

# Tax Update

## Individual and Corporate

John Repsis

Professor-in-Practice

University of Texas at Arlington

# Tax Update

## Course Objectives

- ▶ After attending this session, a participant will be able to:
  - ▶ Analyze and compare Tax Reform Proposals
  - ▶ Predict the possibility of Tax Reform
  - ▶ Debate the advisability of limiting the promulgation of regulations
  - ▶ Appraise the need to act on the new Partnership Audit Procedures
  - ▶ Explain the IRS's decision not to charge for PTINs
  - ▶ Review the new tax return filing dates
  - ▶ Summarize recent changes at the IRS
  - ▶ Discuss recent tax cases and their effect on the tax law

# Tax Update

- ▶ Federal Tax Reform
  - ▶ 2017?
  - ▶ 2018?
  - ▶ Sometime after?
  - ▶ Never?

# Tax Update

- ▶ Many Different Tax Reform Proposals:
  - ▶ Campaign promises
  - ▶ Administration Core Principles (April 26, 2017)
  - ▶ House Blueprint
  - ▶ Camp Proposals

# Administration Core Principles

## ▶ Business Reform

- ▶ Maximum Rate on Corporations and Passthroughs at 15%
- ▶ Move to a Territorial Tax System
- ▶ One-Time Tax on Off-Shore Profits
- ▶ Eliminate Tax Breaks for “Special Interests”

# Administration Core Principles

## ▶ Individual Reform

- ▶ Reduce individual Tax Brackets: 10% 25% 35%
- ▶ Double the Standard Deduction
- ▶ Repeal 3.8% Net Investment Income Tax
- ▶ Maximum Capital Gain Rate: 20%
- ▶ Repeal Individual AMT
- ▶ Repeal Estate Tax
- ▶ Eliminate all Itemized Deductions
  - ▶ Exception: Mortgage Interest
  - ▶ Exception: Charitable Contribution Deductions
- ▶ Provide Child and Dependent Care Expenses

# House Blueprint

- ▶ C Corporation - Flat 20% rate
- ▶ Immediately Expense Tangible and Intangible Property (except Land)
- ▶ Deduct Net Business Interest Expense (unlimited carryforward)
- ▶ NOL Carryforwards only (adjusted for inflation, but limited)
- ▶ Eliminate Special-Interest-Deductions and Credits (Section 199)
- ▶ Destination-Based Tax System
  - ▶ Territorial Tax System (eliminate Tax Worldwide System)
  - ▶ Border Adjustment Tax
- ▶ Repeal Corporate AMT

# House Blueprint

- ▶ Reduce Individual Tax Rates: 12% 25% 33%
  - ▶ Cap Active Business Income: 25%
  - ▶ Exception for Reasonable Compensation
- ▶ Deduct Half of Net Capital Gains, Dividends and Interest Income
- ▶ Repeal 3.8% Net Investment Income Tax
- ▶ Modify Unspecified Exemptions, Deductions, and Credits for Individuals
- ▶ Eliminate All Itemized Deductions
  - ▶ Exception: Mortgage Interest Deduction
  - ▶ Exception: Charitable Contribution Deduction
- ▶ Repeal Estate and Generation-Skipping Transfer Taxes
- ▶ Repeal Individual AMT
- ▶ Change Structure of IRS



# Tax Update

## ▶ Tax Reform?

# Tax Reform Website

- ▶ House Ways & Means Committee:
  - ▶ <https://waysandmeans.house.gov/>
- ▶ Senate Finance Committee:
  - ▶ <https://www.finance.senate.gov/>
- ▶ KPMG Tax Reform Website:
  - ▶ <https://home.kpmg.com/us/en/home/insights/2016/12/tnf-tax-reform-expectations-for-2017.html>
- ▶ Deloitte Tax Reform Website:
  - ▶ <https://www2.deloitte.com/us/en/pages/tax/topics/tax-reform.html>
- ▶ Pricewaterhouse Coopers Tax Reform Website:
  - ▶ <https://www.pwc.com/us/en/consumermarkets/tax-reform.html>
- ▶ Ernst & Young Tax Reform Website:
  - ▶ <http://www.ey.com/us/en/services/tax/tax-policy/ey-us-tax-reform>

# Tax Update

- ▶ Where have all the Regulations Gone?
  - ▶ Regulatory Freeze: White House Memorandum for the Heads of Executive Departments and Agencies (Jan. 20, 2017).
  - ▶ Executive order: Reducing Regulation and Controlling Regulatory Costs (Jan. 30, 2017).
  - ▶ Executive order requires agencies to form “Regulatory Reform Task Force” (Feb. 24, 2017)
  - ▶ Notice 2017-38 identifies the regulations that are under review for burden reduction as specified by Executive Order (July 7, 2017)

# Tax Update

## ▶ New Partnership Audit Rules

- ▶ Become effective January 1, 2018

- ▶ Bipartisan Budget Act of 2015

- ▶ Protecting Americans from Tax Hikes (PATH) Act of 2015

# BBA Partnership Audit Rules

- ▶ Are you ready?
- ▶ Time to review partnership agreements!

# BBA Partnership Audit Rules

- ▶ Issues to consider:
  - ▶ Selection of Partnership Representative
  - ▶ Who will pay the tax?
    - ▶ Partnership or Partners?
  - ▶ Opt-Out Election?
  - ▶ Push-Out Election?

# Tax Update

## ▶ Why no PTIN fees?

- ▶ Steele v. U.S., 119 AFTR2d 2017-2065 (DC Dist. Col. 6-1-2017)

# Tax Update

- ▶ New Tax Return Filing Dates
  - ▶ Partnership and S Corporations - March 15<sup>th</sup>
  - ▶ Individuals and Corporations - April 15<sup>th</sup>
    - ▶ Six Months extension for Corporations



# Tax Update

## ▶ IRS Going-Ons

- ▶ Private Debt Collection Agencies
- ▶ LB&I Audit Campaigns
- ▶ Fast-Track Settlement for SBSE
- ▶ FAQs Status
- ▶ Is it *Really* the IRS?
- ▶ Audit Chances?

# Tax Update

## ▶ Taxpayer Wins and Losses

- ▶ Amazon scores big victory over IRS in cost-sharing dispute
  - ▶ *Amazon.com, Inc & Subsidiaries*, 148 TC No. 8 (2017)
- ▶ Apple ordered to pay EU up to 13 Billion Euros (\$14.8 Billion) in Irish taxes
- ▶ GOOGLE Expects to Settle Tax Dispute with Italy
- ▶ Pro hockey team's away game team meals were a de minimis fringe
  - ▶ *Jacobs v. Commissioner*, 148 TC No. 24 (2017)
- ▶ The Sixth Circuit Court of Appeals Limits IRS' Use of Substance over Form Doctrine
  - ▶ *Summa Holdings, Inc. v. Commissioner*, 119 AFTR2d 2017-787 (6<sup>th</sup> Cir. 2017)
- ▶ Can you deduct your MBA costs?
  - ▶ *Creigh v. Commissioner*, T.C. Summary Opinion 2017-26 (NO)
  - ▶ *Long v. Commissioner*, T.C. Summary Opinion 2016 - 88 (YES)

# Tax Update

- ▶ "Like mothers, taxes are often misunderstood, but seldom forgotten."  
— Lord Bramwell, 19th Century English jurist

"The best measure of a man's honesty isn't his income tax return. It's the zero adjust on his bathroom scale." — Arthur C. Clarke, author

"Next to being shot at and missed, nothing is really quite as satisfying as an income tax refund." — F. J. Raymond, humorist

A tax loophole is "something that benefits the other guy. If it benefits you, it is tax reform."  
— Russell B. Long, U.S. Senator