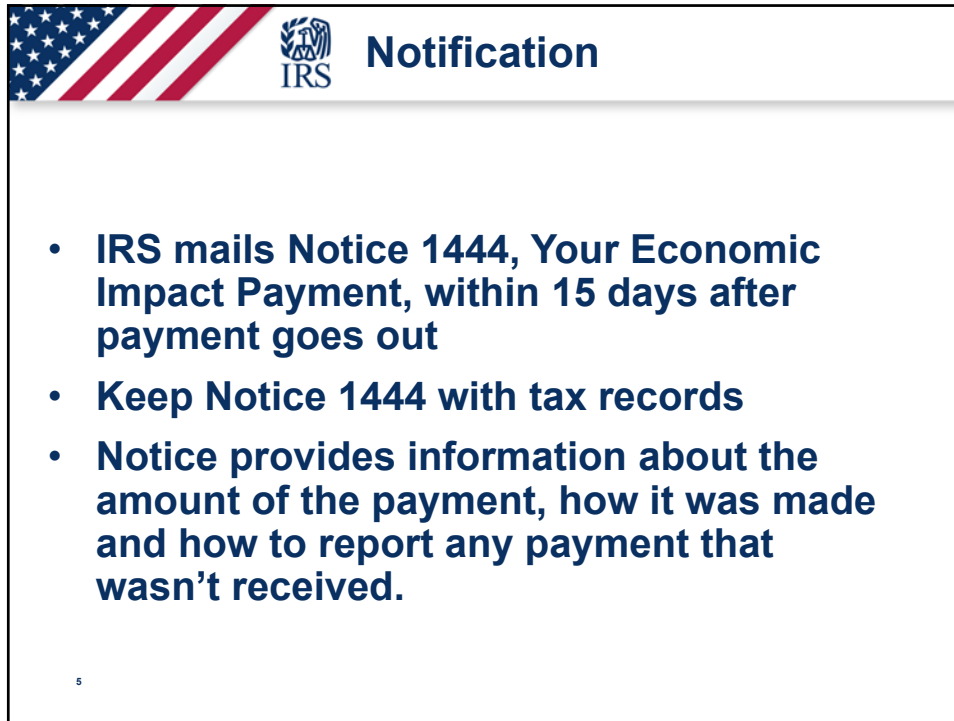
**Economic Impact Payments (EIP) have also been referred to as:**

- **“Stimulus Payments”**

**They are advance refunds of the “Recovery Rebates” provided in the legislation.**

4

4

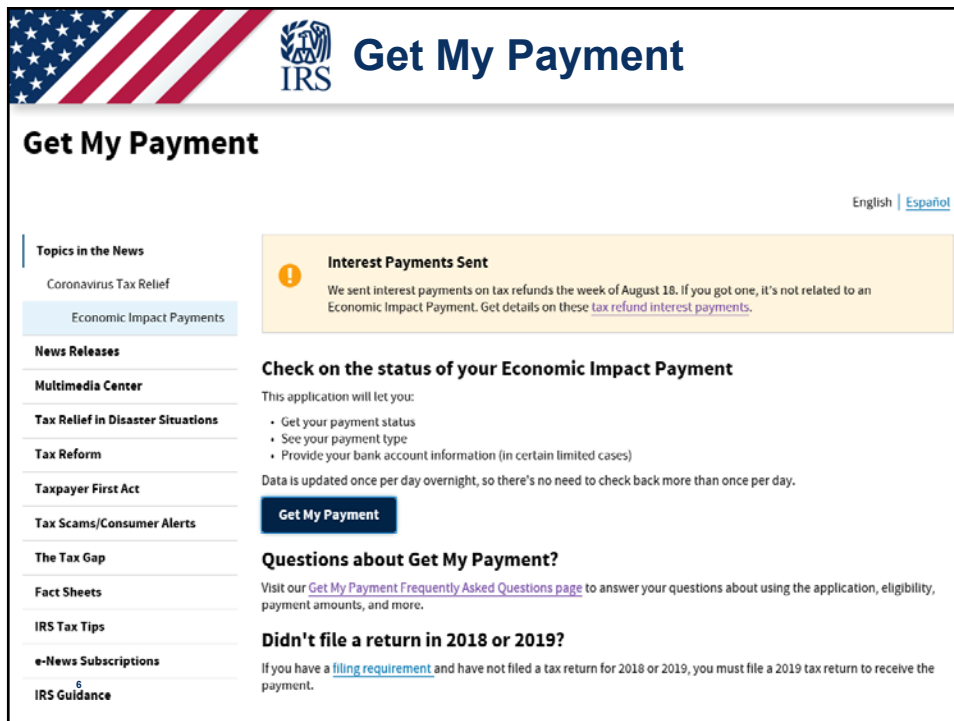


**Notification**

- **IRS mails Notice 1444, Your Economic Impact Payment, within 15 days after payment goes out**
- **Keep Notice 1444 with tax records**
- **Notice provides information about the amount of the payment, how it was made and how to report any payment that wasn't received.**

5

5



**Get My Payment**

English | [Español](#)

**Topics in the News**

- Coronavirus Tax Relief
- Economic Impact Payments**

**News Releases**

**Multimedia Center**

**Tax Relief in Disaster Situations**

**Tax Reform**

**Taxpayer First Act**

**Tax Scams/Consumer Alerts**

**The Tax Gap**

**Fact Sheets**

**IRS Tax Tips**

**e-News Subscriptions**

**IRS Guidance**

**Interest Payments Sent**

We sent interest payments on tax refunds the week of August 18. If you got one, it's not related to an Economic Impact Payment. Get details on these [tax refund interest payments](#).

**Check on the status of your Economic Impact Payment**

This application will let you:

- Get your payment status
- See your payment type
- Provide your bank account information (in certain limited cases)

Data is updated once per day overnight, so there's no need to check back more than once per day.

[Get My Payment](#)

**Questions about Get My Payment?**


Visit our [Get My Payment Frequently Asked Questions page](#) to answer your questions about using the application, eligibility, payment amounts, and more.

**Didn't file a return in 2018 or 2019?**

If you have a [filing requirement](#) and have not filed a tax return for 2018 or 2019, you must file a 2019 tax return to receive the payment.

6

6



# Get My Payment FAQs

## Get My Payment Frequently Asked Questions

English | [Español](#)

**Topics in the News**

Coronavirus Tax Relief

**Economic Impact Payments**

**News Releases**

**Multimedia Center**

**Tax Relief in Disaster Situations**

**Tax Reform**

**Taxpayer First Act**

**Tax Scams/Consumer Alerts**

**The Tax Gap**

**Fact Sheets**

**IRS Tax Tips**

**e-News Subscriptions**

**IRS Guidance**

**Interest Payments Sent**

We sent interest payments on tax refunds the week of August 18. If you got one, it's not related to an Economic Impact Payment. Get details on these [tax refund interest payments](#).

The following questions are regarding the Get My Payment application. For additional questions regarding Economic Impact Payments, visit our [Economic Impact Payments Information Center](#).


On this page...

- [Accessing Get My Payment](#)
- [Payment Status](#)
- [Missing Payments](#)
- [Payment Issued but Lost, Stolen, Destroyed or Not Received](#)
- [Payment Status Not Available](#)
- [Bank Account Information](#)
- [Entering Your Direct Deposit Information](#)
- [Entering Your AGI or Refund Information](#)
- [Error Messages/Lockouts](#)

**Accessing Get My Payment**

- > [When will Get My Payment give me the status of my payment? \(updated August 18, 2020\)](#)
- > [I filed jointly with my spouse. Does it matter whose information I use for Get My Payment? \(updated May 15, 2020\)](#)

7



# Non-Filer Tool

## Non-Filers: Enter Payment Info Here

English | [Español](#)

**Topics in the News**

Coronavirus Tax Relief

**Economic Impact Payments**

**News Releases**

**Multimedia Center**

**Tax Relief in Disaster Situations**

**Tax Reform**

**Taxpayer First Act**

**Tax Scams/Consumer Alerts**

**The Tax Gap**

**Fact Sheets**

**IRS Tax Tips**

**e-News Subscriptions**

**IRS Guidance**

**Media Contacts**

**Use the Non-Filers tool by September 30 if you have not already given us your qualifying child's information to get a \$500 catch-up payment. For information about qualifying children, see our [Economic Impact Payment Information Center](#).**

Non-Filers: Enter Payment Info Here is a free IRS tool that allows you to easily and quickly provide us the necessary information about yourself and your family. We will use this information to determine your eligibility and payment amount and send you an Economic Impact Payment.

**Who is eligible for the Economic Impact Payment?**

U.S. citizens, permanent residents and [qualifying resident aliens](#) who:

- Have a valid Social Security number,
- Could not be claimed as a dependent of another taxpayer, and
- Had adjusted gross income under certain limits.



**Who should use Non-Filers: Enter Payment Info Here to provide information to receive the Economic Impact Payment?**

Use the Non-Filers: Enter Payment Info Here tool if you do not normally and [are not planning to file](#) a federal income tax return for 2019 for any reason including:

- Your income is less than \$12,200
- You're married filing jointly and together your income is less than \$24,400
- You have no income

Do **NOT** use this tool if you will be filing a 2019 return. This includes those who file a tax return to get a refund even though they are not required to file a tax return. Using the tool instead of filing your 2019 return will slow down processing of your tax return and receiving any tax refund.

8

**Who should not use the Non-Filer tool**

- **Do NOT use this tool if you will be filing a 2019 return.**
- **This includes those who file a tax return to get a refund even though they are not required to file a tax return.**
- **Using the tool instead of filing your 2019 return will slow down processing of your tax return and receiving any tax refund.**

9

9




**Watch out for scams**

**Watch out for scams related to Economic Impact Payments**

- **Watch for scams related to Economic Impact Payments**
- **Some use email, phone calls or texts**
- **IRS will not send unsolicited electronic communications asking people to open attachments, visit a website or share personal or financial information**
- **IRS.gov has official information**
- **Non-Filers tool and Get My Payment tool are only available on IRS.gov**

10

10



Slide 11 features a header with an American flag graphic on the left and the IRS logo on the right. The main content area contains the word "Resources" in a large, bold, blue font, followed by the URL "[IRS.gov/coronavirus](https://www.irs.gov/coronavirus)" in a smaller, bold, red font and underlined. A small number "11" is located in the bottom left corner of the slide.


11



Slide 12 features a header with an American flag graphic on the left, the IRS logo in the center, and the text "Communications & Liaison" and "STAKEHOLDER LIAISON" on the right. The main content area contains the text "Quick Security Tips from the IRS:" in a large, bold, blue font, followed by "*Get an Identity Protection PIN*" in a large, bold, red font. A small number "12" is located in the bottom left corner of the slide.

12






***Security Summit***

**The IRS, state tax agencies, and the tax community are working in partnership to combat identity theft refund fraud to protect the nation's taxpayers.**

13

13



***What is an Identity Protection PIN (IP PIN)?***

- **Six-digit number**
- **Assigned to eligible taxpayers**
- **Helps the IRS verify a taxpayer's identity**
- **Prevents someone else from filing a tax return with your SSN**
- **You get a new IP PIN every year**

14

14



***Who is eligible to get an IP PIN?***

- IP PINs started in 2011
- IP PINs were reserved for confirmed victims on tax related ID theft
- In 2014, residents in certain states were invited to opt-in to getting an IP PIN
- Starting in mid-January 2021, all taxpayers can apply for an IP PIN
- Review the process at [www.irs.gov/IPPIN](http://www.irs.gov/IPPIN)

15

15




***Options to get an IP PIN***

- “Get an IP PIN” tool at IRS.gov
- If you cannot verify online:
  - If income is \$72,000 or less: Form 15227
  - If income is more than \$72,000:  
Visit a Taxpayer Assistance Center

16

16



**Online Option**

- **“Get an IP PIN” tool available January 2021.**
- **Already have an account? Sign in with your username and password.**
- **No account yet? Create an account.**

17

17




**Verify your identity with Secure Access**

- **Email address and SSN or ITIN**
- **Tax filing status and mailing address**
- **One financial account number:**
  - Credit card, student loan or auto loan
  - Mortgage, home equity loan, or home equity line of credit
- **Mobile phone linked to your name**
- **Learn more at [www.irs.gov/SecureAccess](http://www.irs.gov/SecureAccess)**

18

18




***Register for an account now***

- Go to “View Your Tax Account” or “Get Transcript” on IRS.gov and select “Create an Account”
- Return to “Get an IP PIN” tool in January 2021

19

19



***Unable to authenticate your identity online?***

**If income is \$72,000 or less:**

- Submit Form 15227
- IRS assistor will call taxpayer to verify identity over the phone
- IP PIN will be mailed to the taxpayer for the NEXT filing season

20

20




**Unable to authenticate your identity online?  
(Cont'd)**

**If income is more than \$72,000:**

- **Contact the IRS for an appointment at a Taxpayer Assistance Center**
- **Bring two forms of identification, including one picture ID**
- **Once your identity is verified in person, an IP PIN will be mailed within three weeks**

21

21




***Do not share IP PIN***

- **Do not share your IP PIN with anyone but your trusted tax provider**
- **If you do your own taxes, enter when asked by the software product**
- **No one will call, email or text you to request your IP PIN**

22

22




Communications & Liaison  
STAKEHOLDER LIAISON

### *Recap*

- IP PIN program helps prevent an identity thief from filing a tax return in your name
- Starting in mid-January 2021, all taxpayers who can verify their identities may obtain an IP PIN to protect their tax returns
  - See IRS Publication 5367
- There is a one-time registration process
- Details at [www.IRS.gov/SecureAccess](http://www.IRS.gov/SecureAccess)

23

23




Communications & Liaison  
STAKEHOLDER LIAISON

### *Recap - Cont'd*

- Once you access Get an IP PIN tool in mid-January, your IP PIN is immediately revealed
- Use online tool each January to obtain your IP PIN
- If you can't verify your identity online, your option depends on your income
  - If income is \$72,000 or less: Form 15227
  - If income is more than \$72,000: Visit a Taxpayer Assistance Center

24

24



**Quick Security Tips from the IRS:**

**Beware phishing scams, especially  
COVID and stimulus-related  
schemes**

25

25



**Cybercriminal Threats**

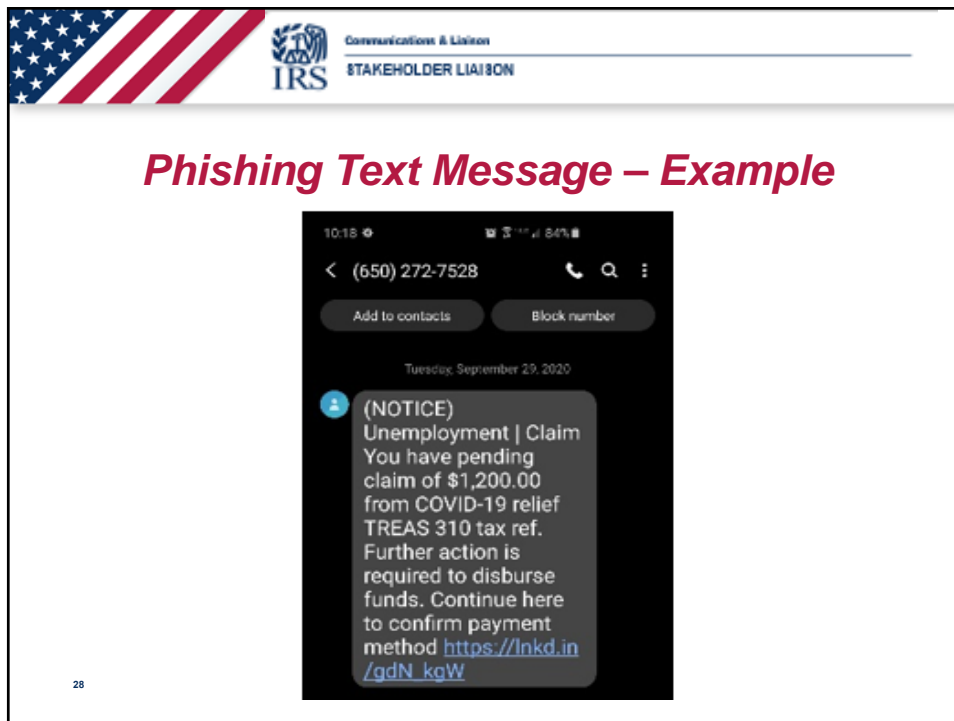
- **Cybercriminals have attempted to exploit COVID-19 concerns this year**
- **Cybercriminals use a variety of techniques and tools**

26

26

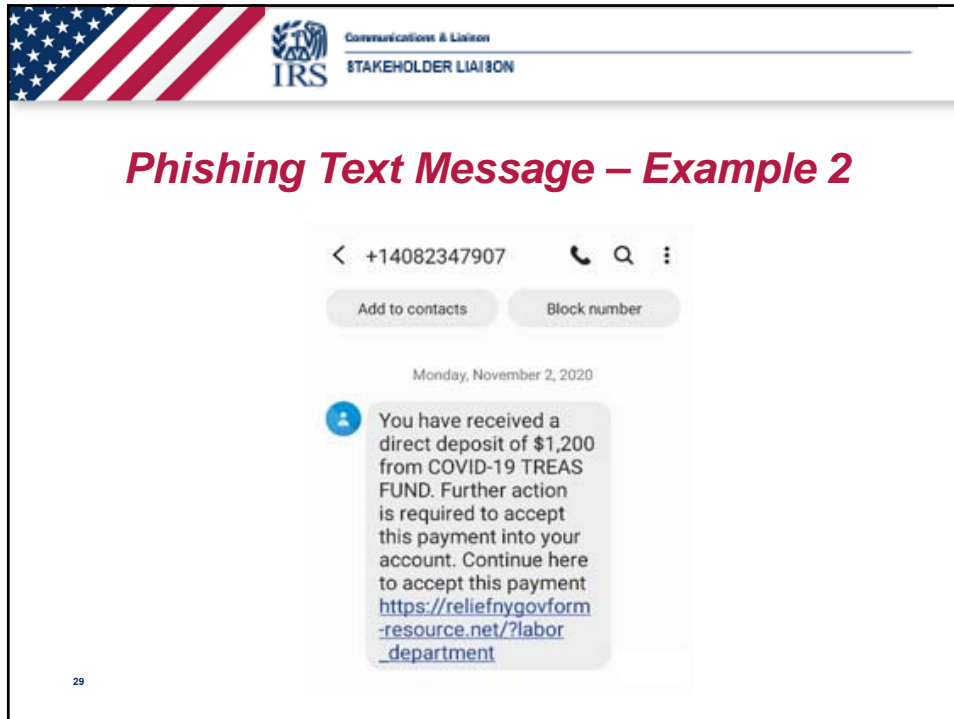


27



28






29

The slide features the same header as the previous slide: an American flag graphic, the IRS logo, and the text "Communications & Liaison" and "STAKEHOLDER LIAISON". The main title is "COVID 19 Scams" in red. Below the title are two bullet points in blue text:

- **Cybercriminals have attempted to exploit COVID-19 concerns this year by using it as their “bait” in phishing scams**
- **Cybercriminals pose as government agencies with “urgent” messages promising help**

30



Communications & Liaison  
STAKEHOLDER LIAISON

### *Phishing Email – Example*

Subject: 2020 tax season inquiry  
Date: [REMOVED] 2020 [REMOVED]  
From: [REMOVED]  
To: [REMOVED]


Happy New year,  
I am currently in **search for a new tax preparer**. I usually file these federal forms 1040, Schedule A , Schedule B, Schedule C, Schedule D, Schedule SE. My former preparer typically charged around **\$600**. Is that the typical fee that you would charge? I talked to a large tax group in the area, and they said that they do more complicated returns and charge a minimum of **\$3,000!**.

I also have to **amend my 2018** tax return i **got a notice** regarding these latenovember. I will also like to have a quote on **what you will charge to help resolve the issue** with the IRS.  
I hope to hear from you soon

Sincerely,  
[REMOVED]

31

31



Communications & Liaison  
STAKEHOLDER LIAISON

### *Phishing Email – Example 2*

Hello [REMOVED],

Thanks for your response, I am sorry for not getting back to you immediately. I have been out of my office and wont be back till the 27th of Jan. I am spending some time with my daughter. I hope you are still willing to help? Your pricing seems fair and within my budget. How do I sign up as a Tax client with your firm?

Below is a **ShareFile access** to my prior year tax return and **the letter I received**. Hopefully this gives you a better understanding of the complexity of my tax situation. I hope we can get started immediately. Would you need a retainer?

**[REMOVED]**

**[REMOVED]**

32

32




IRS  
Communications & Liaison  
STAKEHOLDER LIAISON

### ***IRS Impersonation Scams***

- Phone, e-mail, and texts impersonating Internal Revenue Service employees
- "As the holiday season and tax season approach, everyone should remember to take basic steps to protect themselves"
  - IRS Commissioner Chuck Rettig

33

33



IRS  
Communications & Liaison  
STAKEHOLDER LIAISON

### ***Internal Revenue Service Does Not:***

- Call Demanding Payment and Making Threats of jail or lawsuits
- Demand payment via gift, debit, or iTunes cards
- Send unsolicited e-mails about refunds
- Request login credentials, Social Security Numbers or other sensitive information
- [irs.gov/phishing](https://irs.gov/phishing)

34

34



**Other Government Agencies Investigate Scams**

- **TIGTA investigates IRS impersonation Scams**
- **TIGTA phone number: 1-800-366-4484**
- **TIGTA web address: [www.tigta.gov](http://www.tigta.gov)**
- **Federal Trade Commission: [www.FTC.gov](http://www.FTC.gov)**

35

35

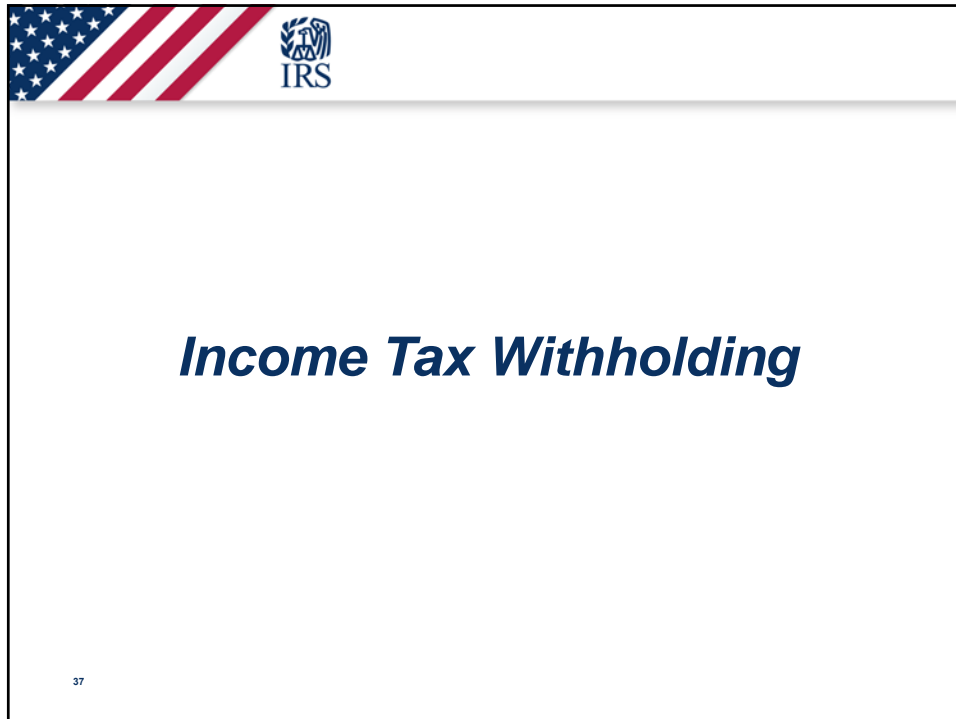


**Recap**

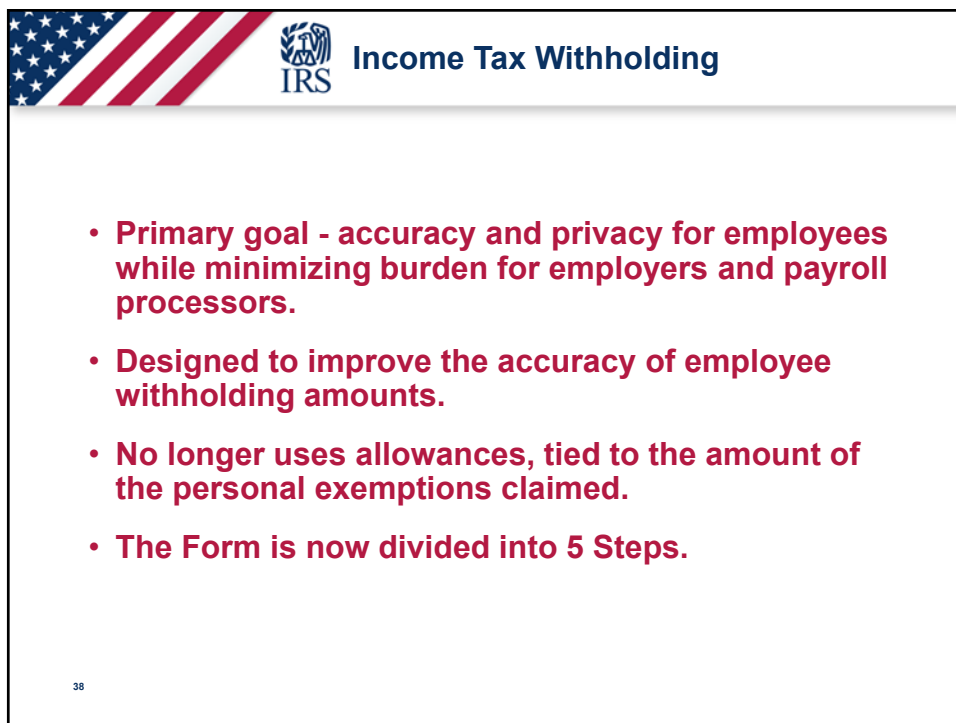
- **Recognize and avoid phishing scams**
- **Do not open links or attachments from suspicious e-mails**
- **Don't respond to unsolicited e-mails requesting your password or account information**
- **Use Multi-Factor authentication for all of your accounts**

36

36




37



38

- **Primary goal - accuracy and privacy for employees while minimizing burden for employers and payroll processors.**
- **Designed to improve the accuracy of employee withholding amounts.**
- **No longer uses allowances, tied to the amount of the personal exemptions claimed.**
- **The Form is now divided into 5 Steps.**



## Review of new Form W-4 – Step 1

### Basic Personal Information

Form **W-4** **Employee's Withholding Certificate** OMB No. 1545-0074

▶ Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay.  
▶ Give Form W-4 to your employer.  
▶ Your withholding is subject to review by the IRS.


2020

Department of the Treasury  
Internal Revenue Service

<b>Step 1:</b> <b>Enter Personal Information</b>	(a) First name and middle initial	Last name	(b) Social security number	
	Address			▶ Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to <a href="http://www.ssa.gov">www.ssa.gov</a> .
	City or town, state, and ZIP code			
	(c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly (or Qualifying widow(er)) <input type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)			

39

39



## Review of new Form W-4 – Step 2

### Multiple Jobs

Complete Steps 2-4 ONLY if they apply to you; otherwise, skip to Step 5. See page 2 for more information on each step, who can claim exemption from withholding, when to use the online estimator, and privacy.

**Step 2:** Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs.

**Multiple Jobs or Spouse Works** Do **only one** of the following.

(a) Use the estimator at [www.irs.gov/W4App](http://www.irs.gov/W4App) for most accurate withholding for this step (and Steps 3-4); or

(b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below for roughly accurate withholding; or

(c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is accurate for jobs with similar pay; otherwise, more tax than necessary may be withheld . . . . .

**TIP:** To be accurate, submit a 2020 Form W-4 for all other jobs. If you (or your spouse) have self-employment income, including as an independent contractor, use the estimator.

Complete Steps 3-4(b) on Form W-4 for only ONE of these jobs. Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3-4(b) on the Form W-4 for the highest paying job.)

40

40

## Review of new Form W-4 – Step 3

### Dependents

Complete Steps 3-4(b) on Form W-4 for only **ONE** of these jobs. Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3-4(b) on the Form W-4 for the highest paying job.)

<b>Step 3:</b>	If your income will be \$200,000 or less (\$400,000 or less if married filing jointly);		
<b>Claim Dependents</b>	Multiply the number of qualifying children under age 17 by \$2,000 ▶	\$	
	Multiply the number of other dependents by \$500 . . . . . ▶	\$	
	Add the amounts above and enter the total here . . . . .	<b>3</b>	\$

41

41

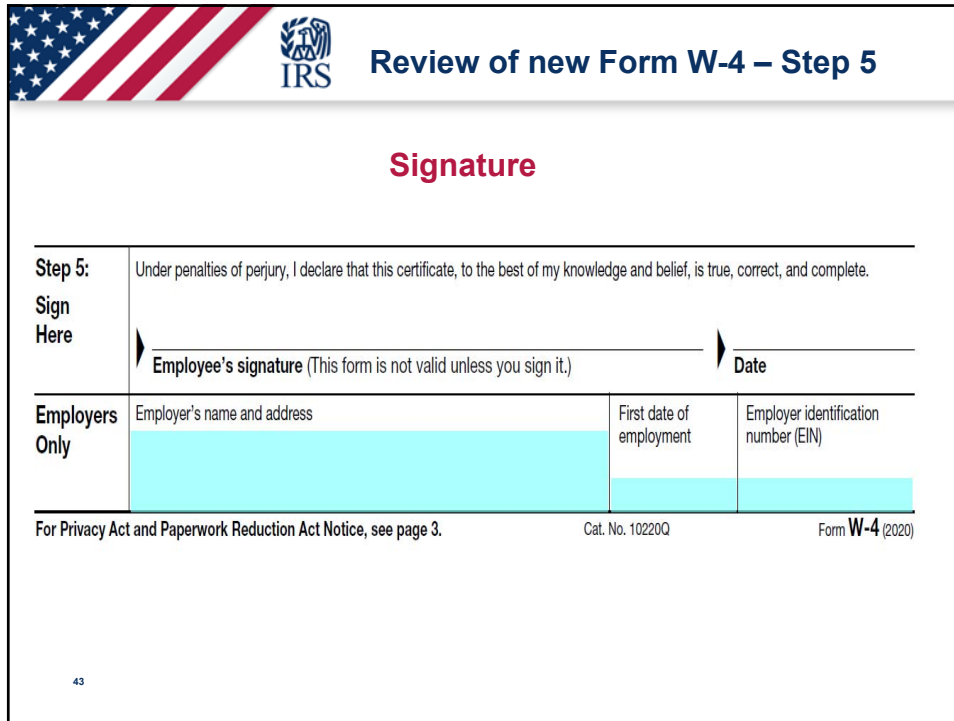
## Review of new Form W-4 – Step 4

### Adjustments

<b>Step 4 (optional):</b>	(a) <b>Other income (not from jobs).</b> If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income . . . . .	4(a)	\$	
<b>Other Adjustments</b>	(b) <b>Deductions.</b> If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here . . . . .	4(b)	\$	
	(c) <b>Extra withholding.</b> Enter any additional tax you want withheld each pay period . . . . .	4(c)	\$	

42

42



**Review of new Form W-4 – Step 5**

**Signature**

**Step 5:** Under penalties of perjury, I declare that this certificate, to the best of my knowledge and belief, is true, correct, and complete.

**Sign Here**

Employee's signature (This form is not valid unless you sign it.)      Date

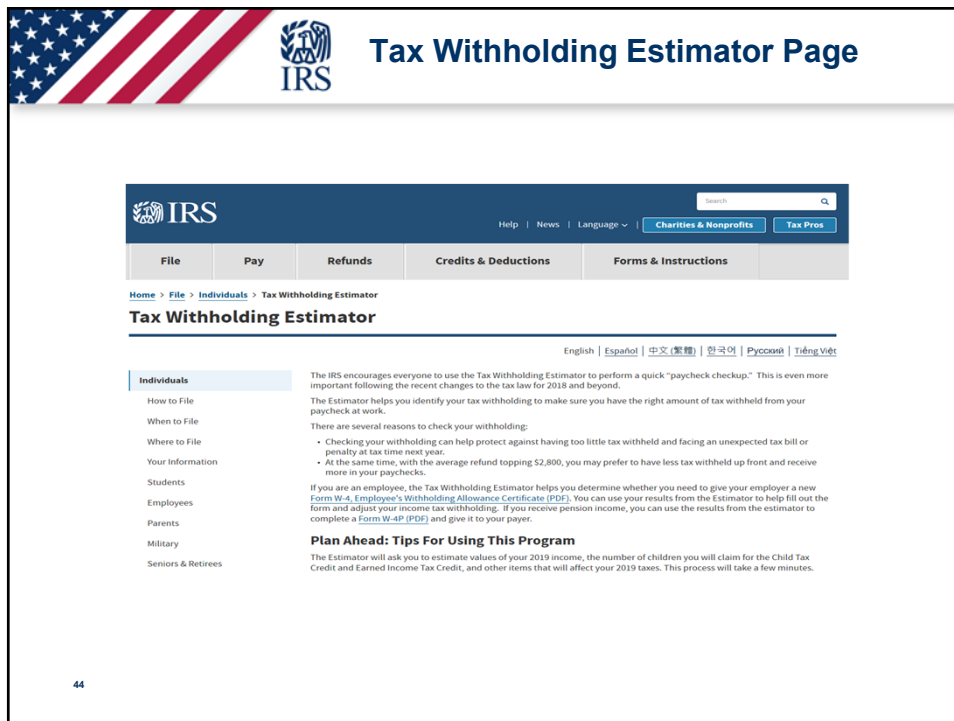
**Employers Only**

Employer's name and address	First date of employment	Employer identification number (EIN)

For Privacy Act and Paperwork Reduction Act Notice, see page 3.      Cat. No. 10220Q      Form **W-4** (2020)

43

43



**Tax Withholding Estimator Page**

IRS

Help | News | Language | Charities & Nonprofits | Tax Pros

File | Pay | Refunds | Credits & Deductions | Forms & Instructions

Home > File > Individuals > Tax Withholding Estimator

**Tax Withholding Estimator**

English | Español | 中文(繁體) | 한국어 | Пусомш | Tiếng Việt

**Individuals**

- How to File
- When to File
- Where to File
- Your Information
- Students
- Employees
- Parents
- Military
- Seniors & Retirees

The IRS encourages everyone to use the Tax Withholding Estimator to perform a quick "paycheck checkup." This is even more important following the recent changes to the tax law for 2018 and beyond.

The Estimator helps you identify your tax withholding to make sure you have the right amount of tax withheld from your paycheck at work.

There are several reasons to check your withholding:

- Checking your withholding can help protect against having too little tax withheld and facing an unexpected tax bill or penalty at tax time next year.
- At the same time, with the average refund topping \$2,800, you may prefer to have less tax withheld up front and receive more in your paychecks.

If you are an employee, the Tax Withholding Estimator helps you determine whether you need to give your employer a new Form W-4, Employee's Withholding Allowance Certificate (PDF). You can use your results from the Estimator to help fill out the form and adjust your income tax withholding. If you receive pension income, you can use the results from the estimator to complete a Form W-4P (PDF) and give it to your payer.

**Plan Ahead: Tips For Using This Program**

The Estimator will ask you to estimate values of your 2019 income, the number of children you will claim for the Child Tax Credit and Earned Income Tax Credit, and other items that will affect your 2019 taxes. This process will take a few minutes.

44

44



**Tax Withholding Estimator "Landing Page" (continued)**

**What you need**

**Plan Ahead: Tips For Using This Program**

The Estimator will ask you to estimate values of your 2019 income, the number of children you will claim for the Child Tax Credit and Earned Income Tax Credit, and other items that will affect your 2019 taxes. This process will take a few minutes.

- Gather your most recent pay stubs.
- Have your most recent income tax return handy; a copy of your completed Form 1040 will help you estimate your 2019 income and other characteristics and speed the process.
- Keep in mind that the Estimator's results will only be as accurate as the information you provide. If your circumstances change during the year, come back to this Estimator to make sure that your withholding is still correct.
- The Tax Withholding Estimator does not ask you to provide sensitive personally-identifiable information like your name, Social Security number, address or bank account numbers. The IRS does not save or record the information you enter on the Estimator.

**IMPORTANT NOTE:** This Tax Withholding Estimator works for most taxpayers. People with more complex tax situations should use the instructions in Publication 505, *Tax Withholding and Estimated Tax* (PDF). This includes taxpayers who owe alternative minimum tax or certain other taxes, and people with long-term capital gains or qualified dividends.

Ready to start? Make sure Javascript is enabled.

[Tax Withholding Estimator](#)

**To Change Your Withholding:**

- Use your results from this Estimator to help you complete a new [Form W-4, Employee's Withholding Allowance Certificate](#) (PDF), and
- Submit the completed Form to your employer as soon as possible. Withholding takes place throughout the year, so it's better to take this step as soon as possible.

**Special Note for 2020:** If you follow the recommendations at the end of this Estimator and change your withholding for 2019, the IRS reminds you to be sure to recheck your withholding at the start of 2020. This is especially important if you reduce your withholding sometime during 2019. A mid-year withholding change in 2019 may have a different full-year impact in 2020. So if you do not file a new Form W-4 for 2020, your withholding might be higher or lower than you intend. To help protect against having too little withheld in 2020, we encourage checking your withholding again early in 2020.

If you have additional questions about your withholding, consult your employer or tax advisor.

45

45

**Tax Withholding Estimator Page (continued)**

**Who should use Pub. 505**

**Plan Ahead: Tips For Using This Program**

The Estimator will ask you to estimate values of your 2019 income, the number of children you will claim for the Child Tax Credit and Earned Income Tax Credit, and other items that will affect your 2019 taxes. This process will take a few minutes.

- Gather your most recent pay stubs.
- Have your most recent income tax return handy; a copy of your completed Form 1040 will help you estimate your 2019 income and other characteristics and speed the process.
- Keep in mind that the Estimator's results will only be as accurate as the information you provide. If your circumstances change during the year, come back to this Estimator to make sure that your withholding is still correct.
- The Tax Withholding Estimator does not ask you to provide sensitive personally-identifiable information like your name, Social Security number, address or bank account numbers. The IRS does not save or record the information you enter on the Estimator.

**IMPORTANT NOTE:** This Tax Withholding Estimator works for most taxpayers. People with more complex tax situations should use the instructions in Publication 505, *Tax Withholding and Estimated Tax* (PDF). This includes taxpayers who owe alternative minimum tax or certain other taxes, and people with long-term capital gains or qualified dividends.

Ready to start? Make sure Javascript is enabled.

[Tax Withholding Estimator](#)

**To Change Your Withholding:**


- Use your results from this Estimator to help you complete a new [Form W-4, Employee's Withholding Allowance Certificate](#) (PDF), and
- Submit the completed Form to your employer as soon as possible. Withholding takes place throughout the year, so it's better to take this step as soon as possible.

**Special Note for 2020:** If you follow the recommendations at the end of this Estimator and change your withholding for 2019, the IRS reminds you to be sure to recheck your withholding at the start of 2020. This is especially important if you reduce your withholding sometime during 2019. A mid-year withholding change in 2019 may have a different full-year impact in 2020. So if you do not file a new Form W-4 for 2020, your withholding might be higher or lower than you intend. To help protect against having too little withheld in 2020, we encourage checking your withholding again early in 2020.

If you have additional questions about your withholding, consult your employer or tax advisor.

46

46



## Tax Withholding Estimator Page (continued)

Military

Seniors & Retirees

**International Taxpayers**

Businesses and Self-Employed

Government Entities

**Plan Ahead: Tips For Using This Program**

The Estimator will ask you to estimate values of your 2019 income, the number of children you will claim for the Child Tax Credit and Earned Income Tax Credit, and other items that will affect your 2019 taxes. This process will take a few minutes.

- Gather your most recent pay stubs.
- Have your most recent income tax return handy; a copy of your completed Form 1040 will help you estimate your 2019 income and other characteristics and speed the process.
- Keep in mind that the Estimator's results will only be as accurate as the information you provide. If your circumstances change during the year, come back to this Estimator to make sure that your withholding is still correct.
- The Tax Withholding Estimator does not ask you to provide sensitive personally-identifiable information like your name, Social Security number, address or bank account numbers. The IRS does not save or record the information you enter on the Estimator.

**IMPORTANT NOTE:** This Tax Withholding Estimator works for most taxpayers. People with more complex tax situations should use the instructions in Publication 505, *Tax Withholding and Estimated Tax* (PDF). This includes taxpayers who owe alternative minimum tax or certain other taxes, and people with long-term capital gains or qualified dividends.

Ready to start? Make sure Javascript is enabled.

Tax Withholding Estimator

**To Change Your Withholding:**

- Use your results from this Estimator to help you complete a new Form W-4, *Employee's Withholding Allowance Certificate* (PDF), and
- Submit the completed Form to your employer as soon as possible. Withholding takes place throughout the year, so it's better to take this step as soon as possible.


**Special Note for 2020:** If you follow the recommendations at the end of this Estimator and change your withholding for 2019, the IRS reminds you to be sure to recheck your withholding at the start of 2020. This is especially important if you reduce your withholding sometime during 2019. A mid-year withholding change in 2019 may have a different full-year impact in 2020. So if you do not file a new Form W-4 for 2020, your withholding might be higher or lower than you intend. To help protect against having too little withheld in 2020, we encourage checking your withholding again early in 2020.

If you have additional questions about your withholding, consult your employer or tax advisor.

Use the Estimator to fill out a new Form W-4

47

47



## Tax Withholding Estimator Page (continued)

Military

Seniors & Retirees

**International Taxpayers**

Businesses and Self-Employed

Government Entities

**Plan Ahead: Tips For Using This Program**

The Estimator will ask you to estimate values of your 2019 income, the number of children you will claim for the Child Tax Credit and Earned Income Tax Credit, and other items that will affect your 2019 taxes. This process will take a few minutes.

- Gather your most recent pay stubs.
- Have your most recent income tax return handy; a copy of your completed Form 1040 will help you estimate your 2019 income and other characteristics and speed the process.
- Keep in mind that the Estimator's results will only be as accurate as the information you provide. If your circumstances change during the year, come back to this Estimator to make sure that your withholding is still correct.
- The Tax Withholding Estimator does not ask you to provide sensitive personally-identifiable information like your name, Social Security number, address or bank account numbers. The IRS does not save or record the information you enter on the Estimator.

**IMPORTANT NOTE:** This Tax Withholding Estimator works for most taxpayers. People with more complex tax situations should use the instructions in Publication 505, *Tax Withholding and Estimated Tax* (PDF). This includes taxpayers who owe alternative minimum tax or certain other taxes, and people with long-term capital gains or qualified dividends.

Ready to start? Make sure Javascript is enabled.

Tax Withholding Estimator

**To Change Your Withholding:**

- Use your results from this Estimator to help you complete a new Form W-4, *Employee's Withholding Allowance Certificate* (PDF), and
- Submit the completed Form to your employer as soon as possible. Withholding takes place throughout the year, so it's better to take this step as soon as possible.

**Special Note for 2020:** If you follow the recommendations at the end of this Estimator and change your withholding for 2019, the IRS reminds you to be sure to recheck your withholding at the start of 2020. This is especially important if you reduce your withholding sometime during 2019. A mid-year withholding change in 2019 may have a different full-year impact in 2020. So if you do not file a new Form W-4 for 2020, your withholding might be higher or lower than you intend. To help protect against having too little withheld in 2020, we encourage checking your withholding again early in 2020.

If you have additional questions about your withholding, consult your employer or tax advisor.

Click the blue button to go to the Estimator

48

48

**Tax Withholding Estimator – About You**

Home / File / Individuals / Tax Withholding Estimator

**Tax Withholding Estimator**

Use your best estimates for the year ahead to determine how to complete Form W-4 so you don't have too much or too little federal income tax withheld.

1 About You 2 Income & Withholding 3 Adjustments 4 Deductions 5 Tax Credits 6 Results

**About You**  
Select the information that best describes how you anticipate filing your 2019 tax return.

**1 of 5: Filing Status**

What filing status will you use for your tax return? <sup>(Required)</sup>

- Single
- Married filing jointly
- Married filing separately
- Head of Household <sup>(?)</sup>
- Qualifying widow(er) <sup>(?)</sup>

49

49

**Tax Withholding Estimator – Results page**

**Tax Withholding Estimator**

Use your best estimates for the year ahead to determine how to complete Form W-4 so you don't have too much or too little federal income tax withheld.

1 About You 2 Income & Withholding 3 Adjustments 4 Deductions 5 Tax Credits 6 Results

**Your Results**  
Based on the information you entered

If you do not change your withholding, you may owe taxes at the end of the year.

Expected tax withholding	\$17,700 <sup>*</sup>
Anticipated tax obligation	\$20,732 <sup>**</sup>
<b>Estimated under payment</b>	<b>\$3,032</b>

**\$0 BALANCE**

DWE REFUND

**Important Note:** The accuracy of this estimate depends on the accuracy of the information you provide. The IRS makes no guarantees about the accuracy of this estimate and assumes no liability resulting from your use of the estimator.

**How to Adjust Your Results**  
Select an option below to change your results

GET MY BALANCE CLOSE TO ZERO I'D LIKE TO GET A REFUND

50

50

**Income Tax Withholding Assistant for Employers**

Home / File / Businesses and Self-Employed / Small Business and Self-Employed / Income Tax Withholding Assistant for Employers

**Income Tax Withholding Assistant for Employers**

**Individuals**

**Businesses and Self-Employed**

Small Business and Self-Employed

The Income Tax Withholding Assistant is a spreadsheet that will help small employers calculate the amount of federal income tax to withhold from their employees' wages. It will help you as you transition to the new [Form W-4](#) for 2020.

Use the Income Tax Withholding Assistant if you typically use [Publication 15-T](#) to determine your employees' income tax withholding. If you use an automated payroll system, you do not need to use the Assistant.

The Tax Withholding Assistant is available in Excel format.

51

51

**Income Tax Withholding Assistant for Employer**

Employee

Employer ID Numbers

Business Taxes

Reporting Information Returns

Self-Employed

Starting a Business

Operating a Business

Closing a Business

Industries/Professions

Small Business Events

**Download the Excel Spreadsheet**

**How to Use the Tax Withholding Assistant**

Open the Tax Withholding Assistant and follow these steps to calculate your employees' tax withholding for 2020. Be sure that your employee has given you a completed Form W-4. The Assistant can accommodate both the 2020 Form W-4 and Forms W-4 from prior years.

You will want to save a separate copy of the spreadsheet for each employee.

- Indicate how frequently you pay your employee.
- Specify which version of Form W-4 applies to the employee.
- Enter the requested information from your employee's Form W-4.
- Save a copy of the spreadsheet with the employee's name in the file name.
- Each pay period, open each employee's Tax Withholding Assistant spreadsheet and enter the wage or salary amount for that period. The spreadsheet will then display the correct amount of federal income tax to withhold.

52

52

53

54



Slide 55 features a header with a stylized American flag on the left and the IRS logo on the right. The main content area is white with the title "The Gig Economy" centered in a large, bold, dark blue font. A small number "55" is located in the bottom left corner of the slide.

55



Slide 56 features a header with a stylized American flag on the left and the IRS logo on the right. To the right of the IRS logo is the title "Gig Economy Participants" in a bold, dark blue font. The main content area is white and contains a bulleted list of three items in a bold, dark red font: "Gig Service Provider", "Gig Service Recipient", and "Gig Service Coordinator". A small number "56" is located in the bottom left corner of the slide.

56

**Gig Economy Tax Center**

**What is the Gig Economy?**  
The gig economy—also called sharing economy or access economy—is activity where people earn income providing on-demand work, services or goods. Often, it's through a digital platform like an app or website.

**Gig Economy Income is Taxable**  
You must report income earned from the gig economy on a tax return, even if the income is:

- From part-time, temporary or side work
- Not reported on an information return form—like a Form 1099-K, 1099-MISC, W-2 or other income statement
- Paid in any form, including cash, property, goods, or virtual currency

**What to Do**

**Gig Workers**  
Find forms, keep records, deduct expenses, file and pay taxes for your gig work.  
[Manage Taxes for Your Gig Work](#)

**Digital Platforms and Businesses**  
Classify workers, report payments, pay and file taxes for a digital marketplace or business.  
[Manage Taxes for a Digital Platform](#)

57

**Are You an Employee?**

- **Employee's portion of Social Security, Medicare and Additional Medicare taxes**
- **Behavioral control**
- **Financial control**
- **Type of relationship**

58

The slide features a header with an American flag graphic on the left, the IRS logo in the center, and the title "Employee or Independent Contractor?" on the right. The main content area contains a bulleted list of three items: "Employee", "Independent contractor", and "Form SS-8". A small number "59" is located in the bottom left corner of the slide frame.

**Employee or Independent Contractor?**

- **Employee**
- **Independent contractor**
- **Form SS-8**

59

59

The slide features a header with an American flag graphic on the left, the IRS logo in the center, and the title "Tax Payments, Including Estimated Tax Payments" on the right. The main content area contains a bulleted list of four items: "Form 1040-ES - Estimated Tax for Individuals", "Direct pay", "EFTPS (Electronic Federal Tax Payment System)", and "Form W-4 - Employee's Withholding Allowance Certificate". A small number "60" is located in the bottom left corner of the slide frame.

**Tax Payments, Including Estimated Tax Payments**

- **Form 1040-ES - Estimated Tax for Individuals**
- **Direct pay**
- **EFTPS (Electronic Federal Tax Payment System)**
- **Form W-4 - Employee's Withholding Allowance Certificate**

60

60





**Business Expenses and Income**

***Independent Contractor***

- Recordkeeping and timeframes
- Car expenses
- Business use of your home
- Business transactions
- Information Returns

61

61



**Self-Employment Taxes**

- **Self-employed/independent contractor**
- **Social Security**
- **Medicare taxes**
- **Additional Medicare taxes**
- **Estimated taxes**

62

62



## Resources

- **Gig Economy Tax Center:**  
<https://www.irs.gov/businesses/gig-economy-tax-center>
- [www.irs.gov](https://www.irs.gov) - Key words *gig economy*
- Publication 5369 (Gig economy and your taxes: things to know)
- “Understanding the Gig Economy” IRS Video Portal  
[www.irsvideos.gov](http://www.irsvideos.gov)

63

63



## Cybersecurity Issue for Tax Professionals

64

64

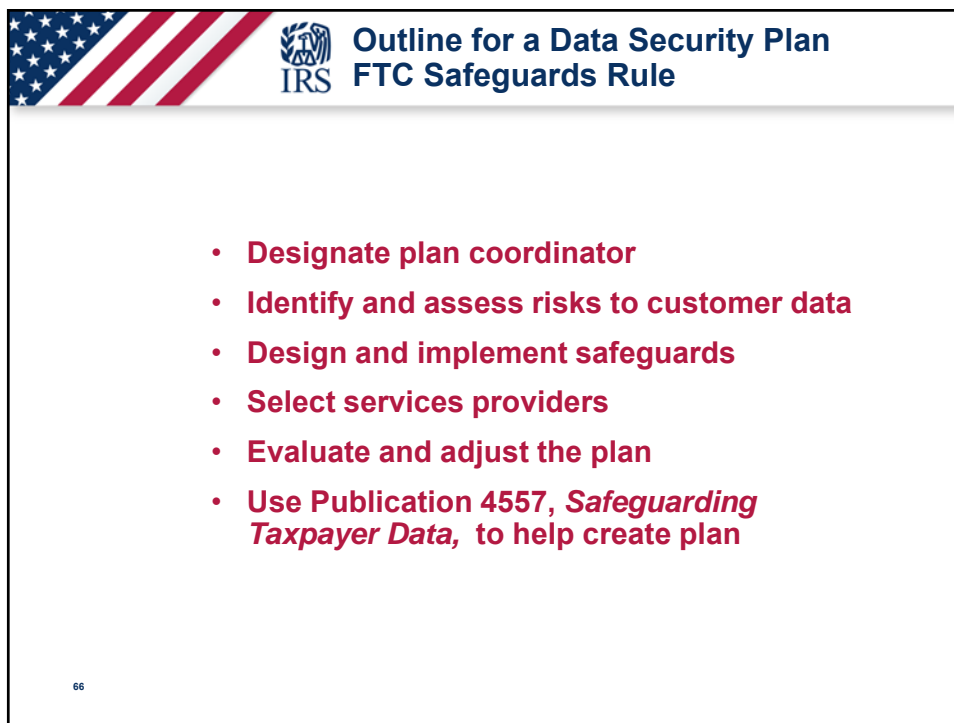


65



  **Educate yourself on phishing scams**

- **Many data thefts start with a phishing email**
- **Click on a link to a fake web state**
- **Open an attachment with embedded malware**
- **Spear phishing email to pose as a trusted source**
- **Malicious Code/Malware**

65



66

  **Outline for a Data Security Plan  
FTC Safeguards Rule**

- **Designate plan coordinator**
- **Identify and assess risks to customer data**
- **Design and implement safeguards**
- **Select services providers**
- **Evaluate and adjust the plan**
- **Use Publication 4557, *Safeguarding Taxpayer Data*, to help create plan**

66



## Create a Data Security Plan

- **Required under federal law**
- **The Gramm-Leach-Bliley (GLB) Act**
- **Federal Trade Commission (FTC) Safeguards Rule**
- **IRS Revenue Procedure 2007-40 for Authorized IRS e-file Provider**

67

67



## “Security Six” protections

**Deploy the “Security Six” protections:**

- 1. Anti-virus software**
- 2. Firewalls**
- 3. Two-factor authentication**
- 4. Backup software/services**
- 5. Drive encryption**
- 6. Virtual Private Network (VPN)**

68

68



**“Security Six” # 1  
Anti-virus software**

- **Scans computer files for malicious software**
  - Automatic scans
  - Manual scans of email attachments, web downloads, and portable media
- **Protection against spyware and phishing**

69

69





**“Security Six” # 2  
Firewalls**

- **Provide protection against outside attackers**
  - Shield computer or network
- **Firewalls are categorized as:**
  - Hardware – external devices
  - Software – built-in or purchase

70

70





**“Security Six” # 3**  
**Two-factor authentication**

- **Adds an extra layer of protection beyond a password**
- **User must enter credentials**
  - username and password plus
  - another step (such as a security code sent via text to a mobile phone)

71

71




**“Security Six” # 4**  
**Backup software/services**

- **Critical files on computers should routinely be backed up to external sources**
- **Backup files may be stored either using an online service or on an external disk**
- **Encrypt the back-up data for the safety of the information**

72

72



**“Security Six” # 5  
Drive Encryption**

- **Use drive or disk encryption software for full-disk encryption**
- **Transforms data on the computer into unreadable files for an unauthorized person**

73

73

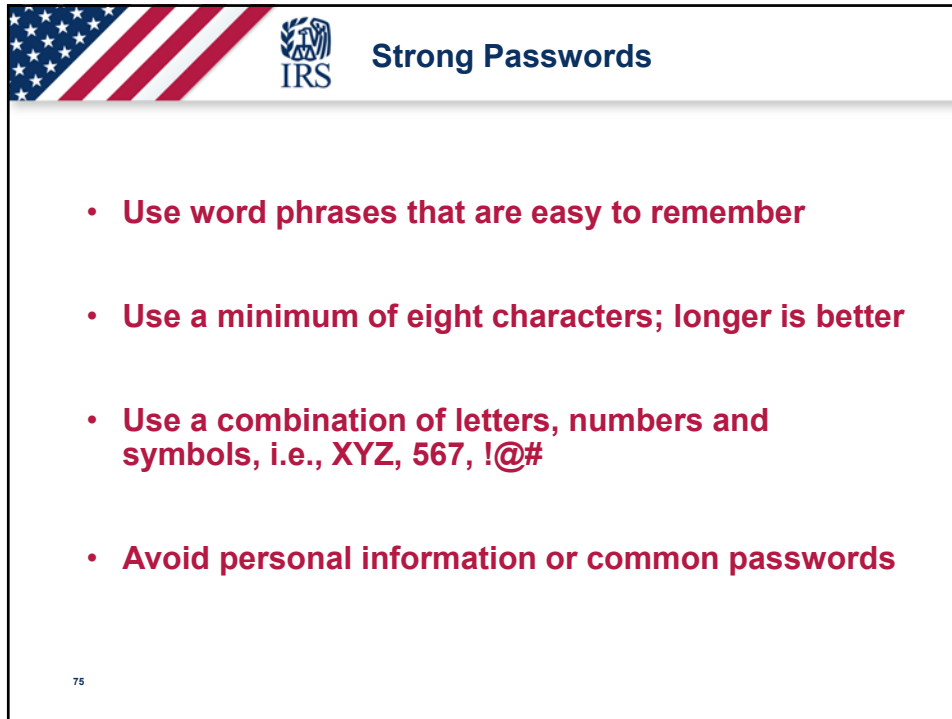


**“Security Six” # 6  
Virtual Private Network (VPN)**

- **A VPN provides a secure, encrypted tunnel to transmit data between a remote user via the internet and the company network**
- **Search for “Best VPNs” to find a legitimate vendor**

74

74



Slide 75 features a header with a stylized American flag on the left, the IRS logo in the center, and the title "Strong Passwords" on the right. The main content area contains four bullet points in red text, providing guidelines for creating secure passwords. A small number "75" is located in the bottom left corner of the slide.

- Use word phrases that are easy to remember
- Use a minimum of eight characters; longer is better
- Use a combination of letters, numbers and symbols, i.e., XYZ, 567, !@#
- Avoid personal information or common passwords

75





Slide 76 features a header with a stylized American flag on the left, the IRS logo in the center, and the title "Signs of Data Theft in Your Office" on the right. The main content area contains five bullet points in red text, listing indicators of data theft. A small number "76" is located in the bottom left corner of the slide.

- Client e-filed returns begin to reject
- Clients who haven't filed tax returns begin to receive authentication letters (5071C, 4883C, 5747C) from the IRS
- Clients receive refunds that have not filed tax returns
- Clients receive tax transcripts that they did not request
- Clients who created an IRS online services account receive an IRS notice that their account was accessed or disabled.

76







### Signs of Data Theft in Your Office

- **The number of returns filed with tax practitioner's Electronic Filing Identification Number (EFIN) exceeds number of clients;**
- **Tax professionals or clients responding to emails that practitioner did not send;**
- **Network computers running slower than normal;**
- **Computer cursors moving or changing numbers without touching the keyboard;**
- **Network computers locking out tax practitioners.**

77

77




### Monitor Your PTIN

- **Monitor "Returns Filed per PTIN"**
- **Information available via online PTIN system for tax preparers who meet both of the following criteria:**
  - Have a professional credential or are an Annual Filing Season Program participant, **and**
  - Have at least 50 Form 1040 series tax returns processed in the current year

78

78




## How to Access PTIN Information

To access “Returns Filed Per PTIN” information, follow these steps:


1. Log into your PTIN account
2. From the Main Menu, find “Additional Activities”
3. Under Additional Activities, select “Summary of Returns Filed.”

79

79



## Summary of Returns Filed Chart


Logged in as Doe, John  
Main Menu | Edit Login Information | Logout

### Summary of Returns Filed

See the chart below for the number of tax returns with your PTIN processed by the IRS **this year**. The data is updated weekly and includes only Form 1040 series returns **processed** through the date specified.

If the number is **substantially higher** than the number of tax returns you've prepared and you suspect possible misuse of your PTIN, complete [Form 14157](#).

If the number is **substantially lower** than the number of tax returns you've prepared, you need to verify that you are entering your PTIN correctly on returns. The most common cause of this problem is the entry of an incorrect PTIN during tax preparation software setup.

**Definitions:**

- Processing Year: the current calendar year
- Tax Year: the tax year of the returns
- 1040s Processed: includes **only** 1040 series returns (1040, 1040-PR, 1040-SS, 1040A, 1040EZ, 1040EZ-T, 1040NR, and 1040NR-EZ)

**51 Returns as of 5/14/2019**

Processing Year	Tax Year	1040s Processed
2019	2018	49
	2017	2

80

80

**Monitor Your EFIN**

IRS

e-services Applications Cases Administration Online Tutorials Reports Sign Out

Home > Person Search > Personal Associated Application(s) > Application Summary

Firm Information	Application Details	Authorized Users	Application Summary	Application Comments	Application Submission
Letter History	Provider Status	<b>EFIN Status</b>	ETIN Status	Software Packages	Services Authorized For

For EFIN weekly totals:

- Go to e-Services
- Access e-File Application
- Search by name
- Select "EFIN Status"

81

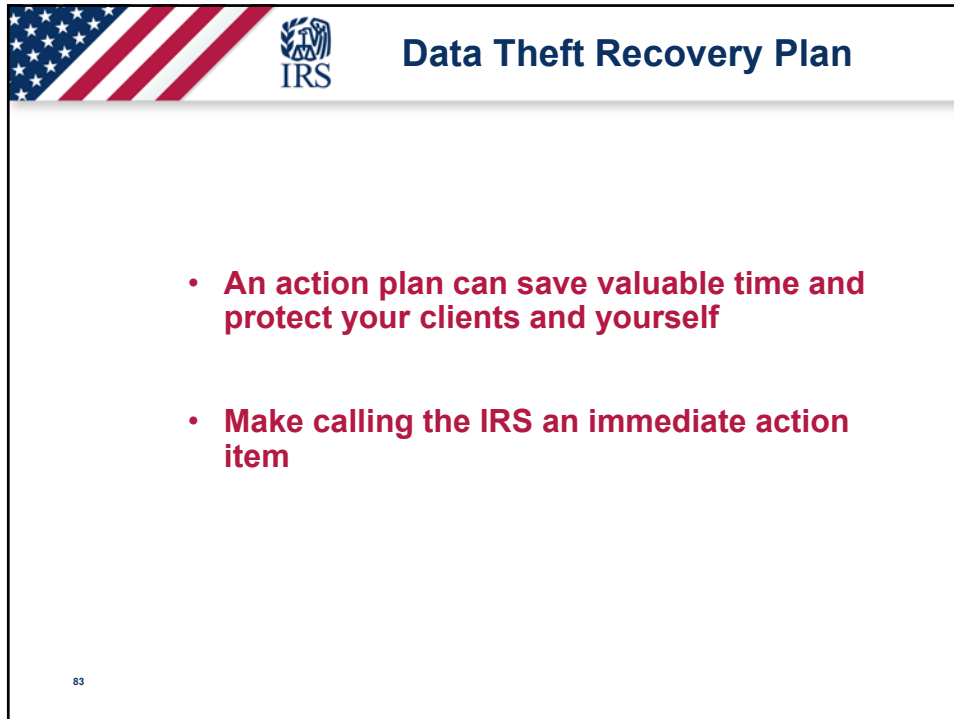
81

**Tax professionals monitor your accounts**

- EFIN accounts**
  - Too many returns filed with your EFIN
  - Contact e-Help Desk (866) 255-0654
- PTIN accounts**
  - Too many returns filed
  - Complete Form 14157
- CAF accounts**
  - Signs of identity theft
  - Contact Practitioner Priority Service

82

82



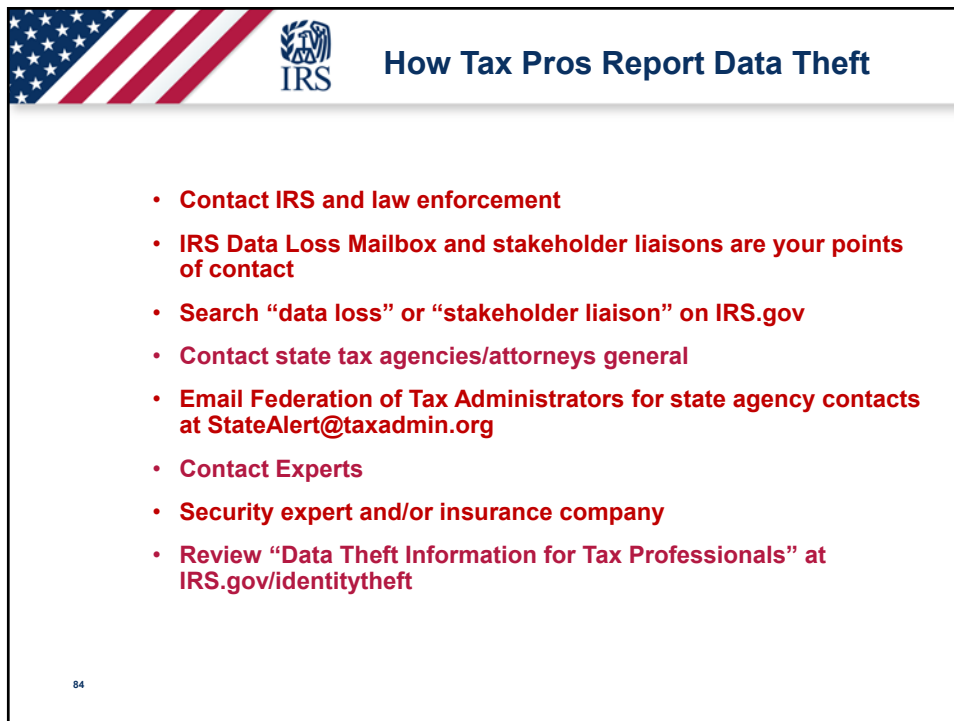
The slide features a header with an American flag graphic on the left, the IRS logo in the center, and the title "Data Theft Recovery Plan" on the right. The main content area contains two bullet points in red text. A small number "83" is located in the bottom left corner of the slide.

### Data Theft Recovery Plan

- An action plan can save valuable time and protect your clients and yourself
- Make calling the IRS an immediate action item

83

83




The slide features a header with an American flag graphic on the left, the IRS logo in the center, and the title "How Tax Pros Report Data Theft" on the right. The main content area contains eight bullet points in red text. A small number "84" is located in the bottom left corner of the slide.

### How Tax Pros Report Data Theft

- Contact IRS and law enforcement
- IRS Data Loss Mailbox and stakeholder liaisons are your points of contact
- Search "data loss" or "stakeholder liaison" on IRS.gov
- Contact state tax agencies/attorneys general
- Email Federation of Tax Administrators for state agency contacts at [StateAlert@taxadmin.org](mailto:StateAlert@taxadmin.org)
- Contact Experts
- Security expert and/or insurance company
- Review "Data Theft Information for Tax Professionals" at [IRS.gov/identitytheft](https://www.irs.gov/identitytheft)

84

84



## Victim Assistance

- **Identity Theft Victim Assistance Program**
- **Form 14039 – Identity Theft Affidavit**
  - **File only if unable to e-file; instructed to do so by IRS**
  - **Do not file if client receives a TPP letter**
  - **Complete Box 1, mail with paper tax return**
- **Identity Protect PIN issued after case is resolved**

85

85




## How to get an IP PIN

- **[www.irs.gov/ippin](http://www.irs.gov/ippin)**
- **Register via Secure Access**
- **Taxpayers with accounts for Get Transcript, View Your Tax Account or Online Payment Agreement can use same credentials**
- **Review [www.irs.gov/secureaccess](http://www.irs.gov/secureaccess); taxpayers must have certain information to authenticate their identities**
- **Both primary and secondary taxpayers should obtain an IP PIN**

86

86




**Resources to Assist Tax Pros  
with Data Security**

- **Publication 4557, Safeguarding Taxpayer Data.**
- **Publication 5293, Data Security Resource Guide for Tax Professionals**
- **[www.IRS.gov/ProtectYourClients](http://www.IRS.gov/ProtectYourClients)**
- **[www.IRS.gov/IdentityTheft](http://www.IRS.gov/IdentityTheft)**
- **Individuals**
- **Tax Pros**
- **Businesses**

87

87



**Resources**

- **Publication 4557, Safeguarding Taxpayer Data**
- **Publication 5293, Data Security Resource Guide for Tax Professionals**
- **Small Business Information Security – The Fundamentals at NIST.gov**

88

88



## Resources (cont.)

**IRS.gov websites:**

- [www.IRS.gov/securitysummit](http://www.IRS.gov/securitysummit)
- [www.IRS.gov/ProtectYourClients](http://www.IRS.gov/ProtectYourClients)
- [www.IRS.gov/IdentityTheft](http://www.IRS.gov/IdentityTheft)

89


89



# Tax Transcripts

90

90




### Masked Individual Transcripts

*Here's what is visible on the new tax transcript:*

- Last 4 digits of any SSN/ITIN/EIN
- Last 4 digits of any account/phone number
- First 4 characters of any name
- First 4 characters of a business name
- First 6 characters street addresses
- All money amounts, including wage and income, balance due, interest and penalties

91

91



### Alternatives to Faxing (Unmasked Transcripts)

**Only the Wage and Income Transcript is available to third parties as unmasked.**



**For individual taxpayers:**  
Call IRS toll-free; mail only

**For tax professionals**  
**With authorization:** access e-Services' Transcript Delivery Service  
**Without authorization or no TDS access:** call PPS, fax authorization, access e-Services mailbox

92

92





## Alternatives to third-party mailing

***Third-party mailing option on Form 4506, 4506-T and 4506T-EZ ended in 2019***

- Tax professionals can access individual and business transcripts via Transcript Delivery System;
- High-volume users can become or contract with participants in the Income Verification Express Service program;
- No impact on the Department of Education/IRS Data Retrieval Tool

93

93



## IRS Information Sources

94

94



**IRS.gov – Keyword: social media**

**Connect with the IRS**  
The IRS uses social media tools to share the latest information on tax changes, scam alerts, initiatives, products and services. Connect with the IRS through the following social media tools.

**IRS2Go**  
Get quick access to IRS social media, sign up for helpful tax tips, check your tax refund status and make a payment — all with the [IRS2Go mobile app](#). IRS2Go is available in both English and Spanish for Android and iOS mobile devices.

**YouTube**  
Tune in to the IRS YouTube channels. You can watch short, informative videos in English, American Sign Language and Spanish.

**Twitter**  
IRS tweets include various announcements, scam alert and news for tax professionals. Available in English and Spanish.

**Facebook**  
The IRS Facebook pages post useful information for general public in English and Spanish tax professionals.

**LinkedIn**  
The IRS LinkedIn page posts important tax information, updates, and announcements from the IRS.

**Instagram**  
The IRS Instagram account will share taxpayer-friendly information on a variety of topics to help people Get Ready for the tax season and to navigate tax law changes. It will also provide the latest tax scam information to help support the Security Summit initiative to combat tax-related identity theft, as well as periodically share information in Spanish and other languages.

**Twitter accounts**

- [IRS2GoApp](#)

**YouTube**

- [IRS Videos](#)
- [IRS Videos A](#)
- [IRS Videos Y](#)
- [Taxpayer](#)

**Twitter**

- [@IRSnews](#)
- [@IRStaxpros](#)
- [@IRSespanol](#)
- [@RecruitmentIRS](#)
- [@YourVoiceAtIRS](#)
- [@IRStaxsecurity](#)
- [@IRSmatrix](#)

**Facebook**

- [IRS](#)
- [IRS en Español](#)
- [IRS Tax Pros](#)
- [Taxpayer Adv](#)

**LinkedIn**

- [LinkedIn](#)

**Instagram**

- [@IRSnews](#)

95

95



**Social Media ~ YouTube**

YouTube interface showing a video titled "IRS Tax Calendar" with 26,773 views. The video features a woman smiling and the IRS logo. The "Up next" section includes videos like "When Will I Get My Refund?", "Looking to Settle for Less with the IRS?", "How to Use the IRS Withholding Estimator for Paycheck...", "Day Camp and Other Child Care Expenses", and "FTC Tip 1-Avoid Economic Impact Payment Scams".

96

96

  **Social Media ~ Twitter**



  
The IRS provides the Dirty Dozen list to help raise awareness about common scams that fraudsters use to target people. We urge people to watch out for these scams. —IRS Commissioner Chuck Rettig. See: [go.usa.gov/45d47](https://go.usa.gov/45d47)  
  
[www.irs.gov/dirtydozen](https://www.irs.gov/dirtydozen)



  
IRS approves temporary use of e-signatures for certain forms. See: [go.usa.gov/4G16a](https://go.usa.gov/4G16a)  
  
[www.irs.gov/news](https://www.irs.gov/news)  
IRS approves the temporary use of e-signatures for certain forms


Follow us... <https://twitter.com/taxpros>

97

97

  **Twitter @IRSenEspanol**

  
Recordatorio del IRS: La compensación por desempleo está sujeta a impuestos. Planifique con anticipación y retenga impuestos ahora para evitar una sorpresa a la hora de pagar los impuestos. [go.usa.gov/hv4Gc](https://go.usa.gov/hv4Gc)  
  
Usted puede tener impuestos retenidos de sus beneficios ahora  
[www.irs.gov/pub4128](https://www.irs.gov/pub4128)

  
IRS aprueba el uso temporal de firmas electrónicas para ciertos formularios. Vea: [go.usa.gov/4G1T5](https://go.usa.gov/4G1T5)  
  
[www.irs.gov/noticias](https://www.irs.gov/noticias)  
IRS aprueba el uso temporal de firmas electrónicas para ciertos formularios

Signanos... <https://twitter.com/IRSenEspanol>

98

98

  **Facebook and LinkedIn**



99

99

  **Social Media ~ Instagram**



**Search: *Instagram.com/irsnews/***

100

100

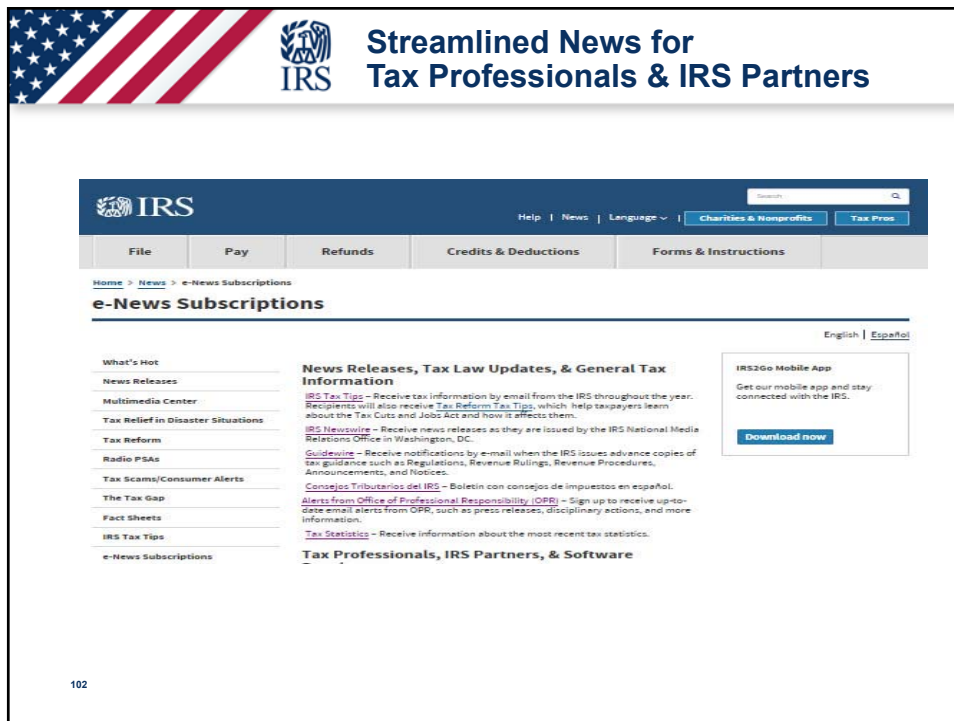


IRS2Go allows you to check your **refund**, make a **payment**, find free tax filing **help** and get helpful **tax tips**—all from your mobile device.

[www.irs.gov/irs2Go](http://www.irs.gov/irs2Go)

The advertisement features the IRS logo in the top left corner, an American flag graphic, and a smartphone displaying the IRS logo on its screen. The main text is set against a red background, and the URL is on a green background.


101




**Streamlined News for Tax Professionals & IRS Partners**

The screenshot shows the IRS website's "e-News Subscriptions" page. It includes a navigation menu with options like "File", "Pay", "Refunds", "Credits & Deductions", and "Forms & Instructions". The main content area lists various subscription services such as "News Releases, Tax Law Updates, & General Tax Information", "IRS Tax Tips", "IRS NewsWire", "Guidewire", "Consejos Tributarios del IRS", "Alerts from Office of Professional Responsibility (OPR)", and "Tax Statistics". A sidebar on the right promotes the "IRS2Go Mobile App" with a "Download now" button. The page also features a search bar and language options (English | Español).

102



## Subscribe to IRS e-News for Tax Pros



The screenshot shows the IRS e-News for Tax Professionals interface. It includes a header with the IRS logo and the text 'e-News for Tax Professionals' and 'May 31, 2019'. Below the header, there are sections for 'Useful Links' (including IRS.gov, Tax Professionals Home, All Forms and Instructions, and Stakeholders Partners' Headlines) and 'Issue Number: 2019-18'. The 'Inside This Issue' section lists five items: 1. IRS Unveils Proposed W-4 Design for 2020, 2. Early Bid Rate for Nationwide Tax Forums Expires June 15, 3. June 8 Webinar: Foreign Earned Income Exclusion, 4. Enrolled Agent User Fee Increases Nov. 1, and 5. Reminder: Recent Changes to Business Deductions and Expenses.


**Simply Click:**

1. News
2. e-News Subscriptions
3. e-News for Tax Pros
4. ...and Subscribe

**IRS.gov – Keyword: e-News**

103

103




## Communications & Liaison STAKEHOLDER LIAISON

Stakeholder Liaison Area	Phone	New Mailbox Email Address
Area 2 (CT, DE, MA, MD, ME, NH, NJ, PA, RI, VT, WV)	(412) 404-9151	<a href="mailto:CL.SL.Area.2@irs.gov" style="color: white;">CL.SL.Area.2@irs.gov</a>
Area 3 (AR, AL, DC, IN, KY, LA, MI, MS, OH, OK, TN, VA)	(405) 982-6807	<a href="mailto:CL.SL.Area.3@irs.gov" style="color: white;">CL.SL.Area.3@irs.gov</a>
Area 4 (FL, GA, NC, NY, SC, TX)	(216) 415-3518 or (401) 528-1819	<a href="mailto:CL.SL.Area.4@irs.gov" style="color: white;">CL.SL.Area.4@irs.gov</a>
Area 5 (AZ, CA, HI, NM, NV)	(203) 492-8630	<a href="mailto:CL.SL.Area.5@irs.gov" style="color: white;">CL.SL.Area.5@irs.gov</a>
Area 6 (AK, CO, IA, ID, IL, KS, MN, MO, MT, NE, ND, OR, SD, UT, WA, WI, WY)	(206) 946-3703	<a href="mailto:CL.SL.Area.6@irs.gov" style="color: white;">CL.SL.Area.6@irs.gov</a>

104

104



Communications & Liaison  
STAKEHOLDER LIAISON

**Veronica Tubman**  
**Senior Stakeholder Liaison**  
**484-853-5065**  
**[veronica.tubman@irs.gov](mailto:veronica.tubman@irs.gov)**

105

105



Communications & Liaison  
STAKEHOLDER LIAISON

**Yvette Brooks-Williams**  
**Senior Stakeholder Liaison**  
**267-941-6250**  
**[yvette.brooks-williams@irs.gov](mailto:yvette.brooks-williams@irs.gov)**

106

106



Communications & Liaison  
STAKEHOLDER LIAISON

**Stephen Connor**  
**Senior Stakeholder Liaison**  
**267-941-6265**  
**[stephen.connor@irs.gov](mailto:stephen.connor@irs.gov)**

107

107



Communications & Liaison  
STAKEHOLDER LIAISON

**Richard Furlong, Jr.**  
**Senior Stakeholder Liaison**  
**267-941-6343**  
**[richard.g.furlong@irs.gov](mailto:richard.g.furlong@irs.gov)**

108

108



# Taxpayer Advocate Service

Your Voice at the IRS



Information is current  
as of Oct. 1, 2020

<https://TaxpayerAdvocate.irs.gov/>

1

# TAS Leadership



Erin M. Collins  
National Taxpayer Advocate  
(as of March 2020)



2

## Who We Are

- An independent organization **within** the IRS
- Provide **free** service to eligible taxpayers



3

## TAS Functions

- Assist taxpayers to resolve problems with IRS
- Identify areas where taxpayers have problems dealing with IRS
- To the extent possible, propose changes in the administrative practices of the IRS to mitigate problems
- Identify potential legislative changes to mitigate such problems



4

## What We Do

- Protects taxpayers' rights by striving to ensure taxpayers are treated fairly and understand their rights under the Taxpayer Bill of Rights
- Help taxpayers where a system failed to operate as intended or efforts failed to resolve the problem within the IRS

*If you qualify for help, your advocate is with you at every turn and does everything possible to assist you.*

**TAS is your voice at the IRS!**



5

## Bringing Systemic Issues to TAS

### Systemic Advocacy Management System (SAMS)

- Web-based system to receive advocacy issues, ideas, and suggestions
- For taxpayers and practitioners, as well as academic, research, and professional organizations.

<https://www.irs.gov/sams>



6

## How to Contact TAS

Your local taxpayer advocate's number is in your local directory and at: [taxpayeradvocate.irs.gov/contact-us](https://taxpayeradvocate.irs.gov/contact-us)



- Fax or phone the Local Taxpayer Advocates listed in Publication 1546, *Your Voice at the IRS*
- Call the NTA Case Intake Line: [1-877-777-4778](tel:1-877-777-4778)
- Download Form 911, *Request for Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order)*, from IRS.gov



7

## Working with TAS – What to Expect

- TAS will advocate with you on your client's behalf = ***Your Voice at the IRS.***
- Case assigned to *one* Advocate for the duration of the case.
- Contact within *seven days* (or less) from the date you contacted us or the date your inquiry was referred to us.
- Receive estimated expected completion date and next contact dates.
- You will also be provided with a clear, complete, and correct explanation of what was done to resolve the problem when we are done.



8

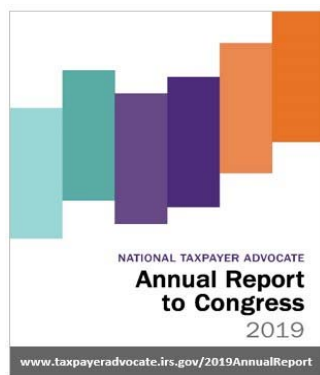
## Working with TAS – What to Expect

- Documentation
  - Power of Attorney form, if it is not already processed by the IRS and showing as filed.
  - Copies of any IRS notices or letters your client has received.
  - Completed and signed forms
    - Be sure to obtain the taxpayer’s signature if a tax return or other form is needed to resolve the issue.
- Identification verification is required
- No response may result in case closure



9

## TAS Reports To Congress



<https://taxpayeradvocate.irs.gov/reports>



10

## Taxpayer First Act - IRS Customer Service Strategy Needs to Put Taxpayers First

- Improving customer service begins with a cultural shift within the IRS.
- Customer service decisions need to be informed by using multi-disciplined, comprehensive research into customer needs and preferences.
- Taxpayers need assistance navigating the complex tax system, including the agency itself .
- Any strategy also needs to address the needs of practitioners who interact with the IRS on behalf of taxpayers



11

## IRS Taxpayer First Act Information

- Want to know more about what the IRS is doing to implement the Taxpayer First Act?
  - Visit <https://www.irs.gov/taxpayer-first-act>
- Want to share your feedback?
  - Send it to [TFAO@irs.gov](mailto:TFAO@irs.gov).



12

## Protecting the Rights of Taxpayers Impacted by the COVID-19 National Emergency and Restoring Much-Needed Taxpayer Services

TAS is working with the IRS to:

- Work to reduce taxpayer burden
- Work to alleviate taxpayer confusion
- Encourage the IRS to possibly extend use of electronic communications beyond 2020
- Encourage the IRS to extend streamlined installment agreements up to 84 months



13

## Improving Taxpayers' Experience Throughout the Year

TAS is working with the IRS in the following areas:

- IRS Servicewide Multilingual Improvement Strategy
- IRS Notice Improvement Strategy
- Improper Collection Statute Extensions
- Expanding IRS Service and Outreach to Taxpayers
- Innovation Lab – **New** COVID-19 Business Tax Relief Tool

<https://taxpayeradvocate.irs.gov/BizTaxReliefTool>



14

## Improving Taxpayers' Experience Throughout the Year (Cont.)

TAS is working with the IRS in the following areas:

- Pre-Refund Wage Verification Cases
- IRS Expansion of Electronic Filing
- Voluntary Disclosure Practice
- The Gig Economy and Its Changing Employee/Contractor Relationships



15

## Reducing Burden Resulting From the Implementation of the CARES Act

- Advocate that the IRS not pursue enforcement actions against a decedent's estate or family member who received an EIP and did not return it.
- Conduct comprehensive outreach regarding specific scams related to EIPs.
- Advocate for prioritized processing of Forms 14039, *Identity Theft Affidavit*, with notation "Stolen EIP"
- Advocate for taxpayers to be able to update their addresses using an EIP phone line.



16



## Reducing Burden Resulting From the Implementation of the CARES Act (Cont.)

- Advocate for clear guidance as when and how employers should claim the Employee Retention Credit.
- Identify potential systemic delays in processing refund claims and work with the IRS on solutions.
- Advocate for guidance to clarify the NOL carryback rules.



17

## TAS Operational Information and COVID-19 Tax Updates

The best way to stay updated on TAS operational information is to check this webpage:

➤ <https://taxpayeradvocate.irs.gov/get-help/taxupdates>

This page also has Coronavirus (COVID-19) tax law updates and some special tools too.

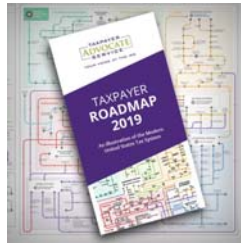
- ✓ How Do I Get An Economic Impact Payment? tool: [taxpayeradvocate.irs.gov/EIPTool](https://taxpayeradvocate.irs.gov/EIPTool)
- ✓ COVID-19 Business Tax Relief tool: <https://taxpayeradvocate.irs.gov/BizTaxReliefTool>



18

## Upcoming TAS Changes To Watch For:

- Redesigned Taxpayer Advocate Service Website
- Digital (interactive) version of the Taxpayer Roadmap
  - Current Taxpayer Roadmap is available at:  
<https://taxpayeradvocate.irs.gov/roadmap>



19

## Other TAS Programs

### Low Income Taxpayer Clinics (LITCs)

- Represent low income taxpayers who have a controversy with the IRS
- Provide education and outreach to taxpayers who speak English as a second language about their rights and responsibilities as taxpayers
- Provide services for free or no more than a nominal fee

Find the LITC nearest you at:

<https://taxpayeradvocate.irs.gov/litcmap>



20

## Other TAS Programs, Continued

### Taxpayer Advocacy Panel (TAP)

- Independent panel of citizen volunteers
- Suggests ways to improve the IRS
- Contact TAP at 1-888-912-1227 or <https://improveirs.org>



21

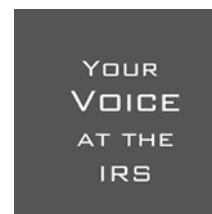
## Want to Know More?

Visit TAS's website at: <https://taxpayeradvocate.irs.gov>

Check out our Tax Professional page too:  
<https://taxpayeradvocate.irs.gov/tax-professionals>

NTA Blog:  
<https://TaxpayerAdvocate.irs.gov/about/nta-blog>

- Follow TAS on Social Media:
- Facebook: <http://www.facebook.com/YourVoiceatIRS>
  - Twitter: <http://www.twitter.com/YourVoiceatIRS>
  - YouTube: <http://www.youtube.com/TASNTA>
  - LinkedIn: <https://www.linkedin.com/company/taxpayer-advocate-service>
  - Medium: <https://www.medium.com/@YourVoiceAtIRS>



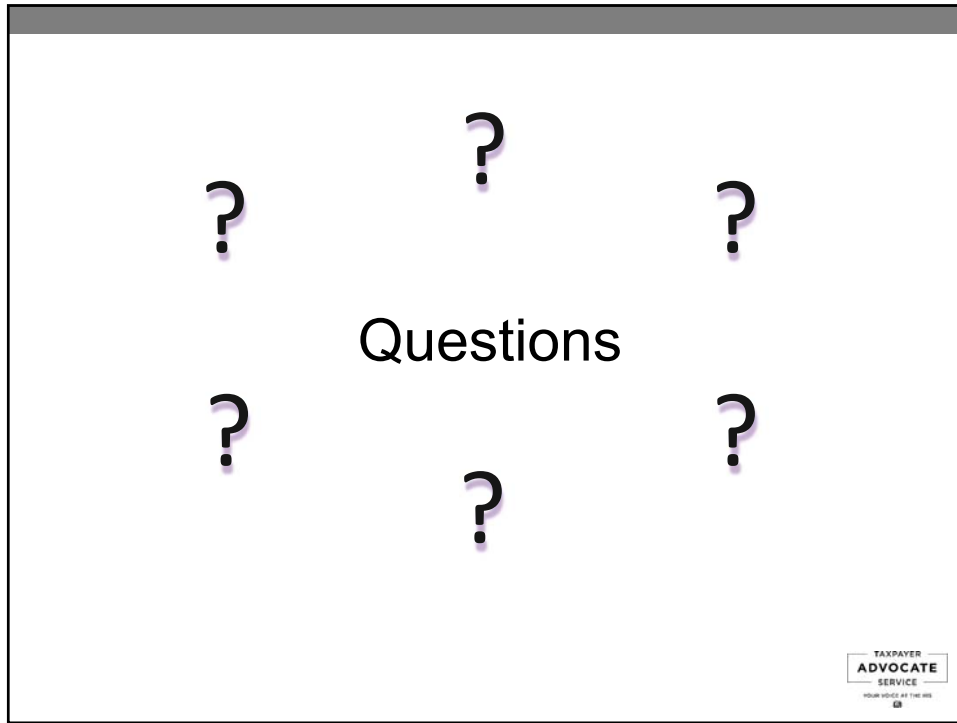
GET CONNECTED



Follow us on our official social media accounts



22



23